OUR DRIVE TO STAY AHEAD.

ANNUAL REPORT 2012

PROFILE

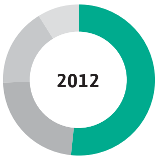
From local specialist to

AT A GLANCE

Wilo Group key indicators

		2012	**2011**	**2010**	**2009**	**2008**
Sales	EUR million	1,187.1	1,070.5	1,021.4	926.1	977.2
Growth in sales	%	10.9	4.8	10.3	– 5.2	5.4
EBIT	EUR million	119.7	97.6	111.4	90.9	88.6
(as a % of sales)	%	10.1	9.1	10.9	9.8	9.1
Consolidated net income	EUR million	78.2	53.4	71.1	68.6	45.2
(as a % of sales)	%	6.6	5.0	7.0	7.4	4.6
Earnings per ordinary share	EUR	7.63	5.19	7.31	7.04	4.57
Net cash flow from operating activities	EUR million	120.8	54.4	95.1	142.3	118.5
Cash and cash equivalents	EUR million	176.5	166.0	152.8	140.4	45.5
Capital expenditure	EUR million	90.0	61.5	52.4	39.7	52.3
(as a % of cash flow)	%	74.5	113.1	55.1	27.9	44.1
R&D costs	EUR million	39.2	36.8	33.8	35.3	34.5
(as a % of sales)	%	3.3	3.4	3.3	3.8	3.5
Equity	EUR million	469.8	410.0	404.7	351.8	282.5
Equity ratio	%	48.2	46.2	48.2	47.7	42.3
Employees (annual average)	Number	6,900	6,708	6,268	6,027	6,024

Regional sales trends 2011–2012



	2012 EUR million	%	**2011** EUR million	%
Europe	615.9	51.9	578.0	54.0
Asia Pacific	271.2	22.8	226.2	21.1
EMEA	195.5	16.5	168.7	15.8
Others	104.5	8.8	97.6	9.1
Total	**1,187.1**	**100.0**	**1,070.5**	**100.0**

MARKET SEGMENTS

Building Services

Innovative systems based on carefully fine-tuned components are increasingly in demand to ensure the most economic use is made of all kinds of buildings – from detached and semi-detached dwellings to public buildings, industrial complexes, office buildings, hospitals and hotels. Wilo offers energy-efficient solutions for heating technology, air conditioning, water supply and waste disposal systems.

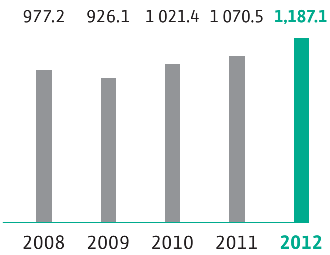
Water Management

Water is essential to all forms of life – yet this valuable natural resource is becoming harder and harder to come by. Reliable water purification and public water supply have become more of a global challenge than ever before. Wilo offers professional solutions to meet the complex demands of drinking water provision, water purification, water pumping and wastewater disposal. Wilo pumps and water management systems set new benchmarks for technical performance, efficiency and sustainability.

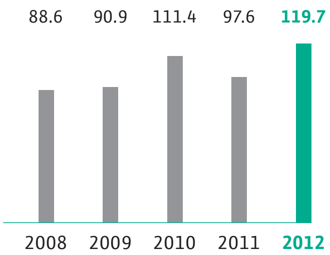
Industry

Wilo manufactures pumps that deliver the highest degree of reliability, flexibility and efficiency. Our particular strength lies in producing peripherals for industrial processing applications. Our recognised expertise stems from our extensive product portfolio, knowledge pool and effective quality management.

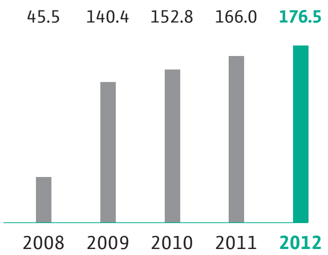
Sales in EUR million



EBIT in EUR million



Cash in EUR million



GLOBAL PLAYER

The corporate history and tradition of the Wilo company goes back as far as 1872. Since then, the “Kupfer- und Messingwarenfabrik” (copper and brass goods factory) once established by Caspar Ludwig Opländer in Dortmund has gone from strength to strength. Today the Wilo Group is one of the world’s leading manufacturers of pumps and pump systems for heating, ventilation and air conditioning as well as water supply, sewage disposal and wastewater treatment. Moving with the times has always been the Wilo way. With a firm focus on the future, the company is heavily involved in research and development and increasingly markets itself as a system supplier rather than a manufacturer of individual products.

In the international pumps market, Wilo is synonymous with hi-tech solutions. The company has over 7,000 employees in more than 60 subsidiaries all over the world. Together they turn visionary ideas into intelligent solutions that set benchmarks in the industry, without losing sight of the essential human factor. With true passion and anticipation of market needs, Wilo develops innovative, high-quality products designed to make life simpler and more efficient. We call it **Pioneering for You.**

The Executive Board of WILO SE, from left to right: Oliver Hermes (Chairman), Eric Lachambre, Markus Beukenberg

Editorial by the Executive Board

BETTER

EVER

“Our drive to stay ahead.”

Wilo continues to break records. For the third time in succession, the Wilo Group significantly increased its sales revenues. EBIT and consolidated net income also reached historic highs in fiscal year 2012, despite the persistently difficult economic conditions. The European sovereign debt crisis and repeated volatility of the financial and capital markets had a sustained negative impact on the global economic climate in the year under review.

In the absence of any economic impetus from public and private demand, industrialised countries recorded extremely modest growth. The global economic downturn also took hold in the burgeoning economies of Asia, leading to a surprisingly significant slowdown in economic growth.

This makes our record sales figures of EUR 1.2 billion, EBIT of EUR 119.7 million and consolidated net income of EUR 78.2 million all the more remarkable. It is also an achievement to which over 7,000 employees worldwide contributed.

As a company with a long-standing tradition, we also think well ahead. We undertake in-depth analysis to identify the global megatrends relevant to Wilo. The term megatrend is used to describe changes that will have a significant, long-term impact on society, the economy, the environment and technology worldwide. They help determine the opportunities and risks of our future business thrust, which is why we have to address them now, and then evaluate our findings and hone our strategies accordingly.

Six trends are particularly relevant to Wilo: globalisation, urbanisation, energy shortage, water scarcity, climate change and technological progress.

Long-term population explosion and rapid economic growth require us to rethink our attitude to the environment. It also means we have to optimise our energy supply systems and focus more on energy efficiency than ever before. A high-tech company like Wilo has a substantial contribution to make here, in using its expertise to help others optimise resources. That is what drives us to stay ahead.

The people who apply their skills, inspiration, creativity and passion to their work at Wilo every day are the basis of our economic success and our reputation as an innovation leader. People are at the heart of everything we do – and this includes everyone from customers and employees to suppliers and partners. We consistently meet the expectations placed on us and pride ourselves on finding solutions to the challenges of the present and the future. In that sense, we help make life easier for people.

We are setting a clear signal with our revised branding, which is reflected in our dynamic new logo. Every Wilo employee worldwide is highly motivated to work hard in order to meet the high expectations we have of ourselves: to find the right answers to the questions of tomorrow, to extend our leading edge in innovation and technology and to continue on our profitable growth course.

Oliver Hermes – Chairman –	Eric Lachambre	Markus Beukenberg

Wilo Executive Board

OUR DRIVE TO STAY AHEAD.

MEGATRENDS

GLOBALISATION / URBANISATION /
WATER SCARCITY / ENERGY SHORTAGE / CLIMATE CHANGE /
TECHNOLOGICAL PROGRESS

Globalisation, climate change and dwindling natural resources mean our planet is changing at a relentless pace, on many levels and with enormous repercussions. Megatrends around the globe graphically illustrate the nature and future impact of these overwhelming changes – socially, economically and politically. This is a fascinating field, not only for researchers busy analysing all the future scenarios, but also for companies with global reach like Wilo.

Megatrends help us to understand the markets of tomorrow and gear up today to meet those needs. We have a firm eye on the future and look well beyond our day-to-day business to anticipate the demands of the next few decades.

A world of challenges – a specialist with appropriate solutions

What conclusions can we draw from these megatrends? The answer to this question is crucial to our success. Wilo is an increasingly dynamic company that continues to grow in size and international reach. Analysis of megatrends is vital if we want to further extend our profitable growth as an independent world-leading company. By weighing up the opportunities and risks and feeding the results into our strategy and innovation process, we can derive added value for Wilo. This is our key impetus for intensive research and development that leads us to create demand-driven solutions. We apply great foresight to the task of developing products to make life easier for people. Come and explore these megatrends with us and discover the answers Wilo has to the challenges of today and tomorrow.

The term megatrend describes far-reaching, long-lasting trends that have a significant impact on society, the economy, the environment and technology. As long-term change processes, they influence and shape our values and our thinking – and thus our entire world view.

RESPONSIBILITY FOR HUMANKIND AND THE ENVIRONMENT: our passion for technology drives us to create products with outstanding efficiency, performance and ease of use – for the best possible quality of life.

▶ Wilo now has global reach, with 15 production sites and over 60 sales companies all over the world.

Megatrend:
GLOBALISATION

A new economic order

Market convergence

This trend has been apparent for some time now. Following a shift in the economic balance of power, once regionally defined markets are gradually converging into a "global village". Ultimately, a fundamental, ongoing change will result in the development of a complex and globally networked business world. Forecasts indicate that in the next decade the emerging economies will surpass the economic output of the world's industrial nations. The so-called "BRICS" nations – Brazil, Russia, India, China and South Africa – will flourish, with a massive increase in the purchasing power of an ever-expanding middle class, accompanied by increased competition for resources and commodities. In addition, factors like high government debt, fluctuating commodity prices and volatile capital markets will only make national economies more vulnerable. The problems of individual economies can quickly spread to entire regions and even have worldwide repercussions for the whole global village. What all this means is trade will take place in a much more unstable and unpredictable world in the future.

Strategic investments enable us to expand our market presence and business activities – worldwide

Key challenges

- economic volatility and instability
- the shift in the economic balance of power and emergence of new economic powers
- rise of the Asian middle class
- global competition for commodities

The Wilo response

We are extending our well-established international reach even further than before. We now have more than 7,000 dedicated employees working for the Wilo Group in over 50 countries on all five continents. We have taken steps to adjust our corporate structure to address the increasing shift in the economic balance of power from the industrial countries to the emerging economies. The focus is on profitable growth and the expansion of our market presence in Asia, South America and Africa. We are taking a more targeted approach to the growth regions, while simultaneously defending our strong market share in the established markets.

We also have to increase our versatility and our ability to adapt to even minor changes at any given time. Adopting a forward-looking risk management policy, including the use of commodity derivatives, allows us to offset the potential repercussions of any price fluctuations. In addition, we are systematically and continually working to find suitable replacement materials for some of the particularly scarce resources used in our products.

A practical example – our new production plant in China

The state-of-the-art production plant opened in Beijing in October 2012 is a clear signal that we are increasing our commitment to the Asian market. This new plant meets the highest energy efficiency and environmental standards and is further evidence of our impressive role as a pioneer of highly efficient technology in the pump industry. The technologically sophisticated design of this plant includes in-house manufacture of pumps for heating and cooling, the use of solar power, thermal insulation, heat pumps and wastewater treatment as well as intelligent lighting and ventilation systems. This ensures the new plant has the lowest possible energy consumption and significantly reduced CO_2 emissions.

Growth in new markets

Megatrend: URBANISATION

expansive

The lure of the city

The lure of the city

For the first time in history, more people around the globe now live in cities rather than rural areas. This is a trend that is set to continue over the next few decades – particularly in developing and emerging economies, where the urban population is expected to exceed three billion people by 2020, compared to about one billion in the industrial countries. Small to medium-sized cities are expected to experience the most rapid growth but the number and size of megacities will also continue to rise. 22 of the 37 megacities forecast by 2025 will be located in Asia and nine in Latin America and Africa. Urbanisation on such a massive scale will put enormous pressure on infrastructure and resources. Innovative and efficient solutions to address these demands will be required to meet the basic future needs – of both urban and rural communities – for water and energy.

Key challenges

- rapid growth of megacities and urban areas
- a rising population and an aging society
- new housing and lifestyle choices
- increasing infrastructure problems in rural areas

The Wilo response

The world's emerging megacities will account for a large part of energy and water consumption. We are addressing this challenge by producing highly efficient, energy- and water-saving products and systems for buildings and infrastructure. We already have one of the world's most efficient pump portfolios for building services, water supply and wastewater disposal. Since life in the city will also change as a result of urbanisation, we are tapping into a new market for personalised living concepts with some sophisticated air conditioning products. One example of this is our decentralised pump system, Wilo-Geniax, featuring a central control unit that allows automatic setting of the temperature in every room. This represents a new dimension in comfort and energy efficiency. Wilo is also keeping a close eye on demographic change. As a full-service provider, we offer solutions that are easy to install, operate and maintain for the world's expanding and aging population.

The world's emerging megacities will account for a large part of energy and water consumption

mega
cities

A practical example – saving money and protecting the environment

Innovative, high-efficiency Wilo pumps also allow private households to make enormous savings on their heating costs. For instance, the Wilo Stratos PICO designed for detached and semi-detached houses offers power savings of up to 90 per cent compared to older, non-adjustable pumps. Our other pumps in this segment, Wilo Stratos and Wilo Yonos PICO, are equally impressive with their combination of high-performance yet low-power consumption and minimal impact on the environment. These models already meet the requirements of the European Ecodesign Directive (ErP), including the more stringent energy-efficiency thresholds that will come into effect in 2015 – making our high-efficiency pumps a completely future-proof investment.


Water – a valuable resource.

valuable

Megatrend: WATER SCARCITY

From the beginning, we have demonstrated efficient ways of using the world's most indispensable resource in a host of different application areas.

A practical example – a network of water expertise

"Water is our element", is the saying in the Upper Franconia city of Hof. In 2009 the city set up a network of regional companies and institutions with expertise in water. The local Wilo plant was one of the inaugural members of this network, which pools information and fosters cross-sector sharing of ideas. At the same time, the members of the network ensure that appropriate training is provided to the next generation. In early 2012, this network of public and private partners was registered in Germany as an incorporated society, "Kompetenznetzwerk Wasser, Energie und Umwelt Hof e. V", to ensure the future continuity of its activities. With a seat on the Executive Board, Wilo provides key impetus for the projects and work of this network.

A scarce commodity – the world is facing a supply problem

It is already clear that water supply will be one of the greatest challenges of the future. According to UN estimates, only two and a half per cent of the water on our planet can be used as fresh water. Since a large proportion of that is tied up in glaciers, icebergs and snow, less than one per cent is actually available as drinking water for human consumption – 70 per cent of which is required for agricultural irrigation. World population growth will only exacerbate these water supply problems, particularly in regions with low rainfall, while on-going environmental pollution and industrialisation continue to compromise water quality.

The world is faced with the task of having to find a balance between supply and demand and deal responsibly with the available resources. After all, a good water supply is not only essential to survival but also a prerequisite for economic prosperity. The only way to cope with water shortage is to make more restrained and more efficient use of this precious resource. Innovation and investment in efficient technologies for transporting, treating and storing water are therefore essential.

Less than

of the water on this planet is available as drinking water for human consumption

Key challenges

- growing household water consumption
- increasing industrial and agricultural water consumption
- precarious regional freshwater supply situation
- increasing water pollution

The Wilo response

Water is life – and Wilo moves water. For over 140 years, we have shown how the world's most precious resource can be efficiently conveyed in a host of different areas. Day after day we work on developing sustainable solutions for obtaining, storing and providing fresh, clean water for human consumption. We have come up with new concepts for decentralised water treatment and intelligent water networks. Extensive research is also devoted to developing new methods for extracting clean drinking water from an ever-widening range of sources. This includes desalinated sea water as well as waste water and rain water. This means water treatment systems have to become more and more versatile to cope with the changing composition of the water. We have pumps and solutions that are capable of economically and reliably conveying the appropriate medium within each system.

Megatrend: ENERGY SHORTAGE

*Economic growth needs **energy.**
Resources like oil are finite, yet the amount we currently use every year was one million year in the making.


fin
ite*

ME*GA

*Growth drives energy demands – another challenge

Growing world trade and the rapid economic development of emerging countries has led to a significant rise in energy needs, at a time when the demand from established industrial countries remains high. Global competition for commodities is therefore at odds with the finite supply of fossil-fuel resources such as oil, coal and gas. This shortfall can only be resolved by a concerted focus on energy-efficient technologies. Another certainty is that the energy mix is changing, as wind, hydro and solar power shape up to be the way of the future. As well as a smart grid capable of delivering power as and when required, some innovative storage options will be required to allow these intermittent generators of power to contribute to a secure energy supply.

*No insurmountable task for Wilo
when there are high-efficiency pumps like the ground-breaking Wilo Stratos to choose from.

E*FFICIENCY

Key challenges

- growing energy consumption
- dwindling reserves of fossil fuels
- a changing energy mix
- need for decentralised energy transmission and smart grids

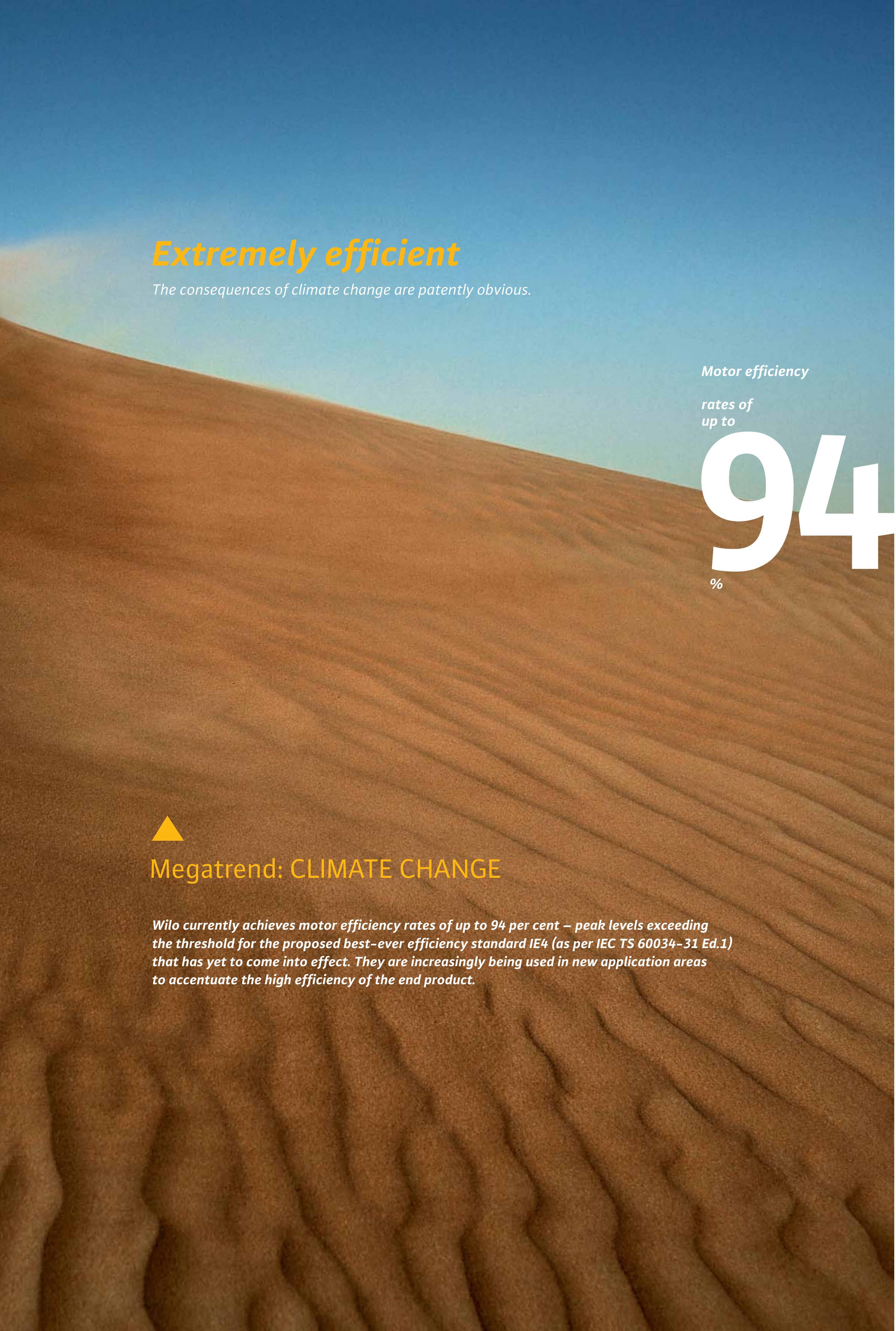
The Wilo response

Our response to the energy world of tomorrow is to develop forward-looking technologies today. Our focus lies on energy-efficient products, customised and sustainable energy-saving concepts, intelligent communication mechanisms and future-proof energy storage solutions. With this in mind, we are embarking on new cooperative ventures and leveraging innovative technologies to extend the performance capability of products used for energy storage, smart grids and renewable energy sources. We can see some promising growth opportunities in renewables in particular and take every opportunity to exploit this trend. Wilo pumps are already used in the cooling systems of wind farms, for instance. We are also developing solutions for biogas plants and decentralised electricity and heating produced by combined heat and power units.

A practical example – huge savings thanks to Wilo Energy Solutions

Wilo Energy Solutions focuses on replacing power-hungry pumps and systems with modern, highly efficient products at an early stage. Between 2011 and June 2012, Imtech Contracting GmbH carried out a project of this kind, which involved installing Wilo pumps in properties used by Deutsche Post that belong to the LORAC property fund. The result was that, by replacing the heating pumps in over 650 buildings, electricity consumption was reduced by a total of 81 per cent. In one of those properties alone, energy costs were substantially reduced and annual emissions cut by 7,700 kilograms of CO_2.

EXTREME



Extremely efficient

The consequences of climate change are patently obvious.

Motor efficiency rates of up to 94 %

Megatrend: CLIMATE CHANGE

Wilo currently achieves motor efficiency rates of up to 94 per cent – peak levels exceeding the threshold for the proposed best-ever efficiency standard IE4 (as per IEC TS 60034-31 Ed.1) that has yet to come into effect. They are increasingly being used in new application areas to accentuate the high efficiency of the end product.

Greenhouse gas emissions continue to soar – with dramatic consequences

Studies published in the run-up to the 2012 UN Climate Summit in Qatar are cause for concern. Rather than coming close to checking global warming, the world is moving further and further away from achieving that goal. Since the year 2000 alone, greenhouse gas emissions have risen by about 20 per cent. Limiting the rise in the earth's temperature to a maximum of two degrees Celsius will not be achievable without drastic action. If the plan fails, researchers predict dire scenarios like the complete meltdown of all the ice in Greenland, and droughts and storms of unprecedented severity. The last decade was already the warmest ever recorded in Europe.

Key challenges

- rising global temperatures and CO_2 emissions
- intensification of extreme weather events
- decline in soil quality and lower growth in the agricultural sector
- increasing urban air and water pollution

Many ground-breaking product developments of the past have made Wilo the innovation leader in the high-tech pump sector and the same pioneering spirit now defines the future.

The Wilo response

To achieve great things, we need great goals. In our growing sphere of action, we strive to make the world a better place. Our highly efficient technologies are part of the solution to curbing climate change in the long term. Consuming less energy and water reduces the impact on the environment and the amount of greenhouse gas emissions, so we concentrate on the areas of building services, water management and industry, as some of the highest consumers of energy and water. Our approach here is to provide energy and water-saving solutions while selectively and proactively replacing older equipment with more efficient products.

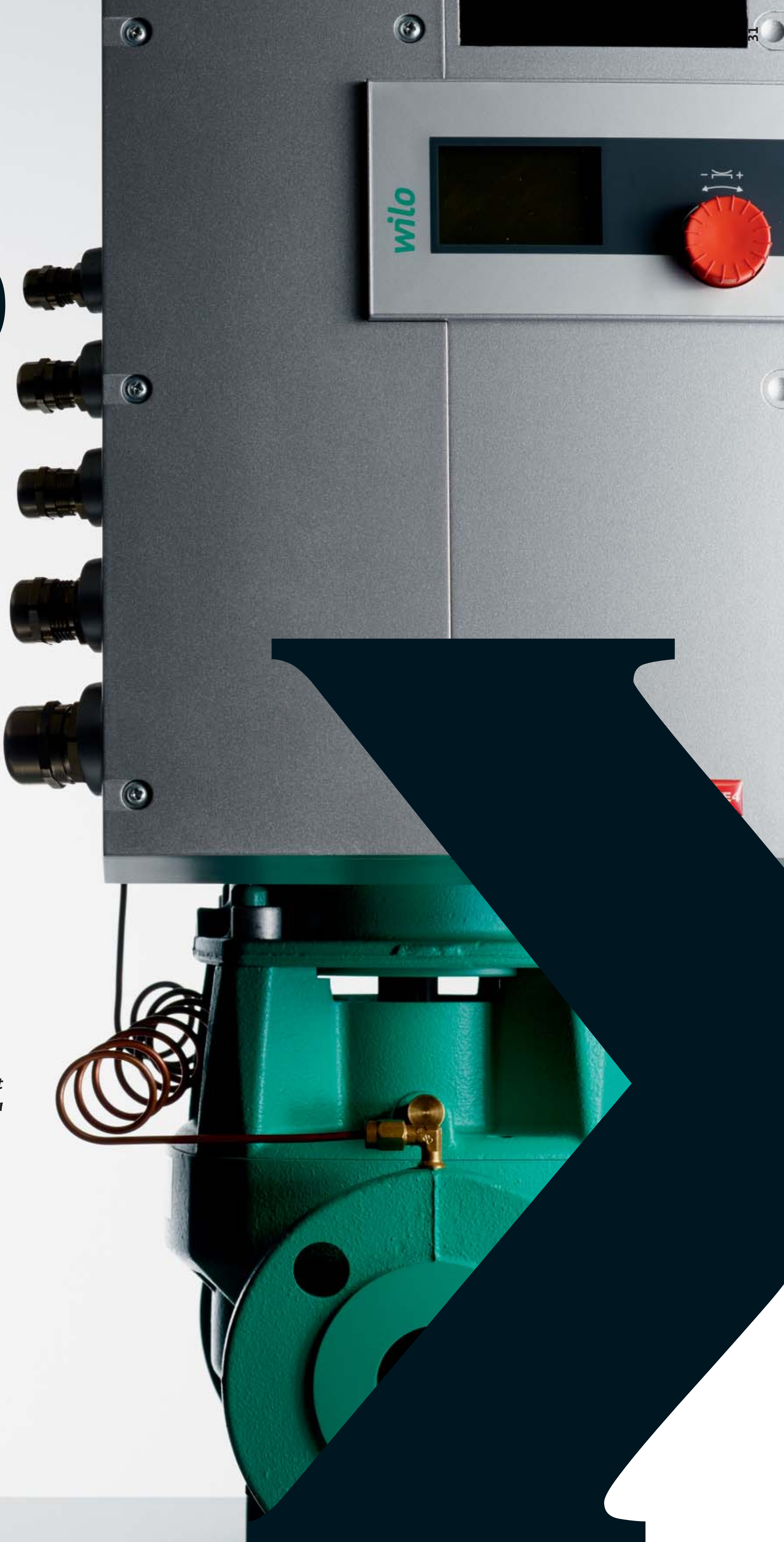
We also want to help protect the world from the consequences of climate change. Increasingly robust buildings and infrastructure – strong enough to withstand floods and cyclones – are now required to make the most vulnerable cities and regions of the world more resilient to extreme weather events. Wilo takes a forward-looking approach by considering the impact of climate change in its product development of, for instance, new pumps specifically designed for flood control. Our intelligent water management systems are also used in the agricultural sector to combat water pollution.

A practical example – Wilo technology in the cutting-edge Innova Tower

The striking Innova Tower, which has served as the main entrance to the World Horticultural Expo Floriade in Venlo since April 2012, has become the symbol of the Limburg Province in the south of the Netherlands. The building will later form part of the sustainable business park to be known as the Venlo Green Park. The 70-metre-high tower was planned and constructed to be as efficient as possible. Thanks to considerable energy savings and innovative, state-of-the-art technology, the operating costs and CO_2 emissions have been kept as low as possible, and even the investment costs were manageable. Wilo made a significant contribution to this ground-breaking building in the form of specialist expertise and high-efficiency products like glanded pumps, circulating pumps and wastewater pumps.

>8

tons fewer annual CO_2 emissions from every pump



The extremely efficient Wilo Stratos Giga

Megatrend: TECHNOLOGICAL PROGRESS

FASTER

S MAR TER*

Faster, smarter, smaller – increasingly intelligent products and systems

Technological progress, in the IT and electronic sector in particular, is a key driver of innovation and economic growth all over the world. More and more systems and technologies are now digitally controlled – in almost all walks of life – and there is no end in sight to this trend in the foreseeable future. Sophisticated IT programs and better sensor technology mean mobile devices and everyday gadgets are increasingly networked and incorporated into smart systems – with completely new functions and potential applications. Flexible, intelligent infrastructures play a particularly important role in energy management. Research fields like biotechnology and nanotechnology are expected to deliver more ground-breaking innovations that will open up further new business areas and growth opportunities.

The Wilo response

Turning revolutionary ideas into market-ready products is another Wilo tradition. Ever since the company was founded, research and development has been a top priority. We constant apply our pioneering spirit to come up with all kinds of innovations. We also keep working to extend the functionality and application spectrum of our products while leveraging advances in material and surface technologies to further improve the efficiency, service life and sustainability of our products. Intelligent systems are one of the keys to greater energy efficiency. Many of our products are already capable of communicating with other systems and devices in the surrounding area – and thus keeping energy consumption to a minimum. We develop and program the highly specialised electronics and software used to achieve such savings ourselves – electronic intelligence made in Germany by Wilo.

Key challenges
- ongoing digitalisation
- advances in analytical and sensor technology
- emergence of smart systems and infrastructure
- advances in nanotechnology and biotechnology

A practical example – Wilo-Geniax maximises the heating system of the Aachen Centre for Biomedical Engineering

Aachen is known for biomedical engineering research, development and marketing in Germany. The Centre for Biomedical Engineering was established at the Aachen Technical University campus in May 2011. One of the specifications for the new building was the ability to make flexible use of all rooms. Thanks to the Wilo-Geniax pump system, the heating system is able to deliver the desired flexibility. The floor area of the building of around 4,100 m^2 is spread over three levels and a basement area, yet the sophisticated equipment installed means the centre boasts remarkably low primary energy consumption. The building's overall energy efficiency is also enhanced by efficient heat distribution, thanks to 222 pumps powered by Geniax technology.

SMALLER

* Wilo-Geniax: the compact REVOLUTION

BOARDS

Executive Board

Oliver Hermes (42), economist, CEO,
has been a member of the Executive Board of WILO SE since October 2006 and is the CEO of the company. He is responsible for corporate strategy and development, mergers & acquisitions, corporate communications, marketing, finance & legal, human resources and internal audit & compliance. Prior to joining Wilo, Oliver Hermes was a partner at auditing and advisory firm KPMG.

Eric Lachambre MBA (46), engineer,
has been a member of the Executive Board of WILO SE since 1 February 2011. He is responsible for business development in the established markets of Europe and America. The French-born Chief Operating Officer also has global responsibility for the building services segment and related product areas. His areas of responsibility also include service and customer excellence. Eric Lachambre joined Wilo in 2009. Prior to that time, he worked for Schneider Electric and Hilti.

Markus Beukenberg (56), engineer,
has been a member of the Executive Board since May 2012 and a member of the Executive Board of WILO SE since 1 April 2013. In this role he is responsible for research and development, quality management and electronics & motor production. Markus Beukenberg began his career with KSB AG and later moved to MAN Diesel & Turbo in Oberhausen, where he was heavily involved in the development of industrial gas turbines for nearly 14 years.

Supervisory Board

Dr Heinz-Gerd Stein
Chairman
Wollerau, Switzerland

Prof Dr Hans-Jörg Bullinger
Stuttgart, Germany

Jean-François Germerie
Laval, France

Felix Opländer
Verden/Aller, Germany

Heinz-Peter Schmitz
Dortmund, Germany

Prof Dr Nobert Wieselhuber
Planegg, Germany

Dr-Ing E. h. Jochen Opländer
Honorary Chairman of the Supervisory Board

GROUP MANAGEMENT REPORT

HIGHLIGHTS OF THE 2012 FINANCIAL YEAR

Despite the deterioration in the overall economic environment, the Wilo Group continued its successful run of recent years and set new records.

The 2012 financial year was the most successful in the Wilo Group's 140-year history.

This is reflected mainly by profitable growth, a significantly increased headcount, forward-looking investment and the launch of new products and technical innovations.

The Wilo Group set a **sales record** for the third consecutive year. Sales were up **10.9 %** to **EUR 1,187.1 million.**

EBIT and consolidated net income improved to **EUR 119.7 million** and **EUR 78.2 million,** which were also **new all-time highs.**

The Wilo Group employed more people than ever before. The average number of employees in 2012 was 6,900, and **the headcount** at the end of the year was **over 7,000.**

Capital expenditure of the Wilo Group also reached a **new record level** at a volume of **EUR 90.0 million.**

Wilo opened a new production plant that meets the **highest energy efficiency and environmental standards** in Beijing, China, in October 2012.

WILO SE purchased several plots of land in its **home city of Dortmund** and plans a sustainable expansion of this site over the next few years.

All products in the Wilo Yonos product line **already meet the future energy efficiency requirements** effective from 1 January 2015, as set out in the European Union’s Ecodesign Directive.

GENERAL AND BUSINESS CONDITIONS

Customers and products

Wilo is one of the world's leading manufacturers and providers of pumps and pump systems for heating, ventilation and air conditioning, water supply, sewage disposal and wastewater treatment. Products range from the Wilo Geniax, the decentralised pump system for use in detached houses and commercial buildings, through the high-efficiency pumps of the Wilo Stratos and Wilo Yonos series to large cooling water pumps for power plants.

Our customers and their specific needs and requirements in terms of products, applications and services are at the heart of our corporate strategy, and are the main focal point of the almost 7,000 employees who represented the Wilo Group worldwide in the 2012 financial year. The Wilo Group produces pumps and pump systems worldwide and on a decentralised basis at 15 locations in Europe, Asia and America. An efficient, customer-oriented network of more than 60 production and sales companies in around 50 countries as well as numerous branches and independent sales and service partners ensures that customers' needs and requirements are met at all times to the highest quality standards.

Market segments

The Wilo Group consistently supports the Building Services, Water Management and Industry market segments with its tailored portfolio of products, system solutions and services. With its focus on these three market segments and its customer proximity, the Wilo Group can adapt optimally and early to the varied and changing requirements worldwide.

Building Services

In order to maximise the efficiency of buildings, it is becoming increasingly important to use innovative systems incorporating components that are optimally matched to one another. In detached and semi-detached houses, public buildings, industrial buildings, office buildings, hospitals and hotels, Wilo offers energy-efficient solutions for heating technology, air conditioning, water supply and wastewater disposal in the Building Services segment.

Water Management

All life is completely dependent on water – however, this valuable resource is becoming increasingly scarce. The ability to ensure the purification and supply of water is rapidly developing into a global challenge. Wilo offers professional solutions designed to meet the complex requirements involved in the production of drinking water, water purification, water pumping and wastewater disposal. Wilo water management pumps and pump systems set benchmarks worldwide in the areas of technical performance, efficiency and sustainability.

Industry

Wilo manufactures pumps that guarantee the highest level of reliability, flexibility and efficiency. The Wilo Group's main strength in the Industry market segment is applications for peripheral equipment for industrial processes in the iron and steel industry, mining and power generation. The Wilo Group's acknowledged expertise is based on a sophisticated, high-performance product range, pooled knowledge and an effective quality management system.

Corporate strategy

By identifying and analysing six relevant megatrends, Wilo integrated a new and important element in the strategic process in the year under review. From a long-term perspective, future challenges in the areas of “globalisation”, “urbanisation”, “energy shortage”, “water shortage”, “climate change” and “technological progress” are described and the risks and opportunities for the existing business model are derived from them. These global megatrends represent a supplementary form of guidance for the management and have been used for future-oriented enhancement and optimisation of the corporate strategy.

The fundamental and primary objective of Wilo – to grow profitably as a globally and independently operating group – is to be maintained. The three market segments – Building Services, Water Management and Industry – determine the strategic approaches. Customers are at the heart of our strategy here. The Group’s clear aim is to extend its market, technology and innovation leadership. Wilo will consolidate and extend its position in the mature markets of the industrial countries and post above-average growth in the emerging markets of the developing regions.

The internationally oriented, cross-functional growth and efficiency enhancement programme “Perform to Grow” has been successfully completed after almost three years. For further strategic implementation tasks, the new functional unit “Strategic Initiatives and Mergers & Acquisitions” was set up in the year under review.

Group structure

The roots of the Wilo Group stretch back to 1872, when “Kupfer- und Messingwarenfabrik Louis Opländer” was established in Dortmund. To this day, the parent company WILO SE is based in Dortmund, Germany. The majority shareholder of WILO SE is the Caspar Ludwig Opländer Foundation. Other shareholders include members of the Supervisory Board and Executive Board of WILO SE.

As at 31 December, in addition to WILO SE, the Wilo Group comprised over 60 production and sales companies, in most of which WILO SE held a direct majority stake. WILO SE indirectly held a majority of the shares of only nine Group companies. Minority shareholdings are of secondary importance in the Wilo Group. There were no material changes in the ownership structure within the Wilo Group in the 2012 financial year.

The internal organisational and management structure of the Wilo Group is based on three dimensions: “region”, “market segment” and “product division”. The leading organisation dimension here is the region, which is also the basis for segment reporting. Accordingly, for an optimum focus on the requirements of the individual customer groups in the individual regions, regional managers work hand in hand with managers of the product divisions and market segments. Reporting to the Executive Board and Supervisory Board of WILO SE is also organised in this structure.

Management and monitoring

Management and monitoring of the Wilo Group are the responsibility of the Executive Board of WILO SE, which is monitored and overseen by the Supervisory Board of WILO SE. The Supervisory Board of the company is appointed by the Annual General meeting and is made up of a total of six ordinary members. Two members of the Supervisory Board are employee representatives appointed at the suggestion of the European Works Council of WILO SE.

To manage the Wilo Group, the Executive Board largely focuses on development of sales and earning power. The key ratio and measure for earning power is the EBIT margin. The regions as well as the market segments and product divisions of the Wilo Group are managed in accordance with these primary variables.

As a globally operating company, the Wilo Group is confronted by increasingly rigorous legal requirements. The Wilo Group has implemented set rules, principles and systems according to which national legislation, regulations and requirements, internationally binding provisions and social norms are complied within all internal and external operations. In addition, a key priority of the Wilo Group is to create an appropriate, joint system of principles and values for all cultural groups. To achieve these aims, the Wilo Group introduced the code of conduct "Acting Responsibly" in 2011. This code serves as a central tool worldwide for increasing the loyalty and integrity of all employees and as an integral basis for all business operations of the Wilo Group.

Economic environment

The growth of the global economy has been slowing down continuously since mid-2011 due to the ongoing sovereign debt crisis in Europe. This trend was accelerated in 2012. At the end of 2012, the global economic climate remained marred by major uncertainty.

The main reasons for the downturn in global economic growth up to the end of 2012 were the negative economic and financial impacts of the huge structural adjustment measures in the eurozone that were introduced last year as a result of the debt crisis. Worries surrounding the solvency of states and the banking system in the countries affected by the crisis in the eurozone as well as the risk of uncontrolled exits from the European Monetary Union caused global uncertainty among business operators. The installed rescue mechanisms of the European Central Bank to support countries hit by the crisis in the eurozone as well as implementation of the necessary consolidation and structural measures have calmed the turbulence on the financial and capital markets. However, the level of nervousness among business operators remains high, as the underlying structural problems have still not been resolved.

Against the backdrop of the necessary measures to combat the sovereign debt crisis and the uncertainty on the capital markets regarding refinancing of the southern European countries, demand in the European Union in 2012 was down on the previous year. Companies in particular exercised much more restraint in the course of the year and scaled back their investing activities. Furthermore, private consumer spending and state consumption also decreased in the European Union. In contrast, European Union exports are likely to have grown at a faster rate than imports, thus bolstering the economy. Within the eurozone, it is important to distinguish between the "crisis countries" and the other countries in terms of the increasingly divergent economic developments. Whereas total economic output continued to fall in the crisis-hit countries such as Spain, Greece, Italy, Portugal and Slovenia, other eurozone countries such as France and, in particular, Germany posted slight growth.

In addition to the negative consequences of the euro crisis, the main negative impact on the global economic climate at the end of 2012 was the political debate surrounding the future direction of finance policy in the United States. Worries surrounding a recession in the United States as a possible consequence of automatic statutory spending cuts and tax rises ("fiscal cliff") unsettled many business operators into the New Year.

Economic growth in the emerging economies slowed down considerably in 2012. Weak demand in the industrial countries dampened the export trend in the emerging economies significantly. In addition, economic development in these countries was hit by numerous domestic economic problems. Furthermore, most of the large emerging economies had to contend with structural problems that also curbed economic development.

For 2012, noted German economic research institutes such as the Kiel Institute for the World Economy and the ifo Institute in Munich expect global gross domestic product to grow by 3.0 % to 3.2 % year-on-year. This is largely in line with the estimate of the International Monetary Fund (IMF), which assumes global growth of 3.2 % for 2012 in its updated World Economic Outlook of January 2013. In contrast, the growth forecast by the United Nations is much more pessimistic at 2.2%. Economic researchers at the International Monetary Fund forecast an increase in gross domestic product of just 1.3 % for 2012 compared to growth of 1.6 % in the previous year. Economic growth of 2.3 % (previous year: +1.8%) is expected for the USA, while the eurozone economies are thought to have contracted by as much as 0.4 % overall (previous year: +1.4%). For the emerging economies, the International Monetary Fund expects economic growth of 5.1 % in 2012 as against a rise of 6.3 % the year before. According to forecasts, the Chinese and Indian economies grew by 7.8 % (previous year: +9.3%) and 4.5 % (previous year: +7.9 %) respectively.

The German economy failed to maintain its dynamic growth trend from 2011. Bolstered by a robust domestic economy and strong exports, particularly to countries outside Europe, the German economy has long defied the downward trend. Even so, the pace of expansion in Germany tailed off noticeably in the second half of the year. Economic output actually contracted in the final quarter. The main factors in this development were the downturn in the external environment and uncertainty over the handling of the debt crisis in the eurozone, which curbed domestic momentum noticeably. Consequently, according to initial calculations by the German Federal Statistics Office in Wiesbaden in January 2013, gross domestic product in 2012 increased by only 0.7 % compared with the previous year. In the previous year, the German economy grew by as much as 3.0%.

The low economic growth was mainly driven by exports of goods and services, which increased by 4.1 % year-on-year in real terms. Moreover, private and state consumption increased slightly by 0.8 % and 1.0 % respectively, adjusted for price changes. In contrast, growth was inhibited by the development of gross investment, which consists of the investment in means of production and construction as well as changes in inventories and was down significantly on the previous year with a decrease of 5.2 % in real terms.

The construction and building services engineering industries, both of which are particularly important to the Wilo Group in Germany, showed differing development patterns in 2012. For instance, the German construction industry experienced a setback. Although the robust employment labour situation, favourable income prospects, low interest rates and a growing trend towards real assets ensured an upturn in private residential construction and a 2.8 % increase in investment in this construction sector compared with the previous year, this growth was more than countered by the negative development in the commercial and public construction sector. Provisional figures suggest that construction investment by companies in 2012 decreased by 1.8 % year-on-year. Government construction investment fell by around 12 % as against 2011 due to the expiry of economic stimulus programmes. The ifo Institute expects a slight year-on-year decrease of 0.5 % in real construction investment overall for 2012.

In contrast, according to the Association of the German Sanitary Industry, sales in building services engineering rose by a total of 2.4 % in 2012. Domestic business improved by 1.7 % compared with the previous year. A rise of 5.9 % is expected for exports.

BUSINESS DEVELOPMENTS

Overview

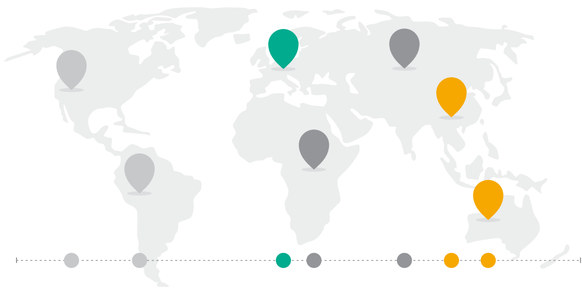
At EUR 1,187.1 million, the Wilo Group posted record sales for the third successive financial year, and remained on track for growth despite a sometimes challenging global economic environment. The 10.9 % increase in sales was actually much higher than the approx. 6 % forecast a year ago. In line with the corporate strategy of generating profitable growth, with EBIT of EUR 119.7 million and consolidated net income of EUR 78.2 million, the Wilo Group also posted new all-time highs in its long history. The EBIT margin improved once again to 10.1 % (previous year: 9.1 %), exceeding the forecast figure of 9.8 %.

This success story was written by an average of 6,900 employees in 2012. The Wilo Group has never employed more people than this. As at 31 December 2012, the headcount was over 7,000 employees.

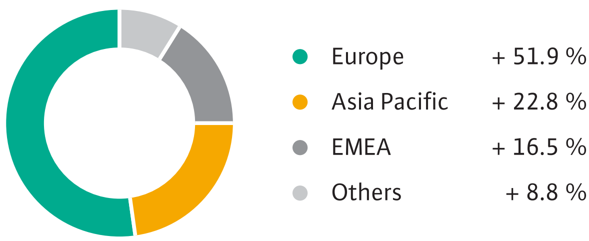
For this trend to continue, a sustainable, long-term investment policy is also required. In the 2012 financial year, the Wilo Group invested EUR 90.0 million in capacity expansion, new manufacturing technologies and expansion of the existing sales and production locations – the highest-ever figure for a single financial year.

Sales increased significantly in all regions and market segments in 2012. The regional breakdown of growth contributions largely corresponds to the respective expansion of key economies.

Regions



Share of total sales by region



In the individual regions and market segments, sales developed as follows in the 2012 and 2011 financial years:

Sales development by region

EUR million	2012	2011	Change in %
Europe	615.9	578.0	6.6
Asia Pacific	271.2	226.2	19.9
EMEA	195.5	168.7	15.9
Others	104.5	97.6	7.1
Total	**1,187.1**	**1,070.5**	**10.9**

The four reportable segments, Europe, Asia Pacific, EMEA and Others, consist of the following countries:

- *Europe:* All European states except Russia, Belarus and Ukraine
- *Asia Pacific:* India, China, South Korea, Southeast Asian nations, Australia and Oceania
- *EMEA:* Russia, Belarus, Ukraine, Caucasus nations, Gulf nations, African nations
- *Others:* Nations of the American continent and other nations not assigned to the above regions

Sales development by market segment

EUR million	2012	2011	Change in %
Building Services	907.1	824.6	10.0
Water Management and Industry	280.0	245.9	13.9
Total	**1,187.1**	**1,070.5**	**10.9**

Europe

In the Europe region, the Wilo Group improved the sales level year-on-year by 6.6 % (EUR 37.9 million) to EUR 615.9 million. Sales developed positively in most countries here. Wilo Group sales fell only in some Mediterranean countries.

In the German-speaking countries, the expansion of operating activities resulted in a 10.3 % increase in sales year-on-year despite the deterioration in the economic environment. In Germany, the Wilo Group's biggest individual market, sales rose by 9.9 % in 2012. This was largely attributable to strong demand for small high-efficiency pumps of the Stratos PICO series. In addition, independent market studies show that the Wilo Group has gained market share in Germany. One key success factor was the early focus of numerous marketing and sales activities on the topic of "high efficiency". These included cooperations with energy suppliers and municipalities in the form of proactive pump replacement programmes as well as increased targeting of end customers. The cold spell at the beginning of 2012 also helped the positive business development in the German-speaking countries.

In France and the Benelux nations, sales increased by an average of 4.6 %. This growth was attributable to the higher demand for high-efficiency pumps and the Wilo Group's strong position on these markets. The sound business development in France was also driven by excellent project business in the Building Services market segment and intensified activities in the Water Management market segment.

Operating activities in the Nordic and Baltic states as well as the Eastern European EU countries rose by 6.6 % year-on-year. In the UK, the Wilo Group actually increased its sales by 8.6 %. The main reasons for these positive sales developments are the growth in demand for highly efficient products and system solutions and the strong position of the Wilo Group in these markets. Furthermore, positive exchange rates of individual foreign currencies – such as the Swedish krona and pound sterling – had a positive impact on sales development in the Europe region.

In the Mediterranean countries, Wilo Group sales declined only slightly year-on-year by 1.1 % in 2012. In the previous year, sales fell by 10.4 % in these countries. As in the previous year, operating activities were hit by the ongoing economic problems in states such as Greece, Portugal and Spain. In the Mediterranean countries, the significant restraint in private and public investing activities relating to infrastructure measures and construction projects resulted in much lower demand for energy-efficient pumps and pump systems.

Asia Pacific

In the Asia Pacific region, the Wilo Group increased its sales by 19.9 % year-on-year to EUR 271.2 million. This is a EUR 45.0 million increase in sales. Sales in the key countries for the Wilo Group developed very positively with double-digit growth rates across the board.

On the Korean market, the Wilo Group generated sales growth of 13.4 % year-on-year. This increase stemmed from strong demand for energy-efficient products, use of which is partly state-subsidised. Furthermore, a substantial expansion of project business in the Industry market segment and new specialist products for the local market also delivered positive impetus for operating activities. In addition, the appreciation by the South Korean won against the euro positively impacted on sales development in the reporting currency in 2012.

In China, the Wilo Group increased sales by 23.2 % compared with the previous year. A Chinese sales organisation adapted to market requirements and a dedicated sales team accelerated the development of sales in 2012. The economic climate in China with GDP growth of 7.8 % also had a favourable impact on the business development of the Wilo Group. The appreciation of the Chinese renminbi on average against the euro in 2012 also enhanced sales growth in the reporting currency.

The Wilo Group increased sales in India by 21.4 % in the 2012 financial year, following a 29.5 % decrease in sales in the previous year. This positive sales development mainly resulted from the extensive reorganisation of the Indian subsidiary, which was initiated in the previous year to counter the adverse economic conditions and was successfully completed in 2012. In contrast, the general economic situation in India has not improved substantially. As in the previous year, the economic environment was characterised by a restrictive investment policy in the area of infrastructure measures, interest rates remained high and the Indian rupee continued to fall against the euro in 2012.

EMEA

In the EMEA region, the Wilo Group generated a sales increase of 15.9 % (EUR 26.8 million) to EUR 195.5 million in 2012. Sales patterns varied in the individual countries.

The Wilo Group's successful operating activities in Russia, Belarus and Ukraine were major factors in the highly positive sales development in this heterogeneous region. Combined sales in these three countries were up 21.3 % on the previous year. The Wilo Group benefited from the pace of growth in these countries as a result of its strong market position. Furthermore, many projects in the EMEA region were stopped, delayed or even cancelled by customers during the severest phase of the global financial and economic crisis. Consequently, an investment backlog had built up. It has been easing since 2010, thus bolstering the development of the Wilo Group in this region.

In addition, business development was positively impacted by the stabilisation of political and economic conditions, the results of which included a slight appreciation of the Russian rouble against the euro.

In Turkey, the second largest market for the Wilo Group in the EMEA region, operating activities improved slightly despite the deterioration of the economic environment. Sales rose by 2.3 % year-on-year. In contrast to previous years, the more challenging economic situation was characterised by subdued economic development, high interest rates and a restrained investment policy on the part of foreign investors. Furthermore, the Turkish construction sector stagnated in the year under review. In contrast, a slight appreciation of the Turkish lira against the euro had a positive impact on the business development of the Wilo Group in Turkey.

The Wilo Group also saw a positive development of operating activities in Africa, in the Gulf region and in the Caucasus countries.

Building Services

Sales in the Building Services market segment rose by 10.0 % year-on-year from EUR 824.6 million to EUR 907.1 million, thus also exceeding the sales target for the 2012 financial year. The absolute increase in sales was generated in the Europe and Asia Pacific regions, where sales in this market segment rose by around EUR 65 million (9.5 %) overall in the 2012 financial year. This was attributable to the strong market position and presence of the Wilo Group as well as the strong demand for energy-efficient products and applications. This increase in demand chiefly resulted from much greater public awareness of sustainable energy and responsible use of natural resources. Rising energy costs are improving the savings potential of energy-efficient products and boosting demand for them accordingly. In addition, the positive economic development of several economies and favourable exchange rate effects enhanced the development of sales in the Building Services market segment.

Water Management und Industry

In the Water Management and Industry market segments, sales climbed 13.9 % from EUR 245.9 million to EUR 280.0 million in the 2012 financial year, thus rising at a faster rate than total sales of the Wilo Group. The reasons for this positive development included the significantly escalated operating activities in the Asia Pacific region, which saw sales rise by almost EUR 20 million year-on-year. The focus of activities on project business, the use of dedicated sales teams for the individual market segments and the positive performance of the Indian subsidiary are of particular note here. Following a considerable decrease in sales in the previous year, this subsidiary reversed the trend and posted a substantial increase in sales in 2012. The positive economic conditions in two key markets for the Wilo Group – China and Korea – as well as favourable exchange rate developments resulted in further momentum for operating activities in the Water Management and Industry market segments.

RESULTS, ASSETS AND FINANCIAL POSITION

Results of operations

In the 2012 financial year, the Wilo Group generated a 22.6 % year-on-year increase in earnings before interest and taxes (EBIT) to EUR 119.7 million, with sales up 10.9 %. The ratio of EBIT to sales (EBIT margin) thus improved from 9.1 % in the previous year to 10.1 %. The improvement in the EBIT margin is largely based on the slight increase in selling and administrative expenses compared with the rise in sales. The other operating result also improved, mainly because of positive exchange rate effects compared with the previous year.

The development of earnings is explained below.

Results of operations

EUR million	2012	2011	Change in %
Net sales	**1,187.1**	**1,070.5**	**10.9**
Cost of sales	– 717.5	– 644.1	11.4
Gross profit	**469.6**	**426.4**	**10.1**
Selling and administrative expenses	– 320.9	– 296.3	8.3
Research and development costs	– 39.2	– 36.8	6.5
Other operating result	10.2	4.3	> 100
Earnings before interest and taxes (EBIT)	**119.7**	**97.6**	**22.6**
Net finance costs	– 9.3	– 19.9	53.3
Income taxes	– 32.2	– 24.3	32.5
Consolidated net income	**78.2**	**53.4**	**46.4**
EBIT as a % of sales (EBIT margin)	**10.1**	**9.1**	
Earnings per ordinary share (EUR)	**7.63**	**5.19**	
Earnings per preference share (EUR)	**7.64**	**5.20**	

The fact that the improvement in gross profit of 10.1 % was slightly less than the considerable increase in sales, i.e. the gross earnings margin fell by 0.2 percentage points from 39.8 % to 39.6%, is mainly due to effects on the procurement side. The Wilo Group was exposed to some significant raw material cost increases, e.g. for copper, stainless steel and magnets. The reasons for these increases mostly stemmed from the previous year. However, these cost burdens were largely offset by corresponding countermeasures in 2012.

With a 8.3 % increase from EUR 296.3 million to EUR 320.9 million compared with the previous year, selling and administrative expenses rose at a slower pace than sales. The higher costs are largely due to the strategically planned expansion of the sales infrastructure, which was adapted and extended as a key element of the Wilo Group's ambitious growth targets. Moreover, directly sales-related expenses such as transport costs and trade commissions also rose. Here too, costs rose at a lower pace than sales. The comparatively slight increase in costs is down to rigorous cost-control and cost-efficiency measures, which are continuously implemented in the Wilo Group.

The Wilo Group focuses on forward-looking, innovative and promising new developments and technologies. Research and development costs were up by 6.5 % to EUR 39.2 million in the 2012 financial year. At 3.3 % of sales, they remain at a high level.

The positive other operating result improved year-on-year by EUR 5.9 million to EUR 10.2 million. This was chiefly attributable to the positive overall exchange rate changes from operating activities of EUR 1.4 million, which had been in the negative at EUR –2.0 million in the previous year.

The negative financial result of the Wilo Group improved significantly by EUR 10.6 million from EUR –19.9 million in the previous year to EUR –9.3 million in 2012. This was mainly attributable to utilisation and measurement effects from commodity derivatives, used to counter price changes on raw materials sourced by the Wilo Group. In the previous year, the net utilisation and measurement of commodity derivatives reduced the financial result by EUR 6.6 million. In contrast, these effects improved the financial result by EUR 1.1 million in the 2012 financial year. This was because commodity prices were largely trading above the hedging rates at the end of December 2012 and the price volatility on the markets for copper and aluminium was slightly less pronounced than in previous years.

Consolidated net income after taxes improved considerably by 46.4 % (EUR 24.8 million) to EUR 78.2 million. Accordingly, earnings per ordinary share rose from EUR 5.19 to EUR 7.63 as against the previous year. The return on sales – the ratio of consolidated net income after taxes to sales – rose from 5.0 % in the previous year to 6.6 % in the 2012 financial year.

Financial position

As at 31 December 2012, Wilo Group's total assets were up by 9.7 % to EUR 973.8 million. Non-current assets rose by 15.3 % to EUR 351.3 million. One key factor here was capital expenditure on property, plant of equipment of EUR 85.8 million, which was almost 50 % higher than in the previous year. This capital expenditure particularly relates to capacity expansion, new manufacturing technologies and expansion of the existing sales and production locations. It was countered by scheduled depreciation on property, plant and equipment of EUR 35.9 million. Overall, property, plant and equipment increased by EUR 46.3 million.

As at 31 December 2012, current assets were up 6.8 % year-on-year at EUR 622.5 million. Inventories increased by 7.7 % to EUR 187.3 million and current trade receivables rose by 8.2 % to EUR 225.2 million. Both inventories and current trade receivables thus increased at a lower pace than sales (10.9 %), thus enhancing the Wilo Group's internal financial strength. One key reason for this positive development is the working capital management system, which is implemented throughout the Group and constantly optimised. Overall, net current assets grew by 8.3 % to EUR 321.0 million. Cash increased by EUR 10.5 million from EUR 166.0 million to EUR 176.5 million as at 31 December 2012.

The equity of the Wilo Group was up 14.6 % (EUR 59.8 million) year-on-year at EUR 469.8 million as at 31 December 2012. In particular, the positive consolidated net income for the 2012 financial year of EUR 78.2 million had a positive impact on equity. This was countered by the scheduled dividend payment of EUR 21.3 million to WILO SE shareholders in April 2012, which was deducted from equity. The equity ratio improved from 46.2 % to 48.2 % as at 31 December 2012.

As at 31 December 2012, non-current liabilities mainly consisted of financial liabilities (EUR 128.7 million) and pensions and similar obligations (EUR 43.1 million). The EUR 42.3 million reduction in non-current liabilities to EUR 202.0 million chiefly resulted from the EUR 38.7 million year-on-year decrease in non-current financial liabilities. In the 2006 financial year, senior notes totalling USD 40.0 million (EUR 30.4 million) were issued in the context of a US private placement. They mature in March 2013, and were therefore shown under current financial liabilities as at 31 December 2012.

Current trade accounts payable rose by EUR 6.3 million to EUR 94.1 million as a result of the expanded operating activities of the Wilo Group.

The EUR 62.2 million increase in other current liabilities to EUR 207.9 million mainly resulted from the EUR 38.7 million rise in current financial liabilities. This is because the balance-sheet presentation of the senior notes totalling USD 40 million (EUR 30.4 million) – which mature in March – has been changed from non-current to current financial liabilities. Furthermore, a commercially related interest rate and currency swap with a negative market value of EUR 3.3 million was also shown in current other financial liabilities. In addition, the use of bank credit lines of Wilo Group subsidiaries was up by EUR 5.5 million compared with 31 December 2011. Also, repayments of the promissory note loans of EUR 3.3 million that were planned for the end of December 2012 were not called by the creditors until the beginning of January 2013.

In addition to current financial liabilities, personnel liabilities increased by EUR 6.7 million, tax liabilities by EUR 3.6 million and advance payments made by EUR 3.3 million. The financial position of the Wilo Group as at 31 December 2012 and 2011 is set out below:

Financial position

EUR million	2012	%	2011	%
Non-current assets	351.3	36.1	304.7	34.3
Inventories	187.3	19.2	173.9	19.6
Current trade accounts receivable	225.2	23.1	208.2	23.5
Cash	176.5	18.1	166.0	18.7
Other current assets	33.5	3.5	35.0	3.9
Total assets	**973.8**	**100.0**	**887.8**	**100.0**

EUR million	2012	%	2011	%
Equity	469.8	48.2	410.0	46.2
Non-current liabilities	202.0	20.8	244.3	27.5
Current trade accounts payable	94.1	9.7	87.8	9.9
Other current liabilities	207.9	21.3	145.7	16.4
Total liabilities	**973.8**	**100.0**	**887.8**	**100.0**

Capital expenditure

In the 2012 financial year, capital expenditure on intangible assets and property, plant and equipment increased by 46.3 % year-on-year to EUR 90.0 million. The investment volume thus reached a new all-time high in the Wilo Group's long history. Capital expenditure primarily relates to capacity expansion, new manufacturing technologies and expansion of the existing sales and production locations.

Also of note is capital expenditure on modernisation and expansion of production capacity at the key European locations in Germany and France, amounting to EUR 29.3 million. This equated to 32.6 % of total capital expenditure in 2012, underlining the importance of the European locations to the strategic orientation of the Wilo Group. In addition to the capital expenditure undertaken in the 2012 financial year, the Wilo Group acquired several plots of land in its home city of Dortmund, where the location is to undergo sustainable expansion over the next few years. These purchases have not yet been recognised in the consolidated financial statements for the 2012 financial year, as the capitalisation criteria had not been fully met from an accounting perspective as at 31 December 2012. This occurred in the course of January 2013.

In the 2012 financial year, the Wilo Group opened and moved into a new production plant including sales and administration units in Beijing, China, thus significantly expanding its existing capacity. The building meets the highest energy efficiency and environmental standards. The investment measure, including new production machinery, comprised a volume of EUR 8.3 million in the 2012 financial year, and takes into account the planned expansion in Asia as well as the attractive economic prospects of this important region. In total, more than EUR 14 million was invested in this structural measure. The production facilities, administration buildings and warehouses previously used in Beijing are to be sold now.

Furthermore, the Wilo Group largely completed a new production plant including sales and administration units in Busan, South Korea, in 2012. Production capacity will thus be expanded for the Korean market in particular. The investment volume of this measure amounted to EUR 24.3 million in the 2012 financial year. It was fully recognised under advance payments made and assets under construction as at 31 December 2012.

Capital expenditure on intangible assets (excluding goodwill) and property, plant and equipment in the 2012 and 2011 financial years is set out below:

Capital expenditure (excluding goodwill)

EUR million	2012	2011	Change in %
Capital expenditure on intangible assets	**4.2**	**4.2**	**0.0**
Land and buildings	3.9	4.1	– 4.9
Technical equipment and machinery	8.0	8.3	– 3.6
Operating and office equipment	21.2	20.2	5.0
Advance payments made and assets under construction	52.7	24.7	> 100
Capital expenditure on property, plant and equipment	**85.8**	**57.3**	**49.7**
Total	**90.0**	**61.5**	**46.3**

Cash flows

In the 2012 financial year, the positive net cash flow from operating activities improved significantly by EUR 66.4 million to EUR 120.8 million, thus more than compensating for the negative net cash flows from investing activities and financing activities. In particular, it must be stated here that the negative net cash flow from investing activities increased by more than 50 % to EUR 87.4 million due to a significant rise in capital expenditure on property, plant and equipment.

In contrast to the previous year, the net cash flow from financing activities was not positively impacted by liquidity-enhancing borrowing or equity transactions in the 2012 financial year. Consequently, it decreased by EUR 39.2 million from EUR 15.1 million to EUR –24.1 million. Cash therefore rose by EUR 10.5 million to EUR 176.5 million as a result of the substantial improvement in the net cash flow from operating activities, taking into account the effects of exchange rate changes. The individual cash flows for the 2012 and 2011 financial years are shown in the following table:

Cash flows

EUR million	2012	2011	Change
Net cash flow from operating activities	120.8	54.4	+ 66.4
Net cash flow from investing activities	– 87.4	– 56.9	– 30.5
Net cash flow from financing activities	– 24.1	15.1	– 39.2
Change in cash	9.3	12.6	– 3.3
Cash at the end of the financial year	**176.5**	**166.0**	**+ 10.5**

There are various reasons for the positive development of the operating cash flow in the 2012 financial year. One key factor was the EUR 22.1 million growth in EBIT to EUR 119.7 million. The changes in non-current and current provisions and personnel liabilities in 2012 increased the net cash flow from operating activities by EUR 8.3 million. In the previous year, provisions and personnel liabilities fell by EUR 13.4 million, thus having a negative impact on the net cash flow from operating activities for 2011.

The EUR 3.3 million increase in advance payments received also enhanced liquidity in the 2012 financial year. In addition, the EUR 9.3 million reduction in income taxes paid compared with the previous year had a positive impact on the Wilo Group's liquidity situation.

Net cash used in investing activities increased considerably by EUR 30.5 million to EUR 87.4 million due to higher capital expenditure on intangible assets and property, plant and equipment. Capital expenditure on intangible assets and property, plant and equipment rose by EUR 28.5 million year-on-year to EUR 90.0 million, almost reaching the planned investment volume.

As at 31 December 2012, the net cash flow from financing activities was down EUR 39.2 million year-on-year as scheduled, at a negative EUR 24.1 million. The main reason for this was the dividend payment of EUR 21.3 million to WILO SE shareholders in April 2012. Neither the net borrowing of EUR 69.6 million and the equity increase of EUR 15.5 million nor the distribution of a special dividend of EUR 41.8 million to the Caspar Ludwig Opländer Foundation impacted on the net cash flow from financing activities for the 2012 financial year. The negative balance of interest paid and interest received was virtually unchanged from the previous year.

Financial management

The objectives of financial management are geared to upholding the company's financial independence, maintaining a strong cash position at all times and supporting the operating activities of the Wilo Group. For this reason, the Wilo Group ensures that adequate short and medium-term credit facilities of more than EUR 150.0 million are available from internationally oriented banks. As at 31 December 2012, funds totalling EUR 10.8 million had been utilised here. The Wilo Group has been operating active portfolio management for several years with regard to the origin, type and maturity structure of borrowings. Financing policy is focused on return-related and security-related targets.

As before, the Wilo Group had EUR 180.8 million in liabilities due to banks as at 31 December 2012 (previous year: EUR 180.8 million). These mostly consisted of two senior notes of USD 40.0 million each as well as a senior note of EUR 75.0 million. All senior notes were issued by WILO SE in the context of US private placements in 2006 and 2011. The two senior notes of EUR 40.0 million mature in 2013 and 2016 respectively. The senior note of EUR 75.0 million matures in 2021 and is the first senior note to be issued by WILO SE as part of a private shelf facility (nonbinding borrowing facility). The private shelf facility has a total volume of USD 150.0 million.

In addition, there are two promissory note loans of EUR 25.0 million each. These were taken out in 2008 and 2011 and will be repaid in instalments by 2015 and 2020 respectively. The two promissory note loans had a carrying amount of EUR 33.7 million as at 31 December 2012 (previous year: EUR 37.0 million).

As at the 2012 reporting date, there were also further bank loans of EUR 0.6 million (previous year: EUR 1.9 million) that will be fully repaid in 2013. There were also short-term current account liabilities with a volume of EUR 10.8 million (previous year: EUR 5.3 million) due to banks.

WILO SE currently expects to be able to repay the tranches of the senior notes and promissory note loans on maturity from budgeted cash flows from operations and has no evidence that the uncertain situation of the global banking and financial sector will have any material negative impact on the Wilo Group's financing activities. The Wilo Group held EUR 176.5 million in cash as at 31 December 2012 (previous year: EUR 166.0 million).

More detailed information on the financing structure is provided under note (9.11) of the notes to the consolidated financial statements.

RESEARCH AND DEVELOPMENT

Orientation

One of the Wilo Group's main objectives is to continue to build on its leading position in the areas of technology, innovation and quality. To this end, the Wilo Group has a wide-ranging global research and development network with which numerous research projects are carried out, sometimes with state funding and project partners. The main focus here is on basic application-related topics.

All research and technology activities are performed on a Group-wide basis by the central research and technology centre in Dortmund. Series production development is carried out on a decentralised basis in the respective product divisions. This division of responsibilities ensures that new innovations and technologies are prepared and planned, and that market requirements can be addressed and met through direct proximity to customers.

Key projects, methods and technological processes were continued and initiated in 2012. This particularly applies to all activities and developments relating to efficient use of energy and resources. Work was intensified in several areas, including materials & coatings and network capability.

Results

In addition to the motor developments with the aim of enhancing efficiency in all product areas, progress was also made with expansion of the development of hardware and software electronics in 2012. The expansion and bundling of all Group activities in electronics development has become necessary, as new motor designs always require electronic activation and control. In addition, speed-adjustable drives enable individual adaptation of pump output to the respective requirement. This helps to keep energy consumption down.

Conventional asynchronous technology also allows further increases in quality and efficiency. In response to the increasingly strict global guidelines on the efficiency levels of electric motors, asynchronous motors in the output sector of up to 7.5 kW were developed that meet or significantly exceed energy efficiency class IE3. Electric motors in energy efficiency class IE4 based on the line-start permanent magnet principle (LSPM) are also available on Asian markets. Customers of the Wilo Group thus receive high-efficiency drive solutions for almost all applications.

In the field of research and technology, in addition to the above-mentioned areas of drives and electronics, methods and processes for flow calculation in stationary flows and for fluid structure interaction have also been enhanced. To this end, the Wilo Group is systematically expanding its own calculation capacity in the area of high-performance computing.

As in the previous year, the main focus of product development activities in 2012 was the expansion of the product range in the glandless sector on the basis of future efficiency requirements of the European Union (Ecodesign or ErP directive). As well as meeting the requirements for 2013, the newly launched Yonos PICO and Yonos MAXO series already comply with the energy efficiency limit values that come into force' in 2015. The Wilo Group is thus safeguarding its customers' investments on a long-term basis.

In the dirt and sewage pump sector, quality, efficiency and lead times have been noticeably improved with a new series of asynchronous submersible motors over 150 kW.

Employees

The employee structure in research and development has only changed slightly in relation to the previous year. For instance, the proportion of women in research and development remained constant at around 10 %. The proportion of highly qualified academics remained at over 80 %. Even so, the requirement-oriented recruitment of outstanding new staff from the technical and natural science disciplines generally poses a challenge.

Investment and expenditure

The bulk of investment in research and development was used for the further expansion of laboratories and test equipment. Increasing test bench capacity was the top priority here. Investment in software was focused on the continuous expansion of activities in high-performance computing. Substantial funds were also spent on new machinery and equipment to enhance production expertise.

Total research and development costs in the Wilo Group increased by 6.5 % compared with the previous year to EUR 39.2 million and amounted to 3.3 % of net sales. As in the previous year, product development and technology projects accounted for the bulk of research and development costs.

Research and development costs

	2012	2011	Change in %
EUR million	39.2	36.8	6.5
% of net sales	3.3	3.4	– 2.9

EMPLOYEES

Overview

The realignment of the personnel strategy, which was started back in 2010 and is geared towards achieving an effective, sustainable staff policy, was continued in the 2012 financial year. As a globally operating company, the Wilo Group is firmly committed to gaining, developing and retaining well-trained and highly motivated employees in all regions. Within a shared corporate culture, factors such as specific regional and demographic characteristics must be taken into account and managed. Worldwide, many mature markets are on threshold between demographic stagnation and population decline. This is leading to a decrease in the number of new and specialist staff, for example. Furthermore, the proportion of older people is rising in these countries. Consideration of the impacts of these two phenomena on the Wilo Group is a key part of the staff policy.

The economic challenge in mature markets consists of securing market leadership and increasing market share. This requires staff policy to be geared towards the requirement-oriented recruitment of highly qualified new staff and the transfer of company-specific knowledge.

By contrast, in growing markets, staff policy is focused on quickly building up large employee groups in the context of high fluctuation rates, as well as ensuring long-term motivation and commitment of often young employees and integrating the knowledge base through international talent and secondment management.

Demographic change

In Germany in 2012, a holistic demography management aligned with the specific employment situation at Wilo was designed in the context of a pilot project in order to minimise the capacity and productivity risks anticipated as a result of demographic change and to ensure continued sustainable growth of the Wilo Group in future. On the basis of an extensive age structure analysis, coordinated operational and strategic elements were further developed in order to gain and retain talented employees. Wilo has enjoyed great success in training young people in Germany for many decades. The career and development opportunities at the company have been recognised for five consecutive years with awards such as “top employer for engineers”.

Global talent management

In the 2012 financial year, Wilo achieved a further milestone in increasing the professionalism of global talent management and employee development. With the introduction of the Wilo Academy, a central point of contact for personal and career development requirements has been created for employees. In addition, with its cross-cultural personnel tools, the Wilo Academy ensures market-oriented and customer-oriented support in terms of the company's objectives.

The demographic challenges of the mature markets are being countered by strategic succession planning and international career pools. Subject-specific knowledge is communicated through individually tailored integration programmes for new employees and systematic handover planning when employees leave. Modern working time models, working from home and special support programmes for family members create a close bond with the company. By contrast, in the growing markets, it is necessary to manage the high level of dynamism and propensity to switch of the often younger employees and to counter competition on the local labour markets with creative employment concepts as well as a strong employer brand.

International employee secondment

The global presence of the Wilo Group is intended to give employees further and increased international future career opportunities. The Wilo Group put in place an essential condition for this in the 2012 financial year by implementing a global guideline on employee secondment. Forward-looking career planning sets out clear prospects for employees above and beyond their period of secondment. Through staff secondment to the growing markets in particular, the Wilo Group can ensure that Group standards, company knowledge, best-practice solutions and the employee-oriented corporate culture are spread worldwide. This gives employees an excellent opportunity to hone their talents, build up international networks and systematically plan their careers.

Key figures

In the 2012 financial year, the Wilo Group increased its global workforce by 2.9 % to an average of 6,900 employees. As at 31 December 2012, Wilo actually had more than 7,000 employees. Headcount thus mirrored the positive overall business development of the Wilo Group.

Average employee numbers for the year were as follows:

Employees

	2012	2011
Production	3,991	3,701
Sales and administration	2,909	3,007
Total	**6,900**	**6,708**
Germany	2,278	2,041
Other countries	4,622	4,667
Total	**6,900**	**6,708**

OPPORTUNITY AND RISK REPORT

Risk management system

The Wilo Group has a modern, integrated, global risk management system. The system ensures that business risks are identified at an early stage and guarantees that effective countermeasures are initiated in good time. Monitoring consistent implementation of initiated measures is a key part of the system. Once identified, risks are assessed, where possible controlled, and continuously monitored. The risk management system is regularly audited by the internal audit department.

Risk management at Wilo follows a decentralised approach. Throughout the Group, the second-tier managers are responsible for risk documentation and reporting, and they are supported by the controlling function. The use of checklists and risk classification ensure uniform risk assessment and procedural compatibility. Software in line with Group needs provides a communication and information platform.

Identified risks are assigned a probability and potential impact in the context of a risk analysis. The basic aim of this controlling system is to keep the Wilo Group's overall risk exposure transparent and within acceptable limits.

The results of these risk analyses are reported to the Executive Board on a regular basis. In addition, the Supervisory Board and the Audit Committee it appoints are fully and continuously informed regarding the status and development of the risk management system.

General risks and opportunities

Economic environment

Wilo faces economic and market risk factors due to general economic, political and societal trends.

In 2012, global economic growth slowed down for the second successive year. The main reasons for this development were the negative economic and financial impacts of the huge structural adjustment measures in the eurozone that were introduced last year as a result of the debt crisis. The installed rescue mechanisms of the European Central Bank to support countries hit by the crisis in the eurozone as well as implementation of the necessary consolidation and structural measures have calmed the turbulence on the global financial and capital markets. However, the level of nervousness among business operators remains high, as the underlying problems have still not been resolved.

In addition to the negative effects of the sovereign debt crisis in the eurozone, a downturn in consumer demand from US households and uncertainty surrounding the future direction of finance policy in the United State also adversely affected the global economy at the end of the 2012.

Economic growth in the emerging economies in 2012 was largely impacted by the difficult economic situation and the uncertainty surrounding future economic developments in the eurozone and the United States. Consequently, reduced demand in the industrial countries dampened the export trend in the emerging economies significantly. In addition, economic development in these countries was hit by domestic economic problems. This led to reduced economic growth year-on-year, although the figure remained at a high level.

The future growth forecasts are linked with major risks and uncertainties. The debt and structural problems of many industrial countries remain unresolved. High levels of national debt and very low base rates mean that governments have very little scope for initiating countermeasures to stimulate the economy.

Economic developments and expectations are being observed closely and continuously by the Wilo Group due to their uncertainties and risks. This is associated with the intention to take any corresponding countermeasures to safeguard the current economic and financial situation of the Wilo Group. Special attention is given here to individual country risks, which are firmly addressed with targeted countermeasures.

Despite the uncertain conditions on some global markets and risk-laden future expectations, some large Asian, Latin American and African markets offer very good growth opportunities, although they are associated with increased risks. The Wilo Group is considerably reducing these potential risks by adopting organisational changes, expanding and optimising the utilisation of local production capacity, and exploiting synergies.

Urbanisation

Over the past 60 years, the proportion of the global population who live in cities has steadily risen to over 50 %. This trend is set to continue. According to studies by the United Nations, Earth will be home to nine billion people in 2050. Around 70 % of people will live in cities by then. In addition to the existing, ever-growing cities, other entirely new cities will be built. According to analyses by Booz & Company, over USD 350 trillion will be ploughed into urban and infrastructure development in the next 30 years. The developing countries and emerging economies will account for much of this.

This megatrend is the source of growth potential, particularly for the Building Services and Water Management market segments, which the Wilo Groups is tapping into by means of targeted investments.

Water shortage

Water is already a scarce resource. Over 780 million people worldwide still have no access to clean drinking water. In future, it will be all the more important to use the available resources efficiently and deploy intelligent technologies for water abstraction and purification. Wilo has responded to this megatrend with its products in the Water Management market segment, and provides professional solutions to the complex requirements in drinking water abstraction, water purification, water pumping and wastewater disposal.

Climate change

The world increasingly faces threats from global warming and the growing incidence of extreme weather conditions. The melting of the polar ice caps, rising sea levels and the growing incidence of droughts and storms are just a few of the expected and already apparent effects of climate change. Drastic action is required to stop climate change and its consequences. One of the most important measures here is the reduction of greenhouse gases. In addition to the increased use of renewable energies, the focus is on developing and using more energy-efficient processes and technologies. For instance, approx. 11 million tonnes of CO_2 could be saved each year in Europe alone by using modern high-efficiency pumps for heating systems.

Following the climate change megatrend means growth opportunities for all three market segments. Demand for future-oriented, resource-saving products and solutions will also increase as a result of statutory minimum standards. Wilo products already offer customers greater energy efficiency throughout the entire operation phase. High-efficiency pumps reduce power consumption by up to 90 %. The stated aim of the Wilo Group is to shape the future as an innovation and technology leader and promote innovations that reduce energy consumption and thus also lessen the impact of CO_2 on the environment.

Sector-specific risks and opportunities

Competition

Competition risk remains largely on a par with the previous year. For example, the intensifying price competition on major projects involves uncertainties. The Wilo Group mitigates these risks mainly by making increased use of product lines with unique selling points. It also ensures a high level of competitiveness by its technological lead of competitors, notably with regard to energy efficiency, through its outstanding product quality and extensive global network.

Ecodesign directive

The Ecodesign or ErP directive forms the framework for stipulating uniform regulations regarding the environmentally sound design of energy-related products – ErP – in the European Union. The specific product requirements are stipulated for individual product groups by the European Commission in implementing measures and brought into effect by means of a regulation. EU regulation no. 641/2009, amended by no. 622/2012, stipulates the requirements for the environmentally sound design of external glandless circulation pumps and products with integrated glandless circulation pumps. Accordingly, from 1 January 2013, manufacturers may put into circulation on the market only those external glandless circulation pumps that do not exceed an energy efficiency index (EEI) of 0.27. From 1 January 2015, the EEI may not exceed 0.23 and will also apply to glandless circulation pumps that are integrated in heating systems.

The Wilo Group responded to these crucial changes at an early stage. As well as complying with the EU target that came into effect on 1 January 2013, the products in the Wilo Stratos and Wilo Yonos series already largely meet the energy efficiency requirements that apply from 1 January 2015. The Wilo Group expects the stipulation of binding energy efficiency requirements to result in market opportunities. However, at present, it is hard to assess the extent to which the forecast positive effects will take hold in the expected period.

Smart living

More and more people are discovering smart living. In smart homes, everyday devices and systems in private households are electronically integrated, chiefly in order to attain energy efficiency, but also greater convenience, economic efficiency, flexibility and safety. The devices and systems are controlled and accessed centrally and also remotely. This trend provides additional growth opportunities for the Building Services market segment. The innovative and intelligent Wilo Geniax system enables requirement-oriented, individual supply of heat to individual rooms in buildings and can be easily incorporated in smart-home systems.

Company-specific risks and opportunities

Research and development

Wilo is firmly committed to technological progress, and continuously invests in the development of new technologies and products to strengthen its market position. In 2012, research and development costs amounted to 3.3 % of consolidated net sales. Regular technology screening and exchanges with universities and research institutions are used to identify the opportunities of new technologies at an early stage. Wilo counters the risk of insufficient attention to customer requirements in the development process through customer surveys, trend analyses and targeted market tests.

The Wilo Group continuously examines the effectiveness and target conformity of all development activities. The purpose of this is to minimise qualitative, time-related and financial risks in development projects. Professional project management and regular deviation analyses ensure a constant focus on customer requirements. This is supported by binding Group-wide standards and guidelines.

Production

Quality risk is mitigated by uniform Group-wide standards in production (Wilo production system) and integrated quality management. The Wilo Group significantly reduces the risk of production stoppages by the use of modern production plants and professional control systems. Supply bottlenecks are mainly prevented by ensuring the availability of second-source suppliers. Insurance is also taken out to offset financial impacts of business risks of this kind.

Personnel

The Wilo Group's success is based on its employees and their expertise, commitment and motivation. The loss of employees in strategic positions constitutes a risk that may lead to the loss of company-specific knowledge, capacity bottlenecks or decreased productivity. The Wilo Group counters this risk with coordinated demography management, which includes active succession planning and the development of new staff.

Information technology

Business processes important to the Wilo Group are based on IT systems. In the worst case, the failure of important systems or substantial data losses could lead to business interruptions. WILO SE mitigates these information technology risks in the form of data loss and system downtime with daily backups of all critical business data. The business database serving production, materials management, order processing, financial accounting and cost accounting conforms to top security standards. WILO SE's critical business applications run in two separate, certified, highly powerful data centres. Certified processes and business recovery plans are also in place in the event of disaster. An annual monitoring audit is performed in order to maintain the certificate. System downtime is additionally minimised by targeted deployment of an in-house support team and outside service providers.

Financial risks and opportunities

Exchange rates

The Wilo Group's global presence makes it important to manage currency exposures. The Wilo Group faces currency risk primarily in its financing and operating activities. The currency risk that mainly relates to the supply of goods and services to Group companies is countered by the use of same-currency offsetting transactions and derivative financial instruments.

The Wilo Group rates the currency risk on operating business between Group companies and external customers and suppliers as low. Most of such business is transacted in the local currency of the companies concerned.

Currency risk in financing activities mostly relates to foreign-currency borrowing from external lenders. In addition, there is foreign-currency lending to Group companies for financing purposes. This currency risk is reduced by the use of derivative financial instruments.

Interest rates

The interest rate risk mainly results from floating rate financial liabilities and invested cash. Both a rise and a fall in the yield curves result in interest rate exposure. The Wilo Group mitigates adverse changes in value from unexpected interest rate movements by using derivative financial instruments. Interest rate risk is considered to be low as most liabilities due to banks are subject to long-term fixed rates of interest. By contrast, favourable interest rate developments could have a positive impact on net interest income. Wilo's Group Treasury observes and analyses developments on the financial markets in order to optimise the balance between liquidity retention and investment of cash in term money with a maximum time horizon of up to three months.

Raw materials

A major factor in the commodity price risk of the Wilo Group is price fluctuations on the global markets for copper, aluminium and stainless steel and their alloys. The Wilo Group uses commodity derivatives to minimise the commodity price risk. These are used if the earnings impacts from the change in commodity prices are significant to the Wilo Group and corresponding financial instruments are available and can also be used efficiently. In addition, the development of price and supply of the rare earth elements is attentively observed.

The prices for most of the copper and aluminium procurement volume for the 2013 financial year have already been determined in order to minimise the impact on earnings from the change in copper and aluminium prices for the Wilo Group. In contrast, the prices for the procurement volume for stainless steels and their alloys are not hedged, as the available financial instruments are not suitable for effectively minimising the price change risk for these commodities. On current information, Wilo Group earnings could primarily be affected by price fluctuations on the world markets for copper and aluminium from the 2014 financial year.

The Wilo Group regards the commodity price risk arising from the procurement of rare earth elements as significant. Given the lack of corresponding derivative financial instruments to hedge this commodity price risk, the Wilo Group is trying to use appropriate substitutes and identify further suppliers for these commodities. As things stand, the future price development of rare earth elements may continue to affect Wilo Group earnings both positively and negatively.

Defaults

The Wilo Group counters customer credit risk with a uniform and effective Group-wide system for systematic receivables management and the monitoring of payment behaviour. Dependency on individual customers is limited. For instance, Wilo does not generate more than 10.0 % of total sales with any one customer. The Wilo Group did not feel any significant negative impacts from its customers' payment behaviour in the past financial year. However, there were payment delays by customers based in the Mediterranean countries due to the ongoing crisis in the eurozone.

Financing and liquidity

Liquidity risk stems from a potential lack of cash for paying due liabilities in full and on time in the agreed currency. Furthermore, there is a risk of having to accept unfavourable financing terms in the event of liquidity bottlenecks and volatility on the international financial and capital markets. To minimise these liquidity and financing risks, the Wilo Group aims to ensure long-term, cost-effective coverage of liquidity and capital requirements at all times. Various financing instruments are used for these purposes. They include a bilaterally committed credit facility of more than EUR 100.0 million of the parent company and subsidiaries as well as a syndicated loan of EUR 50.0 million with internationally oriented banks. As at 31 December 2012, EUR 10.8 million of the bilateral credit facilities had been used. In addition, as at 31 December 2012, there were also promissory note loans of EUR 33.7 million and senior notes of EUR 135.7 million, which were issued in the context of US private placements. Net financial liabilities – the difference between financial liabilities and cash- amounted to EUR 4.3 million as at 31 December 2012 (previous year: EUR 14.8 million). The ratio of net financial liabilities to EBITDA improved from 0.11 to 0.03.

To achieve requirement-oriented provision with matching maturities and optimum intra-Group allocation of cash, corresponding liquidity and finance plans are prepared on the basis of the budget planning and strategic five-year planning process as well as the year-to-date forecast. In addition, a rolling three-month liquidity plan is prepared each month for each Group company.

Cash-pool, netting and borrowing arrangements are used within the Wilo Group if advisable and permitted under local trading and tax regulations. All Group-level financial transactions are recorded in centralised treasury software and monitored by WILO SE, enabling risks to be balanced among companies in the Group.

The Wilo Group believes that liquidity and financing risks are unlikely to arise because of the available cash and credit facilities, the financing structure and the business model, and therefore expects minor financial impacts on the Group. More detailed information on the use of derivative financial instruments is provided in notes (12) and (13) of the notes to the consolidated financial statements.

Overall assessment

The risk exposure of the Wilo Group is largely unchanged from the previous year. The risk management system ensures that the identified risks are managed at all times. According to the Executive Board, there are no identifiable risks or combinations of risks that jeopardise the entity's ability to continue as a going concern at present.

SUBSEQUENT EVENTS

Since the end of the 2012 financial year, there have been no significant organisational, macroeconomic, socio-political, company law or financing-related changes that could have a material impact on the operating activities of the Wilo Group according to the management.

OUTLOOK

Economic environment

Leading German economic research institutions and the International Monetary Fund do not expect the global economic situation to improve significantly in 2013. Consequently, they expect growth to be close to the level of 2012, at 3.3 % to 3.6 %. The United Nations is more pessimistic, and only expects global growth of 2.4 % for 2013. However, all institutions point to considerable uncertainty and the resultant forecasting difficulties.

According to the economic researchers, the biggest uncertainty is the continuation of the crisis in the eurozone. Although structural adjustment processes have been initiated, measures have been taken to consolidate public budgets in the eurozone and rescue mechanisms have been installed by the European Central Bank to support struggling countries in the eurozone, there is still no consistent, credible long-term political strategy to solve the structural crisis and it is not clear to what extent and at what pace politicians are taking steps towards this. If the credit rating of large eurozone countries deteriorates significantly, there is a risk that the crisis situation in the eurozone could intensify. Due to the close interrelationships between the commodities, financial and capital markets, not only would this have a substantial negative impact in the eurozone and significantly increase the risk of a severe recession, but the entire global economy would be badly affected by these developments.

Forecasting is also made harder by the still unresolved issue of the direction of financial policy in the United States. Although the compromise struck between the political parties around the beginning of 2013 initially averted huge cuts in the US budget and substantial tax rises, there remains uncertainty concerning the robustness of public finances in the United States, particularly regarding a further increase in the statutory debt ceiling in the course of 2013. A default by the United States is regarded as unlikely, but it cannot be ruled out completely. In addition, the fundamental question of how the United States intends to reduce its debt mountain of over USD 16 trillion remains unanswered.

Taking into account the above-mentioned uncertainties as well as limited scope in terms of monetary and finance policy, economic researchers and the International Monetary Fund expect growth of 1.1 % to 1.4 % in real gross domestic product for the industrial countries in 2013. Growth rates of 1.5 % and 2.1 % year-on-year are forecast for the United States, while most economic researchers and the International Monetary Fund actually expect a further slight decrease in gross domestic product of 0.2 % for the eurozone.

Economic activity in the emerging economies is set to slow down initially in 2013 due to low growth in demand from the industrial countries. Even so, economic researchers expect a slow return to rising growth rates as the year progresses. This is because of the monetary and financial stimulus measures already taken in 2012 or currently planned in the emerging economies. However, if the general economic situation deteriorates significantly due to a substantial economic downturn in the industrial countries or global turbulence on the financial and capital markets, this would have a considerable negative impact on the expected positive economic development in the emerging economies. In 2013, economic researchers expect growth of up to 6.2 % in the emerging economies as against the previous year. The International Monetary Fund forecasts an increase of just 5.5 % here. Real gross domestic product is expected to grow by 8.2 % in the Chinese economy and 5.9 % in the Indian according to the International Monetary Fund.

A slight recovery of the global economy is unanimously expected for 2014. The International Monetary Fund estimates global growth of 4.1 %, a 2.2 % increase in the established industrial countries and growth of 5.9 % in the emerging economies next year.

Compared with previous estimates, the outlook for the German economy is now much more pessimistic. The German federal government and leading economic research institutes only expect the German economy to grow by between 0.3 % and 0.7 % in 2013. The International Monetary Fund forecasts growth of 0.6 %. The low growth is subject to considerable uncertainty. All forecasts assume that the crisis in the eurozone will not intensify and that the resolution of the budget dispute in United States will not result in any significant negative impacts on the global economy. Growth is set to be driven by domestic consumer demand from private households, which is expected to rise by 0.7 % as against 2012. Actual final consumption of general government is expected to increase by 0.9 % as against 2012. In addition, gross investments are expected to rise by 2.7 %, chiefly as a result of investment in private residential construction. The external balance of goods and services is only expected to make a 0.1 percentage point contribution to economic growth.

For the German construction industry, the ifo Institute projects a year-on-year increase of 2.5 % in real construction spending in 2013. This development will again be driven by private residential construction, which economic researchers expect to grow by 3.5 %. The positive development is attributable to ongoing low mortgage interest rates and rising incomes as well as the trend towards real assets. Government construction investment is expected to rise by 4.8 % as a result of pent-up demand in civil engineering. In contrast, construction investment by companies is likely to fall by 0.5 % compared with 2012, as the ongoing uncertainty surrounding sales and profit expectations is reducing companies' propensity to invest.

Forecasts for building services engineering in Germany – another segment of importance to the Wilo Group – are cautiously positive. The Association of the German Sanitary Industry expects slight single-digit growth for 2013.

Outlook for the Wilo Group

The Wilo Group has countered the negative economic impacts of the sovereign debt crisis in the eurozone with appropriate measures and adjusted to the current uncertain and difficult economic situation. The Group's longstanding corporate strategy of promoting innovation activities, developing technologies and creating international market presence has put the key elements in place. The Wilo Group's fast response to crisis situations in particular is a major factor. The significant increases in sales and earnings, the technological innovations and the global increase in workforce illustrate the strengthened position of the Wilo Group in relation to its global competitors.

The Wilo Group will maintain its method of rapid analysis of various developments, devising of alternative scenarios and short-notice initiation of countermeasures. This applies in times of positive overall economic development and in phases of a global economic downturn. The Wilo Group is confident that it is securing its long-term future prospects through its strategic orientation, its long-horizon innovation policy and its effective crisis management. In the event of considerable volatility on the international financial and capital markets with corresponding negative economic impacts, the Wilo Group will instigate appropriate countermeasures from this position of strength.

In the Europe region, the Wilo Group sees significant potential demand for energy-efficient products and applications in the Building Services market segment as a result of a sharp rise in public awareness of energy sustainability and responsible use of natural resources in recent years. Rising energy costs and regulatory provisions in the European Union on the use of energy-efficient products will have a positive impact on the Wilo Group's operating activities in this region.

In the Asia Pacific region, the Wilo Group not only expects growth in demand for energy-efficient products in the Building Services market segment, but also an increase in demand for products and applications in the Water Management and Industry market segments. As well as the predicted high economic growth in China and India, the market potential in Southeast Asian nations is also set to deliver positive impetus for the Wilo Group's operating activities.

The Wilo Group aims to grow profitably in the 2013 and 2014 financial years with an EBIT margin of around 10 %. Despite the challenging and highly uncertain overall economic prospects in many regions of the world, the Wilo Group expects sales growth of almost 9 % in the 2013 financial year as a result of its strong market position and rising demand for energy-efficient products. For the 2014 financial year, an approx. 10 % increase in sales is forecast, provided that the global economic climate improves in 2014 as expected.

The Wilo Group is confident that the long-term financing structure, the very high equity ratio of almost 50 %, the cash of over EUR 175 million and the near-elimination of net financial liabilities constitute a sound basis for the long-term profitable growth of the Wilo Group, even – and particularly – in times of higher risks and uncertainties.

Long-term financing instruments in place as at 31 December 2012 are subject to customary covenants requiring WILO SE to maintain certain financial ratios within set bands. In the 2012 and 2011 financial years, WILO SE fully complied with these covenants and currently has no indication that it will be unable to comply with them in future. More detailed information can be found under note (9.11) of the notes to the consolidated financial statements.

Overall, the risks and impacts of any forecasting inaccuracies regarding the development of the sales and procurement markets are increasing. Consequently, the sales and EBIT forecasts of the Wilo Group are exposed to greater uncertainty. The global positioning of the Wilo Group means that regional economic fluctuations can be partially compensated for. In contrast, a global economic slowdown would have a substantial effect on the growth targets of the Wilo Group.

Unforeseeable developments and events may lead to changes in expectations and deviations from forecasts.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated income statement

for the period 1 January to 31 December 2012

Consolidated income statement

EUR thousand	Note	2012	2011
Net Sales	(8.1)	1,187,086	1,070,534
Cost of sales	(8.2)	– 717,481	– 644,130
Gross profit		**469,605**	**426,404**
Selling expenses	(8.3)	– 241,048	– 224,917
Administrative expenses	(8.4)	– 79,863	– 71,409
Research and development costs	(8.5)	– 39,160	– 36,756
Other operating income	(8.6)	20,021	19,625
Other operating expenses	(8.7)	– 9,867	– 15,319
Earnings before interest and taxes (EBIT)	(8.10)	**119,688**	**97,628**
Net finance costs	(8.8)	– 9,276	– 19,968
Consolidated net income before taxes	(8.10)	**110,412**	**77,660**
Income taxes	(8.9)	– 32,168	– 24,297
Consolidated net income after taxes	(8.10)	**78,244**	**53,363**
of which: attributable to non-controlling interests		59	– 5
of which: attributable to shareholders of WILO SE		78,185	53,368
Basic and diluted earnings per share amount to EUR 7.63 (previous year: EUR 5.19) per ordinary share, EUR 7.64 (previous year: EUR 5.20) per preferred share.	(8.11)		

Consolidated statement of comprehensive income

for the period 1 January to 31 December 2012

Consolidated statement of comprehensive income

EUR thousand	2012	2011
Consolidated net income after taxes	**78,244**	**53,363**
Currency translation differences	– 2,634	– 2,409
Other comprehensive income	– 2,634	– 2,409
Total comprehensive income	**75,610**	**50,954**
of which: attributable non-controlling interests	45	– 43
of which: attributable to shareholders of WILO SE	75,589	50,997

The notes are an integral part of the consolidated financial statements.

Consolidated statement of financial position

as at 31 December 2012

Assets

EUR thousand	Note	31 Dec. 2012	31 Dec. 2011
Non-current assets			
Intangible assets	(9.1)	62,344	61,416
Property, plant and equipment	(9.2)	255,944	209,659
Investments carried at equity	(9.4)	2,640	2,640
Trade receivables	(9.6)	3,743	3,228
Other financial assets	(9.7)	3,954	5,199
Other receivables and assets	(9.8)	3,482	2,902
Deferred tax assets	(8.9)	19,153	19,624
		351,260	**304,668**
Current assets			
Inventories	(9.5)	187,252	173,931
Trade receivables	(9.6)	225,237	208,169
Other financial assets	(9.7)	5,214	6,541
Other receivables and assets	(9.8)	28,290	28,441
Cash	(9.9)	176,522	166,030
		622,515	**583,112**
Total assets		**973,775**	**887,780**

The notes are an integral part of the consolidated financial statements.

Equity and liabilities

EUR thousand	Note	31 Dec. 2012	31 Dec. 2011
Equity	(9.10)		
Issued capital		26,980	26,980
Capital reserves		14,527	14,527
Retained earnings		437,636	380,519
Currency translation differences		– 9,048	– 6,414
Treasury shares		0	– 5,236
Equity before non-controlling interests		470,095	410,376
Non-controlling interests		– 290	– 335
		469,805	**410,041**
Non-current liabilities			
Financial liabilities	(9.11)	128,739	167,432
Trade payables	(9.12)	1,121	1,207
Other financial liabilities	(9.13)	8,068	10,096
Other liabilities	(9.14)	1,279	1,023
Pensions and similar obligations	(9.15)	43,078	42,785
Other provisions	(9.16)	3,219	3,134
Deferred tax liabilities	(8.9)	16,494	18,594
		201,998	**244,271**
Current liabilities			
Financial liabilities	(9.11)	52,093	13,359
Trade payables	(9.12)	94,107	87,838
Other financial liabilities	(9.13)	43,390	36,321
Other liabilities	(9.14)	68,554	53,360
Other provisions	(9.16)	43,828	42,590
		301,972	**233,468**
Total equity and liabilities		**973,775**	**887,780**

Consolidated statement of cash flows

for the period 1 January to 31 December 2012

Consolidated statement of cash flows

EUR thousand	31 Dec. 2012	31 Dec. 2011	Change
Earnings before interest and taxes (EBIT)	**119,688**	**97,628**	**+ 22,060**
Depreciation and amortisation of intangible assets and property, plant and equipment	39,320	36,881	+ 2,439
Increase/decrease in non-current provisions	377	– 4,795	+ 5,172
Losses on disposals of intangible assets and property, plant and equipment	849	328	+ 521
Increase in inventories	– 13,322	– 18,451	+ 5,129
Increase in trade receivables and other assets not attributable to investing or financing activities	– 16,730	– 1,434	– 15,296
Increase/decrease in current provisions	1,238	– 7,567	+ 8,805
Increase/decrease in liabilities and other equity and liabilities not attributable to investing or financing activities	22,419	– 8,133	+ 30,552
Other non-cash income	– 5,231	– 2,952	– 2,279
Operating cash flow before income taxes	**148,608**	**91,505**	**+ 57,103**
Income taxes paid	– 27,815	– 37,078	+ 9,263
Net cash flow from operating activities	**120,793**	**54,427**	**+ 66,366**
Disposals of intangible assets	174	0	+ 174
Purchases of intangible assets	– 4,154	– 4,220	+ 66
Disposals of property, plant and equipment	2,481	2,262	+ 219
Purchases of property, plant and equipment	– 85,853	– 57,309	– 28,544
Purchases of companies	0	– 516	+ 516
Other purchases/proceeds attributable to investing activities	– 38	2,906	– 2,944
Net cash flow from investing activities	**– 87,390**	**– 56,877**	**– 30,513**
Dividend payment	– 21,267	– 69,147	+ 47,880
Proceeds from borrowings of financial liabilities	5,709	101,819	– 96,110
Repayment of financial liabilities	– 4,517	– 32,180	+ 27,663
Purchases of treasury shares	– 7,342	– 7,241	– 101
Disposals of treasury shares	11,930	14,818	– 2,888
Proceeds from WILO SE capital increase	0	15,507	– 15,507
Interest received	2,269	2,748	– 479
Interest paid	– 10,970	– 11,293	+ 323
Dividends received	80	75	+ 5
Net cash flow from financing activities	**– 24,108**	**15,106**	**– 39,214**
Change in cash	**9,295**	**12,656**	**– 3,361**
Effects of exchange rate changes on cash	1,197	553	+ 644
Cash at beginning of period	166,030	152,821	+ 13,209
Cash at end of period	**176,522**	**166,030**	**+ 10,492**

The consolidated statement of cash flows is explained in note (10).

The notes are an integral part of the consolidated financial statements.

Consolidated statement of changes in equity

for the period from 1 January 2011 to 31 December 2012

Consolidated statement of changes in equity

EUR thousand	Issued capital	Capital reserves	Retained earnings	Currency translation differences	Treasury shares	Total WILO SE	Non-controlling interests	**Equity**
1 January 2011	26,000	0	391,258	– 4,005	– 8,222	405,031	– 328	**404,703**
Capital increase	980	14,527	0	0	0	15,507	0	**15,507**
Consolidated net income 2011	0	0	53,368	0	0	53,368	– 5	**53,363**
Dividend payment	0	0	– 69,147	0	0	– 69,147	0	**– 69,147**
Purchases of treasury shares	0	0	0	0	– 7,241	– 7,241	0	**– 7,241**
Disposals of treasury shares	0	0	4,591	0	10,227	14,818	0	**14,818**
Currency translation differences	0	0	0	– 2,409	0	– 2,409	– 38	**– 2,447**
Other changes	0	0	449	0	0	449	36	**485**
31 December 2011	**26,980**	**14,527**	**380,519**	**– 6,414**	**– 5,236**	**410,376**	**– 335**	**410,041**
1 January 2012	26,980	14,527	380,519	– 6,414	– 5,236	410,376	– 335	**410,041**
Consolidated net income 2012	0	0	78,185	0	0	78,185	59	**78,244**
Dividend payment	0	0	– 21,267	0	0	– 21,267	0	**– 21,267**
Purchases of treasury shares	0	0	0	0	– 7,342	– 7,342	0	**– 7,342**
Disposals of treasury shares	0	0	0	0	11,930	11,930	0	**11,930**
Currency translation differences	0	0	0	– 2,634	0	– 2,634	– 14	**– 2,648**
Other changes	0	0	199	0	648	847	0	**847**
31 December 2012	**26,980**	**14,527**	**437,636**	**– 9,048**	**0**	**470,095**	**– 290**	**469,805**

The consolidated statement of changes in equity is explained in note (9.10).

The notes are an integral part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(1.) General information

WILO SE (“the company”) has its registered office in Dortmund, Germany, and is the parent company of the Wilo Group. The Group’s core business is the production and worldwide sale of machinery, notably liquid pumps and appliances. The Wilo Group develops, manufactures and markets pumps and building technology systems, primarily for heating, refrigeration, air conditioning and ventilation systems, for water supply and for sewage and effluent disposal.

(2.) Basis of preparation

The consolidated financial statements of WILO SE as at 31 December 2012 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with all interpretations of the International Financial Reporting Interpretations Committee (IFRIC) applicable for 2012. WILO SE exercises the option provided for in section 315a (3) of the Handelsgesetzbuch (HGB – German Commercial Code) and is therefore not required to prepare consolidated financial statements in accordance with German commercial law. To ensure equivalence with consolidated financial statements prepared in accordance with German commercial law, the disclosure requirements of section 315a (1) HGB are met in addition to the IFRS disclosure requirements. The consolidated financial statements are fully in compliance with IFRS as endorsed in the EU and present a true and fair view of the Group’s economic situation.

A number of items of the income statement and statement of financial position have been combined for clarity of presentation. These items are reported and explained separately in the notes.

The consolidated income statement has been prepared using the cost of sales method. All amounts in tables are in thousands of euro (EUR thousand).

(3.) Adoption of new and amended IFRS

In the 2012 financial year, the application of the amendment to IFRS 7 Financial Instruments: Disclosures regarding the transfer of financial assets was mandatory for the first time. This change had no effect on the consolidated financial statements of WILO SE.

The following standards, interpretations and amendments to existing standards and interpretations issued by the IASB and IFRIC were not yet effective in the 2012 financial year or had not yet been endorsed by the European Union.

WILO SE is not planning early adoption of these standards, interpretations or amendments to existing standards or interpretations:

- Amendment to IAS 1 Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income
- Amendment to IAS 12 Income Taxes – Recovery of Underlying Assets
- Amendment to IAS 19 Employee Benefits
- Amendment to IAS 27 Separate Financial Statements and subsequent amendments regarding Investment Entities
- Amendment to IAS 28 Investments in Associates and Joint Ventures
- Amendment to IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
- Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates
- Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards – Government Loans
- Amendment to IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
- IFRS 9 Financial Instruments – Classification of Financial Assets and Financial Liabilities and subsequent amendments to IFRS 9 and IFRS 7 – Mandatory Effective Date and Transition Disclosures
- IFRS 10 Consolidated Financial Statements and subsequent amendments to Transitional Provisions and Investment Entities
- IFRS 11 Joint Arrangements and subsequent amendments to Transitional Provisions
- IFRS 12 Disclosure of Interests in Other Entities and subsequent amendments to Transitional Provisions and Investment Entities
- IFRS 13 Fair Value Measurement
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine
- Various amendments as part of the Improvements to International Financial Reporting Standards 2009 – 2011

The first-time adoption of these standards, interpretations and amendments to existing standards and interpretations will have no effect on the consolidated financial statements of WILO SE with the exception of the amendments listed below.

Amendment to IAS 1 Presentation of Financial Statements
The amendment to IAS 1 Presentation of Financial Statements deals with the presentation of other comprehensive income. In future, the items of other comprehensive income are to be divided into amounts that are reclassified into profit or loss and those that are not. Accordingly, presentation in other comprehensive income of the Group will change, but there will be no effect on the content.

Amendment to IAS 19 Employee Benefits
The amendment to IAS 19 Employee Benefits eliminates the corridor method previously used by the Wilo Group. From the 2013 financial year, actuarial gains and losses are to be recognised immediately in full outside profit or loss in consolidated equity, instead of recognising only the amount outside the corridor in profit or loss as before. Past service cost must also be recognised immediately. In addition, the new regulations stipulate that the expected return on plan assets is calculated using the interest rate on which the defined benefit obligation is based.

If the Wilo Group had already implemented these amendments in 2012, it would have had the following significant effects on the financial position: The actuarial losses of EUR 18,191 thousand accrued up to 31 December 2012 would have reduced consolidated equity from EUR 469,805 thousand to EUR 451,614 thousand and increased the pension obligations from EUR 39,073 thousand to EUR 57,264 thousand. The equity ratio would have fallen 1.8 percentage points from 48.2 percent to 46.4 percent. The effects of the described amendments to IAS 19 on the earnings and financial position are of minor importance.

(4.) Basis of consolidation

The consolidated financial statements include WILO SE and all significant companies that WILO SE controls directly or indirectly. WILO SE controls an entity when it holds more than half of the voting rights in a company or it can otherwise govern its financial and operating policies so as to obtain benefits from its activities.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control is achieved until it ends and fully consolidated in accordance with IAS 27.

In addition to WILO SE, the consolidated financial statements as at 31 December 2012 include four German entities (previous year: four) and 58 foreign subsidiaries (previous year: 58) in which WILO SE directly or indirectly holds the majority of voting rights. A list of all of WILO SE's direct and indirect shareholdings can be found in the annex to the notes to the consolidated financial statements.

(5.) Consolidation methods

The financial statements of the German and foreign companies included in the consolidated financial statements were prepared using uniform accounting policies.

Business combinations are accounted for using the acquisition method in accordance with IFRS 3, with all hidden assets and liabilities disclosed. The assets, liabilities and contingent liabilities of the acquiree identified in accordance with IFRS 3 are measured at fair value at the acquisition date and offset against the purchase price of the acquisition in capital consolidation. The interest in the fair value of any assets and liabilities not acquired is reported under non-controlling interests.

Any excess of the purchase price over the value of acquired, remeasured equity is capitalised as goodwill and subsequently tested for impairment annually at the level of the cash-generating unit to which the goodwill is allocated. If the acquired equity exceeds the purchase price, difference is reassessed and recognised in profit or loss. Intangible assets are recognised separately from goodwill if they can be separated from the company or result from a contractual or other right.

An increase in the shareholding in a controlled and thereby fully consolidated company is treated in the consolidated financial statements as a transaction between owners under IAS 27. Any resulting difference is recognised directly in retained earnings.

Intragroup sales, income, expenses, receivables, payables and contingent liabilities are eliminated. Profits and losses resulting from intragroup trading and recognised in inventories are eliminated. Any temporary differences arising on consolidation are accounted for by recognising deferred tax items as appropriate.

(6.) Currency translation

Foreign-currency transactions in the separate financial statements of WILO SE and consolidated subsidiaries are translated into functional currency at the transaction date exchange rate. Foreign-currency monetary assets and liabilities are translated at the average rate as at the end of the reporting period and any exchange gains or losses are recognised in profit or loss. Non-monetary assets and liabilities measured at cost are translated at the transaction date exchange rate. Non-monetary items measured at fair value are translated at the measurement date exchange rate.

Items in the separate financial statements of consolidated entities are measured in the currency of the primary economic environment (functional currency).

Financial statements prepared in functional currencies other than the euro are translated into euro for consolidation. The reporting currency used in the consolidated financial statements is the euro. All assets and liabilities are translated at the exchange rate as at the end of the reporting period. Consolidated income statement items are translated for inclusion in the consolidated financial statements at annual average rates that appropriately approximate the transaction date exchange rates. Translation differences are accounted for as a separate component of consolidated equity until a subsidiary is disposed of.

Translation differences on certain intragroup foreign-currency loans and receivables treated in accordance with IAS 21 as part of the entity's net investment in a foreign operation are likewise recognised directly in consolidated equity under currency translation differences.

The main exchange rates used in currency translation are as follows:

Exchange rates

		Annual average rate		Rate as at 31 December	
	EUR 1 =	**2012**	**2011**	**2012**	**2011**
Pound sterling	GBP	0.8113	0.8697	0.8154	0.8372
Chinese renminbi (yuan)	CNY	8.1397	9.0285	8.2117	8.1485
Indian rupee	INR	69.0521	65.5838	72.2231	68.9828
Polish zloty	PLN	4.1714	4.1408	4.0929	4.4553
Russian rouble	RUB	40.0461	41.0066	40.1982	41.7428
Swiss franc	CHF	1.2039	1.2315	1.2072	1.2162
South Korean won	KRW	1,447.5126	1,545.8015	1,411.3720	1,490.1412
Turkish lira	TRY	2.3141	2.3533	2.3557	2.4424
US dollar	USD	1.2918	1.3996	1.3183	1.2938

(7.) Accounting policies

The accounting policies applied in the previous year have been retained. Items presented in the statement of financial position are broken down into current and non-current items. An asset or liability is classified as current if it is expected to be realised within twelve months of the end of the reporting period.

Estimates and assumptions

Preparation of consolidated financial statements in line with IASB standards requires management to make estimates and assumptions that affect the amounts and reporting of recognised assets and liabilities, income and expenses and contingent assets and liabilities.

The preparers of the consolidated financial statements have a certain amount of discretion. Essentially the following matters are affected by estimates and assumptions:

- Assessment of impairment on goodwill
- Measurement of intangible assets and items of property, plant and equipment
- Assessment of impairment on trade receivables
- Recognition and measurement of provisions for pensions and similar obligations
- Recognition and measurement of other provisions

In goodwill impairment testing, the recoverable amount of cash-generating units is measured as the higher of fair value less costs to sell and value in use. Fair value is the best estimate of the amount obtainable at the end of the reporting period from the sale of a cash-generating unit in an arm's length transaction. Value in use is the present value of the future cash flows expected to be derived from continuing use of a cash-generating unit.

The Wilo Group uses the value in use as calculated using the discounted cash flow method in impairment testing for goodwill. The discounted cash flows are based on the strategic planning for a period of five years. The cash flows forecasts take into account past experience and are based on the best estimate of future development by the company's management. Cash flows after the planning period are extrapolated using growth rates specific to the business area.

The most important assumptions on which the calculation of value in use are based include estimated growth rates, the weighted average cost of capital and tax rates. These estimated and the underlying method can have a significant influence on the respective values and ultimately on the amount of possible goodwill impairment. The Wilo Group reported goodwill of EUR 55,780 thousand as at the end of the reporting period (previous year: EUR 55,470 thousand). Further information can be found in "Intangible assets" and "Impairment of assets" (note (7.)) and note (9.1).

For intangible assets and items of property, plant and equipment, the useful lives used consistently throughout the Group are based on management estimates. Moreover, if necessary, impairment tests determine the recoverable amount of an asset or the cash-generating unit to which the asset has been assigned as the higher of fair value less costs to sell or the value in use.

Fair value is the best estimate of the amount obtainable at the end of the reporting period from the sale of an asset in an arm's length transaction. The discounted future cash flow of the asset in question must be determined to calculate its value in use. The estimate of discounted future cash flows includes significant assumptions, e.g. the discount rate. Although the management presumes that its assumptions of general economic conditions, estimates of discounted future cash flows and of relevant expected useful lives are appropriate, a change in assumptions or circumstances could require a change in analysis. This could result in additional impairment losses in future if the trends identified by the management reverse or if its assumptions or estimates prove to be incorrect. The Wilo Group reported property, plant and equipment of EUR 255,944 thousand as at the end of the reporting period (previous year: EUR 209,659 thousand).

Further information can be found in "Intangible assets", "Property, plant and equipment" and "Impairment of assets" (note (7.)) and notes (9.1) and (9.2).

Credit risks and risks of default can arise for trade receivables to the extent that customers do not meet their payment obligations and asset losses occur as a result. The necessary write-downs are calculated taking into account the credit rating of the respective customer, any collateral and experience of historical default rates.

The actual default on payment by the customer can differ from the expected default on account of the underlying factors. The Wilo Group recognised total write-downs on trade receivables of EUR 12,733 thousand (previous year: EUR 13,659 thousand) as at the end of the reporting period. Further information can be found in "Financial assets" (note (7)) and note (9.6).

The amount and probability of utilisation are estimated for the recognition and measurement of other provisions. The measurement is based on the most likely settlement amount or the expected settlement amount if there are equal probabilities. The amount of actual utilisation can differ from estimates. The Wilo Group essentially reported provisions for possible warranty claims and provisions for bonuses and customer rebates under other provisions. In total, other provisions of EUR 47,047 thousand (previous year: EUR 45,724 thousand) were reported as at the end of the reporting period. Further information can be found in "Other provisions" (note (7)) and note (9.16).

The calculation of provisions for pensions and similar post-employment obligations is based on key premises, such as the discount rates, the expected return on plan assets, salary trends, life expectancies and assumptions regarding trends in healthcare. The discount rates used are determined on the basis of the returns on government bonds of the same term and currency as at the end of the reporting period. The expected return on plan assets is determined using a uniform procedure taking into account historic, long-term returns. Actual developments may differ from the premises assumed on account of the fluctuating market and economic situation. This can have a significant effect on the obligations for pensions and similar post-employment benefits. The resulting differences are recognised using the corridor method. Further information can be found in "Pensions and similar obligations" (note (7.) and note (9.15)).

The assumptions and estimates are based on current knowledge and the data currently available. Actual developments can differ from estimates. If the actual amounts differ from those estimated, the carrying amounts of the relevant assets and liabilities are adjusted accordingly.

Judgements

Judgements must be made in the application of accounting policies. In particular, this applied to the following:

- Financial assets must be assigned to the categories "financial assets at fair value through profit and loss", "financial assets held to maturity", "loans and receivables" and "financial assets available for sale".
- The cash-generating units for goodwill impairment testing were formed and defined by products and applications and were subject to management judgement.
- When using derivatives to minimise the financial risks of hedged items, it must be decided whether hedge accounting is to be used within the meaning of IAS 39.

Expense and revenue recognition

Revenue is normally recognised when service is rendered or goods are delivered and the substantial associated risks and rewards are transferred to customers. Revenue is presented net of trade discounts and rebates. Cost includes all direct costs and overheads incurred in generating revenue, including depreciation on production machinery. This item also includes amounts recognised for guarantee provisions. Operating expenses are recognised in profit or loss when service is rendered or the expenses incurred. Interest income and interest expenses are recognised on an accrual basis.

Administrative expenses and selling expenses

Administrative expenses and selling expenses include attributable labour and material costs plus depreciation applicable to each functional area.

Research and development costs

Development costs are capitalised as intangible assets at cost and amortised over their useful lives, provided the capitalisation criteria described in IAS 38 are met. Development costs that do not meet the capitalisation criteria in accordance with IAS 38 are reported like research costs as a separate line item in the income statement. The recognition criteria for the capitalisation of development costs in accordance with IAS 38 were not met in 2012 or 2011.

Borrowing costs

Borrowing costs are recognised in profit or loss, provided they do not relate directly to the acquisition, development or production of qualifying assets.

If this is the case, these direct borrowing costs are capitalised as incidental costs of acquisition of the qualified asset. Qualifying assets are assets which require a substantial period of time to bring them to a condition suitable for use or sale. Borrowing costs of EUR 101 thousand were capitalised in the 2012 financial year (previous year: EUR 0 thousand). The borrowing costs rate, which formed the basis for determining the capitalisable borrowing costs, was 4.36 percent in the year under review (previous year: 4.26 percent).

Intangible assets

Acquired intangible assets with a finite useful life are capitalised at cost and amortised on a straight-line basis over their useful lives (three to five years in the Wilo Group).

The amortisation for the financial year is allocated to the corresponding functional areas. In accordance with IFRS 3 and IAS 38 in conjunction with IAS 36, goodwill is not amortised but instead tested for impairment annually and whenever there is an indication that it has become impaired. If impairment testing of goodwill shows the goodwill to be impaired, the impairment loss is recognised under other operating expenses.

Property, plant and equipment

Physical assets used in the business for longer than one year are measured at cost less straight-line depreciation. Cost comprises the purchase price plus all directly attributable costs incurred in bringing an asset to the location and condition necessary for it to be capable of operating. Useful lives are based on the standard depreciation of the assets.

The estimated useful life of a building is between ten and 60 years; leasehold improvements and buildings on third-party land are depreciated over the shorter of the lease term or their useful life. The useful lives for technical equipment and machinery are up to 14 years. Operating and office equipment subject to normal use are depreciated over three to thirteen years. Significant parts of an asset that meet the criteria set out in IAS 16 are accounted for using the component approach. The depreciation for the financial year is allocated to the corresponding functional areas.

Leases

Wilo does not lease out any items itself, instead acting as a lessee only. Leases that meet the classification criteria for finance leases under IAS 17 are initially recognised as assets and liabilities at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. If it is not reasonably certain that the lessee will obtain ownership by the end of the lease term, the leased asset is fully depreciated on a straight-line basis over the shorter of the lease term and its useful life. In such a case, the useful life is taken as a basis. On first-time recognition of finance leases under IAS 17, the capitalised amount and the liability are identical. The main finance leases relate to three operating buildings. There are also leases for IT equipment. Leased property is returned to the lessor at the end of the lease term.

Where consolidated companies are lessees under operating leases, lease payments are recognised on a straight-line basis over the term of the lease in profit and loss.

Impairment of assets
At the end of each reporting period it is assessed whether there is any indication that an asset may be impaired. Depreciable assets are additionally tested for impairment whenever there is an indication that their carrying amount may exceed their recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use.

Goodwill is tested for impairment at least once per financial year and whenever there are indications that it may have become impaired. In impairment testing, the recoverable amount of cash-generating units is measured as the higher of fair value less costs to sell and value in use. Fair value is the best estimate of the amount obtainable at the end of the reporting period from the sale of a cash-generating unit in an arm's length transaction. Value in use is the present value of the future cash flows expected to be derived from a cash-generating unit.

The recoverable amount is measured using the discounted cash flow method on the basis of approved planning over a strategic planning horizon of five years. An appropriate unit-specific growth factor is applied. The plans are based on past experience and projected market development. The product divisions of the Wilo Group, which comprise the Circulators, Pumps & Systems and Submersible & HighFlow divisions, are broken down by product groups and applications to form the cash-generating units.

In impairment testing, goodwill and all other assets are allocated to cash-generating units and compared to the value in use of the respective cash-generating unit. If the value in use of a cash-generating unit is lower than the total carrying amount of the goodwill and all other assets allocated to it, an impairment loss must be recognised in profit or loss. An impairment loss is deducted from the goodwill allocated to the cash-generating unit and then pro rata from the other assets in the unit. Impairment losses are reported in other operating expenses in profit and loss.

The discount rate used in annual impairment testing of cash-generating units is determined on the basis of market data. A rate of between 10.9 percent and 11.5 percent before income taxes was used in the 2012 financial year (previous year: between 10.3 percent and 11.0 percent before income taxes). As in the previous year, the long-term growth factor for CGUs is between 0.1 and 0.9 percent.

The main assumptions used to determine the value in use of each division for goodwill impairment testing are shown below:

2012 financial year

Division	Goodwill in EUR thousand	Long-term growth factor %	Discount rate before taxes %
Submersible & HighFlow	30,190	0.9	10.9
Pumps & Systems	18,416	0.5	11.2
Circulators	7,174	0.1	11.5

2011 financial year

Division	Goodwill in EUR thousand	Long-term growth factor %	Discount rate before taxes %
Submersible & HighFlow	30,165	0.9	10.3
Pumps & Systems	18,178	0.5	10.7
Circulators	7,127	0.1	11.0

The Wilo Group uses the value in use of each division as its recoverable amount for the purposes of goodwill impairment testing. Goodwill is also recoverable if the discount rate increases by 0.5 percentage points.

Investments carried at equity
Investments in jointly controlled entities are measured using the equity method and reported under "Investments carried at equity".

Financial assets
Financial assets comprise loans granted and receivables, acquired equity and debt securities, cash and cash equivalents and derivatives that are assets. Within the Wilo Group, these financial assets are reported under trade receivables, other financial assets and cash.

Financial assets are recognised and measured in line with IAS 39. Accordingly, financial assets are reported in the consolidated statement of financial position if the Wilo Group has a contractual right to receive cash or other financial assets from another party in accordance with IAS 32.

Purchases and sales of financial assets at market prices are accounted for on the settlement date. A financial asset is initially recognised at cost. Non-interest-bearing receivables or receivables subject to low interest rates are carried at the present value of the expected future cash flows on first-time recognition.

Subsequent measurement is in line with the classification of financial assets into the following categories in accordance with IAS 39, each of which is subject to different measurement rules:

- *Financial assets at fair value through profit and loss* or *financial assets held for trading* comprise financial assets held for trading. Any changes in the fair value of financial assets in this category are recognised in profit or loss at the time their value increases or decreases. At the Wilo Group, this category consists exclusively of financial assets held for trading.

- *Loans and receivables* are non-derivative financial assets that are not quoted on an active market. They are measured at amortised cost. This category includes trade receivables as well as receivables and loans classified as other financial assets. The interest income from items in this category is calculated using the effective interest method, provided they are not current receivables and the effect of discounting is immaterial.

- *Held-to-maturity investments* are non-derivative financial assets with fixed or determinable payments and a fixed maturity to which they are held. These are measured at amortised cost using the effective interest method. No financial assets of this category were reported by the Wilo Group as at 31 December 2012 or 2011.

- *Available-for-sale* financial assets comprise non-derivative financial assets that are not classified in one of the above categories. These include in particular equity securities (e.g. shares) which are contained in other financial assets.

Available-for-sale financial assets are measured at fair value. If the fair value cannot be determined with sufficient reliability, they are measured at amortised cost. Any changes in the fair value of available-for-sale financial assets in this category are recognised directly in equity. Impairment is recognised in profit or loss only on disposal, unless the fair value over a longer period of time is greater or materially less than amortised cost. In cases where the fair value of equity and debt securities can be determined, this is recognised as fair value. If no quoted market price exists and no reliable estimate of fair value can be made, these financial assets are measured at cost less impairment expenses.

Available-for-sale financial assets in the Wilo Group consist mainly of financial assets for which no quoted market price exists and no reliable estimate of fair value can be made. These comprise shares in unconsolidated subsidiaries and associated companies not accounted for at equity.

If financial assets categorised as loans and receivables, held-to-maturity investments and available-for-sale financial assets that are measured at amortised cost show objective, substantial indications of impairment, they are tested to see if the carrying amount exceeds the present value of the expected future cash flows. If this is the case, an impairment loss is recognised in the amount of the difference. Indications for an impairment include several years of operating losses in a company, a reduction of market value, material deterioration of credit rating, significant default on payment, a particular breach of contract, the high probability of insolvency or other form of financial restructuring on the part of the debtor or the disappearance of an active market. If the reasons for impairment losses recognised in the past no longer apply, they are reversed as appropriate to the maximum of the amortised cost.

Financial assets are derecognised if the contractual rights to payments from the financial assets no longer exist or the financial assets are transferred with all material risks and rewards.

Inventories

Raw materials and supplies and merchandise are measured at the lower of cost and net realisable value. Cost is determined using the weighted average cost method. Work in progress and finished goods are carried at cost. This includes all costs directly attributable to production and appropriate portions of production overheads. Production overheads include production- related depreciation, pro rata administration costs and pro rata social security costs. Cost does not include borrowing costs. Discounts are recognised on raw materials and supplies and merchandise for quality and functional defects and for risks of failure to sell. Inventories are measured as at the end of the reporting period at the lower of cost on the one hand and net realisable value less estimated costs to sell on the other.

Derivatives

Derivatives are used in the Wilo Group to reduce exchange rate, interest rate and commodity price risk. These instruments are hedges from an economic perspective, but do not meet the requirements of IAS 39 for hedge accounting. The Wilo Group therefore does not use hedge accounting as defined by IAS 39.

Measurement is performed using standard measurement methods based on market parameters specific to each instrument. The market values are calculated using present value and option pricing models. Where possible, the relevant market prices and interest rates at the end of the reporting period are used as the input parameters for these models. All changes in fair value are taken directly to profit and loss.

The fair value of forward exchange contracts is determined using the mean spot exchange rate as at the end of the reporting period and taking into account the forward premiums and discounts for the remaining contract term with respect to the agreed forward exchange rate. The market value of interest rate swaps is determined by discounting the expected future cash flows with the market rates applicable for the remaining contract term. Commodity futures are measured on the basis of quoted market prices and forward premiums and discounts. Commodity options are measured using option pricing models. The fair value of derivative financial instruments is calculated by banks.

Changes in the fair value of derivatives as at the end of the reporting period are taken directly to profit and loss under other net finance costs. Income and expenses from the realisation of derivatives are disclosed in the income statement in the item in which the effects of hedged items are reported. Income or expenses from the realisation of forward exchange contracts or forward exchange options are recognised under other operating income or expenses, provided the hedged item is assigned to the operating area and the income and expenses from the measurement of this item were recognised accordingly in other operating income and expenditure. If the item relates to financing activity, corresponding income and expenses from the realisation of forward exchange contracts is reported in other net financial income. Income or expenses from the realisation of interest rate and currency swaps are disclosed in net interest income. Income or expenses from the realisation of commodity futures and options without physical delivery are reported in cost of sales.

Other receivables and assets

Other receivables and assets primarily include tax receivables, advance payments, reinsurance assets, deferrals, and receivables from employees that are not financial assets. These other receivables and assets are measured at amortised cost.

Deferred taxes

Deferred tax assets and deferred tax liabilities are recognised in accordance with IAS 12 for all temporary differences between the carrying amount of an asset or liability in the IFRS financial statements and its tax base.

Deferred tax assets are also recognised in respect of the expected utilisation of unused tax loss carryforwards in subsequent years provided the tax loss carryforwards are sufficiently likely to be utilised. Deferred tax assets are tested for impairment as at the end of the reporting period. The Wilo Group also recognises deferred tax liabilities for the tax expenses to arise on the expected profit distributions by the consolidated subsidiaries to WILO SE in 2013.

Deferred tax assets and liabilities are measured at the tax rates that apply or that are expected to apply at the realisation date according to the current legal situation in the individual countries.

Deferred tax assets are only offset against deferred tax liabilities if they relate to the same taxation authority and have matching terms. Information on the deferred taxes as at 31 December 2012 is provided in note (8.9).

Government grants

In accordance with IAS 20, a government grant is only recognised if there is reasonable assurance of compliance with the conditions attached to it and that the grant will be received. Research and investment grants received by the Wilo Group are recognised in profit or loss over the periods necessary to match them to the costs they are intended to compensate. They are recognised as deferred income and reversed to profit and loss over the term of the subsidised assets.

Equity

Treasury shares are measured at cost and reported separately as a deduction from equity.

Financial liabilities
Financial liabilities comprise primary liabilities and derivative liabilities classified as financial liabilities at fair value through profit and loss or financial liabilities held for trading in accordance with IAS 39. In the Wilo Group, financial liabilities consist of liabilities due to banks, trade payables and liabilities reported under other financial liabilities.

Primary liabilities are recognised in the consolidated statement of financial position if the Wilo Group has a contractual obligation to transfer cash or other financial assets to another party in accordance with IAS 32. Primary liabilities are measured at the cost of consideration or the cash received on first-time recognition. In subsequent measurement, finance lease liabilities are carried at the present value of lease payments at the inception of the lease. All other financial liabilities classified as financial liabilities measured at amortised cost are carried at their settlement amount or amortised cost using the effective interest method. Non-interest-bearing financial liabilities and those subject to low rates of interest are discounted using the market interest rate.

Financial liabilities are derecognised if the contractual obligations are discharged, cancelled or expire.

Other liabilities
Other liabilities mainly comprise tax liabilities, advance payments received, deferrals and liabilities to employees that are not financial liabilities as defined by IAS 32. These are measured at amortised cost.

Pensions and similar obligations
Provisions are recognised for uncertain liabilities from pension obligations and other post-employment benefits. In accordance with IAS 19, pension obligations for defined benefit commitments are calculated using the internationally recognised projected unit credit method. The calculations are based on actuarial appraisals and biometric parameters.

Actuarial gains and losses exceeding 10.0 percent of the greater of the defined benefit obligation and the fair value of plan assets are recognised using the corridor method. Recognised actuarial gains and losses are amortised over the remaining working lives of participating employees.

The expense relating to provisions obligations, with the exception of the interest portion reported in net finance costs, is allocated to the relevant functional areas. The amount of defined benefit obligations was determined using actuarial methods, for which estimates are essential. The calculations for pension obligations use the following parameters, shown here on a weighted-average basis:

Calculation parameters for pension obligations

%	31 Dec. 2012	31 Dec. 2011
Discount rate	3.13	4.39
Pension adjustment	1.86	2.01
Salary increase	3.83	2.99
Fluctuation rate	3.94	3.99

The expected return on plan assets allocated for pension obligations is 2.21 percent (previous year: 2.41 percent), estimated on the basis of historical data and stated on a weighted-average basis.

The actuarial present value of pension obligations calculated using the projected unit credit method is reduced by the amount of the corresponding assets at the third-party pension provider if the requirements of IAS 19 for plan assets are met.

Other provisions

Provisions for taxes include current income tax liabilities. Other provisions are recognised in accordance with IAS 37 when there is a present obligation to a third party resulting from a past event, settling the obligation will probably require an outflow of resources and the amount of the obligation can be reliably estimated. Non-current provisions for obligations not expected to result in an outflow of resources in the next year are recognised at the net present value of the expected outflow of resources. The discount rate is based on market interest rates. The settlement amount includes expected cost increases. Provisions are remeasured as at the end of each reporting period. Provisions are not offset against rights of recourse.

(8.) Notes to the consolidated income statement

(8.1) Net sales

Net sales breaks down according to the following regions:

Net sales

	2012		2011	
	EUR thousand	%	EUR thousand	%
Europe	615,930	51.9	577,972	54.0
Asia Pacific	271,171	22.8	226,170	21.1
EMEA	195,449	16.5	168,704	15.8
Others	104,536	8.8	97,688	9.1
Total	**1,187,086**	**100.0**	**1,070,534**	**100.0**

(8.2) Cost of sales

This item consists of costs of the products and merchandise sold.

Cost of sales

EUR thousand	2012	2011
Cost of materials	– 509,767	– 460,940
Staff costs	– 117,873	– 104,947
Depreciation and amortisation of intangible assets and property, plant and equipment	– 25,233	– 23,528
Third-party maintenance	– 7,072	– 7,239
Rental payments	– 4,861	– 3,419
Other staff costs	– 4,777	– 4,135
Travel and entertainment expenses	– 2,851	– 2,712
Other	– 45,047	– 37,210
Total	**– 717,481**	**– 644,130**

(8.3) Selling expenses

Selling expenses

EUR thousand	2012	2011
Staff costs	– 122,843	– 110,624
Outgoing freight	– 25,323	– 24,103
Advertising costs	– 25,156	– 28,645
Sales force	– 18,527	– 16,341
Rental payments	– 10,899	– 9,846
Depreciation and amortisation of intangible assets and property, plant and equipment	– 4,870	– 4,699
Defaults	– 2,796	– 1,386
Legal and consulting costs	– 1,556	– 1,258
Write-downs on trade receivables (net)	– 721	– 2,580
Other	– 28,357	– 25,435
Total	**– 241,048**	**– 224,917**

(8.4) Administrative expenses

Administrative expenses are costs of administration not attributable to production, development or sales.

Administrative expenses

EUR thousand	2012	2011
Staff costs	– 41,030	– 34,312
Legal and consulting costs	– 6,910	– 6,092
Depreciation and amortisation of intangible assets and property, plant and equipment	– 6,787	– 6,302
Other staff costs	– 3,642	– 4,242
Rental payments	– 3,395	– 2,876
Travel and entertainment expenses	– 2,652	– 3,105
Communication costs	– 2,022	– 1,842
Other	– 13,425	– 12,638
Total	**– 79,863**	**– 71,409**

(8.5) Research and development costs

Research and development costs

EUR thousand	2012	2011
Staff costs	– 25,096	– 21,964
External services	– 3,616	– 4,334
Depreciation and amortisation of intangible assets and property, plant and equipment	– 2,430	– 2,352
Legal and consulting costs	– 797	– 745
Other	– 7,221	– 7,361
Total	**– 39,160**	**– 36,756**

(8.6) Other operating income

Other operating income

EUR thousand	2012	2011
Foreign-currency differences from operating activities	7,467	7,723
Charges passed on to third parties	2,794	2,235
Government grants	1,695	161
Reversal of provisions for bonuses	1,608	2,967
Income from disposals of intangible assets and property, plant and equipment	517	460
Insurance compensation	287	703
Other	5,653	5,376
Total	**20,021**	**19,625**

The foreign-currency gains from operating activities of EUR 7,467 thousand (previous year: EUR 7,723 thousand) mainly consist of gains due to exchange rate changes between the inception and settlement of foreign-currency receivables and liabilities, and foreign-currency gains resulting from measurement at the exchange rate as at the end of the reporting period. Foreign-currency losses of EUR 6,096 thousand (previous year: EUR 9,723 thousand) from these items are reported under other operating expenses (see note (8.7)).

As subsidiaries mostly trade with customers and suppliers in local currency, these foreign-currency gains and losses mainly arise on intragroup transactions.

(8.7) Other operating expenses

Other operating expenses

EUR thousand	2012	2011
Foreign-currency losses from operating activities	– 6,096	– 9,723
Losses on disposals of intangible assets and property, plant and equipment	– 1,366	– 797
Other	– 2,405	– 4,799
Total	**– 9,867**	**– 15,319**

(8.8) Net finance costs

Net financial result breaks down as follows:

Net finance costs

EUR thousand	2012	2011
Net interest income	– 8,701	– 8,545
Other net finance costs	– 575	– 11,423
Total	**– 9,276**	**– 19,968**

Net interest income consists of the following interest income and expenses:

Net interest income

EUR thousand	2012	2011
Interest income on cash and on loans granted	1,685	2,164
Settlement of derivative financial instruments	584	584
Interest income	**2,269**	**2,748**
Interest expenses on financial liabilities	– 10,717	– 11,012
Interest on finance leases	– 253	– 281
Interest expenses	**– 10,970**	**– 11,293**
Total	**– 8,701**	**– 8,545**

Other net finance costs break down as follows:

Other net finance costs

EUR thousand	2012	2011
Gains on derivative financial instruments	2,837	2,934
Foreign-currency gains from financing activities	1,921	134
Dividends from associates	80	75
Miscellaneous	25	0
Other financial income	**4,863**	**3,143**
Losses on derivative financial instruments	– 2,791	– 8,175
Foreign-currency losses from financing activities	– 463	– 4,045
Interest rate effects from non-current receivables and liabilities	– 2,178	– 2,346
Miscellaneous	– 6	0
Other financial expenses	**– 5,438**	**– 14,566**
Total	**– 575**	**– 11,423**

Gains and losses on derivative financial instruments in the financial years 2012 and 2011 essentially result from positive and negative utilisation and measurement effects of commodity derivatives used to hedge prices for commodities prices within the Wilo Group. In the 2012 financial year, the net utilisation and measurement of commodity derivatives improved net financial income by EUR 1,061 thousand. In the previous year, this effect lowered net financial income by EUR 6,630 thousand.

Of the foreign currency gains from financing activities amounting to EUR 1,921 thousand, EUR 1,152 thousand relates to the translation of the bonds issued in 2006 of originally EUR 67.5 million (USD 80.0 million) (see note (9.11)). In the previous year, there were foreign currency losses from financing activities of EUR 4,045 thousand. This included a loss from the translation of bonds amounting to EUR 2,203 thousand. The other foreign currency gains and losses from financing activities result from the translation of intragroup foreign-currency loans. The bonds are fully hedged against currency risks by way of interest and currency swaps. These derivative liabilities had a negative fair value of EUR 6,150 thousand as at the end of the reporting period (previous year: EUR 4,619 thousand). The loss from the measurement of these interest rate and currency swaps of EUR 1,531 thousand is reported under losses from derivative financial instruments. In the previous year, a gain of EUR 887 thousand was reported under gains from derivative financial instruments.

(8.9) Income taxes

The income tax expense is as follows:

Income taxes

EUR thousand	2012	2011
Current tax income/expense		
– Reporting year	– 32,796	– 23,845
– Previous year	– 183	554
Current income taxes	**– 32,979**	**– 23,291**
Deferred tax income/expense		
– from the origination and reversal of temporary differences	1,249	– 1,778
– from unutilised loss carryforwards	– 408	1,862
– from changes in tax rates	– 3	– 1,064
– from write-downs and reversals of write-downs on deferred tax assets	– 27	– 26
Deferred tax income/expense	**811**	**– 1,006**
Income taxes	**– 32,168**	**– 24,297**

The calculation of current income taxes in Germany for 2012 is based on a combined statutory tax rate of 15.8 percent for corporation tax and the solidarity surcharge plus trade tax approximating 15.0 percent (previous year: combined tax rate of 30.8 percent). As in the previous year, foreign entities are subject to local income tax rates ranging from 10.0 percent to 40.0 percent.

Deferred taxes are also measured using the combined tax rate of 30.8 percent consisting of corporation tax, solidarity surcharge and trade tax (previous year: 30.8 percent).

Deferred taxes by item

Deferred tax assets and liabilities are recognised as follows in relation to measurement differences on individual items of the statement of financial position and tax loss carryforwards:

Deferred taxes by item

	Deferred tax assets		Deferred tax liabilities	
EUR thousand	2012	2011	2012	2011
Intangible assets	473	149	2,084	1,952
Property, plant and equipment	1,285	972	5,213	5,495
Inventories	4,225	4,962	70	57
Receivables and other assets	1,862	2,215	1,145	2,523
	7,845	**8,298**	**8,512**	**10,027**
Financial liabilities	0	0	1,087	1,928
Trade payables	276	275	8	1
Pensions and similar obligations	2,970	2,454	67	87
Other provisions and liabilities	7,228	7,021	8,553	7,950
Tax loss carryforwards	2,567	2,975	0	0
	13,041	**12,725**	**9,715**	**9,966**
Offsetting of deferred tax assets and liabilities	– 1,733	– 1,399	– 1,733	– 1,399
Carrying amount	**19,153**	**19,624**	**16,494**	**18,594**

The change in deferred tax assets and liabilities in the reporting year was as follows:

Change in deferred taxes

EUR thousand	Net amount of deferred tax assets/ liabilities on 31 December 2011	Recognised in profit or loss	Recognised outside profit or loss	Net amount of deferred tax assets/ liabilities on 31 December 2012
Intangible assets	– 1,803	192	0	– 1,611
Property, plant and equipment	– 4,523	596	0	– 3,927
Inventories	4,905	– 749	0	4,156
Receivables and other assets	– 308	206	818	716
Financial liabilities	– 1,928	841	0	– 1,087
Trade payables	274	– 6	0	268
Pensions and similar obligations	2,367	535	0	2,902
Other provisions and liabilities	– 929	– 396	0	– 1,325
Tax loss carryforwards	2,975	– 408	0	2,567
	1,030	**811**	**818**	**2,659**

The change in deferred tax assets and liabilities in the previous year was as follows:

Change in deferred taxes

EUR thousand	Net amount of deferred tax assets/ liabilities on 31 December 2010	Recognised in profit or loss	Recognised outside profit or loss	Net amount of deferred tax assets/ liabilities on 31 December 2011
Intangible assets	– 1,788	– 15	0	– 1,803
Property, plant and equipment	– 5,434	911	0	– 4,523
Inventories	5,324	– 419	0	4,905
Receivables and other assets	333	681	– 1,322	– 308
Financial liabilities	– 2,469	541	0	– 1,928
Trade payables	612	– 338	0	274
Pensions and similar obligations	4,096	– 1,729	0	2,367
Other provisions and liabilities	1,571	– 2,500	0	– 929
Tax loss carryforwards	1,113	1,862	0	2,975
	3,358	**– 1,006**	**– 1,322**	**1,030**

Unutilised tax loss carryforwards amounted to EUR 60,459 thousand (previous year: EUR 57,701 thousand) as at the end of the reporting period, EUR 3,674 thousand (previous year: EUR 2,680 thousand) of which can be carried forward indefinitely. The limited tax loss carryforwards amount to EUR 56,785 thousand (previous year: EUR 55,021 thousand) and can be carried forward between five and 20 years.

Applying local income tax rates, the deferred tax assets on loss carryforwards would amount to EUR 19,689 thousand (previous year: EUR 18,957 thousand). EUR 17,122 thousand (previous year: EUR 15,982 thousand) of this total was not recognised as at the end of the reporting period as it was not sufficiently likely that they will be utilised in future.

As WILO SE is anticipating profit distributions from its consolidated subsidiaries next year, total deferred tax liabilities of EUR 1,882 thousand (previous year: EUR 2,309 thousand) have been recognised on these distributions.

In addition, there were retained profits of EUR 77,901 thousand at subsidiaries as at 31 December 2012 (previous year: EUR 52,807 thousand) intended for long-term investment, for which no deferred tax liabilities were therefore recognised. For reasons of practicality, uncertain tax effects have not been calculated.

Reconciliation of income taxes

The combined statutory tax rate of 15.8 percent consisting of corporation tax and the solidarity surcharge plus the trade tax of approximately 15.0 percent (previous year: 30.8 percent) was used to calculate deferred taxes in Germany for the 2012 financial year. The Wilo Group reported tax expenses of EUR 32,168 thousand (previous year: EUR 24,297 thousand) in its consolidated income statement for 2012. This is EUR 1,839 thousand lower (previous year: EUR 378 thousand higher) than the forecast tax expense of EUR 34,007 thousand (previous year: EUR 23,919 thousand) that results from applying the domestic rate of 30.8 percent (previous year: 30.8 percent) at Group level.

The difference is attributable to the following causes:

Tax reconciliation statement

EUR thousand	**2012**	**2011**
Consolidated net income before taxes	110,412	77,660
Expected tax expense	**– 34,007**	**– 23,919**
Tax rate changes	– 3	– 1,064
Difference from foreign tax rates	5,326	5,108
Goodwill impairments and temporary differences arising on consolidation	– 13	– 556
Other permanent differences	– 3,222	316
Tax-free income	1,182	1,156
Unrecognised deferred tax assets on tax loss carryforwards	– 1,140	– 3,442
Withholding tax	– 515	– 2,557
Prior-period taxes	– 183	554
Other	407	107
Current tax expense	**– 32,168**	**– 24,297**

(8.10) Consolidated net income

Consolidated net income

EUR thousand	2012	2011
Earnings before interest and taxes (EBIT)	**119,688**	**97,628**
Net finance costs	– 9,276	– 19,968
Consolidated net income before taxes	**110,412**	**77,660**
Income taxes	– 32,168	– 24,297
Consolidated net income after taxes	**78,244**	**53,363**

EBIT is stated before net finance costs and income taxes. EBIT and consolidated net income are determined from the income and expense items in the consolidated income statement. Net interest income is included in the consolidated income statement in net finance costs.

(8.11) Earnings per share

Earnings per share are determined by dividing consolidated net income attributable to WILO SE shareholders by the weighted average number of shares outstanding in the financial year. Both basic and diluted earnings per ordinary share amount to EUR 7.63 (previous year: EUR 5.19). Both basic and diluted earnings per preferred share amount to EUR 7.64 (previous year: EUR 5.20). Both figures were calculated after deducting income attributable to non-controlling interests.

Earnings per share

	2012	2011
Consolidated net income after taxes	78,244	53,363
of which: attributable to non-controlling interests	59	– 5
of which: attributable to shareholders of WILO SE	78,185	53,368
Number of ordinary shares as at 31 Dec.	10,117,331	10,117,331
Weighted average number of ordinary shares outstanding	10,015,408	10,063,251
Number of preferred shares as at 31 Dec.	259,418	155,651
Weighted average number of preferred shares outstanding	225,694	215,893
Earnings per ordinary share (EUR)	**7.63**	**5.19**
Earnings per preferred share (EUR)	**7.64**	**5.20**

(9.) Notes to the consolidated statement of financial position

(9.1) Intangible assets

Intangible assets developed as follows in the financial years 2012 and 2011:

Intangible assets

EUR thousand	Patents and property rights	Goodwill	Advance payments	Total
Cumulative cost				
As at 1 Jan. 2011	25,773	63,223	135	**89,131**
Currency translation	92	– 103	0	**– 11**
Additions	2,936	30	1,284	**4,250**
Changes in the consolidated group	49	0	0	**49**
Disposals	– 1,349	0	– 56	**– 1,405**
Reclassifications	1,218	0	– 1,218	**0**
As at 31 Dec. 2011	**28,719**	**63,150**	**145**	**92,014**
As at 1 Jan. 2012	28,719	63,150	145	**92,014**
Currency translation	165	410	4	**579**
Additions	3,082	0	1,072	**4,154**
Disposals	– 3,365	0	0	**– 3,365**
Reclassifications	673	0	– 673	**0**
As at 31 Dec. 2012	**29,274**	**63,560**	**548**	**93,382**
Cumulative depreciation				
As at 1 Jan. 2011	21,251	7,683	0	**28,934**
Currency translation	– 7	– 3	0	**– 10**
Changes in the consolidated group	43	0	0	**43**
Depreciation in the financial year	2,946	0	0	**2,946**
Disposals	– 1,315	0	0	**– 1,315**
As at 31 Dec. 2011	**22,918**	**7,680**	**0**	**30,598**
As at 1 Jan. 2012	22,918	7,680	0	**30,598**
Currency translation	107	100	0	**207**
Depreciation in the financial year	3,424	0	0	**3,424**
Disposals	– 3,191	0	0	**– 3,191**
As at 31 Dec. 2012	**23,258**	**7,780**	**0**	**31,038**
Residual carrying amounts				
As at 1 Jan. 2011	4,522	55,540	135	**60,197**
As at 31 Dec. 2011	**5,801**	**55,470**	**145**	**61,416**
As at 1 Jan. 2012	5,801	55,470	145	**61,416**
As at 31 Dec. 2012	**6,016**	**55,780**	**548**	**62,344**

The additions to patents and property rights mainly relate to software purchases. Software has a finite useful life and is amortised over three years.

Goodwill is tested for impairment at least annually. Detailed information on impairment testing is provided in note (7).

The goodwill impairment test performed in the 2012 financial year did not result in any impairment requirements for the cash-generating units.

Goodwill allocated to the product divisions developed as follows in the 2012 financial year:

Development of goodwill per division

EUR thousand	**1 Jan. 2012**	Currency translation	**31 Dec. 2012**
Submersible & HighFlow	30,165	25	30,190
Pumps & Systems	18,178	238	18,416
Circulators	7,127	47	7,174
	55,470	**310**	**55,780**

(9.2) Property, plant and equipment

Property, plant and equipment developed as follows in the 2012 and 2011 financial years:

Property, plant and equipment

EUR thousand	Land and buildings	Technical equipment and machinery	Operating and office equipment	Advance payments made and assets under construction	Total
Cumulative cost					
As at 1 Jan. 2011	113,218	145,672	192,918	18,060	**469,868**
Currency translation	– 995	– 1,120	19	– 384	**– 2,480**
Additions	4,104	8,337	20,224	24,644	**57,309**
Changes in the consolidated group	0	0	323	0	**323**
Reclassifications	3,229	5,380	6,882	– 15,491	**0**
Disposals	– 250	– 3,998	– 8,810	– 108	**– 13,166**
As at 31 Dec. 2011	**119,306**	**154,271**	**211,556**	**26,721**	**511,854**
As at 1 Jan. 2012	119,306	154,271	211,556	26,721	**511,854**
Currency translation	50	– 456	679	– 152	**121**
Additions	3,938	7,988	21,165	52,762	**85,853**
Reclassifications	18,701	9,943	8,291	– 36,935	**0**
Disposals	– 174	– 5,886	– 31,530	– 911	**– 38,501**
As at 31 Dec. 2012	**141,821**	**165,860**	**210,161**	**41,485**	**559,327**
Cumulative depreciation					
As at 1 Jan. 2011	36,831	96,574	145,849	0	**279,254**
Currency translation	– 9	– 707	213	0	**– 503**
Changes in the consolidated group	0	0	174	0	**174**
Depreciation in the financial year	3,783	10,561	19,591	0	**33,935**
Reclassifications	– 41	– 302	343	0	**0**
Disposals	– 148	– 3,462	– 7,055	0	**– 10,665**
As at 31 Dec. 2011	**40,416**	**102,664**	**159,115**	**0**	**302,195**
As at 1 Jan. 2012	40,416	102,664	159,115	0	**302,195**
Currency translation	74	– 185	574	0	**463**
Depreciation in the financial year	4,362	11,284	20,250	0	**35,896**
Reclassifications	31	45	– 76	0	**0**
Disposals	– 154	– 5,737	– 29,280	0	**– 35,171**
As at 31 Dec. 2012	**44,729**	**108,071**	**150,583**	**0**	**303,383**
Residual carrying amounts					
As at 1 Jan. 2011	76,387	49,098	47,069	18,060	**190,614**
As at 31 Dec. 2011	**78,890**	**51,607**	**52,441**	**26,721**	**209,659**
As at 1 Jan. 2012	78,890	51,607	52,441	26,721	**209,659**
As at 31 Dec. 2012	**97,092**	**57,789**	**59,578**	**41,485**	**255,944**

Property, plant and equipment includes leased assets in the amount of EUR 4,732 thousand (previous year: EUR 4,368 thousand) classified as finance leases under IAS 17 and of which the Group holds beneficial ownership.

The net carrying amounts are as follows:

Net carrying amounts of finance leases

EUR thousand	31 Dec. 2012	31 Dec. 2011
Buildings	932	1,190
Operating and office equipment	3,800	3,178
Total	**4,732**	**4,368**

The total future minimum lease payments and the reconciliation to their present value are shown in the table below. The carrying amount of the corresponding liabilities as at the end of the reporting period was EUR 4,890 thousand (previous year: EUR 4,848 thousand).

Minimum lease payments

EUR thousand	31 Dec. 2012	31 Dec. 2011
Total minimum lease payments	5,274	5,441
Interest portion	– 384	– 593
Present value	**4,890**	**4,848**
Due within one year	2,262	1,896
Due in one to five years	2,628	2,952

(9.3) Operating leases

Total future minimum lease payments on operating leases are shown in the table below:

Operating leases

EUR thousand	31 Dec. 2012	31 Dec. 2011
Total minimum lease payments	**39,944**	**40,775**
Due within one year	15,052	14,230
Due in one to five years	22,004	21,825
Due after five years	2,888	4,720

The operating leases mainly relate to rent for properties and operating and office equipment. Lease payments of EUR 19,247 thousand (previous year: EUR 16,215 thousand) were recognised in profit or loss in the year under review.

(9.4) Investments carried at equity

The investments carried at equity solely consist of shares in the jointly controlled entity WILO Middle East LLC i.L., Riyadh, Saudi Arabia, which has had no operating activities since November 2008. The official liquidation process for this company was opened in the 2011 financial year.

(9.5) Inventories

Inventories

EUR thousand	31 Dec. 2012	31 Dec. 2011
Raw materials and supplies	67,361	59,532
Work in progress	18,516	15,589
Finished goods and goods for resale	100,807	97,860
Advance payments	568	950
Total	**187,252**	**173,931**

The write-down on inventories results from the difference between the lower of cost and the net realisable value less estimated costs to sell. As at 31 December 2012, the write-down on inventories amounted to EUR 21,631 thousand (previous year: 22,518 thousand) based on a gross carrying amount of EUR 208,883 thousand (previous year: EUR 196,449 thousand). Reversals of write-downs of EUR 887 thousand (previous year: EUR 207 thousand) were recognised in profit or loss under cost in the 2012 financial year. Inventories are not subject to any restrictions on title beyond the suppliers' customary retention of title.

(9.6) Trade receivables

The trade receivables result from normal goods and services transactions in the Wilo Group. Current trade receivables of EUR 225,237 thousand (previous year: EUR 208,169 thousand) are due in the 2013 financial year. Non-current trade receivables of EUR 3,743 thousand (previous year: EUR 3,228 thousand) are due after more than one year. There are no restrictions on title on trade receivables.

The Executive Board is of the opinion that the carrying amounts of trade receivables are approximately equal to their fair values. Adequate provision is made for default risk by write-downs in the form of specific and general valuation allowances. Specific valuation allowances are recognised on the basis of information available in a specific case as at the end of the reporting period. Specific valuation allowances are recognised in an appropriate amount in relation to any legal, collection or insolvency proceedings against debtors, overdue payments, complaints, third-party collateral, changes in agreed terms of payment and all other transactions or information affecting the collectability of trade receivables.

General valuation allowances are recognised on the basis of past experience as to the general credit risk and country risk of debtors. Specific and general valuation allowances are reported in separate adjustment accounts. Objectively uncollectable receivables are derecognised.

Specific and general valuation allowances on trade receivables changed as follows in the 2012 and 2011 financial years:

Specific valuation allowances

EUR thousand	2012	2011
As at 1 January	11,152	9,879
Additions	1,237	3,073
Utilisation	– 1,289	– 1,281
Reversals	– 1,015	– 519
As at 31 December	**10,085**	**11,152**

General valuation allowances

EUR thousand	2012	2011
As at 1 January	2,507	2,581
Additions	960	182
Utilisation	– 358	– 100
Reversals	– 461	– 156
As at 31 December	**2,648**	**2,507**

(9.7) Other financial assets

Other financial assets break down as follows as at 31 December 2012 and 2011:

Other financial assets

	31 Dec. 2012			31 Dec. 2011		
		of which with a remaining term			of which with a remaining term	
EUR thousand	Total	< 1 year	> 1 year	Total	< 1 year	> 1 year
Receivables from non-consolidated subsidiaries, jointly controlled entities and associates	571	571	0	523	523	0
Receivables from derivative financial instruments	1,778	1,401	377	897	239	658
Loans	175	0	175	212	0	212
Available-for-sale financial assets	177	0	177	914	0	914
Other financial receivables	6,467	3,242	3,225	9,194	5,779	3,415
Total	**9,168**	**5,214**	**3,954**	**11,740**	**6,541**	**5,199**

Available-for-sale financial assets include equity securities of EUR 169 thousand (previous year: EUR 906 thousand) whose fair value could not be derived from stock exchange or market prices, or from discounting reliably determined future cash flows. These equity securities were measured at amortised cost.

There was no reclassification of available-for-sale financial assets in the year under review. The Executive Board estimates that the carrying amounts of other financial assets are approximately equal to their fair values. There are no restrictions on other financial assets.

(9.8) Other receivables and assets

Other receivables and assets are composed as follows as at 31 December 2012 and 2011:

Other receivables and assets

	31 Dec. 2012			31 Dec. 2011		
		of which with a remaining term			of which with a remaining term	
EUR thousand	Total	< 1 year	> 1 year	Total	< 1 year	> 1 year
Tax assets	20,697	19,647	1,050	22,202	21,426	776
Advance payments	6,221	6,204	17	4,289	4,262	27
Reinsurance assets	2,184	0	2,184	2,082	0	2,082
Deferred expenses	1,861	1,642	219	2,179	2,179	0
Employee receivables	809	797	12	591	574	17
Total	**31,772**	**28,290**	**3,482**	**31,343**	**28,441**	**2,902**

(9.9) Cash

The cash of EUR 176,522 thousand (previous year: EUR 166,030 thousand) mainly comprise cash and sight deposits at banks. There are restrictions on title of EUR 122 thousand (previous year: EUR 233 thousand).

(9.10) Equity

Issued capital

The issued capital of WILO SE amounts to EUR 26,980 thousand as at the end of the reporting period and is fully paid in. It is divided into 10,117,331 no-par-value ordinary registered shares and 259,418 no-par-value preferred registered shares without voting rights.

The preferred shares outstanding are entitled to a preferred profit distribution. Accordingly, the shareholders will receive an automatic profit share of EUR 0.01 from the unappropriated surplus for the year per preferred share. If the unappropriated surplus for one or more financial years is not sufficient for a preferred distribution of EUR 0.01 per preferred share, the unpaid amounts will be paid without interest from the unappropriated surplus of subsequent financial years after the distribution of the share of profits for preferred shares for these financial years and before the distribution of share of profits for ordinary shares. The right to subsequent payment is a component of the profit share for the financial year from the unappropriated surplus of which the subsequent payment on preferred shares is made.

The number of shares outstanding, broken down by ordinary and preferred shares, changed as follows in the period under review:

Number of ordinary shares

Number of ordinary shares	2012	2011
As at 1 January	10,117,331	9,705,000
Issued	0	117,331
Purchases of treasury shares	– 166,028	– 65,000
Disposals of treasury shares	166,028	360,000
As at 31 December	**10,117,331**	**10,117,331**

Number of preferred shares

Number of preferred shares	2012	2011
As at 1 January	155,651	0
Issued	0	259,418
Purchases of treasury shares	0	– 103,767
Disposals of treasury shares	103,767	0
As at 31 December	**259,418**	**155,651**

Capital reserves

The capital reserves result exclusively from the capital increase performed in the 2011 financial year of EUR 15,507 thousand, EUR 14,527 thousand of which was appropriated to the capital reserves of WILO SE.

Retained earnings

The legal reserve in retained earnings in accordance with section 150(2) of the Aktiengesetz (AktG – German Stock Corporation Act) amounts to 10.0 percent of the issued capital of WILO SE. Retained earnings developed as follows in the 2012 and 2011 financial years:

Retained earnings

EUR thousand	2012	2011
As at 1 January	380,519	391,258
Consolidated net income attributable to the shareholders of WILO SE	78,185	53,368
Dividend payment	– 21,267	– 69,147
Disposals of treasury shares	0	4,591
Other changes	199	449
As at 31 December	**437,636**	**380,519**

Currency translation differences

Currency translation differences consist of all translation differences arising on the translation of foreign-currency financial statements of consolidated subsidiaries and entities plus translation differences on certain intragroup foreign-currency loans and receivables treated in accordance with IAS 21 as part of the entity's net investment in a foreign operation.

Treasury shares

As at 31 December 2012, the company reported no ordinary or preferred shares as treasury shares. In the previous year, 103,767 preferred shares with a carrying amount of EUR 5,236 thousand were reported as treasury shares, accounted for as a deduction from equity.

Non-controlling interests

Non-controlling interests are held by shareholders in Mather and Platt Pumps Ltd., Pune, India (0.1 percent) and Mather and Platt Fire Systems Ltd., Pune, India (44.5 percent).

Dividends

In the 2012 financial year, dividends of EUR 21,267 thousand (previous year: EUR 27,397 thousand) were distributed to the shareholders of WILO SE. This corresponded to a dividend per ordinary share of EUR 2.07 (previous year: EUR 2.64) and a dividend per preferred share of EUR 2.08 (previous year: EUR 2.65).

In 2011, a special dividend of EUR 41,750 thousand was distributed in addition to the ordinary dividend from the unappropriated surplus of WILO SE resolved by the Annual General Meeting. The special dividend related solely to the 7,263,724 ordinary shares held by the Caspar Ludwig Opländer Foundation, as the other shareholders had waived their right to participate in the distribution of a special dividend. Overall, this means that dividends of EUR 69,147 thousand were distributed to the shareholders of WILO SE in the 2011 financial year.

Capital management

A business objective of the Wilo Group is to sustain the strongest possible equity base in order to foster confidence in all key stakeholders and promote the Group's onward development. A sound equity base is also a key factor in ensuring a stable risk rating with lenders, which is important for obtaining acceptable borrowing terms for the Wilo Group. The Executive Board, the Supervisory Board and the shareholders of WILO SE ensure a responsible dividend policy and an appropriate return on invested capital to promote value growth and safeguard the company's future.

The Executive Board of WILO SE is kept informed about the equity position of the Wilo Group as part of monthly reporting. The equity positions of consolidated subsidiaries are also reviewed at regular intervals and on an ad hoc basis. Measures are implemented as necessary, taking the tax and legal frameworks into account, to sustain an appropriate capital base that enables each subsidiary to attain its operating targets and the Wilo Group to meet its strategic goals.

The total equity of the Wilo Group as at 31 December 2012 was EUR 469,805 thousand (previous year: EUR 410,041 thousand). This is mostly accounted for by EUR 434,938 thousand (previous year: EUR 377,821 thousand) in freely disposable retained earnings. The freely disposable retained earnings do not include the legal reserve of WILO SE of EUR 2,698 thousand (previous year: EUR 2,698 thousand).

In the context of the borrowing of bonds and promissory note loans, WILO SE is required to report a minimum equity ratio. The company satisfied this requirement in full in the 2012 and 2011 financial years. More detailed information on these bonds and promissory note loans can be found in note (9.11).

(9.11) Financial liabilities

Financial liabilities break down as follows as at 31 December 2012 and 2011:

Financial liabilities

EUR thousand	31 Dec. 2012	31 Dec. 2011
Non-current financial liabilities		
with a remaining term		
of between one and five years	46,334	82,573
of more than five years	82,405	84,859
	128,739	**167,432**
Current financial liabilities		
with a remaining term		
of less than one year	**52,093**	**13,359**

WILO SE reported the following substantial financing agreements as at 31 December 2012:

- **USPP 2021**
  In February 2011, WILO SE issued a senior note ("USPP 2021") of EUR 75.0 million (USD 98.2 million) as part of a US private placement. This bond was issued in euro, matures in 2021 and bears interest at 4.50 percent p. a. It is the first bond issued by WILO SE as part of a private shelf facility (non-binding borrowing facility). The private shelf facility has a total volume with the same lender of USD 150.0 million. The bond issued in 2011 is not secured against real property or financial assets of the company.

- **USPP 2013/2016**
  In the 2006 financial year, WILO SE issued bonds ("USPP 2013/2016") as part of a US private placement with a total amount of originally EUR 67.5 million (USD 80 million, in two tranches of USD 40 million each) maturing in 2013 and 2016 with fixed interest of 5.28 percent and 5.33 percent respectively. The bonds had a carrying amount of EUR 60.7 million as at the end of the reporting period (previous year: EUR 61.6 million) and are hedged against currency fluctuations by way of derivative financial instruments. However, the hedge accounting regulations of IAS 39 have not been applied. They are also not secured against real property or financial assets of the company.

- **Promissory note loan 2020**
  Furthermore, in January 2011, WILO SE placed a promissory note loan ("promissory note loan 2020") with a lender in the amount of EUR 25.0 million, maturing in 2020, repayable semi-annually from 2011 in the amount of EUR 1.25 million and bearing interest at 4.08 percent p.a. The promissory note loan had a carrying amount of EUR 21.2 million (previous year: EUR 22.5 million) as at the end of the reporting period and is not secured against real property or financial assets of the company. The payment of EUR 1.25 million due at the end of December 2012 was not called by the creditor until the start of 2013.

- **Promissory note loan 2015**
  In the 2008 financial year, WILO SE issued a promissory note loan ("promissory note loan 2015") of EUR 25.0 million maturing in 2015, repayable in semi-annual instalments of around EUR 2.08 million and with a fixed interest rate of 5.54 percent. The promissory note loan had a carrying amount of EUR 12.5 million (previous year: EUR 14.5 million) as at the end of the reporting period and is not secured against real property or financial assets of the company. The payment of EUR 2.08 million due at the end of December 2012 was not called by the creditor until the start of 2013.

- **Other loans**
  In particular, financial liabilities also include two bank loans with a total volume of EUR 10.0 million. They had a carrying amount of EUR 0.6 million as at the end of the reporting period (previous year: EUR 1.9 million). The loans mature in 2013, are repaid semi-annually in the amount of EUR 0.6 million and bear interest at 3.90 percent and 4.05 percent p.a. Furthermore, these two loans are secured as at 31 December 2012 by land charges of EUR 10.0 million on the company's premises at Heimgartenstrasse 1 – 3, Hof, Germany.

The company is required to satisfy certain standard financial ratios (ratio of consolidated EBITDA to consolidated interest expenses, ratio of consolidated net debt to consolidated EBITDA and a minimum equity ratio) under the bonds and promissory note loans it has issued. WILO SE fully complied with this obligation in the 2012 and 2011 financial years. The agreements also include a number of standard grounds for termination.

Incidental costs were incurred in connection with these financing arrangements that are deducted from the financial liabilities and reported in profit or loss over the term of the financing agreements using the effective interest method. The incidental costs of acquisition outstanding as at the end of the reporting period amounted to EUR 415 thousand (previous year: EUR 449 thousand).

As at 31 December 2012, the fair value of the financial liabilities, calculated by banks using net present value models, was EUR 209,474 thousand (previous year: EUR 207, 426 thousand).

Current financial liabilities mainly consist of overdrafts and the current portion of non-current financial liabilities to be repaid in the 2013 financial year.

Maturity structure of financial liabilities
The following table shows the maturity structure of all financial liabilities of the Wilo Group as at 31 December 2012 and 2011:

Maturity structure of financial liabilities

As at 31 Dec. 2012

EUR million	Nominal amount	Carrying amount	Maturity structure 2013	2014	2015	2016	2017	2018-20	2021	Total
USPP 2021	EUR 75.0 million	75.0	0.0	0.0	0.0	0.0	0.0	0.0	75.0	75.0
USPP 2013/2016	USD 80.0 million	60.7	30.4	0.0	0.0	30.3	0.0	0.0	0.0	60.7
Promissory note loan 2020	EUR 25.0 million	21.2	3.7	2.5	2.5	2.5	2.5	7.5	0.0	21.2
Promissory note loan 2015	EUR 25.0 million	12.5	6.3	4.1	2.1	0.0	0.0	0.0	0.0	12.5
Other loans	EUR 10.0 million	0.6	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.6
		170.0	**41.0**	**6.6**	**4.6**	**32.8**	**2.5**	**7.5**	**75.0**	**170.0**
Overdraft		10.8	10.8	0.0	0.0	0.0	0.0	0.0	0.0	10.8
Financial liabilities		180.8	51.8	6.6	4.6	32.8	2.5	7.5	75.0	180.8

As at 31 Dec. 2011

EUR million	Nominal amount	Carrying amount	Maturity structure 2012	2013	2014	2015	2016	2017-20	2021	Total
USPP 2021	EUR 75.0 million	75.0	0.0	0.0	0.0	0.0	0.0	0.0	75.0	75.0
USPP 2013/2016	USD 80.0 million	61.6	0.0	30.8	0.0	0.0	30.8	0.0	0.0	61.6
Promissory note loan 2020	EUR 25.0 million	22.5	2.5	2.5	2.5	2.5	2.5	10.0	0.0	22.5
Promissory note loan 2015	EUR 25.0 million	14.5	4.2	4.1	4.1	2.1	0.0	0.0	0.0	14.5
Other loans	EUR 10.0 million	1.9	1.3	0.6	0.0	0.0	0.0	0.0	0.0	1.9
		175.5	**8.0**	**38.0**	**6.6**	**4.6**	**33.3**	**10.0**	**75.0**	**175.5**
Overdraft		5.3	5.3	0.0	0.0	0.0	0.0	0.0	0.0	5.3
Financial liabilities		180.8	13.3	38.0	6.6	4.6	33.3	10.0	75.0	180.8

(9.12) Trade payables

Trade payables break down as follows as at 31 December 2012 and 2011:

Trade payables

EUR thousand	31 Dec. 2012	31 Dec. 2011
Trade payables		
with a remaining term		
of between one and five years	1,121	1,207
of less than one year	94,107	87,838

Trade payables consist of outstanding obligations to suppliers. The Executive Board assumes that the carrying amounts of non-current trade payables are approximately equal to their fair values.

(9.13) Other financial liabilities

Other financial liabilities break down as follows as at 31 December 2012 and 2011:

Other financial liabilities

EUR thousand	31 Dec. 2012	31 Dec. 2011
Non-current other financial liabilities		
Liabilities from derivative financial instruments		
with a remaining term		
of between one and five years	2,868	4,783
Finance lease liabilities		
with a remaining term		
of between one and five years	2,628	2,952
Miscellaneous financial liabilities		
with a remaining term		
of between one and five years	2,245	1,854
of more than five years	327	507
Total	**8,068**	**10,096**
Current other financial liabilities		
Bills payable	10,898	9,019
Liabilities to non-consolidated subsidiaries, jointly controlled entities and associated companies	2,650	3,035
Finance lease liabilities	2,262	1,896
Liabilities from derivative financial instruments	3,528	975
Miscellaneous financial liabilities	24,052	21,396
Total	**43,390**	**36,321**

Current other financial liabilities have a remaining term of less than one year. Miscellaneous financial liabilities include charges for tax consulting services, annual financial statements, commissions, del credere commissions and other financial obligations to third-party companies. The Executive Board assumes that the carrying amounts of other financial liabilities are approximately equal to their fair values.

(9.14) Other liabilities

Other financial liabilities as at 31 December 2012 and 2011 break down as follows:

Other liabilities

EUR thousand	31 Dec. 2012	31 Dec. 2011
Non-current other liabilities		
Deferred income	1,274	981
Advance payments received	5	42
Total	**1,279**	**1,023**
Current other liabilities		
Staff liabilities	28,062	21,334
Tax liabilities	18,801	15,194
Advance payments received	13,150	9,831
Social security liabilities	6,044	5,080
Deferred income	884	682
Miscellaneous other liabilities	1,613	1,239
Total	**68,554**	**53,360**

Non-current other liabilities have a remaining term of between one and five years. Current other financial liabilities have a remaining term of less than one year.

Staff liabilities include accumulated holiday pay, management bonuses and gratuities, outstanding salaries, employer's liability insurance contributions and severance pay.

(9.15) Pensions and similar obligations

Pension obligations and other post-employment benefits are composed as follows as at 31 December 2012 and 2011:

Pensions and similar obligations

EUR thousand	31 Dec. 2012	31 Dec. 2011
Pensions	39,073	37,782
Similar obligations	4,005	5,003
Total	**43,078**	**42,785**

Provisions for pensions are recognised for defined benefit obligations under defined benefit plans for eligible active and former employees of the Wilo Group and their surviving dependants.

The benefit amount depends on country-specific circumstances and is generally based on years of service and pay level. The provisions are recognised on the basis of annual actuarial assessments of existing pension obligations. Defined benefit obligations are recognised in accordance with the actuarial assessment over the service life of employees and consist of staff cost and interest cost. Staff costs are allocated to the relevant functional areas. Interest cost is included in other net finance costs. Actuarial gains and losses exceeding 10.0 percent of the greater of the defined benefit obligation and the fair value of plan assets are amortised over the average remaining working lives of participating employees.

WILO SE's defined benefit plan was discontinued on 31 December 2005. A defined contribution plan has been set up in its place for WILO SE employees for whom a pension obligation has existed from 1 January 2006. An expense of EUR 1,253 thousand (previous year: EUR 1,175 thousand) was recognised in the reporting year for defined contribution plans in the Wilo Group.

The notes on provisions for pensions are as follows:

1. Provisions for pensions developed as follows:

Development of provisions for pensions

EUR thousand	2012	2011
As at 1 January	37,782	37,432
Pension expenses	3,463	2,968
Pension payments	– 2,510	– 2,298
Transfers	407	– 169
Payments into plan assets (net)	– 169	– 91
Changes in the composition of the consolidated group, currency translation and other changes	100	– 60
As at 31 December	**39,073**	**37,782**

There are reinsurance policies to hedge provision-funded pension obligations in the amount of EUR 1,578 thousand (previous year: EUR 1,549 thousand) though these do not satisfy the requirements for classification as plan assets under IAS 19.

2. Pension expenses break down as follows:

Pension expenses

EUR thousand	2012	2011
Current service cost	1,216	899
Past service cost	5	8
Interest expense	2,205	1,981
Expected return on plan assets	– 150	– 104
Amortisation of actuarial losses	187	184
Total	**3,463**	**2,968**

As at 31 December 2012, there was a total actuarial loss of EUR 18,191 thousand (previous year: EUR 5,907 thousand), EUR 6,351 thousand (previous year: EUR 4,681 thousand) of which is within the 10.0 percent corridor at Group level. Because of the amendments to IAS 19, the corridor method will no longer be permissible from 2013. This means that, in future, the amount outside the corridor will no longer be recognised in profit or loss distributed over the average remaining working lives of active beneficiary employees. Instead, the actuarial gains and losses will be recognised directly in consolidated equity and increase pension obligations by the same amount.

3. The present value of defined benefit obligations developed as follows:

Present value of defined benefit obligations

EUR thousand	2012	2011
As at 1 January	46,808	45,601
Current service cost	1,216	899
Interest expense	2,205	1,981
Past service cost	110	108
Increase in actuarial losses	12,284	773
Pension payments	– 2,510	– 2,298
Transfers	3,201	0
Changes in the composition of the consolidated group, currency translation and other changes	205	– 256
As at 31 December	**63,519**	**46,808**
of which funded	10,265	3,581
of which unfunded	53,254	43,227

The EUR 12,284 thousand increase in the actuarial losses to EUR 18,191 thousand as at the end of the reporting period essentially results from a lower average discount rate as against the previous year of 3.13 percent (previous year: 4.39 percent) and higher future salary increases of 3.83 percent (previous year: 2.99 percent). 83.4 percent of pension obligations of EUR 63,519 thousand (previous year: EUR 46,808 thousand) relate to Germany (previous year: 89.1 percent).

4. The fair value of plan assets changed as follows:

Fair value of plan assets

EUR thousand	2012	2011
As at 1 January	3,581	3,519
Expected return	150	104
Actuarial gains/(-) losses	25	– 31
Payments received (net)	169	91
Transfers	2,794	0
Changes in the composition of the consolidated group, currency translation and other changes	0	– 102
As at 31 December	**6,719**	**3,581**

Plan assets mainly consist of qualifying insurance policies with a minimum return. They do not include any financial instruments issued by the Wilo Group or any property or other assets used by the Wilo Group. The actual return on plan assets in the year under review was EUR 154 thousand (previous year: EUR 54 thousand). The company does not currently expect any further payments into plan assets in the coming years.

5. The present value of defined benefit obligations and the fair value of plan assets are reconciled to provisions for pensions as follows:

Reconciliation to provisions for pensions

EUR thousand	31 Dec. 2012	31 Dec. 2011
Present value of funded defined benefit obligations	10,265	3,581
Less recognisable fair value of plan assets	– 6,719	– 3,581
	3,546	**0**
Present value of unfunded defined benefit obligations	53,254	43,227
Past service cost	110	108
Actuarial loss	– 18,191	– 5,907
	38,719	**37,428**
Foreign plan assets included in assets	354	366
Changes in the composition of the consolidated group, currency translation and other changes	0	– 12
Provisions for pensions	**39,073**	**37,782**

6. The present value of defined benefit obligations and the fair value of plan assets at the end of the last five reporting periods are shown below:

Plan surplus/deficit

EUR thousand	31 Dec. 2012	31 Dec. 2011	31 Dec. 2010	31 Dec. 2009	31 Dec. 2008
Present value of defined benefit obligations	63,519	46,808	45,601	42,672	36,324
Fair value of plan assets	– 6,719	– 3,581	– 3,519	– 3,225	– 3,122
Deficit	**56,800**	**43,227**	**42,082**	**39,447**	**33,202**

Similar obligations

Similar obligations for post-employment benefits amount to EUR 4,005 thousand for 2012 (previous year: EUR 5,003 thousand). They include partial retirement obligations for WILO SE of EUR 3,530 thousand (previous year: EUR 4,026 thousand). The EUR 1,903 thousand (previous year: EUR 1,756 thousand) fair value of plan assets as at the end of the reporting period is deducted insofar as it relates to obligations under the partial retirement scheme. The remaining plan assets of EUR 605 thousand (previous year: EUR 534 thousand) not attributable to obligations under the partial retirement scheme are reported under reinsurance assets in non-current other assets. The present value of the obligations under the semi-retirement scheme at 31 December 2012 was determined using a discount rate of 3.55 percent (previous year: 4.70 percent). Moreover, an annual wage and salary increase of 1.95 percent was assumed (previous year: 3.00 percent).

(9.16) Other provisions

Non-current and current provisions for guarantees are recognised for potential warranty claims on the basis of past experience and planned measures.

The provision for bonuses and rebates mainly relates to customer reimbursement for the 2012 financial year. The Wilo Group expects that the corresponding reimbursements amounting to EUR 21,002 thousand will be nearly fully paid to the customers by mid-2013.

Other provisions

EUR thousand	1 Jan. 2012	Currency translation	Utilisation	Reversal	Additions	31 Dec. 2012
Non-current						
Guarantees	**3,134**	**– 4**	**162**	**424**	**675**	**3,219**
Current						
Guarantees	15,889	183	2,181	2,279	3,179	14,791
Bonuses and rebates	19,877	83	19,924	1,859	22,825	21,002
Other provisions	6,824	– 23	1,591	783	3,608	8,035
	42,590	**243**	**23,696**	**4,921**	**29,612**	**43,828**

(10.) Notes to the consolidated statement of cash flows

The consolidated statement of cash flows is broken down according to cash flows from operating, investing and financing activities. The effects of exchange rate changes and changes in the composition of the consolidated group on cash and cash equivalents are shown separately. Cash as at 31 December 2012 consisted of EUR 176,522 thousand (previous year: EUR 166,030 thousand) in cash and sight deposits with banks, EUR 122 thousand (previous year: EUR 233 thousand) of which was subject to restrictions on title.

The consolidated statement of cash flow starts with earnings before interest and taxes (EBIT) derived from the consolidated income statement (see note (8.10)). The changes in cash due to exchange rate changes of EUR 1,197 thousand (previous year: EUR 553 thousand) relate to the effect of translating foreign-currency items of cash into the reporting currency. Detailed information on the consolidated statement of cash flows can be found under “Financial position” in the Group management report.

Interest received, like interest paid, is allocated to net cash flow from financing activities, because the interest received mainly includes payments in connection with the short-term reinvestment of funds borrowed but not yet required.

(11.) Segment reporting

The Wilo Group's segment reporting is prepared, in line with IFRS 8 Operating Segments, according to the internal organisation and management structure as well as the monthly reports to the Executive Board and Supervisory Board of WILO SE. On the basis of a matrix-like organisation within the Wilo Group, regional managers work together with the managers of the product divisions and market segments. The reports to the Executive Board and the Supervisory Board are also organised accordingly. Management decisions and measures by the WILO SE Executive Board are made and performed mainly on the basis of the regional financial ratios of revenue and EBIT. Thus, the regions represent the operating segments within segment reporting.

The four reportable operating segments comprise the following countries or groups of countries:

- *Europe:* all European states except Russia, Belarus and Ukraine
- *Asia Pacific:* India, China, South Korea, Southeast Asian nations, Australia and Oceania
- *EMEA:* Russia, Belarus, Ukraine, Caucasus nations, Gulf nations, African nations
- *Others:* Nations of the American continent and other nations not assigned to the above regions

Segment information is prepared in conformity with the accounting policies used for the underlying consolidated financial statements. Segment figures are stated after consolidation of intra-segment and inter-segment transactions as they are not a component of internal monthly reporting within the Wilo Group.

Revenue by segment shows transactions with third parties and with companies not included in the consolidated financial statements in which the Wilo Group has an interest, and are allocated by customer domicile. In Germany, revenue of EUR 206,577 thousand (previous year: EUR 187,967 thousand) was generated with external customers in the 2012 financial year.

Segment EBIT shows earnings before interest and taxes including any amounts attributable to non-controlling interests.

Segment assets and revenues between reportable operating segments are not shown as they are not a component of internal monthly reporting within the Wilo Group.

Segment information according to the sales structure for the 2012 and 2011 financial years is as follows:

Segment information

2012

EUR thousand	Europe	Asia Pacific	EMEA	Others	Total
Revenue by segment	**615,930**	**271,171**	**195,449**	**104,536**	**1,187,086**
Segment EBIT	**71,897**	**18,183**	**26,038**	**3,570**	**119,688**
of which depreciation, amortisation and impairment on intangible assets and property, plant and equipment	22,269	7,636	5,065	4,350	39,320
of which non-cash expenses	29,561	2,522	1,308	1,215	34,606

2011

EUR thousand	Europe	Asia Pacific	EMEA	Others	Total
Revenue by segment	**577,972**	**226,170**	**168,704**	**97,688**	**1,070,534**
Segment EBIT	**64,145**	**6,906**	**23,221**	**3,356**	**97,628**
of which depreciation, amortisation and impairment on intangible assets and property, plant and equipment	21,394	6,848	4,078	4,561	36,881
of which non-cash expenses	26,626	2,593	864	1,750	31,833

EBIT in the Group is reconciled to consolidated net income after taxes as follows:

Earnings before interest and taxes (EBIT)

EUR thousand	2012	2011
Earnings before interest and taxes (EBIT)	**119,688**	**97,628**
Net finance costs	– 9,276	– 19,968
Consolidated net income before taxes	**110,412**	**77,660**
Income taxes	– 32,168	– 24,297
Consolidated net income after taxes	**78,244**	**53,363**

Revenue breaks down as follows among the product groups:

Revenue by product group

EUR thousand	2012	2011
Products for		
Building Services	907,090	824,630
Water Management and Industry	279,996	245,904
Total	**1,187,086**	**1,070,534**

(12.) Financial instrument disclosures

(12.1) Derivative financial instruments

The following table shows the fair values of derivative financial instruments as at 31 December 2012 and the changes compared with the previous year:

Derivative financial instruments

	Fair value				Nominal amount	
	Time to maturity					
EUR thousand	1 year	> 1 < 5 years	Previous year	Total change	31 Dec. 2012	31 Dec. 2011
Forward exchange contracts	– 84	0	– 512	428	25,315	30,888
Interest rate and currency swaps	– 3,154	– 2,491	– 4,399	– 1,246	73,499	73,273
Commodity derivatives	1,111	0	50	1,061	17,245	23,923

Net finance costs include gains of EUR 2,837 thousand (previous year: EUR 2,934 thousand) and losses of EUR 2,791 thousand (previous year: EUR 8,175 thousand) (see note (8.8)).

(12.2) Disclosures on the carrying amounts and fair values of financial assets

The following tables show the financial assets and liabilities with their carrying amounts as at 31 December 2012 and 2011 per measurement category. Finance lease liabilities have also been included, even though they are not assigned to an IAS 39 measurement category.

Financial assets and liabilities as at 31 December 2012

EUR thousand	Measurement category under IAS 39	Carrying amount under IAS 39 Amortised cost	 Fair value	Carrying amount under IAS 17	**Carrying amounts at 31 Dec. 2012**
Current and non-current financial assets					
Trade receivables	Loans and receivables	228,980			228,980
Other financial assets					
Receivables from subsidiaries, jointly controlled entities and associates	Loans and receivables	571			571
Receivables from derivative financial instruments	Financial assets held for trading		1,778		1,778
Loans	Loans and receivables	175			175
Available-for-sale financial assets	Available-for-sale	169	8		177
Miscellaneous financial receivables	Loans and receivables	6,467			6,467
Cash	Loans and receivables	176,522			176,522
Current and non-current financial liabilities					
Financial liabilities	Financial liabilities at amortised cost	180,832			180,832
Trade payables	Financial liabilities at amortised cost	95,228			95,228
Other financial liabilities					
Bills payable	Financial liabilities at amortised cost	10,898			10,898
Liabilities to subsidiaries, jointly controlled entities and associated companies	Financial liabilities at amortised cost	2,650			2,650
Finance lease liabilities	n. a.			4,890	4,890
Liabilities from derivative financial instruments	Financial liabilities held for trading		6,396		6,396
Miscellaneous financial liabilities	Financial liabilities at amortised cost	26,624			26,624
of which aggregated by measurement category under IAS 39					
Loans and Receivables		412,715			412,715
Available-for-sale		169	8		177
Financial Assets Held for Trading			1,778		1,778
Financial Liabilities measured at Amortised Cost		316,232			316,232
Financial Liabilities Held for Trading			6,396		6,396

Financial assets and liabilities as at 31 December 2011

EUR thousand	Measurement category under IAS 39	Carrying amount under IAS 39: Amortised cost	Carrying amount under IAS 39: Fair value	Carrying amount under IAS 17	**Carrying amounts at 31 Dec. 2011**
Current and non-current financial assets					
Trade receivables	Loans and receivables	211,397			211,397
Other financial assets					
Receivables from subsidiaries, jointly controlled entities and associates	Loans and receivables	523			523
Receivables from derivative financial instruments	Financial assets held for trading		897		897
Loans	Loans and receivables	212			212
Available-for-sale financial assets	Available-for-sale	906	8		914
Miscellaneous financial receivables	Loans and receivables	9,194			9,194
Cash	Loans and receivables	166,030			166,030
Current and non-current financial liabilities					
Financial liabilities	Financial liabilities at amortised cost	180,791			180,791
Trade payables	Financial liabilities at amortised cost	89,045			89,045
Other financial liabilities					
Bills payable	Financial liabilities at amortised cost	9,019			9,019
Liabilities to subsidiaries, jointly controlled entities and associated companies	Financial liabilities at amortised cost	3,035			3,035
Finance lease liabilities	n. a.			4,848	4,848
Liabilities from derivative financial instruments	Financial liabilities held for trading		5,758		5,758
Miscellaneous financial liabilities	Financial liabilities at amortised cost	23,757			23,757
of which aggregated by measurement category under IAS 39					
Loans and Receivables		387,356			387,356
Available for Sale		906	8		914
Financial Assets Held for Trading			897		897
Financial Liabilities measured at Amortised Cost		305,647			305,647
Financial Liabilities Held for Trading			5,758		5,758

The carrying amounts of the financial assets and liabilities in the scope of IFRS 7 are the same as their fair value per class. This is only not the case for financial liabilities, which have a carrying amount of EUR 180,832 thousand (previous year: EUR 180,791 thousand) and a fair value of EUR 209,474 thousand (previous year: EUR 207,426 thousand).

The fair values of financial liabilities are calculated by banks using net present value methods.

The financial assets in the available-for-sale category of EUR 169 thousand as at 31 December 2012 (previous year: EUR 906 thousand) are measured at amortised cost and essentially relate to companies in which WILO SE directly or indirectly holds 100 percent of the shares and which have not been consolidated for reasons of materiality. The fair value of the shares in these subsidiaries is measured at amortised cost. The fair values of these other financial assets, which are carried at amortised cost, cannot be reliably determined as they are shares in companies for which there are no quoted or other market prices. There are currently no plans to dispose of these companies.

The fair values of assets in the available-for-sale category of EUR 8 thousand (previous year: EUR 8 thousand) are derived directly or indirectly from market and quoted prices as at the end of the reporting period.

The calculation of the fair values of the receivables and liabilities from derivative financial instruments, which are assigned to the financial assets held for trading and the financial liabilities held for trading categories, of EUR 1,778 thousand (previous year: EUR 897 thousand) and EUR 6,396 thousand (previous year: EUR 5,758 thousand) respectively, is shown under note (7).

(12.3) Net gains and losses by measurement category

The table below shows the net earnings reported under profit and loss for the 2012 and 2011 financial years in line with IFRS 7, consisting of interest, dividends, changes in fair value, impairment, impairment reversals and the effects of currency translation on each measurement category of financial assets and liabilities. This does not include the earnings effects of finance leases as finance leases do not belong to any IAS 39 measurement category.

Net gains/losses

EUR thousand Measurement category	Carrying amount as at 31 Dec.	Interest and dividends	Changes in fair value*	Impairments	Impairment reversals	Effects of currency translation	Net gains/ losses
2012 financial year							
Loans and receivables	412,715	1,685		– 2,197	1,476	69	1,033
Available-for-sale	177	80					80
Financial assets/liabilities held for trading	– 4,618	584	46				630
Financial liabilities at amortised cost	– 316,232	– 10,717				1,152	– 9,565
Total		**– 8,368**	**46**	**– 2,197**	**1,476**	**1,221**	**– 7,822**
2011 financial year							
Loans and receivables	387,356	2,164		– 3,255	675	– 100	– 516
Available-for-sale	914	75					75
Financial assets/liabilities held for trading	– 4,861	584	– 5,241				– 4,657
Financial liabilities at amortised cost	– 305,647	– 11,012				– 2,203	– 13,215
Total		**– 8,189**	**– 5,241**	**– 3,255**	**675**	**– 2,303**	**– 18,313**

* The changes in fair value as against the previous year consist of realised and unrealised gains/losses on financial assets and liabilities classified as financial assets and financial liabilities at fair value through profit and loss. These amounts do not include interest income and expense.

(12.4) Fair value hierarchy of financial assets and liabilities

Financial assets and liabilities accounted for at fair value are divided into the following three levels in accordance with IFRS 7 on the basis of the measurement of their fair value:

Level 1: The fair value for an asset or liability is calculated using quoted market prices on active markets for identical assets and liabilities.

Level 2: The fair value for an asset or liability is based on value factors for this asset or liability that are observed directly or indirectly on a market.

Level 3: The fair value for an asset or liability is based on value factors for this asset or liability that do not refer to observable market data.

The following table shows the allocation of financial assets and liabilities accounted for at fair value in the Wilo Group as at 31 December 2012 and 2011:

Fair value hierarchy

	31 Dec. 2012	31 Dec. 2011
EUR thousand	Level 2	Level 2
Available-for-sale financial assets	8	8
Receivables from derivative financial instruments	1,778	897
Liabilities from derivative financial instruments (financial liabilities held for trading)	6,396	5,758

The Wilo Group did not report any financial assets or liabilities classified as level 1 or 3 based on the method by which their fair value was calculated as at 31 December 2012 and 2011.

(13.) Risk management and derivative financial instruments

Risk management principles

In particular, the assets, liabilities and planned transactions of the Wilo Group are subject to market risks from changes in exchange rates, interest rates and commodity prices. The objective of financial risk management is to mitigate this risk from operating and financial activities. This is achieved using derivative and primary hedging instruments selected according to estimated risk. Derivative financial instruments are solely used to hedge risk. They are not used for trading or other speculative purposes. Hedge accounting as defined in IFRS is not applied. The general credit risk on these derivative financial instruments is low because they are only entered into with banks of excellent credit standing.

The basic principles of financial policy and strategy are determined by the Executive Board and monitored by the Supervisory Board. Responsibility for implementing financial policy and strategy lies with Group Treasury. Further information on risks and risk management can be found in the opportunities and risk report section of the Group management report.

Market risk

Market risk includes currency, interest rate, commodity price, credit and liquidity risks.

Currency risk

The Wilo Group faces currency risk primarily in its financing and operating activities. Currency risk in financing activities relates to foreign-currency borrowing from external lenders and foreign-currency lending to finance Group companies. Currency risk in operating activities mainly relates to the supply of goods and provision of services to Group companies. Currency risk exposure on such transactions is countered by the use of same-currency offsetting transactions and derivative financial instruments. The currency risk on operating business between Group companies and external customers and suppliers is estimated to be low as most of such business is transacted in the functional currency of the companies concerned.

The following table shows the Wilo Group's currency risk as at 31 December 2012 and 2011 resulting from foreign-currency transactions in operating activities and from foreign-currency financing activities up to 31 December 2012 and 2011, and from expected foreign-currency transactions in operating activities in 2013 and 2012. All currency risk shown relates to transactions with third parties. Moreover, only those derivative financial instruments used to hedge operating transactions and financing measures are reported.

Currency risk

	31 Dec. 2012		31 Dec. 2011	
	EUR thousand	USD thousand	EUR thousand	USD thousand
Trade receivables	3,334	5,733	3,022	6,291
Trade payables	– 1,486	– 893	– 1,227	– 1,026
Financial liabilities	0	– 80,000	0	– 80,000
Currency risk from assets and liabilities (gross)	**1,848**	**– 75,160**	**1,795**	**– 74,735**
Expected sales in 2013 (previous year: 2012)	34,271	25,926	24,470	25,761
Expected acquisitions in 2013 (previous year: 2012)	– 21,680	– 23,810	– 14,846	– 16,348
Currency risk from expected transactions in operating activities in 2013 (previous year: 2012) (gross)	**12,591**	**2,116**	**9,624**	**9,413**
Derivative financial instruments	0	76,000	0	66,900
Currency risk (net)	**14,439**	**2,956**	**11,419**	**1,578**

The reported financial liabilities of USD 80.0 million (previous year: USD 80.0 million) relate solely to the 2006 bond issue, which is fully hedged against currency risk by interest rate and currency swaps.

Foreign-currency receivables and liabilities plus derivative financial instruments in the form of interest rate and currency swaps and forward exchange contracts reported in the Wilo Group's consolidated statement of financial position as at 31 December 2012 have certain sensitivities to currency fluctuations. A 10.0 percent appreciation (depreciation) by the euro against all foreign currencies as at 31 December 2012 would have resulted in a EUR 334 thousand decrease (EUR 408 thousand increase) in EBIT and a EUR 1,841 thousand increase (EUR 2,250 thousand decrease) in net finance costs. In the previous year, a 10.0 percent appreciation (depreciation) by the euro against all foreign currencies would have resulted in a EUR 370 thousand decrease (EUR 452 thousand increase) in EBIT and a EUR 2,407 thousand increase (EUR 2,941 thousand decrease) in net finance costs.

The change in EBIT in this sensitivity analysis is the result of translating foreign-currency receivables and liabilities into reporting currency. The effect on net finance costs in this sensitivity analysis is the result of two factors: firstly, a 10 percent appreciation (depreciation) by the euro would have resulted in a positive (negative) translation difference on foreign-currency non-current financial liabilities in the amount of EUR 5,517 thousand (EUR – 6,743 thousand) as at the end of the reporting period and EUR 5,621 thousand (EUR – 6,870 thousand) in the previous year.

Secondly, a 10 percent appreciation (depreciation) by the euro would have resulted in a negative (positive) effect on net finance costs from the measurement of interest and currency swaps, forward exchange contracts and commodity derivatives of EUR 3,676 thousand (EUR 4,493 thousand). In the previous year, a 10 percent appreciation (depreciation) by the euro would have resulted in a negative (positive) effect on net finance costs of EUR 3,214 thousand (EUR 3,929 thousand).

The sensitivity analysis is based on the calculated change in the fair value of derivative and non-derivative financial instruments resulting from a specific change in the relevant risk variable (the exchange rate) with all other determinants of fair value as at the end of the reporting period held constant. The calculations are performed using net present value and option pricing models. The changes in EBIT and net finance costs in the sensitivity analysis mostly relate to receivables, payables and derivative financial instruments in US dollars, South Korean won, Indian rupees and various European currencies. Other foreign currencies are of minor importance in the sensitivity analysis.

Interest rate risk

The Wilo Group faces interest rate risk mainly on floating rate financial liabilities and on invested cash and cash equivalents. Both a rise and a fall in the yield curves result in interest rate exposure. The Wilo Group mitigates adverse changes in value from unexpected interest rate movements by using derivative financial instruments. Interest rate risk as defined in IFRS 7 is considered to be low as most financial liabilities have long-term fixed interest rates.

If the market interest rate had been 100 basis points higher (lower) as at 31 December 2012, this would have had a positive effect on net finance costs of EUR 127 thousand (negative effect of EUR 135 thousand). The same change in the previous year would have had a positive effect on net finance costs of EUR 1,620 thousand (negative effect of EUR 1,689 thousand). The change in earnings in this sensitivity analysis of EUR 127 thousand and EUR 135 thousand (previous year: EUR 1,620 thousand and EUR -1,689 thousand) relates exclusively to measurement of the interest component of interest rate and currency swaps as at the end of the reporting period. The sensitivity analysis does not indicate any material effect on net finance costs relating to primary, floating-rate liabilities because most financial liabilities have long-term fixed interest rates.

The sensitivity analysis is based on the calculated change in the fair value of derivative and non-derivative financial instruments resulting from a specific change in the relevant risk variable (the market interest rate) with all other determinants of fair value as at the end of the reporting period held constant. The calculations are performed using net present value and option pricing models.

Commodity price risk

The Wilo Group is subject to commodity price risk primarily from price fluctuations on the global markets for copper, aluminium and stainless steel and their alloys. It uses commodity derivatives to minimise this risk. The prices for most of the copper procurement volume for the 2013 financial year have already been stipulated. Currently, the Wilo Group's result of operations earnings would be influenced by price fluctuations on the global markets for copper, aluminium, stainless steel and their alloys from the 2014 financial year onwards.

If the prices for copper had been 10.0 percent higher (lower) as at 31 December 2012, this would have had a positive (negative) effect on net finance costs of EUR 1,936 thousand (EUR 1,904 thousand). The same change in the previous year would have had a positive effect on net finance costs of EUR 2,382 thousand (negative effect of EUR 2,382 thousand).

The effect of EUR 1,936 thousand and EUR 1,904 thousand (previous year: EUR 2,382 thousand and EUR -2,382 thousand) shown in this sensitivity analysis relates exclusively to the measurement of commodity derivatives as at the end of the reporting period. The sensitivity analysis is based on the calculated change in the fair value of derivative financial instruments resulting from a specific change in the relevant risk variable (commodity prices) with all other determinants of fair value as at the end of the reporting period held constant. The calculations are performed using net present value and option pricing models.

Credit risk

Customer credit risk is countered with a uniform and effective Group-wide system for systematic receivables management and the monitoring of payment behaviour. Dependency on individual customers is limited because Wilo does not generate more than 10.0 percent of total revenue with any one customer. It is not possible to predict how the economic crisis will affect customer payment behaviour.

The maximum credit risk is equal to the carrying amount of financial instruments. The table below shows the maximum credit risk on and the age structure of financial assets classified as loans and receivables as at 31 December 2012 and 2011. Current and non-current items have been combined.

Credit risk

EUR thousand	Carrying amount	of which neither past due nor impaired	Of which: past due in stated time band (days) but not yet impaired: up to 30	31 – 60	61 – 90	91 – 180	over 180
31 Dec. 2012							
Trade receivables	228,980	181,689	22,160	6,192	2,459	3,640	2,419
Other financial assets*	7,213	7,213	0	0	0	0	0
31 Dec. 2011							
Trade receivables	211,397	173,678	16,720	5,882	1,870	2,911	1,997
Other financial assets*	9,929	9,929	0	0	0	0	0

* The other financial assets are shown without receivables from derivative financial instruments and without available-for-sale financial assets.

Trade receivables are secured with retentions of title. The fair value of these retentions of title is equal to the carrying amount of trade receivables. The carrying amount of trade receivables before write-downs is EUR 241,713 thousand (previous year: EUR 225,056 thousand). As at 31 December 2012, EUR 10,085 thousand (previous year: EUR 11,152 thousand) in specific write-downs was recognised on past due trade receivables of EUR 36,870 thousand (previous year: EUR 21,999 thousand). A further EUR 2,648 thousand (previous year: EUR 2,507 thousand) in general write-downs on trade receivables was recognised as at the end of the reporting period for country-specific credit risk. The write-downs were recognised for various, standard reasons.

In addition, there is a maximum credit risk of EUR 177 thousand (previous year: EUR 914 thousand) on available-for-sale financial assets and of EUR 1,778 thousand (previous year: EUR 897 thousand) on financial assets held for trading, which consist exclusively of derivative financial instruments. With regard to other financial assets that are neither impaired nor past due, there are no indications as at the end of the reporting period that debtors will fail to make payment. As in the previous year, there was no impairment on other financial assets as at 31 December 2012.

Liquidity risk

WILO SE aims to ensure cost-effective coverage of financing needs for the operating activities of Group companies at all times and uses a range of financial market instruments to this end. These instruments include committed credit facilities from various national and international reputable banks with maturities of between one and three years. WILO SE had not utilised these credit facilities of more than EUR 100.0 million as at 31 December 2012. In addition, WILO SE has secured its long-term financial requirements by issuing promissory note loans, which were also placed with financially sound, reputable financial partners (see note (9.11)).

As a result of existing short- and medium-term credit facilities with various prominent banks, the long-term coverage of financial requirements with the promissory note loans and other refinancing options, the Wilo Group is not currently exposed to material credit, concentration or liquidity risk. There are also cash pooling and financing arrangements with Group companies where appropriate and permitted under local commercial and tax law.

The following table shows the remaining contractual maturities and corresponding cash outflows, including estimated interest payments, for financial liabilities as at 31 December 2012 and 2011:

Liquidity risk

EUR thousand	Carrying amount	Agreed payments	Maturities < 1 year	Maturities > 1 < 5 years	Maturities More than five years
31 Dec. 2012					
Financial liabilities					
Non-current	128,739	– 166,391	– 6,777	– 66,118	– 93,496
Current	52,093	– 52,093	– 52,093	0	0
Trade payables	95,228	– 95,228	– 94,107	– 1,121	0
Finance lease liabilities	4,890	– 5,274	– 2,481	– 2,793	0
Other financial liabilities	40,172	– 40,172	– 37,600	– 2,245	– 327
Derivative financial instruments	6,396	– 5,520	– 3,236	– 2,284	0
Total	**327,518**	**– 364,678**	**– 196,294**	**– 74,561**	**– 93,823**
31 Dec. 2011					
Financial liabilities					
Non-current	167,432	– 213,233	– 8,348	– 105,176	– 99,709
Current	13,359	– 13,359	– 13,359	0	0
Trade payables	89,045	– 89,045	– 87,838	– 1,207	0
Finance lease liabilities	4,848	– 5,441	– 2,194	– 3,247	0
Other financial liabilities	35,811	– 35,811	– 33,450	– 1,854	– 507
Derivative financial instruments	5,758	– 4,006	– 391	– 3,615	0
Total	**316,253**	**– 360,895**	**– 145,580**	**– 115,099**	**– 100,216**

(14.) Other disclosures

(14.1) Waiver of disclosure

The following Group companies waived disclosure in accordance with section 264 (3) HGB: WILO-Mitarbeiter-Beteiligungsgesellschaft mbH., Dortmund, and WILO Nord Amerika GmbH, Dortmund.

(14.2) Contingent liabilities and other financial obligations

No provisions have been recognised for the following contingent liabilities carried at nominal amount as the probability of the risk is estimated as low:

Contingent liabilities

EUR thousand	31 Dec. 2012	31 Dec. 2011
Contingent liabilities		
from guarantees	600	600
from warranties	6,149	4,254
Total	**6,749**	**4,854**

There is a guarantee under a lease agreement for a building owned by a company in which a family member of a former managing director and one shareholder of WILO SE have an ownership interest. There is a guarantee of EUR 600 thousand to the company. The contingent liabilities from warranties essentially result from operating activities with the customers and suppliers of the Wilo Group. Warranties with a nominal obligation of EUR 742 thousand (previous year: EUR 2,180 thousand) had an agreed remaining term of less than one year as at 31 December 2012, while nominal obligations of EUR 1,166 thousand (previous year: EUR 852 thousand) with an agreed remaining term of more than one year have been contractually stipulated. There are also indefinite warranties and guarantees with a nominal obligation of EUR 4,240 thousand (previous year: EUR 1,222 thousand).

Purchase commitments for planned capital expenditure on property, plant and equipment amount to EUR 10,100 thousand (previous year: EUR 8,244 thousand) as at 31 December 2012. It is not practicable to disclose estimates of the financial effect of contingent liabilities, the uncertainties relating to the amount or timing of any outflows or the possibility of any reimbursement.

(14.3) Average number of employees over the year

Average employee numbers for the year were as follows:

Employees

	2012	2011
Production	3,991	3,701
Sales and administration	2,909	3,007
Total	**6,900**	**6,708**
Germany	2,278	2,041
Other countries	4,622	4,667
Total	**6,900**	**6,708**

The average number of employees rose by 2.9 percent as against the previous year. Staff costs amounted to EUR 306.8 million in the 2012 financial year (previous year: EUR 271.8 million).

(14.4) Proposal for the appropriation of profits

At the Annual General Meeting of WILO SE on 16 April 2013, the Executive Board will propose a resolution for the distribution of a dividend of EUR 3.04 per ordinary share and EUR 3.05 per preferred share and to carry forward the remainder of the unappropriated surplus of WILO SE to new account.

(14.5) Events after the reporting period

The Executive Board of WILO SE approved the consolidated financial statements for submission to the Supervisory Board on 19 February 2013. It is the responsibility of the Supervisory Board to examine the consolidated financial statements and to state whether it adopts them.

(14.6) Related party disclosures

All business transactions consisting solely of the provision of goods and services to non-consolidated subsidiaries, jointly controlled entities and associates of WILO SE are settled at standard market conditions. The outstanding trade receivables from these companies amount to EUR 571 thousand (previous year: EUR 523 thousand). Liabilities to these companies amounted to EUR 2,650 thousand (previous year: EUR 3,035 thousand) as at the end of the reporting period. Sales and services charged on to these companies amounted to EUR 511 thousand (previous year: EUR 1,146 thousand).

In the 2012 financial year, the members of the Supervisory Board and the Executive Board conducted the following acquisitions and sales of shares in WILO SE:

	Supervisory Board		Executive Board		Total	
	Number	Payment in EUR thousand	Number	Payment in EUR thousand	Number	Payment in EUR thousand
As at 31 Dec. 2011	155,651		477,331		632,982	
Acquisition	103,767	4,588	166,028	7,342	269,795	11,930
Sale	0		– 166,028	– 7,342	– 166,028	– 7,342
As at 31 Dec. 2012	**259,418**		**477,331**		**736,749**	

As at 31 December 2012, 259,418 preferred shares in WILO SE are held by members of the Supervisory Board and 477,331 ordinary shares are held by members of the Executive Board. Due to these transactions, WILO SE no longer reported any ordinary or preferred shares as treasury shares as at 31 December 2012.

There are approved consulting agreements with members of the Supervisory Board. The total volume of these agreements for 2012 amounted to EUR 450 thousand (previous year: EUR 315 thousand), EUR 255 thousand (previous year: EUR 245 thousand) of which had not yet been paid as at 31 December 2012.

One of the shareholders is a managing partner of a consultancy firm that provides consultancy services to WILO SE. These services are remunerated at standard market conditions. As at 31 December 2012, there were liabilities to this company of EUR 62 thousand (previous year: EUR 0 thousand). In the 2012 financial year, the company generated revenues of EUR 262 thousand (previous year: EUR 36 thousand) with WILO SE.

Another shareholder owns a heating and air conditioning installation company that purchases pumps in customary quantities from the reporting entity. The same company installs and maintains the heating and air conditioning systems of the reporting entity. These services are remunerated at standard market conditions. As at 31 December 2012, there were liabilities to this company of EUR 541 thousand. In the previous year, liabilities of EUR 29 thousand were reported. Revenues of EUR 151 thousand (previous year: EUR 103 thousand) were generated with the heating and air conditioning installation company in the 2012 financial year.

There are also leases relating to land and buildings that are directly or indirectly owned by shareholders. Total lease payments of EUR 578 thousand (previous year: EUR 578 thousand) were made to these shareholders in 2012. The rent was agreed in line with market conditions. There is also a lease agreement for a building owned by a company in which a family member of a former managing director and one shareholder have an ownership interest. EUR 518 thousand (previous year: EUR 518 thousand) was paid in rent in 2012. The resulting finance lease liabilities as at the end of the reporting period amounted to EUR 273 thousand (previous year: EUR 489 thousand). There is a guarantee of EUR 600 thousand to the company.

In the reporting year, there was a consulting agreement with a member of the owner family in the amount of EUR 60 thousand (previous year: EUR 60 thousand), of which EUR 60 thousand had not been paid as at 31 December 2012 (previous year: EUR 60 thousand).

Caspar Ludwig Opländer Foundation holds the majority of ordinary shares in WILO SE. There is a service agreement between WILO SE and the foundation for administrative work. WILO SE generated income of EUR 80 thousand from this service agreement in 2012 (previous year: EUR 61 thousand). There are no receivables from the foundation as at 31 December 2012 (previous year: EUR 32 thousand).

(14.7) Auditor's fees

The following fees were recognised as an expense in the 2012 financial year for services provided by the auditor of the consolidated financial statements, KPMG AG Wirtschaftsprüfungsgesellschaft:

Auditor's fees

EUR thousand	2012	2011
Audits of financial statements; of which for the previous year: EUR 0 thousand (2010: EUR 10 thousand)	361	374
Other assurance services; of which for the previous year: EUR 17 thousand (2010: EUR 7 thousand)	38	16
Other services; of which for the previous year: EUR 34 thousand (2010: EUR 2 thousand)	103	78
Total	**502**	**468**

(14.8) Remuneration of the Executive Board and the Supervisory Board

The total remuneration of the Executive Board for the 2012 financial year was EUR 2.6 million (previous year: EUR 2.2 million). EUR 1.2 million (previous year: EUR 1.0 million) of this total relates to fixed remuneration and EUR 1.4 million (previous year: EUR 1.2 million) to variable remuneration, of which EUR 0.8 million (previous year: EUR 0.6 million) was reported as a liability as at the end of the reporting period and will not be paid out until the approval of the consolidated financial statements in the subsequent financial year. The total remuneration paid to former members of the Executive Board amounted to EUR 2.1 million in the 2012 financial year (previous year: EUR 1.0 million). EUR 1.0 million (previous year: EUR 0.2 million) of this is a benefit under IAS 24.17 (d). EUR 0.1 million was paid out in the 2012 financial year as part of defined contribution pension plans for former members of the Executive Board (previous year: EUR 0.1 million).
The remuneration of the Supervisory Board amounted to EUR 0.1 million (previous year: EUR 0.1 million). As at the end of the reporting period, a pension provision of EUR 9.0 million (previous year: EUR 6.6 million) was recognised for former members of executive bodies.

(14.9) Executive bodies of the company

Supervisory Board

Dr Heinz-Gerd Stein
Chairman
Former CFO of ThyssenKrupp AG and
management consultant
Wollerau, Switzerland

Prof Dr Hans-Jörg Bullinger
Former President of Fraunhofer-Institute
Stuttgart, Germany

Jean-François Germerie
European Works Council
Laval, France

Felix Opländer
Management consultant
Verden/Aller, Germany

Heinz-Peter Schmitz
European Works Council
Dortmund, Germany

Prof Dr Norbert Wieselhuber
Managing Director of the Dr. Wieselhuber & Partner GmbH
consultancy firm
Planegg, Germany

Dr-Ing E. h. Jochen Opländer
is Honorary Chairman of the Supervisory Board.

Executive Board

Oliver Hermes
Chairman
Essen, Germany

Gilbert Faul
Beijing, China
until 18 February 2013

Dr Holger Krasmann
Dortmund, Germany
until 30 April 2012

Eric Lachambre
Saint-Germain-en-Laye, France

Dortmund, Germany, 19 February 2013

Oliver Hermes

Eric Lachambre

Shareholdings of WILO SE as at 31 December 2012

	Shareholding %
Bombas WILO-SALMSON Portugal – Sistemas Hidráulicos, Lda., Porto, Portugal	100.0
Circulating Pumps Ltd., King's Lynn, Norfolk, United Kingdom	100.0
EMB Pumpen AG, Rheinfelden, Switzerland	100.0
EMU I.D.F. S.A.R.L., Ste. Geneviève-des-Bois, France **	50.0
Mather and Platt Fire Systems Ltd., Pune, India	55.5
Mather and Platt Pumps Ltd., Pune, India	99.9
POMPES SALMSON S.A.S., Chatou, France	100.0
PT. WILO Pumps Indonesia, Jakarta, Indonesia	100.0
S.E.S.E.M. S.A.S., Saint-Denis, France	100.0
SALMSON Italia s.r.l., Modena, Italy	100.0
SALMSON South Africa Ltd., Johannesburg, South Africa	100.0
STEMMA S.R.L., Trissino, Italy	100.0

	Shareholding %
WILO (UK) Ltd., Burton-on-Trent, United Kingdom	100.0
WILO Adriatic d.o.o., Ljubljana, Slovenia	100.0
WILO Baltic SIA, Riga, Latvia	100.0
WILO Bel o.o.o., Minsk, Belarus	100.0
WILO Beograd d.o.o., Belgrade, Republic of Serbia	100.0
WILO Bulgaria EOOD, Sofia, Bulgaria	100.0
WILO Canada Inc., Calgary, Canada	100.0
WILO Caspian LLC, Baku, Azerbaijan	100.0
WILO Central Asia TOO, Almaty, Kazakhstan	100.0
WILO China Ltd., Beijing, China	100.0
WILO Danmark A/S, Karlslunde, Denmark	100.0
WILO Eesti OÜ, Tallinn, Estonia *	100.0
WILO ELEC China Ltd., Qinhuangdao, China	100.0
WILO EMU Anlagenbau GmbH, Roth, Germany	100.0
WILO Engineering Ltd. t/a Wilo Ireland, Limerick, Ireland	100.0
WILO Finland OY, Espoo, Finland	100.0
WILO France S.A.S., Bois d'Arcy, France	100.0
WILO Hellas A.B.E.E., Athens, Greece	100.0
WILO Hrvatska d.o.o., Zagreb, Croatia	100.0
WILO Ibérica S.A., Alcalá de Henares, Spain	100.0
WILO Industriebeteiligungen GmbH, Dortmund, Germany	100.0
WILO Intec S.A.S., Aubigny, France	100.0
WILO Italia s.r.l., Peschiera Borromeo (Milan), Italy	100.0
WILO Lietuva UAB, Vilnius, Lithuania	100.0
WILO Magyarország Kft., Törökbálint, Hungary	100.0
WILO Middle East FZE, Dubai, United Arab Emirates	100.0

	Shareholding %
WILO Middle East LLC i.L., Riyadh, Saudi Arabia ***	50.0
WILO N.V./S.A., Ganshoren (Brussels), Belgium	100.0
WILO Nederland b.v., Westzaan, Netherlands	100.0
WILO Nord Amerika GmbH, Dortmund, Germany	100.0
WILO Norge AS, Oslo, Norway	100.0
WILO Polska Sp. z o.o., Raszyn (Warsaw), Poland	100.0
WILO Pompa Sistemleri San. Ve Tic. A.S., Istanbul, Turkey	100.0
WILO CS s.r.o., Prague, Czech Republic	100.0
WILO Pumpen Österreich GmbH, Wiener Neudorf, Austria	100.0
WILO Pumps Ltd., Busan, Korea	100.0
WILO Pumps Ltd., Limerick, Ireland	100.0
WILO Romania s.r.l., Bucharest, Romania	100.0
WILO Rus o.o.o., Moscow, Russia	100.0
WILO SALMSON Argentina S.A., Buenos Aires, Argentina	100.0
WILO Saudi Arabia Ltd., Riyadh, Saudi Arabia *	100.0
WILO Sverige AB, Växjö, Sweden	100.0
WILO Ukrainia t.o.w., Kiev, Ukraine	100.0
WILO USA LL C, Rosemont, IL, US	100.0
WILO Taiwan Company Ltd., Taipei, Taiwan	100.0
WILO-Mitarbeiter-Beteiligungsgesellschaft mbH, Dortmund, Germany	100.0
WILO-SALMSON France S.A.S., Chatou, France	100.0
WILO Lebanon S.A.R.L., Beirut, Lebanon	100.0
WILO Australia PTY Ltd, Brisbane, QLD, Australia	100.0
WILO Participações Ltda., São Paulo, Brazil	100.0
WILO Maroc S.A.R.L., Casablanca, Morocco	100.0
WILO Vietnam Co. Ltd., Ho Chi Minh City, Vietnam	100.0
WILO SYSTEMS ITALIA S.R.L., Bari, Italy	100.0
WILO Comércio e Importação LTDA, São Paulo, Brazil	100.0
WILO Projektgesellschaft mbH, Dortmund, Germany *	100.0

* Company not included in the 2012 consolidated financial statements
** Associated company accounted for at cost
*** Jointly controlled entity accounted for using the equity method

AUDITOR'S REPORT

We audited the consolidated financial statements prepared by WILO SE, Dortmund – consisting of the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows, the consolidated statement of changes in equity and the notes to the consolidated financial statements – and the Group management report for the financial year from 1 January to 31 December 2012. The preparation of the consolidated financial statements and the Group management report in accordance with IFRS, as adopted by the European Union, and the additional regulations of the German Commercial Code (HGB) pursuant to section 315a (1) HGB are the responsibility of the legal representatives of the company. Our responsibility is to express an opinion on the consolidated financial statements and on the Group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the Group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the Group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs, as adopted by the EU, the additional requirements of German commercial law pursuant to section 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The Group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Essen, 20 February 2013

KPMG AG
Wirtschaftsprüfungsgesellschaft

Beumer
Auditor

Huperz
Auditor

REPORT OF THE SUPERVISORY BOARD

The Supervisory Board monitored the work of the Executive Board on an ongoing basis while providing intensive support and advice throughout the 2012 financial year. At regular meetings, the Supervisory Board was kept fully informed about the development of the Wilo Group's business and all factors affecting it. Members of the Supervisory Board also received regular written reports from the Executive Board on the current business situation and on current and planned Group activities. Measures requiring the approval of the Supervisory Board were discussed at length.

Various key issues were dealt with at a total of four meetings of the Supervisory Board in 2012. The meeting on 17 April 2012 focused on the annual financial statements and the consolidated financial statements as at 31 December 2011. The situation on the global economy and the business development of the Wilo Group were discussed in detail. At the meeting on 28 June 2012, the Supervisory Board mainly discussed the realignment initiated by the Executive Board and positioning of the corporate brand and the implementation of HR strategy. In particular, the introduction of personnel development programmes for managers was discussed. On 18 October 2012, the Supervisory Board dealt with investing activities as part of the global site development programme and the strategy projects on the issues of innovation and market development presented by the Executive Board. In December 2012, the Supervisory Board approved the budget for 2013 and the strategic planning extending to 2017. The relevant long-term megatrends of relevance to the Wilo Group were presented by the Executive Board and the focus of corporate strategy associated therewith was discussed.

Throughout the year, the Supervisory Board supported the ongoing development of the Wilo Group's business policy and strategic orientation, notably with regard to new manufacturing technologies, the focus of the product portfolio and human resources planning.

Both the consolidated financial statements with the management report for the 2012 financial year presented with the annual report and the separate financial statements of WILO SE for the 2012 financial year, each comprising an income statement, statement of financial position and notes to the financial statements, have been audited and issued with an unqualified audit opinion by KPMG AG Wirtschaftsprüfungsgesellschaft, Essen, Germany. The auditor also ascertained that the systems established by the Executive Board, the internal control system (ICS), the internal audit system and the compliance system are adequate and capable in their design and use of recognising developments that would jeopardise the company's continued existence in good time.

The above-mentioned documents were submitted to the Supervisory Board for examination in a timely manner and subjected to comprehensive scrutiny. The auditor took part in the discussion of the annual financial statements and the consolidated financial statements in the meeting of the Audit Committee on 5 April 2013 in order to report on key audit findings and provide comprehensive supplementary information. The Audit Committee previously performed preparatory work for the Supervisory Board and also appraised the findings of the risk management system and the internal control system.

After thorough examination and discussion of the annual financial statements, the consolidated financial statements, the management report and the Group management report, the Supervisory Board endorses the opinion of the auditor and approves the annual financial statements and the consolidated financial statements prepared by the Executive Board by way of resolution of 16 April 2013. The annual financial statements are thereby adopted. The Supervisory Board also approves the proposal for appropriation of the net profit of WILO SE.

The following changes occurred in the composition of the Executive Board in the year under review:

Dr Holger Krasmann resigned from his seat on the company's Executive Board at his own request with effect from the end of 30 April 2012. The Supervisory Board would like to thank Dr Holger Krasmann formally for his longstanding commitment and the successful strategic realignment of the company in recent years.

Furthermore, Mr Gilbert Faul has resigned from the Executive Board with effect from 18 February 2013. The Supervisory Board would like to thank him sincerely for his many years of outstanding service.

In addition, by way of resolution dated 16 April 2013, the Supervisory Board appointed Dr Markus Beukenberg – previously an authorised representative – as a new member of the Executive Board for a period of five calendar years. The Supervisory Board wishes Dr Beukenberg all the best in his new role.

In the interests of good, responsible corporate governance, WILO SE and its executive bodies voluntarily comply with the current version of the German Corporate Governance Code. There are departures from the Code relating to the specific nature of the company (primarily as to the preparation and holding of Annual General Meetings, the publication of reports, Supervisory Board committees) on the one hand and the individual disclosure of Executive Board and Supervisory Board remuneration on the other, in which connection the statutory provisions are complied with. Detailed information on the few departures from the Code has again been compiled in full for banks and institutional partners in a declaration of compliance in line with section 161 of the German Stock Corporation Act.

Subject to the above qualification, WILO SE intends to continue to comply with the recommendations of the Government Commission on the German Corporate Governance Code in future.

For the Wilo Group, 2012 was the most successful financial year in the company's history. The Supervisory Board wishes to thank the members of the Executive Board, the employees and employee representatives of the Wilo Group for their performance and their great loyalty, which made a decisive contribution to this success.

Dortmund, April 2013

The Supervisory Board
Dr Heinz-Gerd Stein
Chairman

GLOSSARY

Asia Pacific
The Asia Pacific segment comprises the following countries/regions: India, China, South Korea, Southeast Asian nations, Australia and Oceania.

Asynchronous motor
An asynchronous motor is the most widely used electric motor by virtue of its simple, reliable and cost-effective design. The type of asynchronous motor used by Wilo is the squirrel-cage motor, which has no fast-wearing parts, unlike the slip-ring type.

Booster sets
Used for water supply in buildings in which the pressure of the municipal water supply is not enough to supply all consumers/storeys with water.

Cash flow
Net inflow of cash generated from business activities.

EBIT/EBIT margin
EBIT is earnings before net income from investments carried at equity, net finance costs and income taxes. The EBIT margin describes the ratio of EBIT to sales.

EBITDA
EBITDA is earnings before net income from investments carried at equity, net finance costs, income taxes and depreciation and amortisation.

EMEA
The EMEA segment comprises the following countries/regions: Russia, Belarus, Ukraine, Caucasus nations, Gulf nations, African nations.

Equity method
Method of accounting for investments in entities over which the investor has a significant influence. Changes in equity at these companies influence the corresponding carrying amounts of the investments.

ErP directive
The ErP Directive is entitled “Eco-Design Requirements for Energy-Related Products” and aims to increase awareness of energy use during the entire life-cycle of a product from its manufacture to its disposal.

Europe
The Europe segment comprises the following countries/regions: all European states except Russia, Belarus and Ukraine.

Glanded pumps
In this design, the drive motor is separate from the pumped fluid; the rotating motor component therefore remains dry.

Glandless pumps
In this design, the rotating part of the electric motor is located in the pumped fluid. Glandless pumps are largely maintenance-free and very quiet in operation.

High efficiency

Efficiency is defined as the ratio of work performed to energy expended. High efficiency means achieving maximum performance with lowest possible energy input in order to conserve resources and reduce environmental impact. One prime example is Wilo-Stratos, the world's first high-efficiency pump for heating and air conditioning systems. It achieves excellent efficiencies and can save up to 90 percent electricity compared with constant-speed heating pumps.

IE energy efficiency classification

Electric motors are classified according to their energy efficiency rating. The International Electrotechnical Commission (IEC), an international standards body for electrotechnology, has put in place the following energy-efficiency classification system: IE1 = Standard, IE2 = High, IE3 = Premium, IE4 = Super Premium.

IFRS (International Financial Reporting Standards)

Collective term for all rules and interpretations of international financial reporting standards relevant to the Wilo Group: IAS (International Accounting Standards), IFRS (International Financial Reporting Standards), SIC rulings (Standing Interpretations Committee) and the rulings of the IFRIC (International Reporting Interpretations Committee).

Megacity

Cities with more than ten million inhabitants are referred to as megacities.

Megatrend

This term describes far-reaching, long-lasting trends that have a significant impact on society, the economy, the environment and technology. Megatrends are long-term i.e. observable over a period of decades and tend to have a global effect. As part of our strategic management process, megatrends enable us to take a systematic view of the future and also help us identify opportunities and risks which inform the overall strategy.

OEM (original equipment manufacturer)

Manufacturers who use our pumps to make their products (e.g. machine tools, wall heating or air conditioning units).

Others

This segment includes the following countries/regions: North and South American countries and other countries outside the Asia Pacific, EMEA and European regions.

Second-source suppliers

In the materials management and manufacturing sector, the term second-source supplier (secondary supplier) is used to describe one or more alternative suppliers of a product that is structurally identical and therefore interchangeable or compatible with another product.

Split-case pumps

Pumps with axially-split, spiral casing. These are used in high-performance circulation systems or for water supply purposes, primarily in Asian countries during the plant planning phase as per US specifications.

Wilo-Geniax

This decentralised pump system uses several miniature pumps installed in the heating surfaces or heating circuits instead of thermostat valves. Instead of conventional "supply-driven heating" with a central heating pump, the Wilo-Geniax provides "demand-driven" heating. The rotation speed of the miniature pumps is controlled by a central server, which means the pumps only supply the heating unit with as much hot water as is required to meet the demand for heat in each room at any given time.

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All over the world, glaciers are receding at an alarming rate. If temperatures continue to rise at this pace, they will disappear altogether at some point. This dramatic phenomenon illustrates what will happen to our planet if we do not take concerted, long-term action to combat the trend. That is precisely what we set out to do at Wilo. We live up to our corporate responsibility by looking to the future and the decades to come. Our energy-efficient product innovations are designed with real foresight and sparing use of water. That is our response to a world of complex challenges. We are convinced that this attitude is essential to sustainable entrepreneurship. Ultimately we want to make this the sole basis of our continued economic success as we move forward, leveraging megatrends like globalisation, urbanisation and technological progress to generate profits for Wilo. People are at the heart of all our deliberations and developments. We want to make living and working with Wilo products, solutions and services as simple as possible for our customers. In line with our promise "Pioneering for You", we are focusing on customer needs, consistently high quality and our passion for technology.

WILO SE

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