Pumpen Intelligenz.

2011

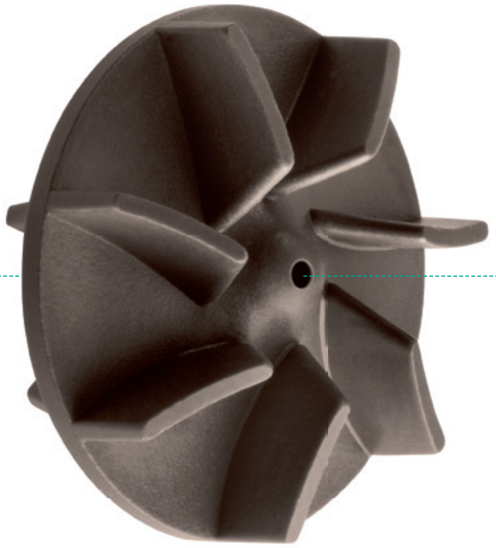
Setting benchmarks – shaping the future

Annual Report 2011

PROFILE

Pump intelligence made in Germany

WILO SE is one of the leading manufacturers of pumps and pump systems for heating, ventilation and air conditioning, water supply, sewage disposal and wastewater treatment. Since Louis Opländer founded the company in 1872 as Kupfer- und Messingwarenfabrik, it has gone on to become a leading innovator in the field of high-tech pumps with over 60 production and sales companies world-wide and more than 6,700 employees. In 2011, Wilo achieved sales of EUR 1.07 billion.



Wilo-Geniax

The decentralised heating pump with the smallest rotor in the living room.

There is a long tradition of technological progress in the company's history, stretching back almost 140 years. At Wilo, visionary ideas are turned into intelligent solutions and groundbreaking innovations that set benchmarks in the industry. Wilo products represent premium quality, ease of use and energy efficiency.

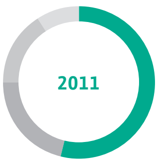
The key to Wilo's success is the people who apply their inventiveness, experience and commitment within the company. At locations all over the world, Wilo's proven engineering ingenuity results from productive teamwork. //

AT A GLANCE

Wilo Group figures

		2011	2010	2009	2008	2007
Sales	EUR million	1,070.5	1,021.4	926.1	977.2	927.3
Growth in sales	%	4.8	10.3	–5.2	5.4	6.2
EBIT	EUR million	97.6	111.4	90.9	88.6	99.4
(as a % of sales)	%	9.1	10.9	9.8	9.1	10.7
Consolidated net income	EUR million	53.4	71.1	68.6	45.2	60.7
(as a % of sales)	%	5.0	7.0	7.4	4.6	6.6
Earnings per ordinary share	EUR	5.19	7.31	7.04	4.57	6.15
Net cash flow from operating activities	EUR million	54.4	95.1	142.3	118.5	40.5
Cash holdings	EUR million	166.0	152.8	140.4	45.5	25.3
Capital expenditure	EUR million	61.5	52.4	39.7	52.3	46.4
(as a % of cash flow)	%	113.1	55.1	27.9	44.1	114.6
R&D costs	EUR million	36.8	33.8	35.3	34.5	27.6
(as a % of sales)	%	3.4	3.3	3.8	3.5	3.0
Equity	EUR million	410.0	404.7	351.8	282.5	297.7
Equity ratio	%	46.2	48.2	47.7	42.3	46.6
Employees (annual average)	Number	6,708	6,268	6,027	6,024	5,821

Regional development of net sales 2010–2011



	2011 EUR million	(%)	2010 EUR million	(%)
Europe	578.0	54.0	571.5	56.0
Asia Pacific	226.2	21.1	214.0	21.0
EMEA	168.7	15.8	141.6	13.9
Others	97.6	9.1	94.3	9.1
Total	**1,070.5**	**100.0**	**1,021.4**	**100.0**

CONTENTS

MARKET SEGMENTS

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. This applies to 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.

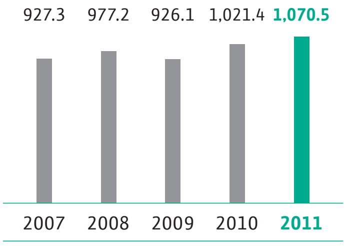
Water Management

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 systems set benchmarks in the areas of technical performance, efficiency and sustainability.

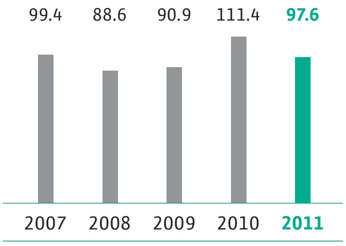
Industry

Wilo manufactures pumps that guarantee the highest level of reliability, flexibility and efficiency. Our strengths lie in particular in applications for peripheral equipment for industrial processes. Our acknowledged expertise is the result of a sophisticated product portfolio, pooled knowledge and an effective quality management system.

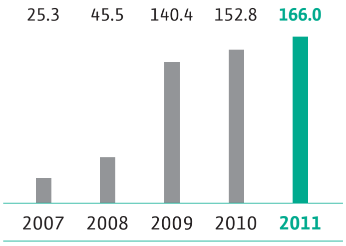
Sales in EUR million



EBIT in EUR million



Cash holdings in EUR million



FUTURE

Future – This common word is easy to define: the future consists of all events that come after the present. For us, this gives rise to the principle that Wilo has always followed: what we do in the present determines the future. For instance, the innovative solutions that we develop are already providing answers to the numerous, complex challenges of tomorrow: climate change, dwindling resources; globalisation and the need for energy efficiency. In the next few pages, we will show how Wilo is facing up to the major issues of the future – and how we are linking sustainability with profitable growth. //

/ WILO SE / STRENGTH AND EFFICIENCY /

ON TRACK FOR GROWTH IN ECONOMICALLY CHALLENGING TIMES

Targets, figures, solutions

////

Dear ladies and gentlemen,

Wilo has remained on track for success in an economically tough international environment. Despite the ongoing European sovereign debt crisis and the sluggishness of the global economy, a look at our key figures for the past financial year shows extremely positive developments. For instance, we broke last year's sales record, with sales rising to around EUR 1.07 billion. Profitability is at a high level. We have also increased liquidity more than sixfold over the past five years. This means that the Wilo Group is not dependent on the constantly recurring turbulence on the financial and capital markets.

Of course, we too have been affected by the economic downturn, particularly in Southern Europe. This is what makes the quality of our growth in the year under review stand out so much. The market segment-based strategic realignment of the Wilo Group started in 2009 and the changes to the organisational structure and at top management level were completed in 2011.

In a highly dynamic process, at global level, the economic balance of power is increasingly shifting from the industrial countries to the developing countries and from the Atlantic regions to the Pacific regions. By adapting our corporate structure to these developments, we can operate in an even more flexible and targeted manner in the growth regions. In the mature markets of the industrial countries, we have to defend and expand our strong market share.

The Wilo Group intends to keep on shaping the future as an innovation and technology leader. Our strong, open culture of innovation is a key factor here. It is based on creativity, flexibility and, in particular, trust in our employees. We have been named "top employer for engineers" for the fourth time in a row. In terms of our ability to attract the best people, this is both an incentive and a challenge. Overcoming the growing shortage of specialist staff could soon be the key to gaining a competitive edge. That is why we are increasingly using customised training concepts to foster our own young talent as well as recruiting highly qualified specialist staff worldwide. The internationality of our workforce is a key success factor for Wilo, particularly in the context of globalisation.

For 2012, our target remains: profitable growth.

For 2012, our target remains: profitable growth. With a modern strategic alignment, streamlined structures, a long-term innovation policy and a farsighted investment strategy, the Wilo Group is extremely well-placed to deliver further success, even in economically uncertain times.

Best regards

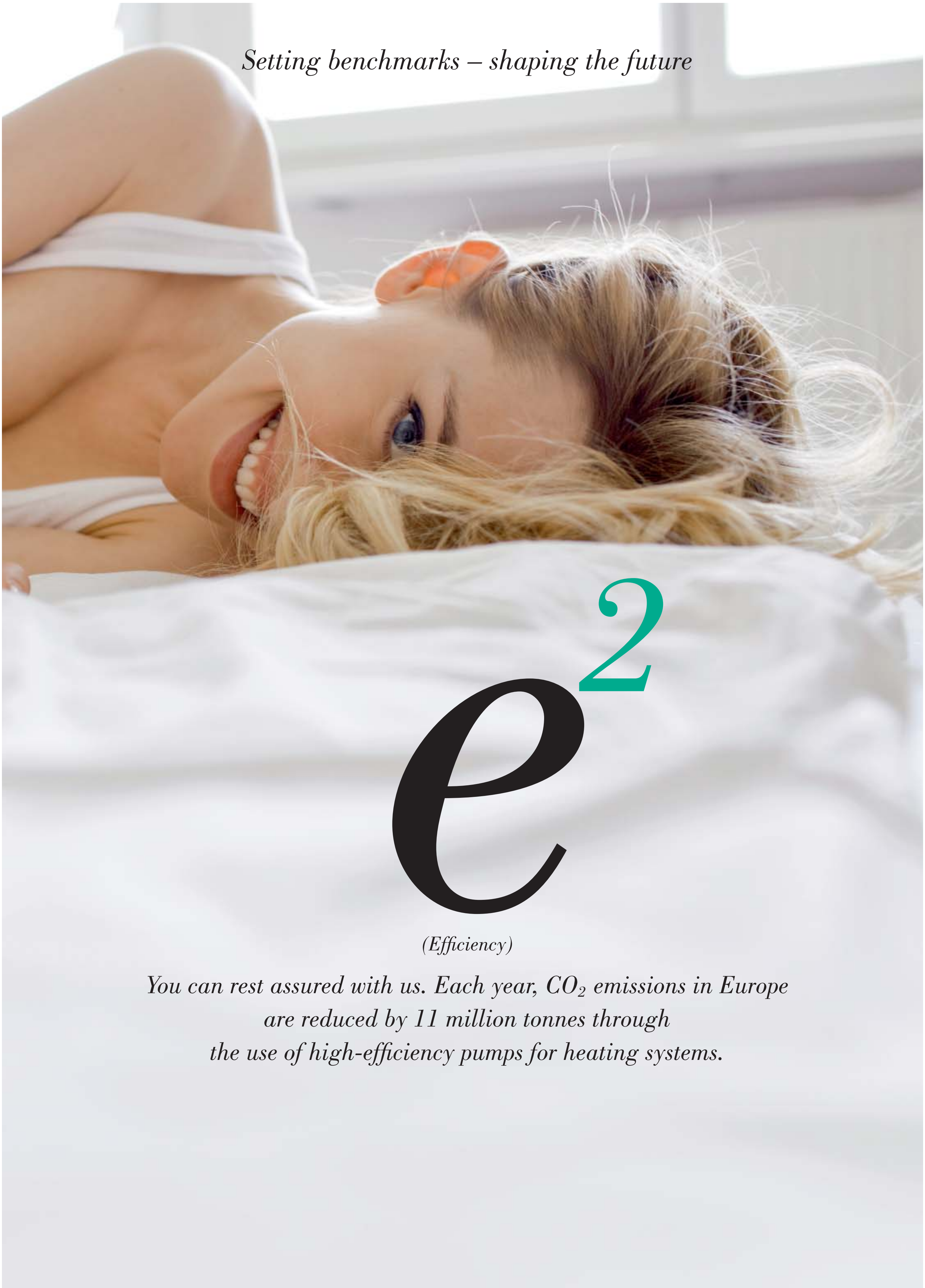
The Executive Board

Gilbert Faul

Oliver Hermes
– Chairman –

Eric Lachambre

Dr Holger Krasmann



Setting benchmarks – shaping the future

e^2

(Efficiency)

You can rest assured with us. Each year, CO_2 emissions in Europe are reduced by 11 million tonnes through the use of high-efficiency pumps for heating systems.

23 billion kWh

of **power** can be saved each year in Europe with our pumps.

11 million tonnes

of **CO_2.** This impressive savings potential can be realised each year in Europe by using high-efficiency pumps for heating systems.

90 %

less power consumption.
Peak performance in research and development results in products that take high efficiency to new levels.

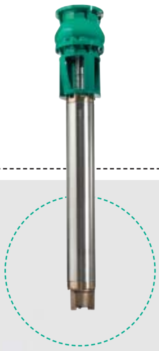
EUR 4 billion

in **power cost savings** achieved by high-efficiency pumps throughout Europe each year. That is climate protection that really pays off.

Efficiency eases the burden

Maximum output – minimum consumption

Efficiency and technical progress are new the main requirements for innovations. In particular, our market segments *Building Services, Water Management* and *Industry* have enormous potential in this area. All over the world, pumps use a vast amount of power. However, the potential savings are equally large. Wilo is working hard to make full use of them. We are promoting innovations that reduce energy consumption and therefore also lessen the impact of CO_2 on the environment. Our product and system solutions are highly efficient. We take the expression “high-efficiency” literally, and our approach is easing the burden on both nature and finance. //



The "Wilo-EMU D500" submersible pump provides a high-efficiency solution for applications such as pumping of drinking water. It has a high delivery rate and, with a 4-pole motor, is particularly hardwearing.

Wilo pumps provide added value in terms of environmental compatibility.

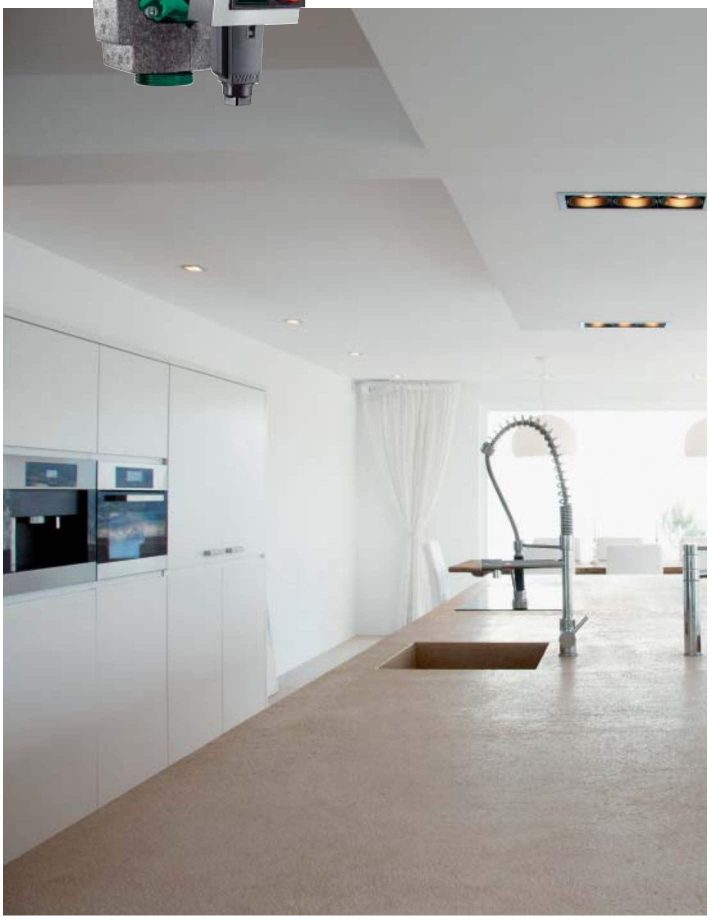
Good balance

Specific examples show that our products also help to achieve a lasting improvement in the eco balance. A comparative study* between three product groups in 2011 looked in detail at the overall lifecycle from the production phase through distribution, installation and the operation phase to disposal. Environmental impacts were also measured. The result: The future-oriented Wilo-Stratos PICO and Wilo-Yonos PICO heating pumps surpass their predecessors in all environmental indicators. In particular, CO_2 emissions were significantly reduced. // *Study: Bureau Veritas, France, 2011

45.6 kWh

is the average annual power consumption of the Wilo-Stratos PICO for a typical detached house. That is the TÜV-certified class A high efficiency.

The "Wilo-Stratos PICO" enables a power saving of up to EUR 140 per year. It is the most efficient heating pump in the world.



Sustainability begins at home

Wilo products offer customers greater efficiency throughout the entire operation phase. And we also pay close attention to sustainability in the manufacturing process. In numerous projects in locations worldwide, we are constantly working to improve production processes in order to reduce the material volume, avoid waste and keep CO_2 emissions as low as possible. For instance, we are increasing the level of reusable packaging, training our employees to drive in a fuel-efficient manner and establishing production processes that meet the highest efficiency requirements in terms of workplace design and material flow. A comparison of key figures of our in-house resource management shows that we are on the right track: figures such as specific energy consumption, the specific waste volume and the volume of hazardous waste are falling continuously. //

Carsten Krumm,
Head of Water Management

"2.6 billion people have no access to adequate sanitation facilities. According to United Nations estimates, unless efforts are stepped up, around 2.4 billion will still have to live like this in 2015."

Conservation of resources is the way forward

For over 100 years, we have been showing how water, the most precious resource in the world, can be used efficiently in all kinds of applications. Careful use of this important commodity is therefore of central importance to us as a water specialist. In the context of global megatrends such as urbanisation and the rising global population, water is becoming scarce and therefore increasingly valuable. Water is not known as "blue gold" for nothing. Emerging economic regions, especially in Asia and South America, are expanding their water supply infrastructure. Future-oriented solutions for optimised use of water are in demand. Wilo is already setting the benchmark for these solutions – in the drinking water abstraction, water purification, water pumping and wastewater disposal. //

70 %

of the Earth's surface is made up of water, the source of all life. All our engineering ingenuity is devoted to this resource.

Every drop counts

**Every person uses around 1.4 million litres of water per year – that equates to around 8,656 bathtubs of 160 litres each.*

Just under
60,000 litres
is the amount of water that each person drinks in her lifetime.

Network for professional water management

Demand for water management expertise is rising worldwide, particularly in the booming emerging economies. To create synergies and pool valuable knowledge, private and public companies in the water industry, trade associations and business, science and research institutions have come together to form the "German Water Partnership". This initiative is supported by the German Federal Ministries of the Environment, Research, Development and Economics and the Federal Foreign Office. Wilo is also involved. We are happy to make a contribution above and beyond our own operating activities, and incorporate our many years of experience and expertise in the joint project work. //

***10** times over!*
Global water consumption has risen more than tenfold in the past 100 years.

Member of
German Water Partnership

At Wilo locations worldwide, employees are devising solutions in our most important market segment – Water Management.

Innovative strength is the only resource that we do not use unsparingly.

1.3 billion people

do not have access to sufficient drinking water.

New pumps for Jordan's water supply

Water shortage is already one of the most serious global problems. And the number of countries where fresh water is in short supply is set to rise further in future. One example for this is Jordan.The fast-growing population of this kingdom needs more and more water and energy. At the same time, many waterpipes in the country are cracked. Ramshackle pumping stations also need to be renovated or replaced, and the same applies to sewage treatment plants. German companies like Wilo can help with their expertise: at Ebquoreyeh pumping station, which is near the capital Amman and was commissioned in 2011, Wilo installed two new pressure shroud pumps that use around 30% less power than the decommissioned models, thus easing the burden on the national budget as well as the climate. Wilo supplied the pumps in this showcase project for public and private development cooperation. //

*

We take our responsibility for people and the environment very seriously.

A presence on all continents

All over the world, new growth markets are emerging and existing ones are changing. The rising demand for high-quality products and technologies presents Wilo with major growth opportunities. We are using them by gradually expanding our presence and our operating activities with targeted investment. All over the world, water has to be moved in order to meet increasing basic needs such as access to clean drinking water. And where better to meet our customers' requirements than on their doorstep? With 15 production locations and over 60 production and sales companies, we are literally everywhere in the world. Since our location in Brisbane, Australia, was opened in April 2011, Wilo now has a presence on all five continents, so we are always there for our customers. //

139 years

of experience. International teamwork with flat hierarchies also works across long distances at Wilo. Precisely coordinated processes at locations worldwide, strategically managed from company headquarters in Dortmund, are what make the global approach of WILO SE a model for success.

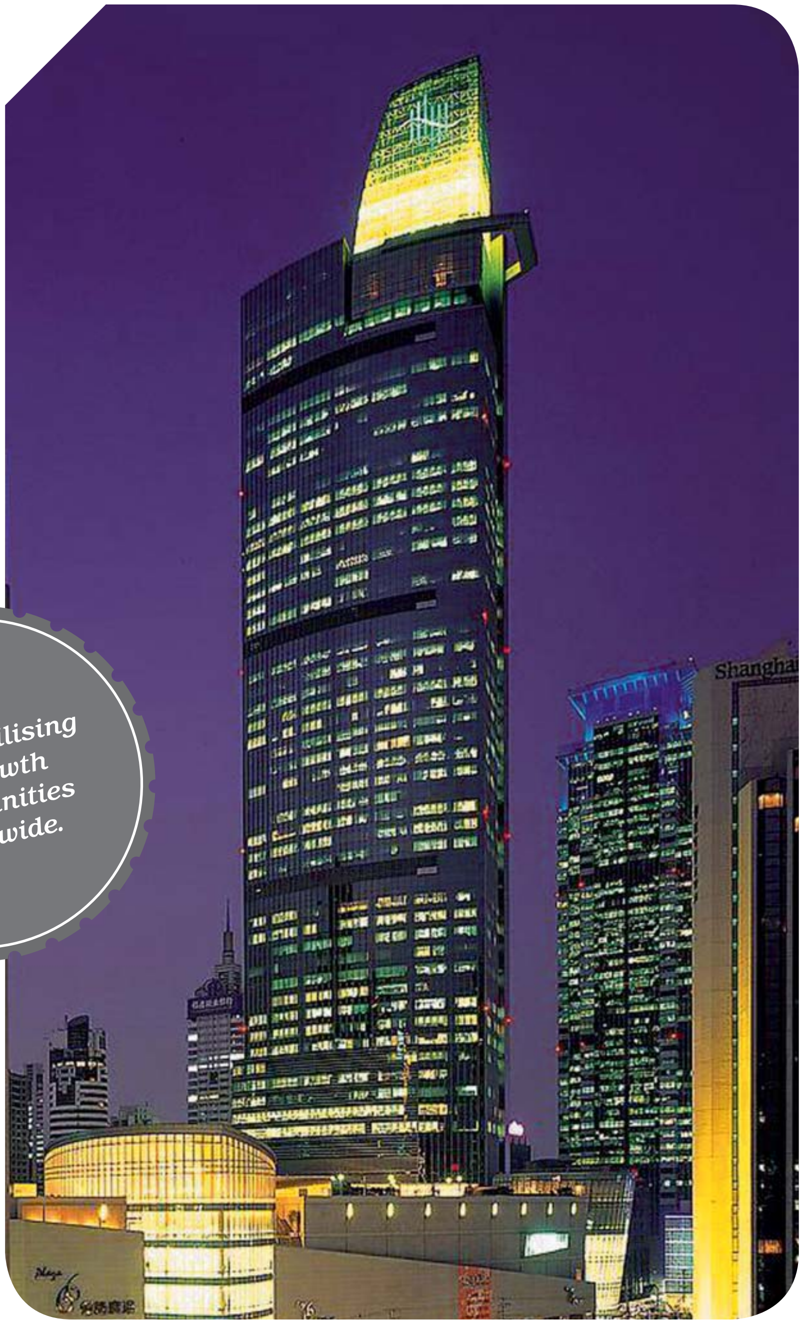

WILO

Istanbul – gateway to the Near East

Turkey is currently experiencing a huge economic upturn, which Wilo is also benefiting from. Our success story began there back in 1991. We are now the market leader in our *Building Services* segment in Turkey and have significantly stepped up our operations in the *Water Management* and *Industry segments*. In 2011, we opened a new Near East Central Office in Istanbul. From the 7,000 m^2 assembly and logistics centre, we not only supply the whole of Turkey, but also the sales companies in the Near East – a region that is becoming an increasingly important pillar for Wilo. The new building also sets high standards for sustainability and environmental compatibility, and received the gold LEED certificate (Leadership in Energy and Environmental Design) for this. //

Interface between Europe and the Near East: Istanbul is Turkey's leading business location and one of the fastest-growing cities in the world.

Topics such as energy saving and efficiency are also becoming increasingly important in the emerging markets of Asia. For this reason, Wilo has been involved in fitting the exclusive Plaza Hotel in Beijing with innovative technical products.



Wilo is utilising its growth opportunities worldwide.

Expansion strategy in Asia

The Asia Pacific region is currently the most dynamic economic region in the world. In the past three years, the markets there have performed impressively. That is why Asia has an important place in our growth strategy. For instance, in addition to the emerging markets like India and China, the region also provides growth opportunities in Indonesia, Malaysia and Vietnam. We are investing around EUR 11 million in the capital of the People's Republic of China. Starting in mid-2012, the area of our Beijing location is set to grow to around 20,000 square metres. We are taking the current economic situation into account with this state-of-the-art production facility. We are also stepping up our local presence in South Korea, where we are investing a further EUR 24 million in building a new plant in Busan. //

Tomorrow's products – today

We do not regard technology leadership as an end in itself, but as an incentive for continuous self-improvement. Top quality standards and constant innovation are key pillars of our corporate strategy. Around 20 patent applications a year clearly demonstrate that Wilo intends to maintain and extend its leading position in the industry. This makes us an attractive partner for our customers – and a sought-after employer. Our employees are the heartbeat of our company. In view of the growing competition for the best specialist staff, we have also introduced a large number of measures and offers for our workforce, and are creating a working atmosphere characterised by team spirit. All this is centred on identifying employees with strong potential and providing them with targeted ongoing training. In this way, we are securing our future prospects and nurturing one of Wilo's most important resources: the many good ideas of our employees. //

20 patents/year

Wilo-Stratos GIGA

2015

ON

High-tech made in Germany

Wilo provides outstanding engineering services through the proven combination of experience and a strong instinct for future requirements.

Power from

6

medium-sized coal-fired power stations can be saved by high-efficiency pumps through implementation of the European Ecodesign Directive. This equates to 23 terawatt hours per year.

i

IT ALL STARTS WITH THE IDEA

WILO IS WAY AHEAD OF THE TIMES

Strict efficiency levels for pumps will come into force in the EU in 2013 and 2015. The ErP (Energy related Products) Ecodesign Directive relates to nearly all energy-consuming and consumption-related products, thus including circulation pumps for heating and air-conditioning systems.
The stipulated efficiency levels will be introduced in two stages – from 1 January 2013 and from 1 August 2015. Consequently, the sale of around 80% of models currently available on the market will no longer be permitted. The objective is to reduce energy consumption and the resultant CO_2 emissions through environmentally sound product design. The high-efficiency models in the Wilo-Stratos series already meet the particularly stringent requirements of the second stage of the EU regulation, thus also providing planning certainty regarding future projects. //

6,700 employees

worldwide ensure the company's success with their commitment and performance.

2013//2015

are important years for the pump industry. Our products already comply with the new EU efficiency levels that come into force then.

TAKING HIGH EFFICIENCY TO NEW LEVELS

New directives for electric motors have been in force since 16 June 2011. This has also had implications for the motors of almost all Wilo glanded pumps. Of course, all relevant pump types have been refitted. With the Wilo-Stratos GIGA series, Wilo has products that already significantly exceed the increased requirements that do not come into force until 1 January 2015. The extremely high energy efficiency level of the series is based on the high-efficiency drive, an intelligent drive concept developed by Wilo. For the first time ever, glanded pumps are driven by EC motors with extremely strong energy-saving capabilities. This technology was previously restricted to glandless heating pumps in the Stratos-series. We have now transferred our longstanding experience in this field to the glanded pump segment. //

REVOLUTION IN HEATING TECHNOLOGY: THE WILO-GENIAX DECENTRALISED PUMP SYSTEM

Our innovative Wilo-Geniax system marks a new era in heating technology. Instead of thermostatic valves, it uses miniature pumps on the heating surfaces or heating circuits. Conventional supply-oriented heating using a central heating pump is thus replaced with a demand-oriented heating using decentralised miniature pumps that work only if heat is required. Control is carried out by a server that ensures faster, more precise and more efficient operation of the heating system. For instance, compared to a house with hydraulically balanced thermostat valves, heating energy can be reduced by 20% and electricity by 50% on average – these figures have been certified by TÜV Rheinland. However, with the technological advances in heating, the possibilities of the Wilo-Geniax are far from exhausted. Our engineers are already exploring the potential applications of the decentralised pump system of tomorrow. //

QUALITY AWARENESS

IS WILO'S TOP PRIORITY

WILO HIGHLIGHTS

Facts, figures and successes in 2011

////////////

TOP POSITIONS

International presence has been one of the Wilo Group's for several decades now. With the company established in Brisbane, Australia in April 2011, Wilo has **a presence on all five continents. //**

TOP FIGURES

EUR 1,070,500,000

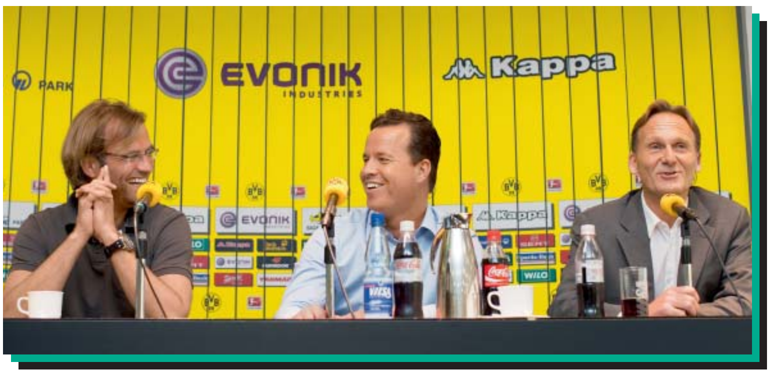
EUR 1,070,500,000 – a sales record. After the Wilo Group broke the billion-euro barrier for the first time in 2010, sales reached a new high in 2011.

EUR 61.5 million – that is how much Wilo invested in total in 2011. Construction of new locations and modernisation of existing plants in countries including Korea and China were top of the list of priorities. //

TOP CLASS

A force on the water: The German eight (Deutschland-Achter), the flagship of German rowing, won the gold medal at the World Rowing Championships in September 2011. This was their third successive world title – a historic run of victories. Consequently, the German eight, whom Wilo supports as their main sponsor, are favourites for the 2012 Olympics.

A force on the pitch: The partnership between Wilo and Borussia Dortmund is one of two true champions. Wilo ended the financial year with a new sales record, and Borussia Dortmund clinched the title on the last day of the 2010/2011 Bundesliga season. Our shared success story continues: just like coach Jürgen Klopp's young team, Wilo represents efficiency, professionalism, authenticity and ambition. //



Two teams that understand each other: WILO SE has been a Champion Partner of Borussia Dortmund since 2011. There was already lots to celebrate in the first year of the partnership: a sales record for the Wilo Group, and the German championship for the club with such a great tradition: Dortmund is a city of champions.

TOP QUALITY

The exceptionally low-power, high-efficiency Wilo-COR-Helix EXCEL booster set received the prestigious **"red dot design award 2011"** in the trade and industry category. The field consisted of over 4,400 products from more than 60 countries.

The Wilo-Stratos GIGA glanded pump won the **"iF product design award 2011"**. As well as design quality, this prestigious award also recognises innovation levels, environmental compatibility, functionality and ergonomics. //

product design award 2011

reddot design award

top ARBEITGEBER 2011 INGENIEURE

AWARDED BY THE CRF INSTITUTE

TOP EXECUTIVES

WILO SE was named **"top employer for engineers"** for the fourth time in a row in 2011. The applicable criteria for the award are internationality, corporate culture, remuneration, work-life balance, development opportunities, job security and innovation management.

As part of the **"Jump Start"** project, the complete IT landscape of Wilo subsidiary Mather & Platt in India was updated and brought into line with the Group standard in November 2011. The global project team, which efficiently handled the biggest international IT project in Wilo's history across several specialist departments and locations, consisted of 27 members from India, China and Germany. //

TOP PRESENCE

Trade fair highlights: WILO SE presented a feast of innovation at **ISH 2011** in Frankfurt am Main. In addition to the Wilo-Geniax decentralised pump system, which can now be used for cooling for the first time, Wilo also unveiled other forward-looking innovations: the Wilo-Stratos PICO with dynamic adapt function, the new Wilo-Yonos PICO standard pump, the Wilo-Stratos GIGA and the Wilo-Helix EXCEL, not to mention the 2011 red dot award-winning Wilo-COR-Helix EXCEL booster set. //

Oliver Hermes, Chairman of the Executive Board

Oliver Hermes (41), economist, CEO,
has been a member of the Executive Board of WILO SE since October 2006 and is the company's Chairman. He is responsible for corporate strategy and development, mergers & acquisitions, corporate communications, finance & legal and human resources as well as internal audit & compliance. Before working for Wilo, Oliver Hermes was a partner at KPMG, the audit and management consultancy company.

Dr Holger Krasmann

Dr Holger Krasmann (50), engineer, CTO,
has been Chief Technology and Production Officer of WILO SE since April 2008, with responsibility for research & technology, electronics, motors, purchasing, quality, supply chain management and production systems. He is also responsible for the sustainability strategy of the Wilo Group and new business activities. Dr Holger Krasmann has held various management positions at Wilo since 1995.

Gilbert Faul

Gilbert Faul (44), engineer, COO,
has been a member of the Executive Board of WILO SE since 1 October 2011. From the company's Beijing office, he oversees operating activities in the emerging markets of Asia, the Near and Middle East and Africa as well as countries including Russia and Turkey. He has global responsibility for the Water Management and Industry market segments and corresponding product areas. The Frenchman has been working for Wilo since 2001. Prior to joining Wilo, he worked for several high-profile consultancy firms and Vaillant.

Eric Lachambre

Eric Lachambre MBA, (45), engineer, COO,
has been a member of the Executive Board of WILO SE since 1 February 2011. He is responsible for business development in the mature markets of Europe and America. The French-born Chief Operating Officer also has global responsibility for the Building Services market segment and corresponding product areas. His areas of responsibility also include marketing, service and customer excellence. Eric Lachambre joined Wilo in 2009. Before his time at Wilo, he worked for Schneider Electric and Hilti.

Boards

Executive Board

Oliver Hermes, Chairman of the Executive Board
Essen, Germany

Gilbert Faul
from 1 October 2011
Beijing, China

Dr Holger Krasmann
Dortmund, Germany

Eric Lachambre
from 1 February 2011
Dortmund, Germany

Supervisory Board

Dr Heinz-Gerd Stein, Chairman of the Supervisory Board
Wollerau, Switzerland

Prof Hans-Jörg Bullinger
Stuttgart, Germany

Hans-Joachim Früh
Düsseldorf, Germany
† 13 November 2011

Jean-François Germerie
Laval, France

Jan Opländer
until 6 April 2011
Dortmund, Germany

Felix Opländer
from 6 April 2011
Verden/Aller, Germany

Heinz-Peter Schmitz
Dortmund, Germany

Prof Norbert Wieselhuber
from 8 December 2011
Planegg, Germany

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

2011

Group management report

Highlights of the 2011 financial year

- The Wilo Group broke last year's sales record, with sales rising by a further 4.8 % to EUR 1,070.5 million. With around 6,700 employees, the Group had the biggest headcount in its 140-year history.
- After setting up a subsidiary in Australia in 2011, Wilo now has a presence with Group companies in all five continents.
- Investing activities of the Wilo Group reached a new record level in the 2011 financial year at a volume of EUR 61.5 million.
- The market launch of the new Wilo-Stratos GIGA and Wilo-Helix EXCEL high-efficiency pumps was successful. Both products have the first high-efficiency drive for glanded pumps, the motor efficiency levels of which actually exceed the threshold of the planned energy efficiency class IE4 (as per IEC TS 60034-31 ed. 1), which is set to be the best ever.

General and business conditions

Group structure

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 Stratos series to large cooling water pumps for power plants.

The Wilo Group was established in Dortmund in 1872 as "Kupfer- und Messingwarenfabrik Louis Opländer". The parent company is WILO SE, based in Dortmund, Germany. As at 31 December 2011, the Wilo Group and WILO SE consisted of over 60 production and sales companies. The Group operates in 50 countries in every continent with more than 6,700 employees. It is also represented by its own branches and independent sales partners in many other countries.

The Wilo Group's pumps and pump systems are manufactured on the basis of an efficient and customer-oriented production network at 15 locations in Germany, France, the UK, Ireland, Italy, India, China, Korea and the USA. The products are then sold to Wilo Group customers worldwide either directly or via sales subsidiaries.

Corporate strategy

The fundamental and primary aim of Wilo is to generate profitable growth as an independently operating global group. This aim is embodied in the continuously enhanced corporate strategy for the three market segments *Building Services, Water Management* and *Industry*.

To implement its corporate strategy, the Wilo Group has set up the internationally oriented, cross-functional growth and efficiency enhancement programme “Perform to Grow”, some parts of which have already been successfully completed.

To attain the company’s objectives, changes to the responsibilities and structure of the Executive Board were also systematically carried out in 2011. The previous functional divisional responsibility was replaced by a focus on the various core aspects of business development in mature and emerging markets. In addition, a separate Technology division was created in order to strengthen the Group’s innovation and technology leadership.

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 Works Council of WILO SE.

The management of the Wilo Group is largely focused on development of sales and earning power. Earning power is measured on the basis of the EBIT margin. The regions as well as the market segments and product divisions are managed in accordance with these primary variables.

Like many other globally operating companies, the Wilo Group believes that it is confronted by increasingly rigorous legal requirements. For the Wilo Group, it is natural to comply with national legislation, regulations and requirements, internationally binding provisions and social norms in 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 January 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 slowed down in 2011 compared with the previous year. The economic climate deteriorated in all major economic regions. The challenging situation of the global economy and the generally pessimistic forecasts of business operators are the result of several factors, some of which are mutually reinforcing. Rising sovereign debts and expiring economic stimulus programmes curbed economic development in the industrial countries. Structural problems on the labour markets, high unemployment and ongoing weakness in the construction industry also ensured that the economy tailed off. Overall, these negative factors put a huge squeeze on the international finance and capital markets and the banking sector. The ongoing uncertainty in these sectors had a negative impact on the real economy. High debt levels and very low base rates in many industrial countries severely restricted the scope for state measures to stimulate the economy.

The rate of expansion of the emerging economies also slowed down during 2011. One reason for this development was the weaker export momentum, which was significantly affected by falling demand in the industrial countries. Furthermore, the expiry of economic stimulus programmes and a tightening of monetary policy curbed domestic economic impetus in the emerging economies. Nevertheless, they have better economic policy possibilities than the industrial countries.

Due to the weaker economic development in many parts of the world, noted economic research institutes such as the Hamburg Institute of International Economics (HWWI), the Kiel Institute for the World Economy and the ifo Institute in

Munich expect global gross domestic product to grow by only 3.5 % to 3.8 % in 2011.

The economic researchers at the ifo Institute estimate that the gross domestic product of the industrial countries rose by just 1.4 % in 2011. Economic growth of 1.7 % and 1.6 % is expected for the USA and the EU states respectively, whilst the Japanese economy is thought to have contracted by 0.7 %. For the emerging economies, economic researchers have forecast economic growth of 6.6 % for 2011. According to forecasts, the Chinese and Indian economies grew by 9.1 % and 7.5 % respectively. High growth rates of 4.5 % and 4.3 % respectively were also forecast for the other Asian economies and some Latin American economies.

The German economy again posted strong growth in 2011, continuing to make up ground after the decline during the global financial and economic crisis. However, there was a marked deterioration of the economic climate in the last quarter of 2011. According to calculations by the German Federal Statistics Office in Wiesbaden in January 2012, gross national product in 2011 increased by 3.0 % compared with the previous year. This development partly stemmed from German exports, which rose by 8.2 % compared with 2010, adjusted for price changes. Domestic demand for consumer goods and capital goods also increased noticeably. For instance, capital expenditure was up 6.5 % year-on-year, adjusted for price changes. Private and state consumption also increased by 1.5 % and 1.2 % respectively in real terms compared with 2010. This positive domestic demand trend was largely attributable to catch-up effects in capital expenditure, a low interest rate and the positive employment and income situation in Germany.

Industries of particular importance to the Wilo Group in Germany developed positively. These include construction and building services engineering.

The ifo Institute projects growth of 5.7 % in real construction spending for 2011. Residential construction investment, particularly in the detached and semi-detached house and apartment building sector, was a major factor in this increase. It is likely to have risen by 6.2 %. The reasons for this were favourable financing conditions, rising real wages and the positive development on the labour market. The commercial and public construction sector also contributed to the growth in the construction industry with increases of 6.1 % and 3.1 %.

The Association of the German Sanitary Industry estimates that building services engineering, which also includes the plumbing, heating, air conditioning and ventilation segments, recorded a 3.9 % overall increase in sales growth in 2011. Domestic business improved by 3.1 % compared with the previous year. A rise of 7.7 % is expected for exports.

Business developments

After the record-breaking 2010 financial year, the Wilo Group increased its sales by 4.8 % to EUR 1,070.5 million despite a worsening economic environment. With around 6,700 employees, the Group had the biggest headcount in its 140-year history. The sales growth in 2011 was particularly impressive, as the Wilo Group not only exceeded the record sales figure of 2010, but also posted a decrease of only 5.2 % in the crisis year 2009. EBIT (EUR 97.6 million) and consolidated net income (EUR 53.4 million) were down on the previous year, but still relatively high.

There are different reasons for the 4.8 % increase in sales to EUR 1,070.5 million, which may vary from region to region and from market segment to market segment. The posted increase largely corresponds to the expansion of key economies in the *Asia Pacific* and *EMEA* regions.

In the individual regions, sales developed as follows:

Sales development by region

EUR million	2011	2010	Change %
Europe	578.0	571.5	1.1
Asia Pacific	226.2	214.0	5.7
EMEA	168.7	141.6	19.1
Others	97.6	94.3	3.5
Total	**1,070.5**	**1,021.4**	**4.8**

The four reportable operating 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

Europe

In the *Europe* region, the Wilo Group improved the sales level year-on-year by 1.1 % (EUR 6.5 million) to EUR 578.0 million. There were considerable variations in the change in sales in the individual countries.

For instance, sales in the Nordic and Baltic states, the Eastern European EU countries and the UK rose by 7.5 % to 10.1 % compared with the same period of the previous year. In France and the Benelux nations, sales increased by an average of 4.6 %. Reasons for the positive sales development were the growth in demand for highly efficient products and system solutions, a significant increase in the infrastructure project volume and the stronger position of the Wilo Group in these markets. In addition, the positive development of some of these economies had a positive impact on sales development. Furthermore, positive exchange rates of individual foreign currencies such as the Swedish krona or the Swiss franc bolstered sales development in the Europe region.

Compared with the same period of the previous year, the sales increases in the above-mentioned countries more than compensated for the 1.2 % decline in sales in the German-speaking countries and the 9.1 % decrease in the Mediterranean countries. The slight decline in sales in the German-speaking countries was mainly due to the slump in the market for heating and process water pumps. One reason for this development was the expiry of the KfW pump premium in Germany, which had significantly boosted demand for high-efficiency pumps in the same period of the previous year.

The decline in sales in the Mediterranean countries mainly stemmed from the challenging economic situations in countries such as Greece, Portugal and Spain. Negative impacts resulted particularly from the highly restrictive consolidation measures to restore public finances. One result of the unfavourable factors was significant restraint in private and public investing activities. This restraint meant that essential infrastructure measures or replacement investment were either postponed indefinitely or even abandoned altogether.

Asia Pacific

In the *Asia Pacific* region, the Wilo Group increased its sales by 5.7 % (EUR 12.2 million) year-on-year to EUR 226.2 million. Sales patterns in the individual countries differed substantially. Essentially, the strong presence of the Wilo Group and rising demand for energy-efficient products in individual Asian countries were the main factors in the commercial success of the Wilo Group in Asia.

On the Korean market, the Wilo Group generated sales growth of 11.5 % year-on-year. This increase stemmed from strong demand for energy-efficient products, use of which is partly state-subsidised and required by law. In addition, the strong market position of the Wilo Group in Korea, proactive services and extensive market penetration in the Industry and Water Management segments generated positive impetus for operating activities.

In China, the Wilo Group increased sales by 25.4 % compared with the previous year. An increase in state infrastructure projects, a strong market position and more effective sales, logistics and service measures of the Chinese subsidiary resulted in accelerated sales development in 2011. The generally sound economic climate in China with GDP growth of 9.1 % also had a favourable impact on the business development of the Wilo Group.

In contrast to the positive sales development in China and Korea, Wilo Group sales fell by 29.5 % in India in 2011. Sharp declines in private and state investment in infrastructure measures and high interest rates were the main influencing factors here. In addition, the Indian rupee fell by around 9 % on average against the Group currency, the euro, resulting in another negative impact. The Wilo Group responded to the downward trend in the 2011 financial year. To counter the unfavourable situation, an extensive reorganisation of the Indian subsidiary was initiated and partly implemented. Implementation will be completed during 2012.

EMEA

In the 2011 financial year, sales in the *EMEA* region rose by 19.1 % (EUR 27.1 million) to EUR 168.7 million compared with the same period of the previous year. Sales growth of almost 25.0 % compared with 2010 was attained in some of the key markets for the Wilo Group.

The Wilo Group's operating activities in Russia, Belarus and Ukraine were major factors in the highly positive sales development in this heterogeneous region. Sales in these three countries were up almost 25.0 % 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 during the severest phase of the global financial and economic crisis. Consequently, an investment backlog had built up by the end of 2009. It began to ease in 2010 and 2011, thus bolstering the development of the Wilo Group's operating activities in this region.

Development of operating activities was also very positive in Turkey, the second-largest market for the Wilo Group in the *EMEA* region. As a result of the Wilo Group's strong position on the Turkish market, the rise in private spending and public investment in infrastructure measures made a positive contribution to business development. In contrast, the Turkish lira fell by approximately 18 % on average against the euro, having an unfavourable impact on the Wilo Group's sales development in Turkey in the Group currency.

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

Market segments

Sales in the *Building Services* market segment rose by 9.0 % year-on-year to EUR 824.6 million. 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. The increase in demand chiefly resulted from much greater public awareness of sustainable energy and responsible use of natural resources. Rising energy costs are increasing the savings potential of energy-efficient products and boosting this demand. In addition, the positive development of some economies has bolstered the positive sales development in this market segment.

In the *Water Management* and *Industry* market segments, sales fell 7.2 % to EUR 245.9 million in the 2011 financial year. This decline in sales largely resulted from the downturn in operating activities of the Wilo Group in India and the Mediterranean countries. Private and state investment in infrastructure measures fell sharply in India.

High interest rates also had an unfavourable impact on this development. In addition, the negative development of the Indian rupee against the euro had a negative impact on operating activities. In the Mediterranean countries, the sometimes very challenging economic situations adversely affected the Wilo Group's operating activities in these segments. The sales increases in China, Russia, Turkey and the Southeast Asian nations did not fully compensate for the decline in sales in India and the Mediterranean countries.

Results, assets and financial position

Results of operations

In the 2011 financial year, the EBIT of the Wilo Group fell by 12.4 % to EUR 97.6 million whilst sales increased by 4.8 % year-on-year. The ratio of EBIT to sales (EBIT margin) fell from 10.9 % in the previous year to 9.1 %. Both EBIT and the EBIT margin remain at a high level. The development of earnings is explained below.

Results of operations

EUR million	2011	2010	Change %
Net sales	**1,070.5**	**1,021.4**	**4.8**
Cost of sales	-644.1	-605.6	6.4
Gross profit	**426.4**	**415.8**	**2.5**
Selling and administrative expenses	-296.3	-280.1	5.8
Research and development costs	-36.8	-33.8	8.9
Other operating result	4.3	9.5	-54.7
Earnings before interest and taxes (EBIT)	**97.6**	**111.4**	**-12.4**
Financial result	-19.9	-7.8	> -100
Income taxes	-24.3	-32.5	-25.3
Consolidated net income	**53.4**	**71.1**	**-24.9**
EBIT (as a % of sales)	**9.1**	**10.9**	
Earnings per ordinary share (EUR)	**5.19**	**7.31**	
Earnings per preference share (EUR)*	**5.20**	**–**	

* No figure for the previous year, as preference shares were not issued until 2011.

The slight 2.5 % improvement in gross profit compared with the rise in sales, i.e. the 0.9 percentage-point reduction in the gross earnings margin from 40.7 % to 39.8 %, was caused by factors on the sales and procurement side.

One third of the decrease in the gross earnings margin was due to a change in the sales mix compared with the previous year. The sales share of products with a lower gross operating margin compared with other products increased here. Increased price pressure, the expiry of the KfW pump premium and the contrasting development of sales in the individual regions influenced the described change in the sales mix. Apart from this, the Wilo Group was exposed to significant material cost increases, e.g. for copper, stainless steel and magnets. These were not fully compensated by corresponding countermeasures.

Selling and administrative expenses rose by 5.8 % from EUR 280.1 million to EUR 296.3 million compared with the previous year. The significant increase in these types of cost compared with sales development was partly due to the expansion of the sales infrastructure in the context of the ambitious growth targets of the Wilo Group. In addition, non-recurring consultancy costs were incurred in connection with the international oriented, cross-functional growth and efficiency programme "Perform to Grow". No costs were incurred in the previous year for the world's largest international trade fair for building-systems, energy and air-conditioning technology, the ISH in Frankfurt am Main, as the ISH is only held every two years. Furthermore, costs for the Europe-wide high-efficiency campaign rolled out at the beginning of 2011 increased selling expenses compared with the previous year. In 2011, the Executive Board of WILO SE remained committed to the cost-control and cost-efficiency measures introduced in 2009.

Research and development costs rose significantly by 8.9 % to EUR 36.8 million. They remain at a high level at 3.4 % of sales. Ultimately, as in the past, the Wilo Group has a long-term focus on forward-looking, innovative and promising new developments and technologies.

The positive other operating result fell compared with the previous year by EUR 5.3 million to EUR 4.3 million. This was chiefly due to the negative overall exchange rate changes from operating activities of EUR 2.5 million, which were positive at EUR 1.3 million in the previous year.

The negative financial result of the Wilo Group fell by EUR 12.1 million from EUR -7.8 million in 2010 to EUR -19.9 million in 2011. This was mainly due to utilisation and measurement effects from commodity derivatives, used to counter price changes on raw materials sourced by the Wilo Group. In 2011, the net utilisation and measurement of commodity derivatives reduced the financial result by EUR 6.6 million. In the previous year, there was a positive effect of EUR 1.7 million. In addition, the negative net interest income of EUR -6.2 million fell by EUR 2.3 million to EUR -8.5 million. This is because WILO SE borrowed additional capital of EUR 100.0 million at the beginning of 2011 as part of its long-term financing strategy.

Consolidated net income after taxes fell by EUR 17.7 million to EUR 53.4 million. Earnings per ordinary share decreased from EUR 7.31 in the previous year to EUR 5.19. Consolidated net income after taxes amounted to 5.0 % of sales (previous year: 7.0 %).

Financial position

The Wilo Group's total assets rose 5.7 % since 31 December 2010 to EUR 887.8 million. Non-current assets rose by 4.6 % to EUR 304.7 million. This was due chiefly to an increase in property, plant and equipment of EUR 19.1 million compared with 31 December 2010. Capital expenditure on property, plant and equipment of EUR 57.3 million is responsible for this. This capital expenditure was particularly attributable to capacity expansion, improvement of productivity in production and the expansion of existing sales offices. Capital expenditure on property, plant and equipment thus increased by 16.5 % year-on-year.

Non-current assets rose by 6.3 % to EUR 583.1 million compared with 31 December 2010. This was attributable to the substantial growth in the Wilo Group's operating activities. Inventories increased by 12.1 % to EUR 173.9 million, outstripping the 4.8 % rise in sales. Factors in this rise include a wider range of products and increase in stocks at newly-formed subsidiaries or subsidiaries consolidated for the first time. Non-current and current trade accounts receivable increased by 1.0 % to EUR 208.2 million, a low increase compared with the operating activities of the Wilo Group in 2011. Net current assets were up 9.6 % to EUR 296.3 million.

Despite an increase in net current assets, cash and cash equivalents rose by EUR 13.2 million to EUR 166.0 million as at 31 December 2011, mainly due to financing transactions in the year under review. The inflow of cash and cash equivalents from operating activities was mainly used for capital expenditure on intangible assets and property, plant and equipment in 2011.

Despite positive consolidated net income of EUR 53.4 million, the equity of the Wilo Group only rose slightly by EUR 5.3 million (1.3 %) to EUR 410.0 million. This development is partly explained by a dividend payment of EUR 27.3 million to shareholders of WILO SE in April 2011 and a special dividend of EUR 41.8 million in February 2011, which was paid only to the Caspar Ludwig Opländer Foundation.

Some of these effects were compensated by equity-increasing transactions. These were a capital increase of EUR 15.5 million, which was carried out as part of the restructured management participation programme, and the purchase and sale of treasury shares amounting to EUR 7.6 million.

The equity ratio fell from 48.2 % to 46.2 % as at 31 December 2011, as the increase in equity was lower than that of total assets (1.3 %).

As at 31 December 2011, non-current liabilities mainly consisted of liabilities due to banks amounting to EUR 167.4 million and pension obligations of EUR 42.8 million. The EUR 85.4 million increase in non-current liabilities to EUR 244.3 chiefly resulted from the EUR 91.5 million rise in liabilities due to banks compared with the previous year. WILO SE borrowed an additional amount of EUR 100.0 million at the start of 2011 as part of its long-term financing strategy. This additional borrowing consisted of a bond of EUR 75.0 million (USD 98.2 million) issued as part of a US private placement. A promissory loan note of EUR 25.0 million was also taken out.

There were falls in current trade accounts payable, by EUR 5.1 million (5.5 %) to EUR 87.8 million, and other current liabilities, which dropped significantly by EUR 38.1 million (20.7 %) to EUR 145.7 million. In particular, non-current liabilities due to banks, most of which consist of due principal repayments on non-current finance arrangements as well as current account liabilities due to banks, were reduced by EUR 17.9 million, optimising net interest income as scheduled.

Furthermore, tax liabilities fell by EUR 9.7 million and other provisions, mainly consisting of guarantee, bonus and rebate provisions, fell by EUR 7.6 million.

The financial position of the Wilo Group as at 31 December 2011 and 2010 is set out below:

Financial position

EUR million	**2011**	**%**	**2010**	**%**
Non-current assets	304.7	34.3	291.4	34.7
Inventories	173.9	19.6	155.1	18.5
Current trade accounts receivable	208.2	23.5	204.7	24.4
Cash and cash equivalents	166.0	18.7	152.8	18.2
Other current assets	35.0	3.9	36.3	4.2
Total assets	**887.8**	**100.0**	**840.3**	**100.0**

EUR million	**2011**	**%**	**2010**	**%**
Equity	410.0	46.2	404.7	48.2
Non-current liabilities	244.3	27.5	158.9	18.9
Current trade accounts payable	87.8	9.9	92.9	11.1
Other current liabilities	145.7	16.4	183.8	21.8
Total liabilities	**887.8**	**100.0**	**840.3**	**100.0**

Capital expenditure

Capital expenditure on intangible assets and property, plant and equipment increased by 17.4 % compared with the 2010 financial year to EUR 61.5 million, marking a new record in the Wilo Group's 140-year history. This capital expenditure chiefly related to necessary capacity expansion, productivity improvements in production and the expansion of existing sales offices.

Also of note is capital expenditure on modernisation and the expansion of production capacity at the key European locations in Germany and France, amounting to EUR 22.9 million, which equated to 37.2 % of total capital expenditure in 2011. This shows just how important the traditional European locations are to the long-term strategic orientation of the Wilo Group.

At the same time, the Wilo Group started to expand significantly its existing production capacity in China by building a new production plant including sales and administration units. This investment measure takes into account the expansion in Asia and the economic development in this important region.

EUR 6.0 million has been invested in this project to date. The total volume is around EUR 11.0 million. Completion is scheduled for 2012. A new production plant in Korea will also be built in 2012. The investment volume for this structural measure is around USD 30.0 million.

The breakdown of capital expenditure in the 2011 and 2010 financial years is as follows:

Capital expenditure (excluding goodwill)

EUR million	2011	2010	Change %
Capital expenditure on intangible assets	**4.2**	**3.2**	**31.3**
Land and buildings	4.1	6.6	-37.8
Technical equipment and machinery	8.3	9.4	-11.7
Operating and office equipment	20.2	14.7	37.4
Advance payments made and assets under construction	24.7	18.5	33.5
Capital expenditure on property, plant and equipment	**57.3**	**49.2**	**16.5**
Total	**61.5**	**52.4**	**17.4**
As a percentage of depreciation and amortisation on property, plant and equipment and intangible assets	167.1	151.4	

Financial position

The positive net cash provided by operating activities decreased significantly in the 2011 financial year, whilst the negative cash flow used in investing activities increased. Net cash used in financing activities, which was negative in the previous year, improved substantially as a result of the additional borrowing of EUR 100.0 million at the beginning of 2011. As at 31 December 2011, a net liquidity inflow of EUR 15.1 million was posted.

Excluding the effects of exchange rate changes, cash and cash equivalents rose by EUR 12.6 million to EUR 166.0 million as a result of the positive cash flow from financing activities. Capital expenditure on intangible assets and property, plant and equipment were entirely financed by inflows of cash and cash equivalents from operating activities. Taking exchange rate changes into account, the increase in cash and cash equivalents amounted to EUR 13.2 million.

Cash flows for the 2011 and 2010 financial years are shown in the following table:

Financial position

EUR million	2011	2010	Change
Net cash from operating activities	54.4	95.1	-40.7
Net cash used in investing activities	-56.9	-51.7	-5.2
Net cash used in financing activities	15.1	-31.7	46.8
Change in cash and cash equivalents	12.6	11.7	0.9
Liquidity at the end of the financial year	**166.0**	**152.8**	**13.2**

Net cash provided by operating activities decreased significantly year-on-year by EUR 40.7 million to EUR 54.4 million. The reasons for this development were complex in the 2011 financial year. The EUR 13.8 million decrease in EBIT year-on-year had a negative impact on liquidity.

In addition, taking into account first-time consolidation effects, inventories were up EUR 18.5 million (11.9 %) to EUR 173.9 million. One positive feature is that trade accounts receivable increased by just 1.0 % despite the 4.8 % rise in sales. The EUR 7.1 million reduction in income tax payments compared with the previous year had a positive impact on cash flows from operations.

Net cash used in investing activities increased by EUR 5.2 million to EUR 56.9 million in 2011 due to higher capital expenditure on intangible assets and property, plant and equipment at the Wilo Group. Capital expenditure on intangible assets and property, plant and equipment rose by EUR 9.1 million compared with the same period of the previous year.

As at 31 December 2011, net cash used in financing activities was up EUR 46.8 million year-on-year, at a positive EUR 15.1 million. This was caused by the borrowing of EUR 100.0 million taken out at the beginning of 2011. Inflows of cash and cash equivalents also stemmed from the capital increase of EUR 15.5 million carried out as part of the restructured management participation programme and from the purchase and sale of treasury shares amounting to EUR 7.6 million.

In contrast, EUR 27.3 million was paid as a dividend to shareholders of WILO SE in April 2011 and EUR 41.8 million was paid to the Caspar Ludwig Opländer Foundation in February 2011. Outflows of liquidity from dividend payments thus increased by EUR 42.9 million compared with the previous year.

Furthermore, liabilities due to banks of EUR 32.2 million were repaid in the 2011 financial year as scheduled. The negative balance of interest paid and interest received increased by EUR 2.3 million due to the rise in liabilities due to banks.

Financial management

The objectives of financial management are geared to upholding financial independence, maintaining a strong cash position at all times and supporting the operating activities of the Wilo Group. For this reason, WILO SE ensures that adequate binding short and medium-term finance commitments of over EUR 100 million are available from internationally oriented banks. These had not been utilised as at the balance sheet date. In addition, the Wilo Group has been operating active portfolio management for several years with regard to the origin, type and maturity structure of borrowings, with financing policy sustaining a balanced focus between return-related and security-related targets.

The Wilo Group had EUR 180.8 million in liabilities due to banks as at 31 December 2011 (previous year: EUR 107.2 million). These mostly consisted of two senior notes of USD 40.0 million each and a senior note of EUR 75.0 million. All senior notes were issued by WILO SE in 2006 and 2011 in the context of US private placements. The two senior notes of USD 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 (non-binding borrowing facility). The private shelf facility has a total volume of USD 150.0 million.

There are two promissory note loans each of EUR 25.0 million. 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 37.0 million as at 31 December 2011.

In addition, as at the balance sheet date, there were bank loans of EUR 1.9 million (previous year: EUR 3.1 million) that will be repaid by 2013. There were also short-term current account liabilities of EUR 5.3 million (previous year: EUR 25.8 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. It is not able to state whether 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 166.0 million in cash and cash equivalents as at 31 December 2011 (previous year: EUR 152.8 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

The Wilo Group has a wide-ranging global research and development network. On a Group-wide basis, the central research and technology centre in Dortmund performs all research and technology activities either itself or with university or development partners. Alongside this, 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 2011. The company's objective is to reinforce and build on its leading position in the areas of technology, innovation and quality. This particularly applies to all activities and developments relating to efficient use of energy and resources.

The Wilo Group has made major advances in drive technology, especially in the development of motors and electronics. For example, the first high-efficiency drive for glanded pumps was unveiled at leading trade fair ISH in Frankfurt. It sets a new standard that even exceeds the highest currently defined motor efficiency class IE4 (super premium efficiency).

The use of materials such as copper and electrical steel sheets in the motor has also been reduced by more than 50 %. This new drive concept, which can be used universally for a large number of pumps, will make a considerable contribution to efficient use of energy and resources in future.

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 2011. This was necessary because 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 power consumption down.

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.

Wilo believes that materials and surface technologies are becoming increasingly important worldwide, including with regard to their environmental compatibility. Against this background, activities have been stepped up in material research and qualification and in the field of nanotechnology.

As in the previous year, a main focus of product development activities in 2011 was expansion of the product range in the glandless sector on the basis of future the efficiency requirements of the European Union (Ecodesign or ErP directive).

In pure water products, a new stainless steel pump series with a high-efficiency drive (Wilo-Helix EXCEL) was launched, as was the appropriate booster set, which received the "red dot" design award.

In the in-line pump sector, the Wilo-Stratos GIGA, also with a high-efficiency drive, was launched, and received the IF product design award for its successful design.

In the dirt and sewage pump sector, a new product line was launched in the small output sector with the WILO Rexa series.

Total research and development costs in the Wilo Group increased by 8.9 % compared with the previous year to EUR 36.8 million and amounted to 3.4 % of net sales.

Research and development costs

	2011	2010	Change %
EUR million	36.8	33.8	8.9
% of net sales	3.4	3.3	3.0

Employees

In 2011, the Human Resources division of the Wilo Group was characterised by a major change initiated in the previous year. As a result of the organisational realignment, the company took a significant step toward globalisation, from HR processes through HR systems to international talent management:

On the basis of the corporate strategy, there was a change of direction in the HR division. The aim is to further expand the best-practice solutions that exist within the company and standardise them worldwide. In addition, the Human Resources division has designed further successfully trialled instruments for employee management. These include management levelling, talent management and competence analysis.

Implementation of the various globally applicable measures was started in the Wilo national organisations in 2011. It is important to take the cultural characteristics into account here. A healthy balance should be constantly maintained between corporate standards and global flexibility. For instance, Wilo Group employees can benefit even more from the internationality and diverse development options in the company in future.

To enable access to "the employees of tomorrow" at an early stage, the Wilo Group again further intensified its contact with the major universities and research institutions in 2011. The aim is to introduce talented graduate trainees to the Wilo Group at an early stage and retain them. In this respect, the Wilo Group promotes the cross-border deployment of interns, diploma students and graduates, for example. In addition, five university job fairs were organised and attended in 2011 in order to improve the recognition and image of the Wilo Group.

To ensure that newcomers and lateral entrants successfully meet the company's objectives with their qualifications and quickly fit into the global Wilo community, all candidates go through an extensive selection procedure and intensive induction. The Human Resources division holds welcome events several times a year at international level. In this way, the new staff familiarise themselves with company headquarters and gain an initial impression of the culture and departments at Wilo.

However, Wilo is not only focused on "young talent". The Wilo Group is keen to address the needs of various target groups. The aim is to take into account the entire spectrum of the work-life balance of employees. For instance, in addition to good qualifications, emotional balance and physical fitness are the main characteristics of a successful employee. Therefore, in 2011, the Wilo Group again offered flexible part-time models and time off for employees on parental leave, for example. Employees again had the opportunity in 2011 to attend interesting healthcare seminars, which will be stepped up and promoted more rigorously in the next few years. In terms of remuneration of its employees, the Wilo Group adheres to the applicable collective agreements of the individual national organisations worldwide.

In the 2011 financial year, the Wilo Group increased its global workforce by 7.0 % to an average of 6,708 employees. This also demonstrates the positive business development of the Wilo Group in the past financial year. Average employee numbers for the year were as follows:

Employees

	2011	2010
Production	3,701	3,359
Sales and administration	3,007	2,909
Total	**6,708**	**6,268**
Germany	2,041	1,933
Other countries	4,667	4,335
Total	**6,708**	**6,268**

Certification and approvals

The ISO 9001:2000 and ISO 14001 quality and environmental certifications awarded in previous years remain in place for all production locations in the Wilo Group.

In 2009, we began to establish the occupational health and safety management system OHSAS-18001 at various production locations of the Wilo Group. At the production locations in Dortmund, Oschersleben and Hof (all in Germany), Laval (France), Gimhae (Korea), Qinhuangdao (China) and Thomasville (USA), implementation of this occupational health and safety management system was confirmed by external certification.

The addition of new key products for all relevant markets was secured through country-specific certifications.

Risk report

The Wilo Group has a modern, integrated, global risk management system for identifying business risks at an early stage. This enables the Group to take prompt and effective mitigating action. Monitoring the rigorous implementation of the measures is an essential part of the system. Once identified, risks are assessed, where possible controlled, and continuously monitored. The internal audit function is strongly involved in the process chain.

Risk management at Wilo generally follows a decentralised approach. The corporate control function supports second-tier managers with responsibility for risk documentation and reporting.

Checklists and uniform risk classification ensure 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. 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 risk analysis are reported to the Executive Board on a regular basis. The Supervisory Board and the Audit Committee it appoints are fully and continuously informed regarding the status and development of the risk management system.

Economic environment

Wilo faces economic and market risk factors due to general economic, political and societal trends. Noted economic research institutes are of the opinion that the global economy entered a phase of weak growth in the second half of 2011. Recessionary trends have even been identified in some economic regions and countries. The economic research institutes, the World Bank and the International Monetary Fund have all warned that the euro zone is at risk of sliding into recession.

The future growth forecasts are linked with risks and uncertainties. This scenario chiefly stems from the still unresolved debt and structural problems of many industrial countries. High levels of national debt and very low base rates mean that governments have very little scope for taking appropriate action.

In the emerging economies, economic growth is slowing down slightly, although it remains at a high level. One reason for this development is the weaker export trend, which is significantly affected by falling demand in the industrial countries. However, this is countered by a return to a more expansive monetary policy and rising domestic demand in the emerging economies.

Economic developments and expectations are being observed closely and attentively by the Wilo Group due to their uncertainties and risks. This is associated with the intention to take any corresponding countermeasures safeguarding the current economic and financial situation of the Wilo Group. These also include country risks, which are firmly addressed with targeted countermeasures.

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

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 by making increased use of product lines with unique selling points. The Wilo Group's competitiveness is also ensured by its technological lead over competitors, notably with regard to energy efficiency, as well as its outstanding product quality and extensive service network.

Research and development

Wilo is continuously investing in the development of new products to strengthen its own market position. In the year under review, research and development costs amounted to 3.4 % 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.

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

The interest rate risk mainly results from floating rate financial liabilities and 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 is considered to be low as most liabilities due to banks are subject to long-term fixed rates of interest.

Commodity prices

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. It 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 be used efficiently. In addition, the development of price and supply of the rare earth elements are attentively observed.

The prices for most of the copper and aluminium procurement volume for the 2012 financial year have already been determined so that the impact on earnings from the change in copper and aluminium prices for the Wilo Group can be minimised. 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 2013 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.

Credit risk

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. Wilo does not generate more than 10.0 % of total net 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, an increasing number of payment delays were experienced with customers based in the Mediterranean countries.

Liquidity

WILO SE aims to ensure cost-effective coverage of financing needs for the operating activities of Group companies at all times and deploys a range of financial market instruments to this end. There are also cash pooling and financing arrangements with Group companies where appropriate and permitted under local commercial and tax law. 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. 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.

Information technology

WILO SE mitigates information technology risk 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 for 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.

Overall assessment

No risk is currently identifiable that might raise doubt about the entity's ability to continue as a going concern.

Significant events after the balance sheet date

There were no significant events after the balance sheet date.

Outlook

Economic environment

Leading German economic research institutes and the International Monetary Fund expect gross national product of around 3.3 % for the global economy in 2012. The World Bank is more pessimistic, and forecasts global growth of just 2.5 % this year. The overall economic situation is expected to improve slightly in 2013.

The forecasts of the economic research institutes, governments and business operators regarding global economic development in 2012 and 2013 involve considerable uncertainties and risks. It goes without saying that the current economic and political difficulties and the problems in the major economic regions of the world have not yet been fully resolved. It is therefore hard to assess the extent to which the consolidation measures adopted to reduce high national deficits and corresponding structural adjustment processes can be enforced in the individual industrial countries. However, this is essential if the uncertainty on the international financial and capital markets is to be overcome.

For the industrial countries, economic researchers anticipate real gross domestic product growth of only around 1.1 % for 2012. 1.8 % is forecast for the USA.

In 2012, the states of the European Union are likely to go through a phase of economic stagnation with a growth rate of just 0.2 % due to fiscal policy consolidation in many member states, a tailing-off of external demand and the lack of a complete solution to the debt and structural problems. The economic research institutes, the World Bank and the International Monetary Fund have all warned that the euro zone is at risk of sliding into recession.

The ifo Institute believes that the emerging economies, which will remain an important driver of the global economy in coming years, will grow by 5.9 % in 2012. Real gross domestic product is expected to grow by 8.2 % in the Chinese economy and 7.0 % in the Indian. The economic development of the emerging economies is partly based on a return to a more expansive monetary policy and the upturn in domestic demand.

The German federal government and leading economic research institutes expect a German economic downturn in 2012, with a gross domestic product growth rate of 0.4 % to 0.75 %. This is mainly due to the global economic downturn and the directly related significant reduction in German exports.

In addition, the debt and structural problems in many European industrial countries will have a negative impact on economic development in Germany. The forecast economic growth will largely stem from higher and stable domestic demand and not, as in previous years, from external trade.

The income and employment situation in Germany remains healthy. Consequently, consumer spending of private households is likely to rise by 1.2 % in 2012. The very low interest rates coupled with investor uncertainty regarding foreign financial assets are also expected to result in increased demand for residential buildings. Investment in private residential construction is expected to rise by 2.9 % in 2012. In view of the weaker global economy and major uncertainty surrounding economic development, companies are likely to act cautiously in terms of their capital expenditure in 2012. Investment in means of production is expected to grow by just 2.8 % in the coming year.

For the German construction industry, the ifo Institute projects an increase of 1.6 % in real construction spending in 2012. This is chiefly attributable to the 2.9 % rise in private residential construction investment and the 0.6 % increase in investment in commercial construction.

Private residential construction will be stimulated by very low mortgage interest rates and real income growth of those in work. Furthermore, private residential construction is likely to benefit from the fact that it is regarded as a value-retaining form of investment. Low interest rates are also providing positive impetus in commercial construction, with companies having reduced their construction demand or deferred construction projects due to the economic risks. Public-sector construction demand is set to fall by 2.0 %. This is because the economic stimulus packages of the German federal government are coming to an end. The consolidation measures to reduce debt are also taking effect.

The Association of the German Sanitary Industry forecasts that building services engineering in Germany – another segment of importance to the Wilo Group – will grow by around 2.4 % in 2012. Domestic demand is likely to rise by 2.1 % and export activity by 3.6 % here.

Outlook for the Wilo Group

The Wilo Group not only handled the negative economic impacts of the global financial and economic crisis of the past few years very well, but also the Group emerged strengthened from the recession despite the unfavourable current economic situation. The Group's longstanding corporate strategy of promoting innovation activities, developing technologies and creating international market presence are key to mastering the challenges ahead. The Wilo Group's fast response to crisis situations in particular is a major factor. The significant increases in sales, 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 longstanding method, which consists 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.

Despite the deterioration in overall economic prospects in many regions of the world, the Wilo Group expects sales growth of around 6 % in the 2012 financial year as a result of its strong market position and rising demand for energy-efficient products. Sales growth of almost 10 % is forecast for the 2013 financial year, as global economic development is expected to be more positive in 2013. The *Europe* and *Asia Pacific* regions are likely to be the main sources of this sales growth.

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. The high level of economic growth forecast for China and India is likely to deliver corresponding positive impetus for the operating activities of the Wilo Group here.

For the 2012 and 2013 financial years, the Wilo Group expects the EBIT margin to be higher than this year at around 10 %. This improvement is attributable to the optimisation of structural costs in production, efficiency increases and positive effects in purchasing. At the same time, selling and administrative expenses are expected to rise at a slower pace than sales.

It remains difficult to assess when and to what extent the existing debt and structural problems of many industrial countries will be finally resolved. These problems have an impact on the development of many sales markets that are relevant to the Wilo Group. Furthermore, the volatility of the global commodities markets has increased significantly in recent years.

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.

However, the Wilo Group is confident that the optimised financing structure, the very high equity ratio of almost 50 % and the cash and cash equivalents of over EUR 165 million 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 2011 are subject to customary covenants requiring WILO SE to maintain certain financial ratios within set bands. In the 2011 and 2010 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.

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

2011

Consolidated financial statements

Consolidated income statement
for the period 1 January to 31 December 2011

Consolidated income statement

EUR thousand	Note	2011	2010
Net sales	(8.1)	1,070,534	1,021,415
Cost of sales	(8.2)	-644,130	-605,596
Gross profit		**426,404**	**415,819**
Selling expenses	(8.3)	-224,917	-207,491
Administrative expenses	(8.4)	-71,409	-72,640
Research and development costs	(8.5)	-36,756	-33,846
Other operating income	(8.6)	19,625	19,616
Other operating expenses	(8.7)	-15,319	-10,034
Earnings before interest and taxes (EBIT)	(8.10)	**97,628**	**111,424**
Net financial result	(8.8)	-19,968	-7,767
Consolidated net income before taxes	(8.10)	**77,660**	**103,657**
Income taxes	(8.9)	-24,297	-32,531
Consolidated net income after taxes	(8.10)	**53,363**	**71,126**
of which: non-controlling interests		-5	252
of which: attributable to shareholders of WILO SE		53,368	70,874
Basic and diluted earnings per share amount to EUR 5.19 (previous year: EUR 7.31) per ordinary share, EUR 5.20 per preferred share. No figure for the previous year as preferred shares were not issued until 2011.	(8.11)		

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

Consolidated statement of comprehensive income
for the period 1 January to 31 December 2011

Consolidated statement of comprehensive income

EUR thousand	2011	2010
Consolidated net income after taxes	**53,363**	**71,126**
Currency translation differences	-2,409	10,782
Other comprehensive income	-2,409	10,782
Total comprehensive income	**50,954**	**81,908**
of which: non-controlling interests	-43	357
of which: attributable to shareholders of WILO SE	50,997	81,551

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

Consolidated statement of financial position
as at 31 December 2011

Assets

EUR thousand	Note	31 Dec. 2011	31 Dec. 2010
Non-current assets			
Intangible assets	(9.1)	61,416	60,197
Property, plant and equipment	(9.2)	209,659	190,614
Investments carried at equity	(9.4)	2,640	2,640
Trade receivables	(9.6)	3,228	4,654
Other financial assets	(9.7)	5,199	6,700
Other receivables and assets	(9.8)	2,902	5,204
Deferred tax assets	(8.9)	19,624	21,406
		304,668	**291,415**
Current assets			
Inventories	(9.5)	173,931	155,063
Trade receivables	(9.6)	208,169	204,685
Other financial assets	(9.7)	6,541	11,573
Other receivables and assets	(9.8)	28,441	24,693
Cash and cash equivalents	(9.9)	166,030	152,821
		583,112	**548,835**
Total assets		**887,780**	**840,250**

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

Equity and liabilities

EUR thousand	Note	31 Dec. 2011	31 Dec. 2010
Equity	(9.10)		
Issued capital		26,980	26,000
Capital reserves		14,527	0
Retained earnings		380,519	391,258
Currency translation differences		-6,414	-4,005
Treasury shares		-5,236	-8,222
Equity before non-controlling interests		410,376	405,031
Non-controlling interests		-335	-328
		410,041	**404,703**
Non-current liabilities			
Financial liabilities	(9.11)	167,432	75,967
Trade payables	(9.12)	1,207	1,240
Other financial liabilities	(9.13)	10,096	11,234
Other liabilities	(9.14)	1,023	1,713
Pensions and similar obligations	(9.15)	42,785	46,205
Other provisions	(9.16)	3,134	4,509
Deferred tax liabilities	(8.9)	18,594	18,048
		244,271	**158,916**
Current liabilities			
Financial liabilities	(9.11)	13,359	31,275
Trade payables	(9.12)	87,838	92,916
Other financial liabilities	(9.13)	36,321	39,504
Other liabilities	(9.14)	53,360	62,779
Other provisions	(9.16)	42,590	50,157
		233,468	**276,631**
Total equity and liabilities		**887,780**	**840,250**

Consolidated statement of cash flows
for the period 1 January to 31 December 2011

Consolidated statement of cash flows

EUR thousand	31 Dec. 2011	31 Dec. 2010	Change
Earnings before interest and taxes (EBIT)	**97,628**	**111,424**	**–13,796**
Depreciation and amortisation on intangible assets and property, plant and equipment	36,881	34,567	2,314
Decrease/increase in non-current provisions	–4,795	1,467	–6,262
Losses/gains on the disposal of intangible assets and property, plant and equipment	328	337	–9
Increase in inventories	–18,451	–23,898	5,447
Increase in trade receivables and other assets not attributable to investing or financing activities	–1,434	–28,352	26,918
Decrease/increase in current provisions	–7,567	5,513	–13,080
Decrease/increase in liabilities and other equity and liabilities not attributable to investing or financing activities	–8,133	36,616	–44,749
Other non-cash income/expenses	–2,952	1,652	–4,604
Operating cash flow before income taxes	**91,505**	**139,326**	**–47,821**
Income taxes paid	–37,078	–44,198	7,120
Net cash flow from operating activities	**54,427**	**95,128**	**–40,701**
Purchases of intangible assets	–4,220	–3,164	–1,056
Disposals of property, plant and equipment	2,262	2,007	255
Purchases of property, plant and equipment	–57,309	–49,248	–8,061
Purchases of companies	–516	0	–516
Other proceeds/purchases attributable to investing activities	2,906	–1,301	4,207
Net cash flow from investing activities	**–56,877**	**–51,706**	**–5,171**
Dividend payment	–69,147	–26,204	–42,943
Proceeds from borrowings of financial liabilities	101,819	8,609	93,210
Repayment of financial liabilities	–32,180	–5,418	–26,762
Purchases of shares in consolidated companies	0	–2,848	2,848
Purchases of treasury shares	–7,241	0	–7,241
Disposals of treasury shares	14,818	318	14,500
Proceeds from WILO SE capital increase	15,507	0	15,507
Interest received	2,748	1,574	1,174
Interest paid	–11,293	–7,810	–3,483
Dividends received	75	60	15
Net cash flow from financing activities	**15,106**	**–31,719**	**46,825**
Change in cash and cash equivalents	**12,625**	**11,703**	**922**
Effects of exchange rate changes on cash and cash equivalents	553	727	–174
Cash and cash equivalents at beginning of period	152,821	140,391	12,430
Cash and cash equivalents at end of period	**166,030**	**152,821**	**13,209**

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

Consolidated statement of changes in equity
for the period from 1 January 2010 to 31 December 2011

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 2010	26,000	0	348,641	–14,682	–8,557	351,402	412	**351,814**
Consolidated net income 2010	0	0	70,874	0	0	70,874	252	**71,126**
Dividend payment	0	0	–26,204	0	0	–26,204	0	**–26,204**
Disposals of treasury shares	0	0	0	0	318	318	0	**318**
Currency translation differences	0	0	0	10,677	0	10,677	105	**10,782**
Owner transactions	0	0	–1,809	0	0	–1,809	–1,039	**–2,848**
Other changes	0	0	–244	0	17	–227	–58	**–285**
31 December 2010	**26,000**	**0**	**391,258**	**–4,005**	**–8,222**	**405,031**	**–328**	**404,703**
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**

Further information on the consolidated statement of changes in equity is provided in note (9.10).

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

Notes to the consolidated financial statements

for the 2011 financial year

(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 2011 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 2011. 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). Annual financial statements of subsidiaries outside of the European Monetary Union are translated from local currency into euro.

(3.) Adoption of new and amended IFRS

The following new interpretations and amendments to existing standards and interpretations effective for the first time in the 2011 financial year in their current form had no significant effect on the consolidated financial statements of WILO SE:

- Amendments to IAS 24 Related Party Disclosures
- Amendments to IAS 32 Classification of Rights Issues
- Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
- Various amendments as part of the annual Improvements to International Financial Reporting Standards

The following standards, amendments to existing standards and interpretations issued by the IASB and IFRIC are not yet effective in the 2011 financial year or have 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 Presenting Items of Other Comprehensive Income
- Amendment to IAS 12 Deferred Taxes: Recovery of Underlying Assets
- Amendment to IAS 19 Employee Benefits
- New version of IAS 27 Separate Financial Statements
- New version of IAS 28 Investments in Associates and Joint Ventures
- Amendment to IAS 32 Offsetting Financial Assets and Financial Liabilities
- IFRS 9 Financial Instruments
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IFRS 13 Fair Value Measurement
- Amendments to IFRS 1 Severe Hyperinflation and Removal of Fixed Dates

- Amendments to IFRS 7 Financial Instruments: Disclosures
- Amendment to IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities
- Amendments to IFRS 7 and IFRS 9 Mandatory Effective Date and Transition Disclosures
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

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

(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. The statements of financial position and income statements of these entities are included in the consolidated financial statements in accordance with IAS 27.

In addition to WILO SE, the consolidated financial statements as at 31 December 2011 include four German entities (previous year: four) and 58 foreign subsidiaries (previous year: 55) in which WILO SE directly or indirectly holds the majority of voting rights. Four subsidiaries (previous year: three) are not included in the consolidated financial statements.

In December 2011, WILO SE acquired all shares in TEK S.r.l., Bari, Italy, ("TEK") and thereby achieved control over TEK. TEK operates on the Italian market as a manufacturer of fire extinguishing systems and booster sets. It will play an active role within the Wilo Group as a centre for the development and production of these products.

On the basis of the provisional purchase price allocation, the combination with TEK has resulted in goodwill of EUR 30 thousand. The fair value of the acquired assets as at the date of acquisition was EUR 1,859 thousand, that of the liabilities EUR 1,399 thousand. These were also the carrying amounts of the assets and liabilities as at the date of acquisition.

TEK was included in the consolidated financial statements of WILO SE for the first time as at 31 December 2011 and generated revenue of EUR 3,729 thousand and net income of EUR 172 thousand for the 2011 financial year. If TEK had been included in the Wilo Group for the whole of the 2011 financial year, this would have improved revenue by EUR 895 thousand and consolidated net income by EUR 172 thousand.

The liquidation of the subsidiary CCD Pumps Ltd., London, UK, was concluded in the 2011 financial year, whereby its operations, assets and liabilities were transferred to the subsidiary WILO (UK) Ltd., Burton-on-Trent, UK, in 2010.

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. Subsidiaries whose financial year does not end on the same date as the consolidated financial statements (31 December) prepare interim financial statements as at this date.

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 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 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 of the buyer, 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. Under IFRS 3, restructuring provisions are not re-recognised on purchase price allocation.

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 IFRS 3. The difference between the cost of the shares acquired and the non-controlling interests in these shares is offset against the Group's retained earnings.

Shares in jointly controlled entities are accounted for using the equity method in accordance with IAS 31.

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. 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 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 recognised directly in 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	
	1 € =	**2011**	**2010**	**2011**	**2010**
Pound sterling	GBP	0.8697	0.8575	0.8372	0.8630
Chinese renminbi (yuan)	CNY	9.0285	8.9329	8.1485	8.7697
Indian rupee	INR	65.5838	60.4041	68.9828	59.6528
Polish zloty	PLN	4.1408	3.9922	4.4553	3.9675
Russian rouble	RUB	41.0066	40.2052	41.7428	40.5280
Swiss franc	CHF	1.2315	1.3693	1.2162	1.2442
South Korean won	KRW	1,545.8015	1,531.2611	1,490.1412	1,507.2414
Turkish lira	TRY	2.3533	1.9975	2.4424	2.0625
US dollar	USD	1.3996	1.3213	1.2938	1.3282

(7.) Accounting policies

The financial statements of WILO SE and its domestic and foreign subsidiaries are prepared using uniform accounting policies in accordance with IAS 27. 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 55,470 thousand as at the end of the reporting period (previous year: EUR 55,540 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 assigned to the asset 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 209,659 thousand as at the end of the reporting period (previous year: EUR 190,614 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 13,659 thousand (previous year: EUR 12,460 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 45,723 thousand (previous year: EUR 54,666 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 discounting rates, the expected return on plan assets, salary trends, life expectancies and assumptions regarding trends in healthcare. The discounting 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 treated 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 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 associated risks and rewards are substantially 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 and research costs are reported 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 2011 or 2010.

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. No borrowing costs were capitalised in the 2011 financial year (previous year: EUR 313 thousand). The borrowing costs rate, which formed the basis for determining the capitalisable borrowing costs, was 4.26 percent in the year under review (previous year: 5.40 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
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. 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 directly as expense in profit and loss.

Impairment of assets

Assets are tested for impairment at the end of each reporting period. 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 10.3 percent and 11.0 percent before income taxes was used in the 2011 financial year (previous year: between 9.3 percent and 9.7 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:

2011 financial year

Division	Goodwill in EUR thousand	Long-term growth factor (%)	Discounting 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

2010 financial year

Division	Goodwill in EUR thousand	Long-term growth factor (%)	Discounting rate before taxes (%)
Submersible & HighFlow	30,220	0.9	9.3
Pumps & Systems	18,202	0.5	9.5
Circulators	7,118	0.1	9.7

The Wilo Group uses the value in use of each division as its recoverable amount for the purposes of goodwill impairment testing.

Investments carried at equity
Investments in jointly controlled entities are measured using the equity method of accounting and reported under "Investments carried at equity". The proportionate consolidation method is not used.

Financial assets
Financial assets comprise loans 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 and cash equivalents.

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* and *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 2011 or 2010.

- *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 opportunities.

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 2012.

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 2011 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. 2011	31 Dec. 2010
Discounting rate	4.39	4.52
Pension adjustment	2.01	1.99
Salary increase	2.99	2.85
Fluctuation rate	3.99	4.11

The expected return on plan assets allocated for pension obligations is 2.41 percent (previous year: 4.16 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

	2011		2010	
	EUR thousand	%	EUR thousand	%
Europe	577,972	54.0	571,486	56.0
Asia Pacific	226,170	21.1	214,026	21.0
EMEA	168,704	15.8	141,596	13.9
Others	97,688	9.1	94,307	9.1
Total	**1,070,534**	**100.0**	**1,021,415**	**100.0**

(8.2) Cost of sales

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

Cost of sales

EUR thousand	2011	2010
Cost of materials	-460,940	-428,285
Staff costs	-104,947	-100,212
Depreciation and amortisation of intangible assets and property, plant and equipment	-23,528	-21,421
Third-party maintenance	-7,239	-7,423
Other staff costs	-4,135	-3,677
Rental payments	-3,419	-3,483
Travel and entertainment expenses	-2,712	-2,281
Other	-37,210	-38,814
Total	**-644,130**	**-605,596**

(8.3) Selling expenses

Selling expenses

EUR thousand	2011	2010
Staff costs	-110,624	-103,202
Advertising costs	-28,645	-25,236
Outgoing freight	-24,103	-21,495
Sales force	-16,341	-16,267
Rental payments	-9,846	-9,916
Depreciation and amortisation of intangible assets and property, plant and equipment	-4,699	-4,670
Write-downs on trade receivables (net)	-1,550	-1,891
Legal and consulting costs	-1,258	-1,015
Defaults	-1,386	-792
Other	-26,465	-23,007
Total	**-224,917**	**-207,491**

(8.4) Administrative expenses

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

Administrative expenses

EUR thousand	2011	2010
Staff costs	-34,312	-34,448
Legal and consulting costs	-6,092	-9,031
Depreciation and amortisation of intangible assets and property, plant and equipment	-6,302	-6,098
Other staff costs	-4,242	-3,841
Travel and entertainment expenses	-3,105	-2,359
Rental payments	-2,876	-1,658
Communication costs	-1,842	-1,556
Other	-12,638	-13,649
Total	**-71,409**	**-72,640**

(8.5) Research and development costs

Research and development costs

EUR thousand	2011	2010
Staff costs	-21,964	-19,538
Third-party maintenance	-4,334	-7,176
Depreciation and amortisation of intangible assets and property, plant and equipment	-2,352	-2,378
Legal and consulting costs	-745	-518
Other	-7,361	-4,236
Total	**-36,756**	**-33,846**

(8.6) Other operating income

Other operating income

EUR thousand	2011	2010
Foreign-currency differences from operating activities	7,723	8,225
Reversal of provisions for bonuses	2,967	2,411
Charges passed on to third parties	2,235	2,345
Insurance compensation	703	952
Income from disposals of intangible assets and property, plant and equipment	460	273
Government grants	161	227
Other	5,376	5,183
Total	**19,625**	**19,616**

The foreign-currency gains from operating activities of EUR 7,723 thousand (previous year: EUR 8,225 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 9,723 thousand (previous year: EUR 6,882 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	2011	2010
Foreign-currency losses from operating activities	-9,723	-6,882
Losses on disposals of intangible assets and property, plant and equipment	-797	-610
Other	-4,799	-2,542
Total	**-15,319**	**-10,034**

(8.8) Net financial result

Net financial result breaks down as follows:

Net financial result

EUR thousand	2011	2010
Net interest income	-8,545	-6,236
Other net finance costs	-11,423	-1,531
Total	**-19,968**	**-7,767**

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

Net interest income

EUR thousand	2011	2010
Interest income on cash and cash equivalents and on loans granted	2,164	990
Settlement of derivative financial instruments	584	584
Interest income	**2,748**	**1,574**
Interest expenses on financial liabilities	-11,012	-7,548
Interest on finance leases	-281	-262
Interest expenses	**-11,293**	**-7,810**
Total	**-8,545**	**-6,236**

Other net finance costs break down as follows:

Other net finance costs

EUR thousand	2011	2010
Gains on derivative financial instruments	2,934	11,378
Foreign-currency gains from financing activities	134	890
Dividends from associates	75	60
Other financial income	**3,143**	**12,328**
Losses on derivative financial instruments	-8,175	-6,662
Foreign-currency losses from financing activities	-4,045	-4,796
Unwinding of discount on non-current provisions and liabilities	-2,346	-2,401
Other financial expenses	**-14,566**	**-13,859**
Total	**-11,423**	**-1,531**

Gains and losses on derivative financial instruments in the financial years 2011 and 2010 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 2011 financial year, the net utilisation and measurement of commodity derivatives reduced net financial income by EUR 6,630 million. In the previous year, this effect increased net financial income by EUR 1,672 thousand.

EUR 4,045 thousand (previous year: EUR 4,796 thousand) of the foreign-currency losses from financing activities of EUR 2,203 thousand (previous year: EUR 3,876 thousand) relate to the translation of the bonds issued in 2006 of originally EUR 67.5 million (USD 80.0 million) (see note (9.11)). 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 4,619 thousand as at the end of the reporting period (previous year: EUR 5,506 thousand). The gain in the measurement of these interest rate and currency swaps of EUR 887 thousand (previous year: EUR 3,380 thousand) is reported under gains from derivative financial instruments.

(8.9) Income taxes

The income tax expense is as follows:

Income taxes

EUR thousand	2011	2010
Current tax expense		
– reporting year	-23,845	-33,989
– previous year	554	-617
Current income taxes	**-23,291**	**-34,606**
Deferred tax assets/liabilities		
– from the establishment and reversal of temporary differences	-1,778	1,250
– from unutilised loss carryforwards	1,862	785
– from changes in tax rates	-1,064	65
– from write-downs and reversals of write-downs on deferred tax assets	-26	-25
Deferred tax assets/liabilities	-1,006	2,075
Income taxes	**-24,297**	**-32,531**

The calculation of current income taxes in Germany for 2011 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 tax income in the previous year included the amount of EUR 102 thousand resulting from the reversal of a prior write-down of a deferred tax asset.

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	**2011**	**2010**	**2011**	**2010**
Intangible assets	149	102	1,952	1,890
Property, plant and equipment	972	764	5,495	6,198
Inventories	4,962	5,381	57	57
Receivables and other assets	2,215	1,814	2,523	1,481
	8,298	**8,061**	**10,027**	**9,626**
Financial liabilities	0	0	1,928	2,469
Trade payables	275	613	1	1
Pensions and similar obligations	2,454	4,129	87	33
Other provisions and liabilities	7,021	7,490	7,950	5,919
Tax loss carryforwards	2,975	1,113	0	0
	12,725	**13,345**	**9,966**	**8,422**
Offsetting of deferred tax assets and liabilities	–1,399	0	–1,399	0
Carrying amount	**19,624**	**21,406**	**18,594**	**18,048**

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 as at 31 Dec. 2010	Recognised in profit or loss	Recognised outside profit or loss	Net amount of deferred tax assets/ liabilities as at 31 Dec. 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 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 57,701 thousand (previous year: EUR 40,800 thousand) as at the end of the reporting period, EUR 2,680 thousand of which (previous year: EUR 2,239 thousand) can be carried forward indefinitely. The limited tax loss carryforwards amount to EUR 55,021 thousand (previous year: EUR 38,561 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 18,957 thousand (previous year: EUR 13,653 thousand). EUR 15,982 thousand (previous year: EUR 12,540 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 2,309 thousand (previous year: EUR 800 thousand) have been recognised on these distributions.

In addition, there were retained profits of EUR 52,807 thousand at subsidiaries as at 31 December 2011 (previous year: EUR 73,278 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 2011 financial year.

The Wilo Group reported tax expenses of EUR 24,297 thousand (previous year: EUR 32,531 thousand) in its consolidated income statement for 2011. This is EUR 378 thousand higher (previous year: EUR 605 thousand higher) than the forecast tax expense of EUR 23,919 thousand (previous year: EUR 31,926 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	2011	2010
Consolidated net income before taxes	77,660	103,657
Expected tax expense	**-23,919**	**-31,926**
Tax rate changes	-1,064	65
Difference from foreign tax rates	5,108	5,426
Goodwill impairments and temporary differences arising on consolidation	-556	-1,104
Other permanent differences	316	-127
Tax-free income	1,156	1,212
Unrecognised deferred tax assets on tax loss carryforwards	-3,442	-3,678
Withholding tax	-2,557	-1,683
Prior-period taxes	554	-617
Other	107	-99
Current tax expense	**-24,297**	**-32,531**

(8.10) Consolidated net income

Consolidated net income

EUR thousand	2011	2010
Earnings before interest and taxes (EBIT)	**97,628**	**111,424**
Net finance costs	-19,968	-7,767
Consolidated net income before taxes	**77,660**	**103,657**
Income taxes	-24,297	-32,531
Consolidated net income after taxes	**53,363**	**71,126**

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 5.19 (previous year: EUR 7.31). Both basic and diluted earnings per preferred share amount to EUR 5.20. No figure for the previous year as preferred shares were not issued until 2011. Both figures were calculated after deducting income attributable to non-controlling interests.

Earnings per share

	2011	2010
Consolidated net income after taxes	53,363	71,126
of which non-controlling interests	-5	252
of which: attributable to shareholders of WILO SE	53,368	70,874
Number of ordinary shares as at 31 Dec.	10,117,331	9,705,000
Weighted average number of ordinary shares outstanding	10,063,251	9,701,300
Number of preferred shares as at 31 Dec.	155,651	0
Weighted average number of preferred shares outstanding	215,893	0
Earnings per ordinary share (EUR)	**5.19**	**7.31**
Earnings per preferred share (EUR)	**5.20**	**–**

(9.) Notes to the statement of financial position

(9.1) Intangible assets

Intangible assets developed as follows in the financial years 2011 and 2010:

Intangible assets

EUR thousand	Patents and property rights	Goodwill	Advance payments	**Total**
Cumulative cost				
As at 1 Jan. 2010	22,703	62,042	126	**84,871**
Currency translation	140	1,181	0	**1,321**
Additions	3,040	0	124	**3,164**
Disposals	–253	0	0	**–253**
Reclassifications	143	0	–115	**28**
As at 31 Dec. 2010	**25,773**	**63,223**	**135**	**89,131**
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**
Cumulative depreciation				
As at 1 Jan. 2010	18,840	7,464	0	**26,304**
Currency translation	121	219	0	**340**
Depreciation in the financial year	2,536	0	0	**2,536**
Disposals	–253	0	0	**–253**
Reclassifications	7	0	0	**7**
As at 31 Dec. 2010	**21,251**	**7,683**	**0**	**28,934**
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**
Residual carrying amounts				
As at 1 Jan. 2010	3,863	54,578	126	**58,567**
As at 31 Dec. 2010	**4,522**	**55,540**	**135**	**60,197**
As at 1 Jan. 2011	4,522	55,540	135	**60,197**
As at 31 Dec. 2011	**5,801**	**55,470**	**145**	**61,416**

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 2011 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 2011 financial year:

Development of goodwill per division

EUR thousand	**1 Jan. 2011**	Additions	Currency translation	**31 Dec. 2011**
Submersible & HighFlow	30,220	0	–55	30,165
Pumps & Systems	18,202	30	–54	18,178
Circulators	7,118	0	9	7,127
	55,540	**30**	**–100**	**55,470**

(9.2) Property, plant and equipment

Property, plant and equipment developed as follows in the 2011 and 2010 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. 2010	109,247	135,205	179,074	7,449	**430,975**
Currency translation	3,076	2,170	2,293	159	**7,698**
Additions	6,569	9,384	14,748	18,547	**49,248**
Reclassifications	112	3,454	4,449	–8,043	**–28**
Disposals	–5,786	–4,541	–7,646	–52	**–18,025**
As at 31 Dec. 2010	**113,218**	**145,672**	**192,918**	**18,060**	**469,868**
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**
Cumulative depreciation					
As at 1 Jan. 2010	37,965	90,627	131,300	0	**259,892**
Currency translation	536	981	1,502	0	**3,019**
Depreciation in the financial year	3,480	9,214	19,337	0	**32,031**
Reclassifications	0	36	–43	0	**–7**
Disposals	–5,150	–4,284	–6,247	0	**–15,681**
As at 31 Dec. 2010	**36,831**	**96,574**	**145,849**	**0**	**279,254**
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**
Residual carrying amounts					
As at 1 Jan. 2010	71,282	44,578	47,774	7,449	**171,083**
As at 31 Dec. 2010	**76,387**	**49,098**	**47,069**	**18,060**	**190,614**
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**

Property, plant and equipment includes leased assets in the amount of EUR 4,368 thousand (previous year: EUR 4,097 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. 2011	31 Dec. 2010
Buildings	1,190	1,448
Operating and office equipment	3,178	2,649
Total	**4,368**	**4,097**

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 4,848 thousand (previous year: EUR 4,784 thousand).

Minimum lease payments

EUR thousand	31 Dec. 2011	31 Dec. 2010
Total minimum lease payments	5,441	5,174
Interest portion	-593	-390
Present value	**4,848**	**4,784**
Due within one year	1,896	1,769
Due in one to five years	2,952	3,015

(9.3) Operating leases

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

Operating leases

EUR thousand	31 Dec. 2011	31 Dec. 2010
Total minimum lease payments	**40,775**	**40,286**
Due within one year	14,230	12,716
Due in one to five years	21,825	21,243
Due after five years	4,720	6,327

The operating leases mainly relate to rent for properties and operating and office equipment. Lease payments of EUR 16,215 thousand (previous year: EUR 15,457 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 companies was opened in the 2011 financial year underway and is expected to be concluded in 2012.

(9.5) Inventories

Inventories

EUR thousand	31 Dec. 2011	31 Dec. 2010
Raw materials and supplies	59,532	45,892
Work in progress	15,589	17,941
Finished goods and goods for resale	97,860	90,874
Advance payments	950	356
Total	**173,931**	**155,063**

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 2011, the write-down on inventories amounted to EUR 22,518 thousand (previous year: EUR 22,725 thousand) based on a gross carrying amount of EUR 196,449 thousand (previous year: EUR 177,788 thousand). Reversals of write-downs of EUR 207 thousand were recognised in profit or loss under cost in the 2011 financial year. In the previous year, the cost of inventories was reduced by EUR 4,534 thousand due to write-downs. 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 208,169 thousand (previous year: EUR 204,685 thousand) are due in the 2012 financial year. Non-current trade receivables of EUR 3,228 thousand (previous year: EUR 4,654 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.

Valuation allowances on trade receivables are recognised in separate adjustment accounts. Specific and general valuation allowances on trade receivables changed as follows in the 2011 and 2010 financial years:

Specific valuation allowances

EUR thousand	**2011**	**2010**
As at 1 January	9,879	8,289
Additions	3,073	2,229
Utilisation	-1,281	-239
Reversals	-519	-400
As at 31 December	**11,152**	**9,879**

General valuation allowances

EUR thousand	**2011**	**2010**
As at 1 January	2,581	2,893
Additions	182	685
Utilisation	930	-374
Reversals	-1,186	-623
As at 31 December	**2,507**	**2,581**

(9.7) Other financial assets

Other financial assets break down as follows as at 31 December 2011 and 2010:

Other financial assets

	31 Dec. 2011			31 Dec. 2010		
		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	523	523	0	921	904	17
Receivables from derivative financial instruments	897	239	658	7,332	5,399	1,933
Loans	212	0	212	1,091	0	1,091
Available-for-sale financial assets	914	0	914	362	0	362
Other financial receivables	9,194	5,779	3,415	8,567	5,270	3,297
Total	**11,740**	**6,541**	**5,199**	**18,273**	**11,573**	**6,700**

Available-for-sale financial assets include equity securities of EUR 906 thousand (previous year: EUR 355 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 2011 and 2010:

Other receivables and assets

	31 Dec. 2011			31 Dec. 2010		
		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	22,202	21,426	776	17,996	17,941	55
Advance payments	4,289	4,262	27	4,321	4,303	18
Reinsurance assets	2,082	0	2,082	5,131	0	5,131
Deferred expenses	2,179	2,179	0	1,545	1,545	0
Employee receivables	591	574	17	904	904	0
Total	**31,343**	**28,441**	**2,902**	**29,897**	**24,693**	**5,204**

(9.9) Cash and cash equivalents

The cash and cash equivalents of EUR 166,030 thousand (previous year: EUR 152,821 thousand) mainly comprise cash and sight deposits at banks. There are restrictions on title of EUR 233 thousand (previous year: EUR 179 thousand).

(9.10) Equity

Issued capital
On 20 December 2010, the Annual General Meeting of WILO SE resolved to increase the share capital of WILO SE by EUR 980 thousand from EUR 26,000 thousand to EUR 26,980 thousand as part of the restructuring of the management participation programme.

The capital increase was performed against cash contributions by issuing 117,331 new, registered ordinary shares with a pro rata share of capital of EUR 2.60 each and by issuing 259,418 new, registered preferred shares without voting rights with a pro rata share of capital of EUR 2.60 each. The issue amount for the new shares was EUR 2.60 per share plus a premium of EUR 38.56 per share and therefore EUR 41.16 per share in total. The total premium amounted to EUR 14,527 thousand and was transferred to the capital reserves of WILO SE. The new ordinary and preferred shares were issued solely to the members of the Supervisory Board and the Executive Board of WILO SE.

The Annual General Meeting on 20 December 2010 also resolved the adjustment of the Articles of Association of WILO SE in line with the capital increase. Under the amended Articles of Association of WILO SE, the new preferred shares will receive a preferred profit distribution and 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.

Both the resolved capital increase and the approved amendment to the Articles of Association of WILO SE were entered in the commercial register on 22 February 2011.

Following the capital increase performed in the 2011 financial year, 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 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	2011	2010
As at 1 January	9,705,000	9,693,000
Issued	117,331	0
Purchases of treasury shares	-65,000	0
Disposals of treasury shares	360,000	12,000
As at 31 December	**10,117,331**	**9,705,000**

Number of preferred shares

Number of preferred shares	2011	2010
As at 1 January	0	0
Issued	259,418	0
Purchases of treasury shares	-103,767	0
As at 31 December	**155,651**	**0**

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 2011 and 2010 financial years:

Retained earnings

EUR thousand	2011	2010
As at 1 January	391,258	348,641
Consolidated net income attributable to the shareholders of WILO SE	53,368	70,874
Dividend payment	-69,147	-26,204
Disposals of treasury shares	4,591	0
Owner transactions	0	-1,809
Other changes	449	-244
As at 31 December	**380,519**	**391,258**

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 2011, the company reported 103,767 treasury shares (previous year: 295,000) as a result of acquisitions and disposals during the year with a carrying amount of EUR 5,236 thousand (previous year: EUR 8,222 thousand), 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 2011 financial year, dividends of EUR 27,397 thousand were distributed to the shareholders of WILO SE. This corresponded to a dividend per ordinary share of EUR 2.64 and a dividend per preferred share of EUR 2.65.

The extraordinary general meeting of WILO SE resolved the distribution of a special dividend of EUR 41,750 thousand on 4 February 2011.

The special dividend was distributed in addition to the ordinary dividend from the unappropriated surplus of WILO SE resolved on 13 April 2010 and results in a partial change to the resolution on the appropriation of profits of 13 April 2010. The special dividend relates solely to the 7,263,724 ordinary shares held by the Caspar Ludwig Opländer Foundation as the other shareholders waived their right to participate in the distribution of a special dividend. The special dividend paid to the Caspar Ludwig Opländer Foundation has a notional amount of EUR 5.75 per share (rounded).

In the 2011 financial year, total dividends of EUR 69,147 thousand (previous year: EUR 26,204 thousand) were distributed to the shareholders of WILO SE.

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 2011 was EUR 410,041 thousand (previous year: EUR 404,703 thousand). This is mostly accounted for by EUR 377,821 thousand (previous year: EUR 388,658 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 2,600 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 2011 and 2010 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 2011 and 2010:

Financial liabilities

EUR thousand	31 Dec. 2011	31 Dec. 2010
Non-current financial liabilities		
with a remaining term		
of between one and five years	82,573	46,154
of more than five years	84,859	29,813
	167,432	**75,967**
Current financial liabilities		
with a remaining term		
of less than one year	**13,359**	**31,275**

Non-current financial liabilities
WILO SE reported the following non-current financing agreements as at 31 December 2011:

- **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 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 61.6 million as at the end of the reporting period (previous year: EUR 59.6 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 around EUR 1.2 million and bearing interest at 4.08 percent p.a. The promissory note loan had a carrying amount of 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.

- **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 2.1 million and with a fixed interest rate of 5.54 percent. The promissory note loan had a carrying amount of EUR 14.5 million (previous year: EUR 18.7 million) as at the end of the reporting period and is not secured against real property or financial assets of the company.

- **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 1.9 million as at the end of the reporting period (previous year: EUR 3.1 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 2011 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 2011 and 2010 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 arrangements using the effective interest method. The incidental costs of acquisition outstanding as at the end of the reporting period amounted to EUR 449 thousand (previous year: EUR 120 thousand).

The fair value of the financial liabilities, calculated by banks using net present value models, was EUR 202,126 thousand as at 31 December 2011.

Current financial liabilities
Current financial liabilities mainly consist of overdrafts and the current portion of non-current financial liabilities to be repaid in the 2012 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 2011 and 2010:

Maturity structure of financial liabilities

As at 31 December 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

As at 31 December 2010

EUR million	Nominal amount	Carrying amount	Maturity structure 2011	2012	2013	2014	2015	2016	2017	Total
USPP 2013/2016	USD 80.0 million	59.6	0.0	0.0	29.8	0.0	0.0	29.8	0.0	59.6
Promissory note loan 2015	EUR 25.0 million	18.7	4.1	4.2	4.1	4.2	2.1	0.0	0.0	18.7
Other loans	EUR 10.0 million	3.1	1.3	1.2	0.6	0.0	0.0	0.0	0.0	3.1
		81.4	**5.4**	**5.4**	**34.5**	**4.2**	**2.1**	**29.8**	**0.0**	**81.4**
Overdraft		25.8	25.8	0.0	0.0	0.0	0.0	0.0	0.0	25.8
Financial liabilities		107.2	31.2	5.4	34.5	4.2	2.1	29.8	0.0	107.2

(9.12) Trade payables

Trade payables break down as follows as at 31 December 2011 and 2010:

Trade payables

EUR thousand	31 Dec. 2011	31 Dec. 2010
Trade payables		
with a remaining term		
of between one and five years	1,207	1,240
of less than one year	87,838	92,916

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 2011 and 2010:

Other financial liabilities

EUR thousand	31 Dec. 2011	31 Dec. 2010
Non-current other financial liabilities		
Liabilities from derivative financial instruments with a remaining term		
of between one and five years	4,783	3,926
of more than five years	0	2,451
Finance lease with a remaining term		
of between one and five years	2,952	3,015
Other financial liabilities with a remaining term		
of between one and five years	1,854	1,531
of more than five years	507	311
Total	**10,096**	**11,234**
Current other financial liabilities		
Bills payable	9,019	10,388
Liabilities to non-consolidated subsidiaries, jointly controlled entities and associated companies	3,035	3,025
Finance lease liabilities	1,896	1,769
Liabilities from derivative financial instruments	975	594
Miscellaneous financial liabilities	21,396	23,728
Total	**36,321**	**39,504**

Current other financial liabilities have a remaining term of less than one year. Sundry other 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 2011 and 2010 break down as follows:

Other liabilities

EUR thousand	31 Dec. 2011	31 Dec. 2010
Non-current other liabilities		
Deferred income	981	1,651
Advance payments made	42	62
Total	**1,023**	**1,713**
Current other liabilities		
Staff liabilities	21,334	22,284
Tax liabilities	15,194	24,846
Advance payments made	9,831	7,581
Social security liabilities	5,080	4,933
Deferred income	682	876
Miscellaneous other liabilities	1,239	2,259
Total	**53,360**	**62,779**

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 2011 and 2010:

Pensions and similar obligations

EUR thousand	31 Dec. 2011	31 Dec. 2010
Pensions	37,782	37,432
Similar obligations	5,003	8,773
Total	**42,785**	**46,205**

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.

Pension expenses 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 1,175 thousand (previous year: EUR 741 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	2011	2010
As at 1 January	37,432	36,320
Pension expenses	2,968	2,851
Pension payments	-2,298	-1,660
Transfers	-169	0
Changes in the composition of the consolidated group, currency translation and other changes	-151	-79
As at 31 December	**37,782**	**37,432**

There are reinsurance policies to hedge provision-funded pension obligations in the amount of EUR 1,549 thousand (previous year: EUR 4,573 thousand) though these do not satisfy the requirements for classification as plan assets under IAS 19.

2. Pension expenses are made up as follows:

Pension expenses

EUR thousand	2011	2010
Current service cost	899	870
Past service cost	8	8
Interest expense	1,981	2,033
Expected return on plan assets	-104	-106
Amortisation of actuarial losses	184	46
Total	**2,968**	**2,851**

As at 31 December 2011, there was a total actuarial loss of EUR 5,907 thousand (previous year: EUR 5,134 thousand), EUR 4,681 thousand of which is within the 10.0 percent corridor at Group level. The amount outside the corridor for 2011 of EUR 1,226 thousand will be distributed over the average remaining working lives of active beneficiary employees from 2012. The previous year's actuarial loss of EUR 5,134 thousand was within the 10.0 percent corridor at Group level of EUR 4,560 thousand.

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

Present value of defined benefit obligations

EUR thousand	2011	2010
As at 1 January	45,601	42,672
Current service cost	899	870
Interest expense	1,981	2,033
Past service cost	108	0
Increase in actuarial losses	773	1,569
Pension payments	-2,298	-1,660
Changes in the composition of the consolidated group, currency translation and other changes	-256	117
As at 31 December	**46,808**	**45,601**
of which funded	3,581	4,895
of which unfunded	43,227	40,706

The EUR 773 thousand increase in the actuarial loss to EUR 5,907 thousand as at the end of the reporting period essentially results from a lower average discounting rate as against the previous year of 4.39 percent (previous year: 4.52 percent). 89.1 percent of pension obligations of EUR 46,808 thousand (previous year: EUR 45,601 thousand) relate to Germany (previous year: 87.1 percent).

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

Fair value of plan assets

EUR thousand	2011	2010
As at 1 January	3,519	3,225
Expected return	104	106
Actuarial losses	-31	-9
Payments received	91	183
Changes in the composition of the consolidated group, currency translation and other changes	-102	14
As at 31 December	**3,581**	**3,519**

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 54 thousand (previous year: EUR 68 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. 2011	31 Dec. 2010
Present value of funded defined benefit obligations	3,581	4,895
Less recognisable fair value of plan assets	-3,581	-3,519
	0	**1,376**
Present value of unfunded defined benefit obligations	43,227	40,706
Past service cost	108	0
Actuarial loss	-5,907	-5,134
	37,428	**36,948**
Foreign plan assets included in assets	366	384
Changes in the composition of the consolidated group, currency translation and other changes	-12	100
Provisions for pensions	**37,782**	**37,432**

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. 2011	31 Dec. 2010	31 Dec. 2009	31 Dec. 2008	31 Dec. 2007
Present value of defined benefit obligations	46,808	45,601	42,672	36,324	38,528
Fair value of plan assets	-3,581	-3,519	-3,225	-3,122	-3,114
Deficit	**43,227**	**42,082**	**39,447**	**33,202**	**35,414**

Similar obligations

Similar obligations for post-employment benefits amount to EUR 5,003 thousand for 2011 (previous year: EUR 8,773 thousand). They include partial retirement obligations for WILO SE of EUR 4,026 thousand (previous year: EUR 5,658 thousand). The EUR 1,756 thousand (previous year: EUR 1,364 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 534 thousand (previous year: EUR 557 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 2011 was determined using a discounting rate of 4.70 percent (2008: 5.16 percent). Moreover, an annual wage and salary increase of 3.00 percent was assumed (previous year: 2.40 percent).

(9.16) Other provisions

Non-current and current provisions for guarantee 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 2011 financial year.

Other provisions

EUR thousand	1 Jan. 2011	Currency translation	Utilisation	Reversal	Additions	31 Dec. 2011
Non-current						
Guarantees	4,509	–53	63	1,588	329	3,134
Current						
Guarantees	18,446	–45	1,948	3,805	3,241	15,889
Bonuses and rebates	22,788	43	19,864	2,967	19,877	19,877
Other provisions	8,923	–54	2,710	862	1,527	6,824
	50,157	**–56**	**24,522**	**7,634**	**24,645**	**42,590**

(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 and cash equivalents as at 31 December 2011 consisted of EUR 166,030 thousand (previous year: EUR 152,821 thousand) in cash and sight deposits with banks, EUR 233 thousand (previous year: EUR 179 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 553 thousand relate to the effect of translating foreign-currency items of cash and cash equivalents into the reporting currency. Detailed information on the consolidated statement of cash flows can be found under "Financial position" in the Group management report.

(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 comprises 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 show 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. 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 2011 and 2010 financial years is as follows:

Segment information

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

2010

EUR thousand	Europe	Asia Pacific	EMEA	Others	Total
Revenue by segment	**571,486**	**214,026**	**141,596**	**94,307**	**1,021,415**
Segment EBIT	**79,253**	**11,633**	**19,542**	**996**	**111,424**
of which depreciation, amortisation and impairment on intangible assets and property, plant and equipment	21,312	5,910	3,098	4,247	34,567
of which non-cash expenses	27,053	2,573	1,086	3,103	33,815

EBIT in the Group is based on consolidated net income after taxes as follows:

Earnings before interest and taxes (EBIT)

EUR thousand	2011	2010
Earnings before interest and taxes (EBIT)	97,628	111,424
Net finance costs	–19,968	–7,767
Consolidated net income before taxes	77,660	103,657
Income taxes	–24,297	–32,531
Consolidated net income after taxes	**53,363**	**71,126**

Revenue breaks down as follows among the product groups:

Revenue by product group

EUR thousand	2011	2010
Products for		
Building Services	824,630	756,363
Water Management and Industry	245,904	265,052
Total	**1,070,534**	**1,021,415**

(12.) Financial instrument disclosures

(12.1) Derivative financial instruments

The following table shows the fair values of derivative financial instruments as at 31 December 2011 and the changes compared with the previous year.

Derivative financial instruments

	Fair value				Nominal amount	
	Time to maturity as at 31 Dec. 2011					
EUR thousand	1 year	> 1 < 5 years	Previous year	Total change	**31 Dec. 2011**	**31 Dec. 2010**
Forward exchange contracts	-348	-164	109	-621	30,888	35,716
Interest rate and currency swaps	0	-4,399	-6,212	1,813	73,273	73,509
Commodity derivates	-388	438	6,680	-6,630	23,923	20,053

Net finance costs include gains of EUR 2,934 thousand (previous year: EUR 11,378 thousand) and losses of EUR 8,175 thousand (previous year: EUR 6,662 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 2011 and 2010 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 2011

		Carrying amount under IAS 39			
EUR thousand	Measurement category under IAS 39	Amortised cost	Fair value	Carrying amount under IAS 17	**Carrying amount as 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	FAHfT		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 and cash equivalents	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	FLHfT		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

Financial assets and liabilities as at 31 December 2010

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 amount as at 31 Dec. 2010**
Current and non-current financial assets					
Trade receivables	Loans and receivables	209,339			209,339
Other financial assets					
Receivables from subsidiaries, jointly controlled entities and associates	Loans and receivables	921			921
Receivables from derivative financial instruments	FAHfT		7,332		7,332
Loans	Loans and receivables	1,091			1,091
Available-for-sale financial assets	Available-for-sale	355	7		362
Miscellaneous financial receivables	Loans and receivables	8,567			8,567
Cash and cash equivalents	Loans and receivables	152,821			152,821
Current and non-current financial liabilities					
Financial liabilities	Financial liabilities at amortised cost	107,242			107,242
Trade payables	Financial liabilities at amortised cost	94,156			94,156
Other financial liabilities					
Bills payable	Financial liabilities at amortised cost	10,388			10,388
Liabilities to subsidiaries, jointly controlled entities and associated companies	Financial liabilities at amortised cost	3,025			3,025
Finance lease liabilities	n.a.			4,784	4,784
Liabilities from derivative financial instruments	FLHfT		6,971		6,971
Miscellaneous financial liabilities	Financial liabilities at amortised cost	25,570			25,570
of which aggregated by measurement category under IAS 39					
Loans and receivables		372,739			372,739
Available-for-sale		355	7		362
Financial assets held for trading			7,332		7,332
Financial liabilities measured at amortised cost		240,381			240,381
Financial liabilities held for trading			6,971		6,971

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 180,791 thousand (previous year: EUR 107,242 thousand) and a fair value of EUR 202,126 thousand (previous year: EUR 117,512 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 906 thousand as at 31 December 2011 (previous year: EUR 355 thousand) are measured at amortised cost and essentially relate to the subsidiaries formed in 2011, i.e. WILO Maroc SARL, Casablanca, Morocco and WILO Vietnam Co. Ltd., Ho Chi Minh City, Vietnam, in which WILO SE holds all shares. 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 7 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 897 thousand (previous year: EUR 7,332 thousand) and EUR 5,758 thousand (previous year: EUR 6,971 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 2011 and 2010 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 at 31 Dec.	Interest and dividends	Changes in fair value*	Impairments	Impairment reversals	Effects of currency translation	Net gains/losses
2011 financial year							
Loans and receivables	387,356	2,164		–3,255	1,705	–100	514
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**	**1,705**	**–2,303**	**–17,283**
2010 financial year							
Loans and receivables	372,739	990		–2,914	1,023	67	–834
Available-for-sale	362	60					60
Financial assets/liabilities held for trading	361	584	4,716				5,300
Financial liabilities at amortised cost	–240,381	–7,548				–3,876	–11,424
Total		**–5,914**	**4,716**	**–2,914**	**1,023**	**–3,809**	**–6,898**

* 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 2011 and 2010:

Fair value hierarchy

	31 Dec. 2011	31 Dec. 2010
EUR thousand	Level 2	Level 2
Available-for-sale financial assets	8	7
Receivables from derivative financial instruments	897	7,332
Liabilities from derivative financial instruments (financial liabilities held for trading)	5,758	6,971

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 2011 and 2010.

(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 basis 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 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 2011 and 2010 resulting from foreign-currency transactions in operating activities and from foreign-currency financing activities up to 31 December 2011 and 2010, and from expected foreign-currency transactions in operating activities in 2011 and 2010. 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. 2011		31 Dec. 2010	
	EUR thousand	USD thousand	EUR thousand	USD thousand
Trade receivables	3,022	6,291	4,472	2,202
Trade payables	-1,227	-1,026	-1,991	-1,202
Financial liabilities	0	-80,000	0	-80,000
Currency risk from assets and liabilities (gross)	**1,795**	**-74,735**	**2,481**	**-79,000**
Expected sales in 2012 (previous year: 2011)	24,470	25,761	16,822	18,541
Expected acquisitions in 2012 (previous year: 2011)	-14,846	-16,348	-11,434	-18,889
Currency risk from expected transactions in operating activities in 2012 (previous year: 2011) (gross)	**9,624**	**9,413**	**5,388**	**-348**
Derivative financial instruments	0	66,900	0	71,000
Currency risk (net)	**11,419**	**1,578**	**7,869**	**-8,348**

The reported financial liabilities of 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 2011 have certain sensitivities to currency fluctuations. A 10.0 percent appreciation (depreciation) by the euro against all foreign currencies as at 31 December 2011 would have resulted in a EUR 407 thousand decrease (increase) in EBIT and a EUR 2,969 thousand increase (EUR 2,254 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 75 thousand decrease (increase) in EBIT and a EUR 842 thousand increase (EUR 295 thousand increase) 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 6,183 thousand as at the end of the reporting period and EUR 5,963 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 forward exchange options of EUR 3,214 thousand (EUR 3,929 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 5,121 thousand (EUR 6,258 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 2011, this would have had a positive effect on net finance costs of EUR 1,620 thousand (negative effect of EUR 1,689 thousand). The same change in the previous year would have had a positive effect on net finance costs of EUR 285 thousand (negative effect of EUR 308 thousand). The change in earnings in this sensitivity analysis of EUR 1,620 thousand and EUR -1,689 thousand (previous year: EUR 285 thousand and EUR -308 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 2012 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 2013 financial year onwards.

If the prices for copper had been 10.0 percent higher (lower) as at 31 December 2011, this would have had a positive (negative) effect on net finance costs of EUR 2,382 thousand. The same change in the previous year would have had a positive effect on net finance costs of EUR 3,121 thousand (negative effect of EUR 3,017 thousand).

The effect of EUR 2,382 thousand and EUR -2,382 thousand (previous year: EUR 3,121 thousand and EUR -3,017 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 2011 and 2010. Current and non-current items have been combined. Trade receivables are secured with retentions of title.

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. 2011							
Trade receivables	211,397	173,678	16,720	5,882	1,870	2,911	1,997
Other financial assets*	9,928	9,928	0	0	0	0	0
31 Dec. 2010							
Trade receivables	209,339	179,394	13,269	2,849	1,747	1,534	297
Other financial assets*	10,579	10,579	0	0	0	0	0

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

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 225,056 thousand (previous year: EUR 221,799 thousand). As at 31 December 2011, EUR 11,152 thousand (previous year: EUR 9,879 thousand) in specific write-downs was recognised on past due trade receivables of EUR 21,999 thousand (previous year: EUR 22,709 thousand). A further EUR 2,507 thousand (previous year: EUR 2,581 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 914 thousand (previous year: EUR 362 thousand) on available-for-sale financial assets and of EUR 897 thousand (previous year: EUR 7,332 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 either 31 December 2011 or 2010.

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 2011. 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 2011 and 2010:

Liquidity risk

EUR thousand	Carrying amount	Agreed payments	Maturities < 1 year	Maturities > 1 < 5 years	Maturities More than five years
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**
31 Dec. 2010					
Financial liabilities					
Non-current	75,967	-91,522	-4,275	-56,631	-30,616
Current	31,275	-31,275	-31,275	0	0
Trade payables	94,156	-94,156	-92,916	-1,240	0
Finance lease liabilities	4,784	-5,174	-1,964	-3,210	0
Other financial liabilities	38,983	-38,983	-37,141	-1,531	-311
Derivative financial instruments	6,971	-4,635	-10	-2,320	-2,305
Total	**252,136**	**-265,745**	**-167,581**	**-64,932**	**-33,232**

(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. 2011	31 Dec. 2010
Contingent liabilities		
from guarantees	600	600
from warranties	4,254	4,139
Total	**4,854**	**4,739**

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 2,180 thousand (previous year: EUR 753 thousand) had an agreed remaining term of less than one year as at 31 December 2011, while nominal obligations of EUR 852 thousand (previous year: EUR 334 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 1,222 thousand (previous year: EUR 3,052 thousand).

Purchase commitments for planned capital expenditure on property, plant and equipment amount to EUR 8,244 thousand (previous year: EUR 10,254 thousand) as at 31 December 2011. 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

	2011	2010
Production	3,701	3,359
Sales and administration	3,007	2,909
Total	**6,708**	**6,268**
Germany	2,041	1,933
Other countries	4,667	4,335
Total	**6,708**	**6,268**

The average number of employees rose by 7.0 percent as against the previous year. Staff costs amounted to EUR 271.8 million in the 2011 financial year (previous year: EUR 257.4 million).

(14.4) Proposal for the appropriation of profits

At the Annual General Meeting of WILO SE on 17 April 2012, the Executive Board will propose a resolution for the distribution of a dividend of EUR 2.07 per ordinary share and EUR 2.08 per preferred share and to carry forward the remainder of the unappropriated surplus of WILO SE to new account. This distribution is not recognised as a liability in these financial statements.

(14.5) Events after the end of the reporting period

The Executive Board of WILO SE approved the consolidated financial statements for submission to the Supervisory Board on 16 February 2012. 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 523 thousand (previous year: EUR 921 thousand). Liabilities to these companies amounted to EUR 3,035 thousand (previous year: EUR 3,025 thousand) as at the end of the reporting period. Sales and services charged on to these companies amounted to EUR 1,146 thousand (previous year: EUR 1,641 thousand).

In the 2011 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. 2010	61,000		4,000		65,000	
Acquisition	0		360,000	14,818	360,000	14,818
Sale	–164,767	–7,118	–4,000	–123	–168,767	–7,241
Capital increase	259,418	10,678	117,331	4,829	376,749	15,507
As at 31 Dec. 2011	**155,651**		**477,331**		**632,982**	

As at 31 December 2011, 155,651 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. As a result of these transactions, WILO SE reported 103,767 preferred shares as treasury shares with a carrying amount of EUR 5,236 thousand as at 31 December 2011.

There are approved consulting agreements with members of the Supervisory Board. The total volume of these agreements for 2011 amounted to EUR 315 thousand (previous year: EUR 824 thousand), EUR 245 thousand (previous year: EUR 390 thousand) of which had not yet been paid as at 31 December 2011.

A 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 2011, there were liabilities to this company of EUR 29 thousand (previous year: EUR 227 thousand). Revenues of EUR 103 thousand (previous year: EUR 35 thousand) were generated with the heating and air conditioning installation company in the 2011 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 483 thousand) were made to these shareholders in 2011. 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 492 thousand) was paid in rent in 2011. The resulting finance lease liabilities as at the end of the reporting period amounted to EUR 489 thousand (previous year: EUR 705 thousand). There is a guarantee of EUR 600 thousand to the company.

In the reporting year, there was a consulting agreement 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 2011 (previous year: EUR 60 thousand).

Caspar Ludwig Opländer Stiftung ("the foundation") holds the majority of ordinary shares in WILO SE. WILO SE disbursed EUR 619 thousand in the reporting year, which essentially included the costs of setting up the foundation. These costs were passed on to the foundation in full. There is also a service agreement between WILO SE and the foundation for administrative work.

WILO SE generated income of EUR 61 thousand from this service agreement in 2011. There are receivables from the foundation of EUR 32 thousand as at 31 December 2011.

(14.7) Auditor's fees

The following fees were recognised as an expense in the 2011 financial year for services provided by the auditor of the consolidated financial statements, KPMG AG Wirtschaftsprüfungsgesellschaft:

Auditor's fees

EUR thousand	2011	2010
Audits of financial statements; of which for the previous year: EUR 10 thousand (2009: EUR 25 thousand)	374	380
Other assurance services; of which for the previous year: EUR 7 thousand (2009: EUR 8 thousand)	16	15
Other services; of which for the previous year: EUR 2 thousand (2009: EUR 0 thousand)	78	96
Total	**468**	**491**

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

The total remuneration of the Executive Board for the 2011 financial year was EUR 2.2 million (previous year: EUR 1.6 million). EUR 1.0 million (previous year: EUR 0.9 million) of this total relates to fixed remuneration and EUR 1.2 million (previous year: EUR 0.7 million) to variable remuneration, of which EUR 0.6 million (previous year: EUR 0.3 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. EUR 0.1 million was paid out in the 2011 financial year as part of defined contribution pension plans for active and former members of the Executive Board (previous year: EUR 0.1 million). The total remuneration paid to former members of the Executive Board amounted to EUR 1.0 million in the 2011 financial year (previous year: EUR 1.9 million). EUR 0.2 million (previous year: EUR 1.1 million) of this is a benefit under IAS 24.16 (d). 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 6.6 million (previous year: EUR 6.8 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
President of Fraunhofer-Institute
Stuttgart

Hans-Joachim Früh
Management consultant
Düsseldorf
† 13 November 2011

Jean-François Germerie
European Works Council
Laval, France

Felix Opländer
Management consultant
Verden/Aller
from 6 April 2011

Jan Opländer
Managing partner
of Louis Opländer GmbH
Dortmund
until 6 April 2011

Heinz-Peter Schmitz
European Works Council
Dortmund

Prof Dr Norbert Wieselhuber
Managing Director of Dr Wieselhuber & Partner GmbH
Management consultant
Planegg
from 8 December 2011

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

Executive Board

Oliver Hermes
Chairman
Essen, Germany

Gilbert Faul
Beijing, China
from 1 October 2011

Dr Holger Krasmann
Dortmund

Eric Lachambre
Dortmund, Germany
from 1 February 2011

Dortmund, Germany, 16 February 2012

The Executive Board

Oliver Hermes | Gilbert Faul | Dr. Holger Krasmann | Eric Lachambre

Shareholdings of WILO SE as at 31 December 2011

	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
FLOM S.A.R.L., Couzon au Mont d'Or, France	100.0
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
Rotaqua GmbH, Rheinfelden, Switzerland	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
TEK S.r.l., Bari, 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, 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 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 Praha s.r.o., Prague, Czech Republic	100.0
WILO Pumpen Österreich GmbH, Wiener Neudorf, Austria	100.0
WILO Pumps Ltd., Gimhae, 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 Slovakia s.r.o., Bratislava, Slovakia	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-EMU Taiwan Co. Ltd., Taipei, Taiwan	100.0
WILO-Mitarbeiter-Beteiligungsgesellschaft mbH, Dortmund, Germany	100.0
WILO-SALMSON France S.A.S., Chatou, France	100.0
WILO-SALMSON Lebanon S.A.R.L., Beirut, Lebanon	100.0
WILO Australia PTY Ltd, Brisbane, 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

* Company not included in the 2011 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 2011. 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 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, 17 February 2012

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 2011 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 2011. The meeting on 19 March 2011 focused on the annual financial statements and the consolidated financial statements as at 31 December 2010. The situation on the global economy and the business development of the Wilo Group were discussed in detail. The focal areas of global sales activities and the effects of the EuP directive in the markets of the European Union were also debated. Furthermore, the Executive Board reported on the latest new developments in the product portfolio. At the meeting on 12 July 2011, the Supervisory Board discussed the findings of the strategy review presented by the Executive Board and the development on the commodity markets. Changes in the responsibilities and composition of the Executive Board were resolved to improve the organisational focus on corporate strategy. On 20 October 2011, the Supervisory Board dealt with the most important tasks and objectives of Executive Board work as presented by the Executive Board, the brand strategy and global investing activities. In December 2011, the Supervisory Board then approved the budget for 2012 and the revised strategic planning extending to 2016.

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 2011 consolidated financial statements presented with the annual report and the separate financial statements of WILO SE for the 2011 financial year, each comprising an income statement, statement of financial position, management report and notes to the financial statements, have been audited and issued with an unqualified audit opinion by KPMG AG Wirtschaftsprüfungsgesellschaft, Essen, Germany.

These 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 2012 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 17 April 2012. 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 Supervisory Board and the Executive Board in the year under review:

Mr. Felix Opländer was appointed as a member of the Supervisory Board at the Annual General Meeting on 6 April 2011. Mr. Jan Opländer resigned his office as a member of the Supervisory Board effective from the end of this Annual General Meeting. Our much-loved member of the Supervisory Board and Chairman of the Audit Committee, Mr. Hans-Joachim Früh, died on 13 November 2011 as a result of a tragic accident. Mr. Früh was commemorated with great sadness in the extraordinary general meeting on 8 December 2011 and Professor Norbert Wieselhuber was appointed to the Supervisory Board.

Mr. Eric Lachambre was appointed to the Executive Board of WILO SE effective 1 February 2011 by way of resolution dated 31 January 2011. The Supervisory Board also resolved a change in the responsibilities of the Executive Board in its meeting on 12 July 2011. As a result, Mr. Gilbert Faul was appointed as a further member of the Executive Board of WILO SE effective 1 October 2011.

In the interests of good, responsible corporate governance, WILO SE and its executive bodies voluntarily comply with the German Corporate Governance Code as amended 26 May 2010. There are departures from the Code relating to the specific nature of our 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 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 as amended 26 May 2010 in future.

The Supervisory Board wishes to thank the members of the Executive Board, the employees and employee representatives of the Wilo Group for their work. Together, they have all again contributed to an economically very successful year in 2011.

Dortmund, April 2012

The Supervisory Board
Dr Heinz-Gerd Stein
Chairman

Glossary

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

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 operating activities.

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

EMEA
The EMEA operating 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 Using 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 operating 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 80 percent electricity compared with constant-speed heating pumps.

IFRS (International Financial Reporting Standards)
Collective term for all accounting standards and interpretations relevant for international consolidated financial reporting by the Wilo Group: IAS (International Accounting Standards) and IFRS (International Financial Reporting Standards) together with interpretations issued by the SIC (Standing Interpretations Committee) and the IFRIC (International Reporting Interpretations Committee).

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LCC (life-cycle costs)
Sum of all costs incurred by a product throughout its life-cycle. The life-cycle includes all stages, from procurement, installation, operation and maintenance right through to decommissioning and disposal.

Management levelling
International regulatory framework in which functions are classified according to their significance in the organisation and which serves as the reference framework for HR management processes.

OEM (original equipment manufacturer)
Manufacturers who fit their products with our pumps (e.g. machine tools, wall heaters or air conditioners).

Others
The Others operating segment comprises the following countries/regions: Nations of the American continent and other nations not assigned to the Asia Pacific, EMEA and Europe regions.

Product life-cycle management
Product life-cycle management is a strategic concept for managing a product throughout its life-cycle.

Second-source suppliers
The term "second-source suppliers" is used in materials management and production management to describe one or more alternative suppliers for a product that is identical in construction to and compatible with another product.

Split-case pumps
Pumps with an axially split volute casing. Used for applications requiring high delivery rates in circulation systems or for water supply, mainly in Asian countries or when plants are built according to US specifications.

Wilo Geniax
The decentralised pump system uses multiple miniature pumps installed on the heating surfaces or heating circuits instead of thermostat valves. Wilo Geniax replaces conventional "supply-oriented heating" using a central heating pump with "demand-oriented heating". The speed of the miniature pumps is controlled by a central server, enabling them to supply the radiators with hot water according to the precise current heating requirements of each room.

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