Pumpen Intelligenz.

2009

Innovative systems

Annual Report 2009

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. Established in 1872 as Kupfer- und Messingwarenfabrik by Louis Opländer, the company now operates subsidiaries in more than 70 countries and employs over 6,000 people worldwide. Sales in 2009 amounted to EUR 926 million.

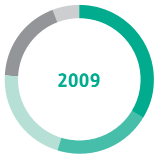
For almost 140 years since the company's foundation, Wilo has constantly contributed to technological progress. Wilo products stand for the highest standards of innovation and serve as a model for the industry. As a leading innovator in the field of pump technology, we will also continue to set benchmarks in the future.

At a glance

Wilo Group figures

		2009	2008	2007	2006	2005
Sales	EUR million	926.1	977.2	927.3	873.4	750.4
Growth in sales	%	–5.2	5.4	6.2	16.4	13.3
Annual surplus	EUR million	68.6	45.2	60.7	60.9	53.4
(as a % of sales)	%	7.4	4.6	6.6	7.0	7.1
Employees (annual average)	Number	6,027	6,024	5,821	5,328	4,288
Cash flow from operating activities	EUR million	142.3	118.5	40.5	66.6	76.7
EBIT	EUR million	90.9	88.6	99.4	102.1	87.4
(as a % of sales)	%	9.8	9.1	10.7	11.7	11.6
Capital expenditure	EUR million	39.7	52.3	46.4	37.9	23.8
(as a % of cash flow)	%	27.9	44.1	114.6	57.0	31.0
Depreciation and amortisation	EUR million	32.1	27.9	29.1	27.7	27.3
R&D costs	EUR million	35.3	34.5	27.6	24.1	21.7
(as a % of sales)	%	3.8	3.5	3.0	2.8	2.9
Equity	EUR million	351.8	282.5	297.7	265.5	230.3
Equity ratio	%	47.7	42.3	46.6	42.7	45.1
Earnings per share	EUR	7.04	4.57	6.15	6.12	5.36

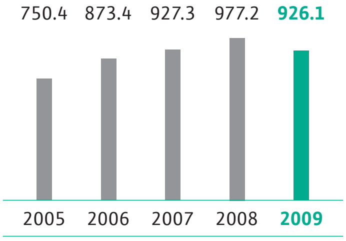
Regional development of net sales 2008–2009



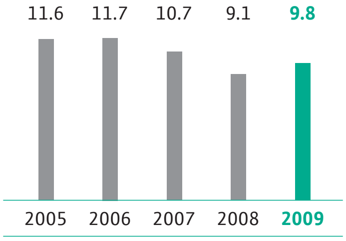
	2009 EUR mill.	in %	2008 EUR mill.	in %
Western Europe*)	312.0	33.7	334.6	34.2
Eastern Europe	195.2	21.1	239.3	24.5
Germany	195.5	21.1	197.3	20.2
Asia	169.8	18.3	151.6	15.5
Other regions	53.6	5.8	54.4	5.6
Total	**926.1**	**100.0**	**977.2**	**100.0**

*) excl. Germany

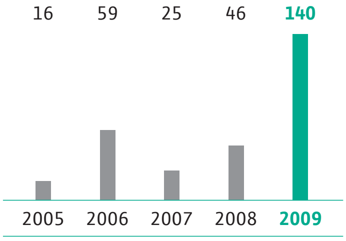
Sales in EUR million



EBIT as a % of sales



Cash holdings in TEUR



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.

We are innovative and are always one step ahead.

We recognise what our customers need at an early stage and we offer them outstanding products and services.

We promote a culture of active innovation, which enables us to achieve the highest standards of quality.

By developing innovations that go beyond the current state of the art, we create milestones in our field.

In this way, we are able to play a decisive role in shaping our industry's future.

Contents

Foreword

Dr.-Ing. Holger Krasmann (48)

Since 10 April 2008, he has been Chief Technology and Production Officer of the Wilo Group with responsibility for the global production locations and Research & Development activities of the Wilo Group. He has held various management positions at Wilo since 1995.

Dipl.-Oec. Oliver Hermes (39)

Since 1 January 2010, he has been Chairman of the Wilo Group. Since October 2006, he has been responsible for Finance, Controlling and Human Resources. Before working for Wilo, Oliver Hermes Partner worked at KMPG, the audit and management consultancy company.

Successful even in turbulent times

Dear ladies and gentlemen,

Global events during 2009 were overshadowed by the international financial and economic crisis, which triggered chain reactions as the year progressed and gathered a strong momentum that surprised even the economic forecasters. Sales development at WILO SE was also unable to remain completely unscathed by the resulting volatility of the financial markets. A fall of 5.2 percent to EUR 926.1 million was reported here.

When the extent of the unfolding crisis became apparent in November 2008, Wilo immediately initiated a large number of preventative measures. These focused on stringent cost management and strengthening the Group's internal financing power so as to prepare for all foreseeable eventualities. Various divisions of the Group were affected by these crisis-related activities. The systematic provisions made for the crisis ultimately led to a significant improvement in consolidated net income in 2009.

On the product side, 2009 also saw Wilo convincingly and sustainably underline its claim to technological leadership in the area of energy efficiency. The ISH 2009 (Frankfurt), the world's leading building technology trade fair, was the venue for the market launch of the Wilo Geniax decentralised pump system, which enables consumption of heating energy to be cut by an average of 20 percent. The initial idea was to develop the existing "supply-oriented heating" system with a central heating pump to create "demand-oriented heating", whose decentralised miniature pumps installed directly on the heating circuits or heating surfaces are only activated if heat is actually required. The key advantages of the system lie in the high level of control achievable, enhanced comfort and automatic hydraulic balancing. This innovative advance attracted extraordinary levels of interest not only among the expert audience, but also in scientific circles and from associations. Wilo Geniax meets all the requirements for establishing itself in the long term as an economically and ecologically ground-breaking alternative for detached and semi-detached homes as well as for public and commercial buildings.

The exceptionally low-power, high-efficiency Wilo Stratos PICO pump for heating and air conditioning also celebrated its eagerly anticipated trade fair debut in 2009.

In 2009, we evolved and reformulated our corporate strategy. At the heart of our corporate strategy is an even sharper focus on customer groups in the three market segments Building Services, Water Management and Industry. In spite of the crisis, the core Building Services segment successfully secured additional market share in several countries. In the Water Management segment, a new strategic direction aimed at strengthening this key element of the Wilo business was defined.

Wilo has started the 2010 financial year with an outlook of moderate confidence. Given that a renewed intensification of the global economic crisis cannot currently be excluded, we have taken appropriate precautions. The newly implemented regional sales structure will lead to even stronger market presence and customer satisfaction.

We aim to further improve internal performance in 2010. In so doing, our focus is on streamlining processes, further reducing production and indirect costs and on a more efficient and flexible configuration of our supply chain activities.

The new EuP directive will have significant consequences for manufacturers, installers, investors and users. Under the terms of the directive, only glandless circulation pumps bearing the EU label for energy efficiency class A can be sold in the European Union from January 2013 onwards. The Energy Efficiency Index (EEI) will be further reduced from August 2015. Over 90 percent of all pumps currently available on the German market do not fulfil these requirements. The tightening of requirements will therefore eliminate the vast majority of the current product range and deliver a massive impetus for innovation to develop new and even more efficient pumps. Wilo is well prepared to meet these higher technical requirements, which will help to separate the wheat from the chaff in terms of brand quality. Consequently, the Wilo Stratos PICO already meets the challenging requirements of the second stage of the EuP directive today.

Wilo is also further intensifying its focus on technical innovation in the area of Water Management. The ability to provide comprehensive fresh water supply and wastewater disposal systems for the entire population of the world is one of the greatest challenges of our time. With this in mind, Wilo is investing massively in product development at several international sites in order to meet the rapidly increasing demand for effective solutions with new economically and ecologically effective systems.

As a family-owned enterprise established in 1872, WILO SE remains firmly committed to the concept of social responsibility for its employees and to its duty to continue making significant contributions in the fields of energy efficiency and sustainability in order to safeguard the future of society, technology and the economy.

Dortmund, March 2010

H. Krasmann

Dipl.-Oec. Oliver Hermes
Chairman of the Executive Board
responsible for Finance,
Control & Human Resources

Dr.-Ing. Holger Krasmann
Board member
responsible for Technology & Production

Boards

Supervisory Board

Dr. Heinz-Gerd Stein
Dinslaken, Germany
Chairman

Prof. Dr. Hans-Jörg Bullinger
Stuttgart

Hans-Joachim Früh
Düsseldorf

Jean-François Germerie
France
from 5 April 2009

Karl Mego
Pressbaum, Austria
until 4 April 2009

Jan Opländer
Dortmund

Heinz-Peter Schmitz
Dortmund

Executive Board

Oliver Hermes
Essen, Germany
Chairman of the Executive Board
from 1 January 2010

Dr. Holger Krasmann
Dortmund, Germany

Dr. Thomas Schweisfurth
Dortmund, Germany
Chairman of the Executive Board
until 31 March 2009

Dr. h.c. Jochen Opländer is Honorary Chairman of the Supervisory Board.

Highlights 2009

February

Second plant opens in India

Wilo subsidiary Mather+Platt (M+P) lays the foundation stone for a second plant in the growth market of India. The plant will manufacture standard products from the Wilo and M+P portfolio. The plant in Kolhapur will serve as an international hub. The majority of its production output is destined for export to companies in the region.

March

New subsidiary in Indonesia

In order to exploit market potential in Southeast Asia, Wilo has been represented with a subsidiary in Indonesia since March. Wilo Pumps Indonesia primarily serves the industrial market segment.

World premiere and award for Wilo Geniax

On the day of its world premiere at the ISH trade fair for building and energy technology in Frankfurt, the Wilo Geniax decentralised pump system is honoured by the “Germany – Land of Ideas” award under the patronage of Federal President Horst Köhler. The innovative system is among the 48 prize winners in the “environment and energy” category.

September

Presentation of the new Wilo strategy

The Wilo Executive Board, managing directors of the subsidiaries and divisional directors gather for the annual international management meeting in Austria. The most important item on the agenda for the 90 or so participants is the joint presentation of the new Wilo strategy.

October

Market launch of the Wilo Stratos PICO high-efficiency pump

The Wilo Stratos PICO sees Wilo set new benchmarks in terms of energy efficiency. Thanks to a newly developed pump motor incorporating 3-watt technology, the range-topping model for detached and semi-detached houses as well as for air-conditioning applications only consumes half the power required by the current highest energy efficiency class rating of A.

November

Minister Thoben visits Wilo

Wilo welcomes the Minister for Economic Affairs and Energy of the State of North Rhine-Westphalia, Christa Thoben, on a fact-finding visit to the company's head offices in Dortmund. During the presentation of the Wilo Geniax decentralised pump system, the Minister emphasises the importance to Germany of the innovative power of its small and medium-sized businesses.

What sets our corporate culture apart?

The ability to think ahead!

Time and again since its foundation in 1872, Wilo has developed highly innovative products and solutions that serve as role models for the industry. Our past experiences are what give us the strength to tackle future market conditions. That is because successful innovations are built on well-founded knowledge and a strong instinct for future technological and market requirements. Combining these two factors brings customer benefit to a completely new level. As a result, we have spent decades developing and refining our application expertise, from simple pumps all the way to complex systems.

Flexible thinking, flexible action

Our corporate culture is based on a tried and tested triad of ideas: Intelligence – Ideas – Innovation. In this context, intelligence refers above all to the ability to break new ground and to see things from every perspective. We take visionary ideas and process them intensively to create practical solutions. In fact, the passion for ideas at Wilo can even be enumerated: Our company files up to 20 new patents every year. The most important prerequisites are: the very latest technical systems and our international team of committed and creative employees.

Wilo can look back on a long tradition of setting benchmarks in the industry. Numerous groundbreaking products underline our position as a leading innovator in the field of high-tech pumps. In the 1920s, it was the first circulation accelerator; in the 1980s, the first fully electronic circulation pump. Now, the first high-efficiency pump for heating, ventilation and cooling applications marks an extremely energy-efficient leap into the new millennium. It enables electricity savings of up to 80 percent compared with constant-speed standard pumps. As a result, the limits of what is technically feasible regarding the potential to save electricity are now virtually exhausted. For us, it is now time to take a completely new approach to the subject of energy efficiency using pump technology and to open up a new dimension of savings. Our new Wilo Geniax decentralised pump system is a prime example of this. That is because we have never been satisfied with existing solutions.

“Since the foundation of our company, we have constantly contributed to technological progress. Around the world, Wilo is regarded as being synonymous with engineering ingenuity in the best German tradition.”

What’s the secret of Wilo’s groundbreaking innovations?

A revolutionary approach!

In the beginning, there was a vision: A pump technology whose energy efficiency could deliver unprecedented savings. The world premiere of our Wilo Geniax decentralised pump system in March 2009 ushered in a new era of heating systems: the generational shift from supply-oriented to demand-oriented heating.

Wilo Geniax – the new dimension

The critical difference is the use of multiple miniature pumps installed in the heating surfaces or heating circuits instead of thermostat valves. A central control unit equipped with the latest computer technology calculates the heating requirements of each room and supplies the radiators individually with the help of powerful miniature pumps. Water is only circulated if heat is actually required – the entire heating system remains at the optimum energy-efficient state at all times. Accordingly, a heating system equipped with Wilo Geniax consumes on average 20 percent less primary energy compared with conventional central heating systems – a real model for success. The jury of the landmark initiative "Germany – Land of Ideas" under the patronage of Federal President Horst Köhler also reached the same conclusion when they awarded the pump system in the "environment and energy" category.

Deutschland
Land der Ideen
Ausgewählter Ort 2009

"We recognize the needs of our customers at an early stage and develop tailored solutions for them."

Wilo Stratos PICO sets the standard

Compact construction, simplified installation, ease of operation and a large number of technical innovations: Our new high-efficiency Wilo Stratos PICO pump can do it all. It is in a class of its own and its specially developed pump motor delivers impressive energy efficiency. The pump is intended primarily as a heating pump for detached and semi-detached houses, but can also be used in air-conditioning applications.

High efficiency in sewage treatment technology

Wilo represents high levels of expertise in providing drinking water and wastewater disposal solutions. This is demonstrated by our new generation of highly efficient slow-speed submersible mixers for use in sewage treatment plants: Thanks to the combination of innovative blade geometry and optimized mixer design, the Wilo EMU Maxiprop and Wilo EMU Megaprop can deliver energy savings of up to 10 percent.

Expansion of the product range

With the Wilo Helix, we have brought an exceptionally environmentally-friendly, durable and low-maintenance innovation for use in cold water supplies and cooling circuits to the market. Energy consumption 15 percent below that of conventional pumps is the result of interaction between the new pump design, highly efficient hydraulics and energy-saving EFF1 motors. The hydraulics represent the heart of the Wilo Helix: Its highly advantageous design allows the build-up of higher pressure at very high levels of efficiency. This means that the pumps reach the required operating point in fewer stages and are therefore lighter, more ergonomic to handle while offering greater flexibility of use.

What is our guiding principle?

The customer is king!

Market presence, a customer-driven mindset, but above all, our unbridled appetite for innovation have made us what we are today: one of the world's leading pump manufacturers. Wherever our customers are, we are there too. We call on our expertise and experience to assist them in tackling their special projects and challenges. At the Football World Cup 2010 in South Africa, for example, we will be in charge of supplying water to the tens of thousands of fans, players and official guests at the Nelson Mandela and Green Point FIFA World Cup stadiums in Port Elizabeth and Cape Town respectively.




"The areas of application for Wilo products range from building technology to industrial applications all the way to drinking water and wastewater management. We make complex technology easy to use and energy efficient for our customers."

Success needs strong partners.

We see ourselves as partners to our customers and support them in their day-to-day business. It is an approach that pays dividends to everybody involved. Premium quality "made by Wilo", high efficiency and low life-cycle costs make our products a forward-looking investment. And this is something that our customers the world over have come to value. We are meeting their requirements for international partners through a policy of expanding existing and developing new subsidiaries in locations that include the growth markets of China and Southeast Asia.

Our technological leadership is based primarily on a well-founded understanding of systems. What sounds rather mundane in theory proves to be extremely beneficial to customers in practice: That is because Wilo products meet even the most demanding requirements and are compatible with all system environments. No matter how different the system environments may be, Wilo electronic pumps are right at home in every single one – thanks to an integrated modular technical connecting concept that's unique on the market.

Who actually benefits from our commitment?

Everyone!

Maximum performance combined with minimum energy consumption – that is the standard by which our products are judged. Here at Wilo, innovation and sustainability go hand in hand, in terms of product development and in all our activities at all locations. Saving energy, protecting the environment and conserving resources are key issues for the future. Issues for which we will provide solutions that lead the way, thus representing our contribution to environmental protection. In so doing, our focus is always on improving the energy efficiency and life-cycle assessment of our products. This also benefits customers and end-users – as energy savings ultimately translate into cost savings for them.

"For us, sustainability means a great deal more than just energy efficiency. It also means durability, reliability and safety."

Well prepared for the future

We are pursuing a systematic sustainability strategy at all our locations. This includes efficient recycling of raw materials and components throughout the entire life-cycle. Thanks to our high-efficiency pumps, we rank among the ecological pioneers in the industry. We want to further extend our advantage in this area. We apply our technological and business expertise to the benefit of our customers and to optimize the energy efficiency of building services both in municipal and commercial applications.

The efficiency and reliability requirements for systems used to pump liquids are constantly growing. For this reason, we are already working hard on the next generation of product solutions. Advanced developments in technology open up completely new possibilities regarding the integrated planning of buildings and systems – we will make full use of these. In pursuing our objectives, we have been encouraged for almost 140 years by the confidence of our customers in the performance and quality of Wilo products.

2009

Mangement report on the group

General and business conditions

Group structure

Wilo is one of the world's leading manufacturers of pumps and pump systems for heating, ventilation and air conditioning, water supply, sewage disposal and wastewater treatment. The company was established in Dortmund in 1872 as Kupfer- und Messingwarenfabrik Louis Opländer Maschinenbau.

WILO SE has its registered office in Dortmund, Germany, and is the parent company of the Wilo Group. On 31 December 2009, this comprised WILO SE plus 63 consolidated production and sales companies operating out of 43 countries in Europe, North America, South America, Africa and Asia.

Overall economic environment

In 2009, the global economy experienced its most serious recession in the post-war period. The severe crisis on international financial markets sparked by the collapse of the US subprime mortgage market in 2007 spread to all sectors and regions of the world economy by the end of 2008, and led to huge fall-offs in production and trade across the globe in the first quarter of 2009. Due to multibillion state and mostly debt-financed economic programmes, as well as an expansive monetary policy on the part of central banks to support the financial and banking sectors, the collapse of the global financial system was prevented and the foundation was laid for worldwide recovery of production and trade. Since the start of the second half of 2009, a slight pick-up in production and trade has been discernible. Despite the extensive measures and the slight improvement in economic conditions, leading German economic research institutes and the World Bank expect the world's gross national product in 2009 to fall for the first time since 1946 – by between 1.0 percent and 2.2 percent compared with 2008.

The global financial and economic crisis had a varying effect on the individual economic regions in 2009. The economies of industrial countries were particularly badly hit by the negative impact of the financial and economic crisis, due to their various and extensive interdependences and relationships between the financial and banking sector, industry and the real estate market, as well as the existing financial and economic regulations. Economic researchers at Germany's ifo Institute, in their forecast from December 2009, estimate gross domestic product of industrial countries to have fallen in 2009 by 3.6 percent overall as against the previous year, with gross domestic product dropping 4.1 percent among the 27 EU countries and 2.5 percent in the USA.

In the emerging economies, a very different picture of economic development can be seen in the individual countries in 2009. Overall, the economic researchers of the ifo Institute expect gross domestic product among the emerging economies to have risen by 1.3 percent. This growth is generated primarily by the Chinese and Indian economies, which grew by 7.8 percent and 6.9 percent respectively in 2009. In contrast, the Russian economy contracted by 8.0 percent in 2009. Similar negative developments can also be seen in 2009 among other Eastern European countries that are not EU members.

The German economy was one of the markets particularly badly affected by the global financial and economic crisis. According to German Federal Statistics Office calculations of January 2010, gross domestic product in 2009 fell by 5.0 percent compared with the previous year. The reason for this decline is on the one hand the 14.7 percent drop in export output, which was Germany's economic driver in previous years. On the other hand, gross fixed capital formation in machinery and equipment in new means of production dropped by 20.0 percent year-on-year. In contrast, private and state consumption, stimulated by the Federal Government's multibillion debt-financed economic programmes such as the scrappage premium for used cars, provided the German economy with a positive impetus. Private consumer spending rose by 0.4 percent, and state by 2.7 percent as against the previous year.

Key industries for the Wilo Group, including construction and building services engineering, grew at varying rates in Germany in 2009. The ifo Institute estimates that real construction investment declined by only 0.4 percent in 2009. This moderate decline is mainly due to the increase in public construction spending, which rose by 5.5 percent in 2009 primarily because of the government economic programmes, and thus almost fully compensated for the 0.4 percent drop in private residential construction, and the reduction of 2.8 percent in commercial construction spending. The decrease in private and commercial construction is due to participants' uncertainty over their own future economic development, as well as restrictive borrowing terms.

The Association of the German Sanitary Industry estimates that building services engineering in Germany, which includes the plumbing, heating, air conditioning and ventilation segments, recorded a 5.1 percent overall decline in sales growth in 2009. While domestic business dropped less – by 2.3 percent – exports slumped by 14.8 percent.

Business developments

The Wilo Group recorded a decrease in sales of 5.2 percent in 2009. This decline is primarily accounted for by the negative economic effects of the global financial crisis, which impacted the Wilo Group mainly in a decline of project business due to a marked reticence in construction spending. Sales development in the individual world regions is very varied, as the effects of the global financial and economic crisis had an uneven impact on the individual countries.

Regional development of net sales

	2009 EUR million	**2008** EUR million	Change %
Western Europe	507.5	531.9	-4.6
Eastern Europe	195.2	239.3	-18.4
Asia	169.8	151.6	12.0
Other regions	53.6	54.4	-1.5
Total	**926.1**	**977.2**	**-5.2**

The sales decline of 4.6 percent or EUR 24.4 million in Western Europe can be seen to different extents in the respective countries of this region. Some markets remained stable or grew compared with 2008. In Western Europe, the relatively cold winter of 2008/2009, a demand overhang from 2008 which was reduced in the first two months of 2009, and the higher proportion of replacement business compared with other regions led to a slightly below-average sales decrease in this region compared with the Wilo Group as a whole.

Germany, the most important individual market, recorded a relatively low sales decline of 0.9 percent to EUR 195.5 million compared with the prior-year period, and in 2009 was almost on a par with the previous year despite the negative effects of the financial and economic crisis on the German economy. Without taking into account the declining demand of OEM customers, net sales of the Wilo Group in Germany actually rose by 7.2 percent year-on-year. In addition to the two reasons stated which were decisive for sales development in Western Europe, the Wilo Group's position on the German market in 2009 is also based on increasing demand for its energy-efficient products as well as public funding programmes, such as the pump premium of the Kreditanstalt für Wiederaufbau. In France, its second most important market, the Wilo Group achieved a slight increase of 0.4 percent on the previous year's sales of EUR 112.5 million to EUR 112.9 million.

Compared to Western Europe, the Wilo Group recorded a significant sales decrease in Eastern Europe of 18.4 percent or EUR 44.1 million in 2009. In Eastern Europe, the Wilo Group suffered the worst impact of the global financial and economic crisis. Many Eastern European governments and local authorities, as well as private companies headquartered there, have postponed, frozen or totally abandoned their infrastructure projects due to the current financial difficulties of these countries. Furthermore, the depreciation of many Eastern European currencies against the euro by up to 25 percent on average over the year has had considerable negative effects on sales development in this region.

In Asia, on the other hand, the Wilo Group increased net sales by 12.0 percent to EUR 169.8 million, with all subsidiaries in India, China and Korea contributing variously to sales growth. The reasons for this positive development on the Asian market differ in the individual countries and range from a stronger and improved market presence of the Wilo Group to government economic programmes to positive currency effects. Sales of other regions, comprising America, Africa and the Middle East, fell by only 1.5 percent to EUR 53.6 million compared with the previous year.

The sales decrease percentage in 2009 was divided relatively evenly over both segments Heating and Air Conditioning, and Water and Sewage. Sales in the Heating and Air Conditioning segment fell by 6.0 percent compared with 2008. The main reason for this sales decline is the sharp decrease in demand among OEM customers, which dropped by more than 20 percent in 2009. The Water and Sewage segment recorded a sales decrease of 5.5 percent for 2009, due mainly to declining project business.

Results, assets and financial position

Results of operations

In 2009, the Wilo Group increased its EBIT year-on-year by 2.6 percent to EUR 90.9 million, despite a sales decrease of 5.2 percent and an associated drop in gross profit of 3.2 percent, as well as the difficult economic conditions caused by the global financial and economic crisis. The ratio of EBIT to net sales rose significantly compared with the previous year, from 9.1 percent to 9.8 percent.

Development of earnings

		2009	2008	Change %
EBIT	(EUR million)	90.9	88.6	2.6
EBIT	(% of net sales)	9.8	9.1	7.7
Earnings per share	(EUR)	7.04	4.57	54.1

The increase in EBIT and the higher EBIT margin are mainly due to rigorous cost discipline in these times of global financial and economic crisis, as well as measures to increase efficiency and earning power. The Wilo Group reacted very early and effectively to the emerging economic crisis and implemented measures to reduce and contain costs. This meant that overall, general selling and administrative expenses were reduced by 2.9 percent or EUR 7.4 million compared with the previous year. Research and development costs rose by 2.3 percent to EUR 35.3 million, and currently correspond to 3.8 percent of sales, as the Wilo Group continues to focus on future-oriented, innovative and promising new developments and technologies, even during the global financial and economic crisis.

Moreover, other operating income clearly improved on the previous year by EUR 8.0 million to EUR 8.4 million. The key reason for this is the EUR 4.2 million improvement in the result to EUR 0.3 million from the valuation and implementation of foreign currency transactions in the operating area. The Wilo Group handles key foreign currency transactions primarily in US dollars, South Korean won or pounds sterling. The huge depreciation of these currencies to euro in the previous year did not continue in 2009, but was partially reversed. In addition, in 2009 these currencies were not subject to the high fluctuations of 2008.

The Wilo Group's net financial income improved significantly from EUR -25.8 million in 2008 to EUR 9.4 million in 2009. This improvement is due mainly to positive utilisation and measurement effects from commodity derivatives amounting to EUR 23.1 million, used to counter price changes on raw materials sourced by the Wilo Group. The utilisation of commodity derivatives in 2009, which were still measured at a negative fair value as at 31 December 2008, had a positive impact of EUR 12.2 million on net financial income.

The actual earnings or expenses resulting on the settlement date from the utilisation of commodity derivatives were disclosed in cost of sales. Furthermore, the measurement of commodity derivatives held by the Wilo Group as at 31 December 2009 had a positive effect amounting to EUR 10.9 million on the 2009 net financial income, as raw material prices, in particular for copper, rose significantly during 2009. The total commodity derivatives held have a positive fair value of EUR 5.0 million as at 31 December 2009.

Consolidated net income before taxes increased by EUR 38.2 million to EUR 100.0 million compared with the previous year, mainly due to the improved EBIT and net financial income. Taking income taxes into account, net financial income after taxes for 2009 amounts to EUR 68.6 million (previous year: EUR 45.2 million). This corresponds to a year-on-year improvement of 51.8 percent. Accordingly, earnings per share rose considerably by EUR 4.57 to EUR 7.04 as against the previous year. Consolidated net income after taxes amounts to 7.4 percent of sales (previous year: 4.6 percent).

Financial position

The Wilo Group's total assets have grown 10.3 percent since 31 December 2008 to EUR 736.8 million. Non-current assets grew by 3.8 percent to EUR 261.0 million, due chiefly to an increase in property, plant and equipment of EUR 6.2 million compared with 31 December 2008. Against the background of the global financial and economic crisis, the Wilo Group followed a restrained investment policy and thus focused its investment on strategically necessary capacity expansion, productivity increases in production, and the expansion of existing sales offices.

Non-current assets increased by 14.2 percent to EUR 475.8 million compared with 31 December 2008. Inventories decreased by 10.8 percent to EUR 131.2 million, and current trade accounts receivable by 8.7 percent to EUR 180.6 million. The reason for this development, in addition to the sales decline of 5.2 percent in 2009, is the significantly improved receivables management resulting from the project to improve the working capital performance introduced in 2008. In total, the Wilo Group's net current assets shrunk by 10.3 percent from 31 December 2008. Against this, cash and cash equivalents increased by EUR 94.9 million to EUR 140.4 million as at 31 December 2009. In addition to a shorter commitment period for cash and cash equivalents in working capital compared to the previous year and the improved receivables management, the restrained investment policy in 2009 plus strict control and reduction of costs in selling and administration boosted cash and cash equivalents, and significantly increased the internal financing strength of the Wilo Group.

Equity rose by 24.5 percent to EUR 351.8 million. The equity ratio thus increased considerably to 47.7 percent of total assets (previous year: 42.3 percent). Both positive outcomes are due on the one hand to the clearly increased consolidated net income after taxes of EUR 68.6 million (previous year: EUR 45.2 million). On the other hand, no dividends were distributed to shareholders of WILO SE in 2009.

Non-current liabilities, consisting mainly of liabilities due to banks amounting to EUR 77.5 million and provisions for pensions and similar obligations of EUR 45.1 million, declined by EUR 8.3 million to EUR 161.9 million. This development results from the decrease of EUR 6.2 million in liabilities due to banks and of EUR 7.2 million in trade accounts payable. Current trade accounts payable and other current liabilities did not change significantly as against 31 December 2008, increasing by EUR 3.1 million and EUR 4.6 million respectively.

Assets

	Dec. 31, 2009		Dec. 31, 2008	
	EUR million	%	EUR million	%
Non-current assets	261.0	35.4	251.6	37.7
Inventories	131.2	17.8	147.1	22.0
Current trade accounts receivable	180.6	24.5	197.8	29.6
Other current assets	164.0	22.3	71.6	10.7
Total assets	**736.8**	**100.0**	**668.1**	**100.0**

Liabilities

	Dec. 31, 2009		Dec. 31, 2008	
	EUR million	%	EUR million	%
Equity	351.8	47.7	282.5	42.3
Non-current liabilities	161.9	22.0	170.2	25.5
Current trade accounts payable	69.8	9.5	66.7	10.0
Other current liabilities	153.3	20.8	148.7	22.2
Total liabilities	**736.8**	**100.0**	**668.1**	**100.0**

Capital expenditure

Capital expenditure on property, plant and equipment and intangible assets fell by 24.1 percent to EUR 39.7 million compared with 2008. This is due to a restrained investment policy within the Wilo Group, which again examined in detail investment projects against the background of the global financial and economic crisis. Capital expenditure in 2009 focused on strategically necessary capacity expansion, productivity improvements in production, and the expansion of existing sales offices.

Capital expenditure (excluding goodwill)	2009 EUR million	2008 EUR million	Change %
Capital expenditure on property, plant and equipment	37.8	49.8	-24.1
Capital expenditure on intangible assets	1.9	2.5	-24.0
Total	**39.7**	**52.3**	**-24.1**
As a percentage of depreciation and amortisation on property, plant and equipment and intangible assets	123.7	187.4	

Cash flow

Net cash provided by operating activities improved in 2009, and net cash used in investment and financing activities decreased year-on-year. Excluding the effects of exchange rate changes, cash and cash equivalents thus increased considerably by EUR 94.5 million to EUR 140.4 million. Including the effects of exchange rate and consolidation changes, the increase was EUR 94.9 million.

Cash flow	2009 EUR million	2008 EUR million	Change EUR million
Net cash provided by operating activities	142.3	118.5	23.8
Net cash used in investing activities	-38.9	- 63.3	24.4
Net cash used in financing activities	-8.9	- 32.7	23.8
Change in cash and cash equivalents	**94.5**	**22.5**	**72.0**

Net cash provided by operating activities rose year-on-year by EUR 23.8 million to EUR 142.3 million. This is due primarily to the higher decrease in inventories which was up EUR 9.3 million on the prior-year period, and the EUR 15.2 million higher decrease in trade receivables. The key reasons for this positive development are the improved receivables management resulting from the measures to improve the working capital performance within the Wilo Group and the sales decline in 2009.

Net cash used in investing activities fell significantly in 2009 by EUR 24.4 million or 38.5 percent to EUR 38.9 million, due to a restrained investment policy within the Wilo Group. Capital expenditure on property, plant and equipment in the year under review amounting to EUR 37.8 million (previous year: EUR 49.8 million) mainly concerned capacity expansion, productivity increases in production, and the expansion of existing sales offices.

The negative net cash used in financing activities declined by EUR 23.8 million to EUR 8.9 million year-on-year (previous year: EUR -32.7 million), as no dividends were distributed to shareholders of WILO SE in 2009. In 2008, the dividend distribution amounted to EUR 38.1 million. The net cash used in financing activities in 2009 is mostly accounted for by repayments of credits and loans amounting to EUR 2.1 million net, and net payments for interest amounting to EUR 6.1 million (previous year: EUR 5.4 million). The Wilo Group obtained EUR 10.9 million as part of net borrowing in the previous year. Detailed information on the financing structure of the Wilo Group is provided in Note (9.11) of the notes to the consolidated financial statements.

Financial management

The objectives of financial management are geared to upholding the financial independence and maintaining a strong cash position at all times, thus supporting the operating activities of the Wilo Group. To this end, WILO SE ensures that adequate binding long and short-term finance commitments are available from banks and has long operated active portfolio management with regard to the procurement and maturity structure of borrowings, with financing policy sustaining a balanced focus between return-related and security-related targets.

The Wilo Group had EUR 100.1 million in liabilities due to banks as at 31 December 2009 (2008: EUR 103.1 million). These liabilities relate in part to EUR 55.7 million (USD 80.0 million) in senior notes issued in a US private placement in 2006. The issue consists of two tranches maturing in 2013 and 2016 and is subject to fixed annual interest of 5.28 and

5.33 percent. Currency risk on the notes is covered by the use of derivative financial instruments. In 2008, WILO SE additionally launched a further EUR 25.0 million notes issue maturing in 2015, repayable in instalments from 2009 and subject to 5.54 percent fixed annual interest. This notes issue amounts to EUR 22.9 million as at 31 December 2009 and EUR 4.2 million are repayable in 2010. WILO SE currently expects that the two tranches of senior notes will be repaid on maturity from budgeted operating cash flow. WILO SE is not able to state whether the partially uncertain situation of the global banking and financial sector will have any material negative impact on the Wilo Group's financing activities.

EUR 22.7 million in current liabilities due to banks and under issued notes was due in less than one year as at 31 December 2009 (2008: EUR 19.5 million). The remaining liabilities due to banks amounting to EUR 3.0 million (2008: EUR 2.0 million) have terms between one and five years. Further information on the financing structure is provided in Note (9.11) of the notes to the consolidated financial statements.

Research and development

The Wilo Group took a further step as an innovative systems provider with the launch of the GENIAX heating system in 2009. The GENIAX heating system, whose key feature is demand-oriented heating system regulation and the use of decentralised mounted miniature pumps instead of temperature control valves on radiators, emphasises once more the outstanding innovative strength of the Wilo Group. The GENIAX heating system is highly innovative, indicated by the fact that 32 patents were registered during its development. The use of this system results in a minimum energy saving of 20 percent more compared with conventional heating systems.

In the Heating and Air Conditioning segment, the Wilo Group also launched a series of new products on the market. The range of high-efficiency pumps for OEM customers was expanded. The manufacturers of boilers, heat pumps and solar installations can now access additional tailored products with the latest technology. A totally new drive concept for drinking water circulation pumps has also been developed. The new concept allows for considerable energy savings in this area as well. Also of note is the development of an underwater pump specifically tailored to the requirements of heating pumps. The use of this underwater pump improves the efficiency of geothermal plants by up to 7 percent. In the area of cold water applications, the HELIX series of leading-edge multistage stainless steel pumps was expanded and partially rounded off with new control electronics from Wilo. The HELIX series pumps are now used in the construction of booster sets. Used in this way, these lead to improved energy efficiency of the sets in buildings.

In the Water and Sewage segment, the Wilo Group also developed and launched a series of new products on the market. For example, the range of high-efficiency agitators was expanded with a further installation size, and the series of water-cooled submersible motors was extended up to a rating of 60 kilowatts. A major step was the development of the biggest vertical pump ever constructed by Wilo with an output of around 3.5 megawatts. Five of these pumps are being used in a conventional power plant in India as cooling water pumps. Wilo's production range thus extends from an output of 0.001 kilowatts up to 3,500 kilowatts. The Wilo Group can thus offer their customers an unparalleled wide product range that is optimally tailored to customer needs.

The requirements of environmentally sound design and the corresponding compliance with energy efficiency threshold values as of 2013 and 2015 of external and integrated glandless circulation pumps in accordance with the EuP Directive of the European Union (Directive 2005/32/EC) was analysed by the Wilo Group and the associated implementation projects were initiated.

Conserving natural resources is a prime aim of the Wilo Group's research and development policy. To this end, the Wilo Group develops energy-efficient and sustainable products for its markets and applications.

Total research and development costs in the Wilo Group increased by 2.3 percent compared with the previous year and currently amount to 3.8 percent of net sales.

Research and development costs

	2009	2008	Change %
EUR million	35.3	34.5	2.3
% of net sales	3.8	3.5	8.6

Employees

The Wilo Group's global workforce averaged 6,027 employees in 2009, thus remaining on a par with the previous year, despite the negative effects of the worldwide financial and economic crisis.

Average employee numbers for the year were as follows:

Employees

	2009	2008
Production	3,201	3,128
Sales and administration	2,826	2,896
Total	**6,027**	**6,024**
Germany	1,911	1,892
Other countries	4,116	4,132
Total	**6,027**	**6,024**

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 sites of the Wilo Group. The implementation was confirmed by external certification at the German production locations Dortmund, Oschersleben and Hof.

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

Risk report

A modern, integrated, global risk management system enables the Wilo Group to identify business risks at an early stage and take prompt and effective mitigating action. Monitoring consistent implementation of action taken is an integral 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 are used for risk assessment and to ensure procedural comparability. 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 risk management 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 kept fully informed regarding the status and development of the risk management system.

Overall economic environment

Wilo faces economic and market risk due to general economic, political and societal trends. Noted economic research institutes are of the opinion that the global economy has surmounted the most severe recession of the post-war period and is on the way to a gradual recovery, but that the causes of the worldwide financial and banking crisis have not yet been resolved. The global economy's slow recovery is reflected not only in the partially improved economic figures, but also in the generally improved economic climate and positive expectations of participants from many regions of the world for 2010. However, the slight pick-up in production and trade discernible since the start of the second half of 2009 is still very fragile worldwide and is associated with considerable risks and uncertainties. These general and in parts positive economic developments and expectations are being observed closely and attentively by the Wilo Group due to their considerable uncertainties, so as to take any corresponding countermeasures safeguarding the current economic and financial situation of the Wilo Group. Among other things, this involves keeping a very close watch on country risk so that timely countermeasures can be adopted if necessary. Despite the current uncertain situation and difficult conditions on the global markets, some large Asian and eastern European markets continue to offer good growth opportunities, which are however associated with increased risks. The Wilo Group has considerably reduced 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 on a par with the previous year. Risk is posed by intensifying price competition on major projects. The Wilo Group mitigates this risk 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 our outstanding product quality and our extensive service network.

As in the previous year, the strong euro has put us at a competitive disadvantage in some regions over competitors who produce mostly in the USA or in countries with currencies pegged to the US dollar.

Production and technology

Value creation and technology risks are largely manageable due to high barriers to entry and Wilo's market position in the main segments. Wilo invests continuously to strengthen its market position in developing new products and in growing markets so it can continue to meet customer needs and secure competitive advantages. The Wilo Group invested 3.8 percent of consolidated net sales in research and development in the year under review. Quality risk is mitigated by Group-wide standards in production (Wilo production system) and an integrated quality management system based on uniform quality standards at Wilo production locations.

The risk of production stoppages is significantly reduced 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 international presence makes it important to manage currency exposures. The Wilo Group faces currency risk primarily in its financing and operating activities. Currency risk in financing activities mostly relates to foreign-currency borrowing from external lenders and foreign-currency lending to Group companies for financing purposes. 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 closed 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 local currency of the companies concerned.

Interest rates

The Wilo Group faces interest rate risk mainly on variable interest liabilities due to banks and on invested cash and cash equivalents. Both a rise and a fall in the interest rate curve results 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.

Raw material prices

The Wilo Group faces raw material price risk primarily from price fluctuations on the world market for copper, aluminium and stainless steel, and their alloys. It uses commodity derivatives to minimise this risk. Most of our copper and aluminium needs for 2010 are covered at fixed prices. On current information, Wilo Group earnings would be affected by price fluctuations on the world market for copper, aluminium and their alloys from 2011.

Credit risk

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

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. 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 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's critical business applications run in two separate, certified, extremely powerful data centres. Certified processes and business recovery plans are also in place for the event of disaster. 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 have been no significant events after the balance sheet date.

Outlook

Following the most severe recession of the post-war period, the global economy appears to have recovered slightly since the start of the second half of 2009. The recovery is expected to continue gradually in the next two years. Leading German economic research institutes, the World Bank and the International Monetary Fund forecast real growth for the global economy in 2010 and 2011 of between 2.6 percent and 3.1 percent per year. Worldwide economic growth rates of over 5 percent, as seen before the global financial and economic crisis, will not be achieved in the foreseeable future. Despite the positive economic expectations and the improved economic climate, the global crisis of the financial and banking sector has thus not yet been surmounted. Economic researchers and other institutions agree that the slight global recovery in production and trade seen since the start of the second half of 2009 is very uncertain, and the risk remains that the global economy will again fall into recession if new lending on the part of the banks is restricted more severely and for longer than expected. This would be the case especially if there was a continued reduction of the banks' capital base following further huge impairments and write-downs caused by the recession. Moreover, economic researchers expect that the global economy's growth and recovery momentum will slow due to the expiry of the multibillion debt-financed economic and support programmes, and public budgets' resulting consolidation need will become the further focus of state measures and efforts.

Unlike the economic downturn in the winter of 2008/2009, the recovery of the global economy is not synchronised. In the industrial countries, economic researchers predict real gross domestic product growth of only around 1.4 percent for 2010, with the European Union members participating in the economic recovery at a rate of 1.0 percent and the USA at 2.0 percent. In contrast, the ifo Institute believes that the emerging economies, which will remain an important driver of the global economy in coming years, will grow by 5.1 percent in 2010. Real gross domestic product is expected to grow by 8.5 percent in the Chinese economy and 7.5 percent in the Indian. The varying growth rate of the industrial countries and emerging economies is mainly due to slower adjustment processes in production, exports and asset bases, which will have to be undergone in the industrial countries in the coming years as a result of the financial crisis.

The Federal Government and leading economic research institutes anticipate slight gross domestic product growth for the German economy of around 1.4 percent in 2010. This growth will be driven primarily by the country's consumer spending, which should rise 1.3 percent in 2010, and by publicly funded construction investment. Corporate investments in machinery and equipment, private consumption and exports will contribute little to German economic growth in 2010. A recovery may only be seen here at the end of 2010. The development of the German economy thus remains uncertain. It is still far from a self-generated upturn, as the improvement results mainly from the domestic and global economic programmes, including the scrappage premium, as well as the extreme monetary easing.

For the German construction industry, the ifo Institute projects a slight increase of 0.5 percent in real construction spending. This mostly reflects an 11.0 percent increase in public construction and a 1.3 percent rise in residential construction spending. The main factors in this latter increase will be the debt-financed economic packages adopted by the federal government as well as building and refurbishment works carried out by local authorities. Residential construction spending in 2010 will be stimulated mainly by low mortgage interest rates and the energy-related renovation and modernisation of the housing stock. Predictions for 2011 are for a decrease of 7.0 percent in public construction spending, as the economic packages will expire and recession-related tax deficits will significantly restrict local authorities' investment scope.

The Association of the German Sanitary Industry forecasts that building services engineering – another segment of importance to the Wilo Group – will grow by around 2 percent in 2010. The growth will be driven chiefly by higher domestic demand, while exports will also increase slightly.

The Wilo Group is internationally well positioned to weather 2010 with all its increased macroeconomic and corporate uncertainties and risks, which are the results of the global financial and economic crisis and which still clearly exist despite a discernible global upturn in production and trade, and to emerge from this crisis with renewed strength in the years that follow. The Group's longstanding corporate strategy of promoting innovation, technologies and international market presence are key to mastering the challenges ahead. In addition, various scenarios of the potential impact of the global financial and economic crisis on the Wilo Group were analysed at the end of 2008, countermeasures to mitigate possible negative effects were developed and initiated, and an effective and rapid monitoring system was introduced at the start of 2009. In 2010, the Wilo Group will maintain its existing method of rapid analysis of various developments and alternative scenarios, the short-notice initiation of countermeasures, as well as effective monitoring of the economic situation. The Wilo Group is confident that, with its long-horizon innovation policy and the flexible measures adopted to counter adverse consequences of the global economic crisis, it can lastingly secure and strengthen its economic and financial situation and its prospects for the future. The Wilo Group is ready with further countermeasures should the global financial and economic crisis and its impact worsen.

Given the considerable prevailing uncertainty regarding future global economic developments, the Wilo Group is refraining to an extent from making quantitative projections regarding net sales and EBIT performance over the next two years and has provided qualitative guidance in their place.

On the basis of the muted positive economic forecasts and the improved market environment and economic climate, the Wilo Group expects a sales increase of around 5 percent for 2010. This sales growth is mostly set to be generated in Western Europe and Asia. The Wilo Group anticipates the biggest contribution to sales growth from the economic recovery of these markets, as the Asian countries in particular were less severely affected by the global economic crisis and their growth rates are maintaining a high level. For Eastern Europe, on the other hand, the Wilo Group expects stagnating sales in 2010, although good growth potential continues to be forecast for this region in the long term provided the local financing conditions, which worsened considerably during the global financial and economic crisis, improve once more and capital streams reverse. The Wilo Group also expects an increase in total net sales for 2011.

In contrast to sales growth of around 5 percent, the Wilo Group anticipates a lower EBIT margin for 2010 compared with the previous year. This will mostly be due to a disproportionate increase in selling and administrative expenses as a percentage of net sales in growth markets in order to establish the necessary infrastructure in these markets. In addition, previously agreed wage increases and one-off costs from projects to increase efficiency in various areas of the Wilo Group, which were postponed to 2010 and 2011, will have a negative impact on the EBIT margin. The Wilo Group expects an increased EBIT margin in 2011 as against 2010.

It is currently difficult to estimate what implications the continuing significant risks and uncertainties in the financial and banking sector, as well as the initiated economic recovery of the global economy, will actually have for the sales and EBIT projections given by the Wilo Group, as the uncertainty inherent in the underlying assumptions and the potential impact of any forecasting inaccuracies are considerably greater than in past years. However, the Wilo Group is confident that both the improved financing structure in line with Group needs, the very strong ratio of equity to total assets of almost 48 percent, and cash and cash equivalents of around EUR 140 million will contribute substantially to the long-term profitable growth and prospects of the Wilo Group, even in these times of higher risks and uncertainties.

Long-term borrowings in place at 31 December 2009 are subject to customary covenants requiring WILO SE to maintain certain financial ratios within set bands. WILO SE fully complied with these covenants in both 2009 and 2008 and currently has no indication that it will be unable to comply with them in future. More detailed information is provided in 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.

2009

Consolidated financial statements

Consolidated income statement

for the period from 1 January to 31 December 2009

Consolidated income statement			
EUR '000	Note	**2009**	**2008**
Net sales	(8.1)	926,097	977,234
Cost of sales	(8.2)	-557,110	-596,029
Gross profit		**368,987**	**381,205**
Selling expenses	(8.3)	-186,481	-196,354
Administrative expenses	(8.4)	-64,670	-62,172
Research and development costs	(8.5)	-35,307	-34,454
Other operating income	(8.6)	19,860	19,609
Other operating expenses	(8.7)	-11,471	-19,225
Earnings before interest and taxes (EBIT)	(8.11)	**90,918**	**88,609**
Net income from equity-accounted investments	(8.8)	-321	-952
Net financial income	(8.9)	9,420	-25,814
Consolidated net income before taxes	(8.11)	100,017	61,843
Income taxes	(8.10)	-31,444	-16,613
Consolidated net income after taxes	(8.11)	**68,573**	**45,230**
of which: attributable to minority interests		276	784
of which: attributable to shareholders of WILO SE		68,297	44,446
Basic and diluted earnings per share are EUR 7.04 (2008: EUR 4.57).	(8.12)		

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

Consolidated balance sheet

as at 31 December 2009

Assets			
EUR '000	Note	**31.12.2009**	**31.12.2008**
Non-current assets			
Intangible assets	(9.1)	58,567	58,671
Property, plant and equipment	(9.2)	171,083	164,892
Equity-accounted investments	(9.4)	2,640	3,134
Trade accounts receivable	(9.6)	3,224	2,238
Other financial assets	(9.7)	2,942	2,432
Other receivables and assets	(9.8)	3,928	3,394
Deferred tax assets	(8.10)	18,644	16,799
		261,028	**251,560**
Current assets			
Inventories	(9.5)	131,165	147,067
Trade accounts receivable	(9.6)	180,618	197,803
Other financial assets	(9.7)	10,131	6,877
Other receivables and assets	(9.8)	13,512	19,291
Cash and cash equivalents	(9.9)	140,391	45,452
		475,817	**416,490**
Total Assets		**736,845**	**668,050**

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

Liabilities			
EUR '000	Note	31.12.2009	31.12.2008
Equity	(9.10)		
Share capital		26,000	26,000
Retained earnings		348,641	280,620
Currency translation differences		-14,682	-16,758
Treasury stock		-8,557	-7,829
Equity before minority interests		**351,402**	**282,033**
Minority interests		412	424
		351,814	**282,457**
Non-current liabilities			
Liabilities due to banks	(9.11)	77,459	83,621
Trade accounts payable	(9.12)	1,218	8,408
Other financial liabilities	(9.13)	14,797	15,946
Other liabilities	(9.14)	1,494	1,257
Provisions for pensions and similar obligations	(9.15)	45,104	42,708
Other provisions	(9.16)	4,143	3,468
Deferred tax liabilities	(8.10)	17,678	14,827
		161,893	**170,235**
Current liabilities			
Liabilities due to banks	(9.11)	22,686	19,460
Trade accounts payable	(9.12)	69,804	66,683
Other financial liabilities	(9.13)	29,104	38,150
Other liabilities	(9.14)	56,900	49,007
Other provisions	(9.16)	44,644	42,058
		223,138	**215,358**
Total Liabilities		**736,845**	**668,050**

Consolidated statement of comprehensive income

for the period from 1 January to 31 December 2009

Consolidated statement of comprehensive income		
EUR '000	2009	2008
Consolidated net income after taxes	**68,573**	**45,230**
Currency translation differences	2,092	–9,527
Other consolidated net income	2,092	–9,527
Comprehensive income	**70,665**	**35,703**
of which: attributable to minority interests	292	520
of which: attributable to shareholders of WILO SE	70,373	35,183

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

Consolidated cash flow statement

for the period 1 January to 31 December 2009

Consolidated cash flow statement			
EUR '000	31.12.2009	31.12.2008	Change
Earnings before interest and taxes (EBIT)	**90,918**	**88,609**	**2,309**
Depreciation and amortisation on intangible assets and property, plant and equipment	32,130	27,919	4,211
Increase in non-current provisions	3,070	160	2,910
Gains/losses on disposals of intangible assets and property, plant and equipment	-165	36	-201
Decrease in inventories	15,902	6,596	9,306
Decrease in trade accounts receivable and other assets not attributable to investing or financing activities	17,152	6,487	10,665
Increase in current provisions	2,585	8,270	-5,685
Decrease/increase in accounts payable and other liabilities not attributable to investing or financing activities	-1,353	9,390	-10,743
Other non-cash income and expenses (net)	222	-3,944	4,166
Cash flows from operating activities	**160,461**	**143,523**	**16,938**
Income taxes paid	-18,138	-25,037	6,899
Net cash provided by operating activities	**142,323**	**118,486**	**23,837**
Purchases of intangible assets	-1,927	-2,548	621
Disposals of property, plant and equipment	2,437	3,336	-899
Purchases of property, plant and equipment	-37,826	-49,759	11,933
Purchases of consolidated entites	-1,110	-11,220	10,110
Other purchases / disposals attributable to investing activities	-439	-3,127	2,688
Net cash used in investing activities	**-38,865**	**-63,318**	**24,453**
Dividends paid	0	-38,079	38,079
Proceeds from new borrowings	0	25,000	-25,000
Repayment of borrowings	-2,147	-14,087	11,940
Purchases of treasury stock	-728	-453	-275
Disposals of treasury stock	0	240	-240
Interest received	1,559	1,727	-168
Interest paid	-7,696	-7,090	-606
Dividends received	65	60	5
Net cash used in financing activities	**-8,947**	**-32,682**	**23,735**
Net change in cash and cash equivalents	94,511	22,486	72,025
Effects of exchange rate changes and changes in the composition of the consolidated group on cash and cash equivalents	428	-2,332	2,760
Cash and cash equivalents at beginning of period	45,452	25,298	20,154
Cash and cash equivalents at end of period	**140,391**	**45,452**	**94,939**

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

Consolidated statement of changes in equity

for the period from 1 January 2008 to 31 December 2009

Consolidated statement of changes in equity

EUR '000	Share capital	Retained earnings	Currency translation differences
1 January 2008	26,000	284,772	–7,495
Consolidated net income 2008	0	44,446	0
Dividends paid	0	–38,079	0
Purchases of treasury stock	0	0	0
Disposals of treasury stock	0	–275	0
Currency translation differences	0	0	–9,263
Owner transactions	0	–8,443	0
Other changes	0	–1,801	0
31 December 2008	**26,000**	**280,620**	**–16,758**
1 January 2009	26,000	280,620	–16,758
Consolidated net income 2009	0	68,297	0
Purchases of treasury stock	0	0	0
Currency translation differences	0	0	2,076
Owner transactions	0	–839	0
Other changes	0	563	0
31 December 2009	**26,000**	**348,641**	**–14,682**

Further information on the consolidated statement of changes in equity is provided in Note (9.10) in the notes to the consolidated financial statements.
The notes are an integral part of the consolidated financial statements.

Treasury stock	Total WILO SE	Minority interests	**Total equity**
-7,892	295,385	2,305	**297,690**
0	44,446	784	**45,230**
0	-38,079	0	**-38,079**
-453	-453	0	**-453**
516	241	0	**241**
0	-9,263	-264	**-9,527**
0	-8,443	-2,052	**-10,495**
0	-1,801	-349	**-2,150**
-7,829	**282,033**	**424**	**282,457**
-7,829	282,033	424	**282,457**
0	68,297	276	**68,573**
-728	-728	0	**-728**
0	2,076	16	**2,092**
0	-839	-271	**-1,110**
0	563	-33	**530**
-8,557	**351,402**	**412**	**351,814**

Notes to the consolidated financial statements

for the 2009 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 at and for the year ended 31 December 2009 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 2009. WILO SE makes use of the option provided for in Section 315a (3) of the German Commercial Code (Handelsgesetzbuch, HGB) and is therefore not required to prepare consolidated financial statements in accordance with German commercial law. For equivalence with consolidated financial statements prepared in accordance with German commercial law, the disclosure requirements of Section 315a (1) of the German Commercial Code are met in addition to the IFRS disclosure requirements. The consolidated financial statements are prepared in accordance with IFRS, including the IAS standards still in effect, as amended at the reporting date. The consolidated financial statements are fully in compliance with IFRS and present an accurate account of the Group's financial position and performance.

A number of income statement and balance sheet items are combined for clarity of presentation. These items are shown and explained separately in the notes. The income statement is 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) Application of new and amended standards

All standards and interpretations applicable in 2009 were taken into account by the Wilo Group. The following amendments to existing and new standards whose first-time application was required in the 2009 financial year had an impact on the consolidated financial statements of WILO SE:

Amendment to IAS 1 Presentation of Financial Statements

In September 2007, the IASB published the revised IAS 1 Presentation of Financial Statements. The main changes in the revised IAS 1 relate to the presentation of changes in equity arising from transactions with owners separately from non-owner changes in equity and the presentation of total recognised income and expense and other comprehensive income in the consolidated financial statements. The first-time application of the revised IAS 1 led only to a change in the description of elements of the consolidated financial statements, and a detailed disclosure of transactions with non-owners in the statement of changes in equity in the consolidated financial statements of WILO SE.

Amendment to IAS 23 Borrowing Costs

The IASB issued a revised IAS 23 Borrowing Costs in March 2007. The main change from the previous version of IAS 23 is the removal of the option of immediately recognising borrowing costs relating to the acquisition, development or production of qualifying assets as an expense. Qualifying assets are assets which require a substantial period of time to bring them to a condition suitable for use or sale. The first-time application of the revised IAS 23 had no material impact on the consolidated financial statements of WILO SE. Borrowing costs of EUR 55 thousand for the development of qualifying assets were capitalised in the year under review.

IFRS 8 Operating Segments

The IASB issued IFRS 8 Operating Segments in November 2006 to replace IAS 14 Segment Reporting. IFRS 8 requires the entity to adopt the 'management approach' to reporting on the financial performance of operating segments that are subject to disclosure requirements. Operating segments are components of an organisation which deliver separate information on financial performance that is regularly assessed by the operating division's management to evaluate segment performance and decide how to allocate resources. Generally, the financial information to be reported would be what management uses internally for evaluating segment performance and for decisions on allocating resources to operating segments. In comparison with the information requirements of IAS 14, the first-time application of IFRS 8 had no material impact on WILO SE's segment reporting, as only the type of segment information changed for WILO SE.

The following amendments to existing standards and interpretations whose first-time application was required in the 2009 financial year had no impact on the consolidated financial statements of WILO SE:

- Amendment to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements: Puttable Financial Instruments and Obligations Arising on Liquidation
- Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- Amendment to IFRS 2 Share-based Payment: Vesting Conditions and Cancellations
- Amendment to IFRS 7 Enhancing Disclosures about Financial Instruments
- IFRIC 13 Customer Loyalty Programmes
- IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- IFRIC 18 Transfers of Assets from Customers
- Various amendments as part of the annual Improvements to International Financial Reporting Standards.

The following are standards, amendments to existing standards and interpretations issued by the IASB and IFRIC whose application was not yet required or for which EU endorsement was still pending in 2009. WILO SE does not plan to apply any of these standards early:

- Amendment to IAS 27 Consolidated and Separate Financial Statements
- Amendment to IAS 39 Financial Instruments: Recognition and Measurement: Designation as Hedged Items
- Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards
- Amendment to IFRS 1 Additional Exemptions for First-time Adopters
- Amendment to IFRS 2 Group Cash-settled Share-based Payment Transactions
- Amendment to IFRS 3 Business Combinations
- IFRIC 12 Service Concession Arrangements
- IFRIC 15 Agreements for the Construction of Real Estate
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation
- IFRIC 17 Distributions of Non-cash Assets to Owners
- Amendment to IFRIC 9 and IAS 39 Embedded Derivatives
- Various amendments as part of the annual Improvements to International Financial Reporting Standards

Only the standards, amendments to existing standards and interpretations that could have an impact on the consolidated financial statements of WILO SE are detailed below:

Amendment to IAS 27 Consolidated and Separate Financial Statements

In January 2008, the IASB published a revised IAS 27 with amendments to the rules on accounting for transactions between controlling and non-controlling shareholders and for the event of loss of control in a subsidiary. Acquisitions of additional shares in subsidiaries and partial disposals of subsidiaries while retaining control are now accounted for directly in equity. The standard also rules on the recognition of any gains or losses on disposal and the measurement of any residual holding in a subsidiary after loss of control. The revised IAS 27 applies for annual periods beginning on or after 1 July 2009. The first-time application of the revised IAS 27 will have no material impact on the consolidated financial statements of the Wilo Group.

Amendment to IFRS 3 Business Combinations

The IASB published an amended IFRS 3 Business Combinations in January 2008. The main changes relate to the scope of the standard, accounting for step acquisitions, and an optional accounting treatment under which non-controlling interests may be accounted for either at fair value or at their proportionate interest in the net identifiable assets of the acquiree. Depending on which option a reporting entity elects, any goodwill arising in the business combination is recognised either in full or only in proportion to the controlling interest. The revised IFRS 3 applies for annual periods beginning on or after 1 July 2009. The first-time application of the revised IAS 27 will have no material impact on the consolidated financial statements of the Wilo Group.

(4) Basis of consolidation

The consolidated financial statements include WILO SE and all significant entities under its direct or indirect control. The balance sheets 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 at 31 December 2009 include 6 German entities (2008: 6) and 57 foreign entities (2008: 56) in which WILO SE directly or indirectly holds the majority of voting rights. Two subsidiaries (2008: 2) are not included in the consolidated financial statements.

WILO SE increased its majority shareholding in the Indian subsidiary Mather and Platt Pumps Ltd. from 90.2 percent to 93.2 percent in 2009. The acquisition cost of the additional shares was EUR 1,110 thousand (2008: EUR 10,495 thousand). This includes incidental costs of EUR 64 thousand (2008: EUR 652 thousand). The increase in the majority shareholding is accounted for as an owner transaction. The EUR 839 thousand difference between the acquisition cost and the EUR 271 thousand proportionate carrying amount of the 3.0 percent minority shareholding is accounted for directly in equity as a deduction from retained earnings and in the consolidated statement of changes in equity under transactions with owners.

The joint venture Wilo Middle East LLC, Riyadh, Saudi Arabia, has ceased operation since November 2008. WILO SE expects the start of the official liquidation process in 2010. As in the previous year, the joint venture is accounted for using the equity method in accordance with IAS 31.

Associate EMU I.D.F. S.A.R.L., Ste. Geneviève-des-Bois, France, was accounted for at amortised cost in accordance with IAS 28 in 2009.

A list of all WILO SE's direct and indirect shareholdings is provided on pages 94 and 95.

(5) Consolidation methods

Business combinations are accounted for using the acquisition method in accordance with IFRS 3, with fair values remeasured at the acquisition date. The assets, liabilities and contingent liabilities of the acquiree are identified in accordance with IFRS 3 at their acquisition date at fair value and compared with the cost of the business combination. The net fair value of any assets and liabilities not acquired is accounted for as minority interest. Any excess of the cost of the business combination over the remeasured net fair value of the identified assets and liabilities is capitalised as goodwill and tested annually for impairment at the level of the cash-generating unit to which the goodwill is allocated. If the acquired net assets exceed cost, the identification and measurement are reassessed and any remaining excess is recognised immediately in profit or loss.

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 inventory are eliminated in full. 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 on the reporting date and any exchange gains or losses 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 reporting date exchange rate. Income statement items are translated for inclusion in the consolidated financial statements at annual average rates, which closely approximate to 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. No restatement in accordance with IAS 29 was necessary in 2009 as the Wilo Group does not have any subsidiaries in hyperinflationary economies.

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

Exchange rates					
		Annual average rate		Rate as at 31 December	
	1 euro =	2009	2008	2009	2008
Pound sterling	GBP	0.8907	0.8038	0.8932	0.9600
Chinese renminbi (yuan)	CNY	9.5279	10.2301	9.7660	9.6090
Indian rupee	INR	67.4647	64.3776	66.8570	68.4300
South Korean won	KRW	1,770.8065	1,621.5000	1,675.1088	1,775.0000
Russian rouble	RUB	44.2682	36.8383	43.3528	42.2650
Turkish lira	TRY	2.1674	1.9196	2.1633	2.1520
US dollar	USD	1.3955	1.4741	1.4303	1.3977

(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 are presented in the balance sheet primarily using a current/non-current classification. An asset or liability is classified as current if it is expected to be realised within 12 months of the reporting date.

Estimates and assumptions

Preparation of consolidated financial statements in conformity with IASB standards requires management to make estimates and assumptions that affect the reported amounts and recognition of assets and liabilities, income and expenses and contingent liabilities. The main estimates and assumptions relate to the uniform estimation of useful lives for assets throughout the Group, the recognition and measurement of provisions – in particular provisions for pensions and similar obligations – and goodwill and guarantee provisions, and the probability that deferred tax assets will be realised. The underlying estimates and assumptions, and the associated carrying amounts, are explained in the relevant sections of the notes. Actual amounts can vary from estimated amounts in individual instances. Any such variance is recognised in profit or loss when identified.

The consolidated financial statements are prepared on a cost basis with the exception of financial instruments classified as financial assets or financial liabilities at fair value through profit and loss or available-for-sale in accordance with IAS 39, which are accordingly measured as fair value. The accounting policies used in preparing the consolidated financial statements are set out below.

Expense and revenue recognition

Revenue is normally recognised when service is rendered or goods are delivered. Net sales are presented net of trade discounts and rebates. Cost of sales includes all direct and indirect costs incurred in generating revenue, including depreciation on production machinery. Cost of sales 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.

Selling expenses and administrative expenses

Selling expenses and administrative 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 2009 or 2008.

Borrowing costs

Borrowing costs are recognised in profit or loss, provided they do not relate directly to the acquisition, development or production of qualified assets. If this is the case, these direct borrowing costs are capitalised as incidental costs of acquisition of the qualified asset. Qualifying assets are assets which require a substantial period of time to bring them to a condition suitable for use or sale. Borrowing costs of EUR 55 thousand were capitalised in 2009. The borrowing costs rate applied, which formed the basis for determining the capitalisable borrowing costs, amounted to 5.11 percent in the year under review.

Intangible assets

Finite-lived intangible assets acquired for valuable consideration are recognised at cost and amortised on a straight-line basis over their useful lives (3 to 5 years in the Wilo Group). The amortisation charge for the year is allocated to functional areas as appropriate. In accordance with IFRS 3 and IAS 38 read in conjunction with IAS 36, goodwill and indefinite-lived intangible assets acquired for valuable consideration are not amortised but are tested for impairment annually and whenever there is an indication that they may be impaired. If impairment testing of goodwill or of an indefinite-lived intangible asset acquired for valuable consideration shows the goodwill or the asset to be impaired, the impairment loss is recognised in other operating expenses.

Property, plant and equipment

Tangible 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. Estimated useful lives are based on economic depreciation and experience with similar assets. The estimated useful life of a building is between 10 and 60 years; leasehold improvements are depreciated over their useful life or, if shorter, the lease term. Estimated useful lives of plant and machinery are up to 14 years. Fixtures and fittings, tools and equipment subject to normal use are depreciated over 3 to 13 years. Significant parts of an asset that meet the criteria set out in IAS 16 are accounted for using the component approach. The depreciation charge for the year is allocated to functional areas as appropriate.

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 in line with IAS 17 the asset-side and liability amounts 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 immediately recognised as expense in profit or loss.

Impairment of assets

Assets are tested for impairment at each reporting date. 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 at least annually for impairment and whenever there is an indication that it may be impaired. On 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 reporting date 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 plans over a strategic planning horizon of up to five years. An appropriate, unit-specific growth factor is applied. The plans are based on past experience and projected market development. The cash-generating units in the Wilo Group are identified by dividing the divisions comprising the Heating and Air Conditioning, Water and Sewage segments into product groups. On impairment testing, goodwill and all other assets are allocated to cash-generating units and their carrying amounts compared with the recoverable amount of the cash-generating unit to which they are allocated. If the recoverable amount of a cash-generating unit is lower than the total carrying amount of the goodwill and all other assets allocated to it, an impairment must be recognised in profit or loss. An impairment loss is first allocated to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then pro rata to other assets in the unit. Impairment losses are reported in other operating expenses in the income statement.

The discount rate used in annual impairment testing of cash-generating units is determined on the basis of market data. A rate of 8.1 percent after tax was used in 2009 (2008: 9.1 percent). Unchanged from the previous year, the unit-specific growth factor is up to 1.1 percent.

Equity-accounted investments

Investments in jointly controlled entities are measured using the equity method of accounting and reported in the equity-accounted investments item on the balance sheet. The proportionate consolidation method is not used.

Financial assets

Financial assets comprise loans and receivables, acquired equity and debt securities, cash and their equivalents, and derivatives with positive fair values. Within the Wilo Group, these financial assets are reported under trade accounts receivable, other financial assets and cash.

Financial assets are recognised and measured in line with IAS 39. Accordingly, financial assets are reported in the consolidated balance sheet 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 lower interest rates are initially recognised at the present value of the expected future cash flows.

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

Financial assets at fair value through profit and loss 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 of value increase or impairment. 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 it does not concern current receivables and the effect from unwinding discounts 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 disclosed by the Wilo Group as at 31 December 2009 and 2008.

Available-for-sale financial assets comprise non-derivative financial assets that are not classified in one of the categories already stated. These include in particular equity securities (e.g. shares) which are contained in other financial assets. 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 sale, unless the fair value over a longer period of time is greater or materially lower 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 which were 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 have objective substantial indications for an 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 is performed in the amount of the difference. Indications for an impairment include several years' operating loss in a company, reduction of fair value, material deterioration of credit quality, significant payment delays, a particular breach of contract, the high probability of insolvency or another form of the debtor's financial restructuring, or the disappearance of an active market. If the reasons for impairments undertaken discontinue, appropriate reversals are performed, but not in excess 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

Materials and supplies and goods 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 measured at costs of conversion. These include all costs directly attributable to production and a systematic allocation of production overheads. Production overheads include production-related depreciation, pro-rata administration costs and pro-rata social insurance costs. Costs of conversion do not include borrowing costs. Adjustments are made in respect of materials and supplies and in respect of goods for quality and functional defects and for risks of failure to sell.

Inventories are measured at the lower of cost and net realisable value at the reporting date, where net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Derivatives

Derivatives are used to reduce exchange rate, interest rate and raw material price risk in the Wilo Group. These instruments represent 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 valuation techniques based on market parameters specific to each instrument. Fair value is determined using net present value and option pricing models based where possible on quoted market prices and interest rates at the reporting date. All changes in fair value are recognised immediately in profit or loss. The fair value of forward exchange contracts is determined using the mean spot exchange rate on the reporting date and taking into account the forward premiums and discounts for the remaining contract term with respect to the agreed forward exchange rate. The fair 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. Fair value measurement of derivative financial instruments is performed by banks.

Changes in fair value of the derivatives as at the balance sheet date are recognised directly in the income statement in other net financial income. 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 classified in the operating area and the income and expenses from the measurement of this item was 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 made, coverage of future pension obligations, deferrals, and employee receivables, which are not financial assets. These 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 certain to be utilised. Deferred tax assets are tested for impairment at the reporting date. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply when the asset is realised or the liability settled, based on the tax rates and tax laws enacted or substantively enacted in each country by the reporting date. The tax consequences of dividends are not recognised until endorsement of the dividend proposal. Deferred tax assets are only offset against deferred tax liabilities if they relate to income taxes levied by the same taxation authority and have matching terms. Information on the deferred taxes at 31 December 2009 is provided in Note (8.10).

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 as income over the periods necessary to match them with the costs they are intended to compensate. Investment subsidies are recognised as deferred income and amortised over the useful life of the subsidised asset.

Equity

Treasury stock is measured at cost and reported under a separate item as a deduction from equity.

Financial liabilities

Financial liabilities comprise non-derivative financial liabilities and negative fair values of derivative financial instruments which are classified as financial liabilities at fair value through profit and loss in accordance with IAS 39. In the Wilo Group, financial liabilities consist of liabilities due to banks, trade accounts payable and liabilities reported under other financial liabilities. Non-derivative liabilities are recognised in the consolidated balance sheet if the Wilo Group has a contractual obligation to transfer cash or other financial assets to another party in accordance with IAS 32. Non-derivative liabilities are initially recognised at cost of service or value of cash received. As part of subsequent measurement, finance lease liabilities are recognised at the present value of the minimum lease payments at the inception of the lease. All other financial liabilities classified as other liabilities are recognised at their settlement amount or at amortised cost using the effective interest method. Non-interest-bearing financial liabilities and those subject to low rates of interest are discounted at the market interest rate. Financial liabilities are derecog-nised 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, which are not financial liabilities as defined by IAS 32. These are measured at amortised cost.

Provisions for pensions and similar obligations

Defined contribution plans
Obligations under defined contribution plans are determined by contributions payable for the period under review.

Defined benefit plans
Provisions are recognised for liabilities of uncertain timing or amount relating to defined benefit obligations. In accordance with IAS 19, provisions for defined benefit obligations are determined 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 for pensions, with the exception of the interest portion included in net financial income, is allocated to the relevant functional areas. Defined benefit obligations are determined using actuarial methods essential to the measurement of projected benefits. The calculations use the following parameters, shown here on a weighted-average basis:

Benefit obligation calculation parameters

in %	31.12.2009	31.12.2008
Interest rate	4.91	6.00
Pension indexation	2.11	2.09
Salary increase	2.97	3.00
Fluctuation rate	4.49	4.47

The expected return on plan assets allocated to defined benefit obligations is 4.04 percent (2008: 4.21 percent) based on historical data and stated on a weighted-average basis.

The actuarial present value of defined benefit obligations calculated using the projected unit credit method is reduced by the fair value of plan assets, provided that the criteria specified in 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 at each reporting date. Provisions are not offset against rights of recourse.

Changes of accounting methods

In 2009, the Wilo Group retrospectively changed the disclosure of financial assets and financial liabilities in the consolidated balance sheet. In non-current assets, former financial assets and other assets are now disclosed under the balance sheet items other financial assets and other receivables and assets. Current former other assets are now divided between other financial assets and other receivables and assets. In addition, former other liabilities are now divided into other financial liabilities and other liabilities. Finally, provisions for pensions and similar obligations are reported in one balance sheet item. The changes are aimed at creating greater transparency and comprehensibility in the consolidated financial statements and the components of the financial statements. The values for 2008 were adjusted accordingly. The financial statements of earlier periods were not amended. The changes have no impact on the consolidated income statement, the consolidated cash flow statement or the consolidated statement of changes in equity. Corresponding adjustments were made in the notes to the consolidated financial statements.

The amended disclosure has the following effect on the consolidated financial statements as at 31 December 2008:

Amendment to disclosure and accounting methods

EUR '000 Balance sheet item before renaming	Old disclosure 31.12.2008	Adjustment	New disclosure 31.12.2008	Balance sheet item after renaming
Assets				**Assets**
Non-current assets				Non-current assets
Other financial assets	4,597	-2,165	2,432	Other financial assets
Other assets	1,229	2,165	3,394	Other receivables and assets
Sundry other assets	245,734	0	245,734	Sundry other assets
	251,560	0	251,560	
Current assets				Currrent assets
Other receivables and assets	26,168	-19,291	6,877	Other financial assets
	0	19,291	19,291	Other receivables and assets
Sundry other assets	390,322	0	390,322	Sundry other assets
	416,490	0	416,490	
	668,050	**0**	**668,050**	
Liabilities				**Liabilities**
Equity	282,457	0	282,457	Equity
Non-current liabilities				Non-current liabilities
Other liabilities	17,203	-1,257	15,946	Other financial liabilities
	0	1,257	1,257	Other liabilities
Provisions for pensions	35,936	6,772	42,708	Provisions for pensions and similar obligations
Provisions for similar obligations	6,772	-6,772	0	
Sundry other liabilities	110,324	0	110,324	Sundry other liabilities
	170,235	0	170,235	
Current liabilities				Current liabilities
Other liabilities	87,157	-49,007	38,150	Other financial liabilities
	0	49,007	49,007	Other liabilities
Sundry other liabilities	128,201	0	128,201	Sundry other liabilities
	215,358	0	215,358	
	668,050	**0**	**668,050**	

(8) Notes to the consolidated income statement

(8.1) Net sales

Net sales	2009		2008	
	EUR '000	%	EUR '000	%
Western Europe	507,486	54.8	531,936	54.4
Eastern Europe	195,244	21.1	239,298	24.5
Asia	169,767	18.3	151,598	15.5
Other regions	53,600	5.8	54,402	5.6
Total	**926,097**	**100.0**	**977,234**	**100.0**

(8.2) Cost of sales

This item consists of costs of conversion and costs of purchase of goods sold.

Cost of sales		
EUR '000	2009	2008
Raw materials and consumables	-390,136	-430,937
Personnel expenses	-96,852	-94,937
Depreciation and amortisation of intangible assets and property, plant and equipment	-20,504	-17,470
Third-party maintenance	-6,101	-6,353
Rental payments	-3,522	-3,044
Other personnel expenses	-2,477	-2,719
Travel and entertainment expenses	-1,765	-2,235
Other	-35,753	-38,334
Total	**-557,110**	**-596,029**

(8.3) Selling expenses

Selling expenses		
EUR '000	2009	2008
Personnel expenses	-94,407	-91,120
Advertising costs	-20,118	-26,205
Outgoing freight	-19,159	-23,907
Sales force	-15,429	-16,360
Rental payments	-8,981	-9,340
Depreciation and amortisation of intangible assets and property, plant and equipment	-4,578	-4,285
Valuation allowances on trade receivables (net)	-3,796	-683
Legal and consulting expenses	-970	-1,138
Credit risks	-736	-594
Other	-18,307	-22,722
Total	**-186,481**	**-196,354**

(8.4) Administrative expenses

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

Administrative expenses		
EUR '000	2009	2008
Personnel expenses	-30,811	-29,597
Legal and consulting costs	-5,704	-6,988
Depreciation and amortisation of intangible assets and property, plant and equipment	-4,984	-4,416
Other personnel costs	-4,556	-3,408
Rental payments	-1,955	-1,485
Travel and entertainment expenses	-1,863	-2,248
Communication costs	-1,585	-1,235
Other	-13,212	-12,795
Total	**-64,670**	**-62,172**

(8.5) Research and development costs

Research and development costs		
EUR '000	2009	2008
Personnel expenses	-18,747	-17,696
Third-party maintenance	-9,812	-8,126
Depreciation and amortisation of intangible assets and property, plant and equipment	-2,064	-1,748
Legal and consulting costs	-658	-847
Other	-4,026	-6,037
Total	**-35,307**	**-34,454**

(8.6) Other operating income

Other operating income includes EUR 8,164 thousand (2008: EUR 9,929 thousand) in foreign-currency gains from operating activities, EUR 1,409 thousand (2008: EUR 1,522 thousand) in gains from disposals of intangible assets and property, plant and equipment and EUR 356 thousand (2008: EUR 197 thousand) in government grants.

The foreign-currency gains from operating activities mainly consist of gains due to exchange rate changes between the inception and settlement of foreign-currency payables and receivables, and foreign-currency gains resulting from measurement at the reporting date exchange rate. Foreign-currency losses on these items are reported under other operating expenses. 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 '000	2009	2008
Foreign-currency losses from operating activities	-7,846	-13,834
Losses on disposals of intangible assets and propert, plant and equipment	-1,245	-1,558
Other	-2,380	-3,833
Total	**-11,471**	**-19,225**

(8.8) Net income from equity-accounted investments

The negative EUR 321 thousand (2008: negative EUR 952 thousand) net income from equity-accounted investments relates entirely to the jointly controlled entity WILO Middle East LLC, Riyadh, Saudi Arabia.

(8.9) Net financial income

Net financial income is made up as follows:

Net financial income		
EUR '000	2009	2008
Net interest income	-6,137	-5,363
Other net financial income	15,557	-20,451
Total	**9,420**	**-25,814**

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

Net interest income		
EUR '000	2009	2008
Interest income on cash and cash equivalents and on loans granted	977	1,141
Settlement of derivative financial instruments	582	586
Interest income	**1,559**	**1,727**
Interest on debt outstanding	-7,329	-6,680
Interest on finance leases	-367	-410
Interest expenses	**-7,696**	**-7,090**
Total	**-6,137**	**-5,363**

Other net financial income is made up as follows:

Other net financial income		
EUR '000	2009	2008
Gains on derivative financial instruments	23,828	2,396
Foreign-currency gains from financing activities	1,932	0
Dividends from associates	65	60
Sundry other income	56	16
Other financial income	**25,881**	**2,472**
Losses on derivative financial instruments	-7,175	-18,075
Unwinding of discount on non-current provisions and liabilities	-2,254	-2,257
Foreign-currency losses from financing activities	-834	-2,591
Sundry other expenses	-61	0
Other financial expenses	**-10,324**	**-22,923**
Total	**15,557**	**-20,451**

Gains on derivative financial instruments mainly result from positive utilisation and measurement effects from commodity derivatives amounting to EUR 23,073 thousand used to counter price changes on raw materials sourced by the Wilo Group. The utilisation of raw materials derivatives, which was still measured at a negative fair value as at 31 December 2008, was reflected in other net financial income at EUR 12,213 thousand. The actual earnings or expenses resulting on the settlement date from the utilisation of commodity derivatives were disclosed in cost of sales. Furthermore, the measurement of commodity derivatives held by the Wilo Group as at 31 December 2008 and 2009 had a positive effect amounting to EUR 10,860 thousand on the 2009 net financial income, as raw material prices, in particular for copper, rose significantly during 2009. The total commodity derivatives held have a positive fair value of EUR 5,008 thousand as at 31 December 2009.

Foreign-currency gains from financing activities of EUR 1,932 thousand (2008: foreign-currency losses of EUR 2,591 thousand) result mainly from the translation of the senior notes issue launched in 2006 originally of EUR 67.5 million (USD 80.0 million) (see Note (9.11) of the notes to the consolidated financial statements), as well as from foreign-currency intragroup loans.

The currency risk on the notes is fully covered by interest rate and currency swaps whose negative fair value was measured at EUR 8,886 thousand (2008: EUR 4,383 thousand) at the reporting date. Losses on derivative financial instruments include a EUR 4,503 thousand loss (2008: EUR 1,993 thousand gain) on fair value measurement of interest rate and currency swaps.

(8.10) Income taxes

Income taxes		
EUR '000	**2009**	**2008**
Current tax expense	–30,955	–20,655
Tax expense of prior periods	753	–131
Current income taxes	**–30,202**	**–20,786**
Deferred tax assets/liabilities	–1,242	4,173
Income taxes	**–31,444**	**–16,613**

The 2008 Corporate Tax Reform Act reduced the corporation tax rate in Germany from 25 percent to 15 percent with effect from 1 January 2008. The Corporate Tax Reform Act also decreased a multiplier used in the assessment of taxable trade income and reclassified trade tax as a non-deductible operating expense. Overall, the 2008 German corporate tax reform reduced the combined corporation tax and trade tax burden from 39.5 percent to 30.8 percent. Deferred taxes are measured using this combined tax rate of 30.8 percent. The measurement of current income taxes for 2009 is based on a combined total of 15.8 percent for corporation tax and the German solidarity surcharge plus trade tax approximating to 15.0 percent (2008: 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.

Analysis of deferred taxes by balance sheet item

Deferred tax assets and liabilities are recognised as follows in relation to temporary differences on individual balance sheet items and to tax loss carryforwards:

Deferred taxes by balance sheet item				
	Deferred tax assets		Deferred tax liabilities	
EUR '000	**2009**	**2008**	**2009**	**2008**
Intangible assets	66	83	1,700	1,578
Property, plant and equipment	691	254	6,604	7,761
Inventories	4,114	4,127	84	54
Receivables and other assets	1,918	1,333	887	507
	6,789	**5,797**	**9,275**	**9,900**
Liabilities to banks	0	0	3,670	3,441
Trade accounts payable	148	1,142	0	13
Provisions for pensions and similar obligations	4,668	3,541	24	17
Other provisions and liabilities	6,711	5,934	4,709	1,456
Tax loss carryforwards	328	385	0	0
	11,855	**11,002**	**8,403**	**4,927**
Amount recognised	**18,644**	**16,799**	**17,678**	**14,827**

Unused tax losses came to EUR 29,674 thousand (2008: EUR 20,663 thousand) at the reporting date, of which EUR 2,147 thousand (2008: EUR 2,223 thousand) can be carried forward indefinitely. Unused tax losses of EUR 27,527 thousand (2008: EUR 18,440 thousand) can be carried forward for up to 20 years.

Applying local income tax rates to the total amount of tax loss carryforwards would result in the recognition of EUR 9,190 thousand (2008: EUR 6,345 thousand) in deferred tax assets. EUR 8,862 thousand (2008: EUR 5,960 thousand) of this total was not recognised at the reporting date because it was not probable that they would be utilised.

The Group has not recognised a deferred tax liability for taxable temporary differences on investments in subsidiaries, associates or jointly controlled entities because the amount would not be material.

Reconciliation of income taxes

The measurement of deferred taxes relating to domestic taxation for 2009 is based on a combined total of 15.8 percent for corporation tax and the German solidarity surcharge plus trade tax approximating to 15.0 percent (total figure in 2008: 30.8 percent).

The Wilo Group shows a tax expense of EUR 31,444 thousand (2008: EUR 16,613 thousand) in the consolidated income statement for 2009. This is EUR 629 thousand higher (2008: EUR 2,441 thousand lower) than the expected tax charge of EUR 30,815 thousand (2008: EUR 19,054 thousand) obtained by applying the domestic rate of 30.8 percent (2008: 30.8 percent) at Group level.

The difference is attributable to the following causes:

Tax reconciliation statement

EUR '000	**2009**	**2008**
Consolidated net income before taxes	100,017	61,843
Expected tax expense	**-30,815**	**-19,054**
Tax rate changes	-176	335
Difference from foreign tax rates	4,034	6,456
Goodwill impairments and temporary differences arising on consolidation	387	-2,790
Other permanent differences	-3,118	371
Tax-free income	1,429	402
Unrecognised deferred tax assets on tax loss carryforwards	-2,902	-683
Withholding tax	-762	-1,369
Current tax of prior periods	753	-131
Other	-274	-150
Applicable tax expense	**-31,444**	**-16,613**

(8.11) Consolidated net income

Consolidated net income		
EUR '000	2009	2008
Earnings before interest and taxes (EBIT)	**90,918**	**88,609**
Net income from equity-accounted investments	-321	-952
Net financial income	9,420	-25,814
Consolidated net income before taxes	**100,017**	**61,843**
Income taxes	-31,444	-16,613
Consolidated net income after taxes	**68,573**	**45,230**

EBIT is stated before net income from equity-accounted investments, net financial income 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 financial income.

(8.12) Earnings per share

Earnings per share is determined by dividing consolidated net income attributable to WILO SE shareholders by the weighted average number of shares outstanding in the year under review. Both basic and diluted earnings per share, after deducting consolidated net income attributable to minority interests, are EUR 7.04 (2008: EUR 4.57).

Earnings per share		
	2009	2008
Consolidated net income after taxes (EUR '000) attributable to shareholders of WILO SE	68,297	44,446
Number of shares as at 31.12	9,693,000	9,720,500
Weighted average number of shares	9,699,875	9,720,358
Earnings per share (EUR)	**7.04**	**4.57**

(9) Notes to the balance sheet

(9.1) Intangible assets

Intangible assets changed as follows in 2008 and 2009:

Intangible assets

EUR '000	Patents and individual property rights	Goodwill	Advance payments made	**Total**
Accumulated cost				
1 January 2008	20,203	63,949	161	**84,313**
Currency translation	-101	-2,551	0	**-2,652**
Additions	2,304	0	244	**2,548**
Disposals	-439	-49	0	**-488**
Reclassifications	245	0	-245	**0**
31 December 2008	**22,212**	**61,349**	**160**	**83,721**
1 January 2009	22,212	61,349	160	**83,721**
Currency translation	10	693	0	**703**
Additions	1,405	0	522	**1,927**
Disposals	-1,493	0	-4	**-1,497**
Reclassifications	569	0	-552	**17**
31 December 2009	**22,703**	**62,042**	**126**	**84,871**
Accumulated amortisation				
1 January 2008	15,744	7,848	0	**23,592**
Currency translation	-119	-508	0	**-627**
Amortisation	2,521	0	0	**2,521**
Disposals	-436	0	0	**-436**
31 December 2008	**17,710**	**7,340**	**0**	**25,050**
1 January 2009	17,710	7,340	0	**25,050**
Currency translation	11	124	0	**135**
Amortisation	2,463	0	0	**2,463**
Disposals	-1,316	0	0	**-1,316**
Reclassifications	-28	0	0	**-28**
31 December 2009	**18,840**	**7,464**	**0**	**26,304**
Net book amount				
1 January 2008	4,459	56,101	161	**60,721**
31 December 2008	**4,502**	**54,009**	**160**	**58,671**
1 January 2009	4,502	54,009	160	**58,671**
31 December 2009	**3,863**	**54,578**	**126**	**58,567**

The additions to patents and industrial property rights mainly relate to software. Software has a finite useful life and is amortised over 3 years.

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

No impairments of cash-generating units were recognised as a result of goodwill impairment testing in 2009.

Goodwill allocated to divisions changed as follows in 2009:

Goodwill

EUR '000 Division	1.1.2009	Currency translation	**31.12.2009**
Sub Tec	21,574	-97	21,477
Water Tec	16,788	576	17,364
Circulators	6,990	43	7,033
Pumps	8,657	47	8,704
Total	**54,009**	**569**	**54,578**

(9.2) Property, plant and equipment

Property, plant and equipment changed as follows in 2009 and 2008:

Property, plant and equipment

EUR '000	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Advance payments made and assets under construction	Total
Accumulated cost					
1 January 2008	91,874	115,775	151,658	11,327	**370,634**
Currency translation	-1,908	-1,955	-3,344	-54	**-7,261**
Additions	7,700	8,588	17,355	16,116	**49,759**
Disposals	-59	-1,962	-7,307	-776	**-10,104**
Reclassifications	1,668	2,907	7,082	-11,657	**0**
31 December 2008	**99,275**	**123,353**	**165,444**	**14,956**	**403,028**
1 January 2009	99,275	123,353	165,444	14,956	**403,028**
Currency translation	124	382	568	-18	**1,056**
Additions	3,447	7,033	14,832	12,514	**37,826**
Changes in the composition of the consolidated group	0	0	2	0	**2**
Disposals	-100	-2,752	-7,786	-282	**-10,920**
Reclassifications	6,501	7,189	6,014	-19,721	**-17**
31 December 2009	**109,247**	**135,205**	**179,074**	**7,449**	**430,975**
Accumulated depreciation					
1 January 2008	32,388	79,210	112,227	0	**223,825**
Currency translation	-528	-1,407	-2,428	0	**-4,363**
Depreciation	2,709	7,892	14,797	0	**25,398**
Reclassifications	7	-380	373	0	**0**
Disposals	-29	-1,462	-5,233	0	**-6,724**
31 December 2008	**34,547**	**83,853**	**119,736**	**0**	**238,136**
1 January 2009	34,547	83,853	119,736	0	**238,136**
Currency translation	111	247	534	0	**892**
Depreciation	3,348	9,209	17,110	0	**29,667**
Reclassifications	0	0	28	0	**28**
Disposals	-41	-2,682	-6,108	0	**-8,831**
31 December 2009	**37,965**	**90,627**	**131,300**	**0**	**259,892**
Net book amount					
1 January 2008	59,486	36,565	39,431	11,327	**146,809**
31 December 2008	**64,728**	**39,500**	**45,708**	**14,956**	**164,892**
1 January 2009	64,728	39,500	45,708	14,956	**164,892**
31 December 2009	**71,282**	**44,578**	**47,774**	**7,449**	**171,083**

Property, plant and equipment includes EUR 7,104 thousand in leased assets (2008: EUR 7,432 thousand). The leases concerned are classified as finance leases under IAS 17 and all risks and rewards incident to ownership are consequently transferred to the Wilo Group. The net book amounts of the finance leases are as follows:

The net book amounts of the finance leases		
EUR '000	31.12.2009	31.12.2008
Buildings	4,147	4,430
Plant and machinery	184	212
Fixtures and fittings, tools and equipment	2,773	2,790
Total	**7,104**	**7,432**

The total future minimum lease payments and the derivation of their present value are shown in the table below. The carrying amount of the corresponding liabilities at 31 December 2009 was EUR 5,064 thousand (2008: EUR 5,779 thousand).

Minimum lease payments		
EUR '000	31.12.2009	31.12.2008
Total minimum lease payments	5,712	6,566
Interest portion	-648	-787
Present value	**5,064**	**5,779**
Not later than one year	1,715	1,987
One to five years	3,321	3,311
Later than five years	28	481

(9.3) Operating leases

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

Operating leases		
EUR '000	31.12.2009	31.12.2008
Total minimum lease payments	**33,529**	**27,105**
Not later than one year	10,297	9,242
One to five years	18,879	14,792
Later than five years	4,353	3,071

The operating leases mainly relate to rented premises, fixtures and fittings, tools and equipment. Minimum lease payments for operating leases of EUR 14,816 thousand (2008: EUR 14,192 thousand) were recognised as expense in 2009.

(9.4) Equity-accounted investments

The equity-accounted investments solely consist of shares in the jointly controlled entity WILO Middle East LLC, Riyadh, Saudi Arabia. Detailed information is provided in Note (4).

(9.5) Inventories

Inventories		
EUR '000	31.12.2009	31.12.2008
Materials and supplies	36,316	42,284
Work in progress	16,562	17,490
Finished goods	77,940	87,035
Advance payments made	347	258
Total	**131,165**	**147,067**

The total inventories figure consists of a gross carrying amount of EUR 149,356 thousand (2008: EUR 164,688 thousand) less writedowns of EUR 18,191 thousand (2008: EUR 17,621 thousand). EUR 570 thousand (2008: EUR 862 thousand) in writedowns of inventories were recognised as an expense in cost of sales in 2009.

Inventories are not subject to any restrictions beyond the suppliers' customary retention of title.

(9.6) Trade accounts receivable

Trade accounts receivable result from usual supply and service in the Wilo Group. Current trade accounts receivable of EUR 180,618 thousand (2008: EUR 197,803 thousand) are due in 2010. Non-current trade accounts receivable of EUR 3,224 thousand (2008: EUR 2,238 thousand) are due later than one year. There are no restrictions on trade accounts receivable.

The Executive Board estimates that the carrying amounts of trade accounts receivable are approximate 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 at the reporting date. 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 other events or information affecting the collectability of trade accounts receivable. General valuation allowances are recognised on the basis of risk experience as to general credit risk and country risk. Specific and general valuation allowances are charged to separate adjustment accounts. Objectively uncollectable receivables are derecognised.

Valuation allowances on trade accounts receivable are recognised in separate adjustment accounts. Specific and general valuation allowances on trade accounts receivable changed as follows in 2009 and 2008:

Specific valuation allowances

Specific valuation allowances		
EUR '000	**2009**	**2008**
1 January	5,561	6,527
Additions	3,621	731
Utilisation	-258	-1,194
Reversals	-635	-503
31 December	**8,289**	**5,561**

General valuation allowances

General valuation allowances		
EUR '000	**2009**	**2008**
1 January	2,102	2,323
Additions	1,318	730
Utilisation	-19	-676
Reversals	-508	-275
31 December	**2,893**	**2,102**

(9.7) Other financial assets

Other financial assets are composed as follows as at 31 December 2009 and 2008:

Other financial assets

	31.12.2009			31.12.2008		
		Expected to be recovered in			Expected to be recovered in	
EUR '000	Total	< 1 year	> 1 year	Total	< 1 year	> 1 year
Receivables from subsidiaries, jointly controlled entities and associates	417	417	0	1,555	1,555	0
Receivables from derivative financial instruments	5,107	5,023	84	1,514	1,514	0
Loans	1,038	0	1,038	1,010	0	1,010
Available-for-sale financial assets	258	0	258	244	0	244
Other financial receivables	6,253	4,691	1,562	4,986	3,808	1,178
Total	**13,073**	**10,131**	**2,942**	**9,309**	**6,877**	**2,432**

Available-for-sale financial assets include equity securities of EUR 245 thousand (2008: EUR 231 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 2009. The Executive Board estimates that the carrying amounts of other financial assets are approximate 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 2009 and 2008:

Other receivables and assets

	31.12.2009			31.12.2008		
		Expected to be recovered in			Expected to be recovered in	
EUR '000	Total	< 1 year	> 1 year	Total	< 1 year	> 1 year
Tax refund claims	6,831	6,797	34	11,902	11,885	17
Advance payments made	3,865	3,847	18	4,675	4,664	11
Reimbursement rights	3,876	0	3,876	3,343	0	3,343
Deferred expenses	2,156	2,156	0	2,151	2,151	0
Employee receivables	712	712	0	614	591	23
Total	**17,440**	**13,512**	**3,928**	**22,685**	**19,291**	**3,394**

(9.9) Cash and cash equivalents

The cash and cash equivalents totalling EUR 140,391 thousand (2008: EUR 45,452 thousand) mainly comprise cash and bank sight deposits. Cash and cash equivalents in the amount of EUR 98 thousand (2008: EUR 76 thousand) are subject to restrictions.

(9.10) Equity

Share capital
The EUR 26.0 million share capital of WILO SE at the reporting date is fully paid. The share capital is divided into 10.0 million registered no-par shares with restricted transferability.

Retained earnings
In accordance with Section 150 (2) of the German Stock Corporation Act (AktG), retained earnings include a legal reserve corresponding to 10.0 percent of the subscribed share capital of the Group parent, WILO SE.

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 stock
307,000 (2008: 279,500) shares of treasury stock with a carrying amount of EUR 8,557 thousand (2008: EUR 7,829 thousand) were accounted for as a deduction from equity at 31 December 2009.

The number of shares outstanding changed as follows in the period under review:

Shares outstanding

Number of shares	2009	2008
1 January	9,720,500	9,728,000
Purchases of treasury stock	-27,500	-16,000
Disposals of treasury stock	0	8,500
31 December	**9,693,000**	**9,720,500**

Minority interests
Minority interests are held by shareholders in Mather and Platt Pumps Ltd., Pune, India (6.85 percent) and Mather and Platt Fire Systems Ltd., Pune, India (44.52 percent).

Dividends
No dividends were distributed to WILO SE shareholders in 2009. The dividend distribution in 2008 amounted to EUR 38,079 thousand. This corresponds to a dividend per share of EUR 3.95 in 2008.

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 2009 was EUR 351,814 thousand (2008: EUR 282,457 thousand). This is mostly accounted for by EUR 348,641 thousand (2008: EUR 280,620 thousand) in freely disposable retained earnings. Retained earnings were reduced in 2009 by the EUR 839 thousand (2008: EUR 8,443 thousand) difference between the acquisition cost and the carrying amount of additional shares acquired in Mather and Platt Pumps Ltd. This difference is disclosed in the statement of changes in equity under transactions with owners. Detailed information on the acquisition of additional shares in Mather and Platt Pumps Ltd. is provided in Note (4).

WILO SE is subject to capital requirements under covenants on senior notes. The Company fully met the capital requirements in 2009 and 2008. Detailed information about the senior notes is provided in Note (9.11).

(9.11) Liabilities due to banks

Liabilities due to banks are composed as follows as at 31 December 2009 and 2008:

Liabilities due to banks

EUR '000	31.12.2009	31.12.2008
Non-current liabilities due to banks		
due in		
> 1< 5 years	47,531	49,124
> 5 years	29,928	34,497
	77,459	**83,621**
Current liabilities due to banks		
due in		
< 1 year	**22,686**	**19,460**

Non-current liabilities due to banks

WILO SE issued originally EUR 67.5 million (USD 80.0 million) in senior notes in a US private placement on 21 March 2006 consisting of two tranches of USD 40.0 million each and maturing in 2013 and 2016 respectively. The notes carry a fixed rate of interest over their entire term and the currency risk on them is covered by the use of derivative financial instruments. They are not secured against real property or financial instruments of the Company. The notes are subject to customary covenants requiring the Company to maintain certain financial ratios within set bands (ratio of assets pledged as security to total assets, ratio of consolidated net debt to consolidated EBITDA, and a capital requirement). WILO SE fully complied with the covenants in 2009 and 2008. The notes are also subject to a range of customary grounds for termination.

In 2008, WILO SE issued EUR 25.0 million in senior notes maturing in 2015 and repayable in instalments beginning 30 December 2009. The outstanding liability at the reporting date was EUR 22.9 million (2008: EUR 25.0 million). This is allocated between a current and a non-current portion in accordance with the repayment schedule. They are not secured against real property or financial instruments of the Company. The notes are subject to customary covenants requiring the Company to maintain certain financial ratios within set bands (ratio of EBITDA to consolidated interest expense, ratio of consolidated net debt to consolidated EBITDA, and a capital requirement). WILO SE fully complied with the covenants in 2009 and 2008. The notes are also subject to a range of customary grounds for termination.

Liabilities due to banks also include two loans (2008: two loans) for a total of EUR 10.0 million (2008: EUR 10.0 million). The outstanding liability at the reporting date was EUR 4.4 million (2008: EUR 5.6 million). This is allocated between a current and a non-current portion in accordance with the repayment schedule. The current portion is included in current liabilities due to banks. The non-current portion is due between 2011 and 2013. The fixed annual rates of interest on these loans and the notes range from 3.90 percent to 5.54 percent.

Two loans with an outstanding liability of EUR 4.4 million on 31 December 2009 are secured as at 31 December 2009 by a EUR 10.0 million charge on the Company's premises in Heimgartenstrasse 1-3, Hof, Germany.

The fair value of non-current liabilities due to banks, calculated by banks using net present value models, was EUR 92,024 thousand (2008: EUR 90,225 thousand) at 31 December 2009.

Current liabilities due to banks

Current liabilities due to banks mainly consist of overdrafts, short-term money market loans and the current portion of non-current liabilities to banks which will be repaid in 2010.

(9.12) Trade accounts payable

Trade accounts payable are composed as follows as at 31 December 2009 and 2008:

Trade accounts payable

EUR '000	31.12.2009	31.12.2008
Trade accounts payable		
due in		
> 1 < 5 years	1,218	8,408
< 1 year	69,804	66,683

Trade accounts payable consist of current liabilities to suppliers. The Executive Board estimates that the carrying amounts of non-current trade accounts payable are approximate to their fair values.

(9.13) Other financial liabilities

Other financial liabilities are composed as follows as at 31 December 2009 and 2008:

Other financial liabilities		
EUR '000	31.12.2009	31.12.2008
Non-current other financial liabilities		
Liabilities from derivative financial instruments		
due in		
> 1 < 5 years	4,849	9,017
> 5 years	4,712	1,388
Liabilities from finance leases		
due in		
> 1 < 5 years	3,321	3,311
> 5 years	28	481
Sundry other financial liabilities		
due in		
> 1 < 5 years	1,566	1,441
> 5 years	321	308
Total	**14,797**	**15,946**
Current other financial liabilities		
Notes payable	6,984	5,367
Liabilities to subsidiaries, jointly controlled entities and associated companies	2,655	1,508
Liabilities from finance leases	1,715	1,987
Liabilities from derivative financial instruments	44	12,213
Sundry other financial liabilities	17,706	17,075
Total	**29,104**	**38,150**

Current other financial liabilities have a maturity 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 estimates that the carrying amount of other financial liabilities approximates to their fair value.

(9.14) Other liabilities

Other financial liabilities as at 31 December 2009 and 2008 are shown in the following table:

Other liabilities		
EUR '000	31.12.2009	31.12.2008
Non-current other liabilities		
Deferred income	1,494	1,198
Advance payments made	0	59
Total	**1,494**	**1,257**
Current other liabilities		
Tax liabilities	22,959	15,724
Personnel liabilities	18,216	18,815
Advance payments made	8,162	8,257
Social security liabilities	4,728	3,515
Prepaid income	543	683
Sundry other liabilities	2,292	2,013
Total	**56,900**	**49,007**

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

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

(9.15) Provisions for pensions and similar obligations

Provisions for pensions and similar obligations are composed as follows as at 31 December 2009 and 2008:

Provisions for pensions and similar obligations		
EUR '000	**31.12.2009**	**31.12.2008**
Provisions for pensions	36,320	35,936
Provisions for similar obligations	8,784	6,772
Total	**45,104**	**42,708**

Provisions for pensions

Provisions for pensions are recognised in connection with 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 the workforce and are made up of service cost and interest cost. Pension expenses are allocated to the relevant functional areas. Interest cost is included in other net financial income. 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 in respect of WILO SE employees for whom a pension obligation exists as of 1 January 2006. An expense of EUR 2,873 thousand (2008: EUR 749 thousand) was recognised in 2009 for defined contribution plans in the Wilo Group.

Notes on provisions for pensions:

1. Provisions for pensions changed as follows in the year under review:

Provisions for pensions		
EUR '000	**2009**	**2008**
1 January	35,936	35,513
Pension expenses	2,672	2,596
Pension payments	-2,356	-2,113
Changes in the composition of the consolidated group, currency translation and other changes	68	-60
31 December	**36,320**	**35,936**

Insurance has been taken out to cover provision-funded pension obligations in the amount of EUR 3,331 thousand (2008: EUR 3,343 thousand).

2. Pension expenses are made up as follows:

Pension expenses		
EUR '000	**2009**	**2008**
Current service cost	780	803
Past service cost	0	35
Interest cost	2,121	1,980
Expected return on plan assets	-129	-154
Amortisation of actuarial gains	-100	-68
Total	**2,672**	**2,596**

The actuarial loss of EUR 3,565 thousand (2008: actuarial gain of EUR 2,138 thousand) as at 31 December 2009 is within the 10.0 percent corridor or EUR 4,267 thousand at Group level. The previous year's actuarial gain of EUR 2,138 thousand was likewise in the EUR 3,632 thousand 10.0 percent corridor at Group level.

3. The present value of benefit obligations changed as follows in the year under review:

The present value of benefit obligations		
EUR '000	**2009**	**2008**
1 January	36,324	38,528
Current service cost	780	803
Interest cost	2,121	1,980
Past service cost	102	88
Decrease in actuarial gains (+) / losses (–)	5,703	–2,632
Pension payments	–2,356	–2,113
Changes in the composition of the consolidated group, currency translation and other changes	–2	–330
31 December	**42,672**	**36,324**
of which funded	3,771	3,111
of which unfunded	38,901	33,213

The reduction in the actuarial gains and the EUR 3,565 thousand actuarial loss recognised as at the reporting date are mainly the result of a decrease in the average discount rate to 4.91 percent (2008: 6.00 percent). Pension obligations of EUR 42,672 thousand (2008: EUR 36,324 thousand) relate to 88.9 percent to Germany as in the previous year.

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

The fair value of plan assets		
EUR '000	**2009**	**2008**
1 January	3,122	3,114
Expected return	129	154
Actuarial losses	–20	–51
Changes in the composition of the consolidated group, currency translation and other changes	–6	–95
31 December	**3,225**	**3,122**

Plan assets mainly consist of qualifying insurance policies with a minimum return. Plan assets do not include any financial instruments issued by the Wilo Group or any property or other assets used by the Wilo Group. The return on plan assets in the year under review was EUR 77 thousand (2008: EUR 65 thousand). The Company does not expect any further payments into plan assets to be made in the current year.

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

Reconciliation with provisions for pensions		
EUR '000	**31.12.2009**	**31.12.2008**
Present value of funded defined benefit obligations	3,771	3,111
Less recognisable fair value of plan assets	–3,225	–3,111
	546	**0**
Present value of unfunded defined benefit obligations	38,901	33,213
Past service cost	102	88
Actuarial losses (–) / gains(+)	–3,565	2,138
	35,984	**35,439**
Foreign plan assets included in assets	321	392
Changes in the composition of the consolidated group, currency translation and other changes	15	105
Provisions for pensions	**36,320**	**35,936**

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

Plan surplus/deficit					
EUR '000	31.12.2009	31.12.2008	31.12.2007	31.12.2006	31.12.2005
Present value of defined benefit obligations	42,672	36,324	38,528	45,165	47,625
Fair value of plan assets	-3,225	-3,122	-3,114	-2,955	-2,479
Deficit	**39,447**	**33,202**	**35,414**	**42,210**	**45,146**

Provisions for similar obligations

Provisions for similar obligations amounted to EUR 8,784 thousand (2008: EUR 6,772 thousand) in 2009. They include EUR 6,537 thousand (2008: EUR 3,987 thousand) in obligations under a semi-retirement scheme operated by WILO SE. The EUR 1,182 thousand (2008: EUR 1,142 thousand) fair value of plan assets is deducted from the amount of the provisions, insofar as it relates to obligations under the semi-retirement scheme. The remaining plan assets of EUR 545 thousand not attributable to obligations under the semi-retirement scheme are reported under reimbursement rights in non-current other assets. The present value of the obligations under the semi-retirement scheme at 31 December 2009 was determined using a discount rate of 4.85 percent (2008: 6.25 percent). Moreover, an annual wage and salary increase of 3.00 percent was assumed as in 2008.

(9.16) Other provisions

Non-current and current guarantee provisions are recognised in respect of potential warranty claims on the basis of past experience and future plans.

The provision for incentives and rebates mainly relates to reimbursements to customers in 2009.

Other provisions						
EUR '000	1.1.2009	Currency translations	Utilisation	Reversals	Additions	31.12.2009
Non-current						
guarantees	3,468	6	163	0	832	4,143
Current						
guarantees	14,041	87	1,661	2,070	6,032	16,429
Incentives and rebates	20,426	132	18,088	2,368	20,180	20,282
Other provisions	7,591	57	2,176	867	3,328	7,933
Total	**42,058**	276	21,925	5,305	29,540	**44,644**

(10) Consolidated cash flow statement

The consolidated cash flow statement presents cash flows classified by operating, investing and financing activities. 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 at 31 December 2009 consisted of EUR 140,391 thousand (2008: EUR 45,452 thousand) in cash and bank sight deposits, with EUR 98 thousand (2008: EUR 76 thousand) subject to restrictions.

The consolidated cash flow statement presents cash flows beginning with earnings before interest and taxes (EBIT). This is identical to the income statement item of the same name (see Note 8.11). The effects of exchange rate changes on cash and cash equivalents amounting to EUR 428 thousand relate firstly to cash and cash equivalents of EUR 350 thousand from the first-time consolidation of the subsidiary Wilo Middle East FZE, Dubai. Secondly, a positive effect of EUR 78 thousand resulted in 2009 from the translation of foreign-currency cash and cash equivalents into reporting currency.

(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 related organisation within the Wilo Group, seven regional managers work together with four managers for the operating divisions *Circulators, Pumps, Water Tec* and *Sub Tec.* The reports to the Executive Board and the Supervisory Board are also organised accordingly. The seven regions (sales areas) are divided into Germany, Southern Europe, Northern Europe, Eastern Europe and Asia. In addition, North America and Mexico, and the Middle East, Africa and South America, are grouped together into two separate regions. Management decisions and measures of the WILO SE Executive Board are formed mainly on the basis of the regional financial ratios of net sales and EBIT. The regions thus represent the operating segments within segment reporting. The Wilo Group has made use of the opportunity to combine operating segments, provided the conditions for combination in accordance with IFRS 8.12 to 8.13 were met. The regions Germany, Southern Europe and Northern Europe were therefore combined in the reporting segment *Western Europe.* The regions *Eastern Europe* and *Asia* also represent reporting segments. *Other regions* includes North America and Mexico, as well as the Middle East, Africa and South America.

The operating divisions *Circulators* and *Pumps* are combined in the *Heating and Air Conditioning* segment, which primarily includes pumps and pump systems, associated control systems, and servicing for heating and air-conditioning technology. The *Water and Sewage* segment comprises the *Water Tec* and *Sub Tec* operating divisions and mainly includes pumps and pump systems, agitators, associated control systems, and servicing for water supply, sewage disposal and wastewater treatment.

The activities of the Heating and Air Conditioning segment and Water and Sewage segment are spread variously among all operating segments and regions. The reporting segment *Western Europe* primarily contains the activities of both segments in Germany, Austria, Switzerland, France, Spain, Portugal, Italy, the Benelux countries, the Scandinavian countries and the UK. The reporting segment *Eastern Europe* includes all activities of the subsidiaries in Poland, the Czech Republic, Slovakia, Hungary, Romania, Bulgaria, Greece, Turkey, Russia, Ukraine, Belarus, the Baltic countries and the Balkans. The reporting segment *Asia* primarily includes activities in China, India and South Korea. *Other regions* covers activities in North and South America, Africa and the Middle East.

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.

Net sales 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. Transactions with trading companies are effected at market prices and supplies to production companies on a cost-plus basis.

Segment EBIT shows earnings before interest and taxes including any amounts attributable to minority interests. Segment assets are not shown, as they are not a component of the internal monthly reports within the Wilo Group. Segment information for 2009 and 2008 is shown in the following table:

Segment information

2009

EUR '000	Western Europe	Eastern Europe	Asia	Other regions	Group
Segment net sales	**507,486**	**195,244**	**169,767**	**53,600**	**926,097**
Segment EBIT	**66,758**	**17,970**	**9,818**	**-3,628**	**90,918**
of which depreciation, amortisation and impairment on intangible assets and property, plant and equipment	19,441	5,903	4,932	1,854	32,130
of which non-cash expenses	29,039	1,279	3,032	720	34,070

2008

EUR '000	Western Europe	Eastern Europe	Asia	Other regions	Group
Segment net sales	**531,936**	**239,298**	**151,598**	**54,402**	**977,234**
Segment EBIT	**58,646**	**29,736**	**6,806**	**-6,579**	**88,609**
of which depreciation, amortisation and impairment on intangible assets and property, plant and equipment	16,734	5,704	3,943	1,538	27,919
of which non-cash expenses	30,196	1,724	1,978	1,967	35,865

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

Earnings before interest and taxes (EBIT)		
EUR '000	**2009**	**2008**
Earnings before interest and taxes (EBIT)	90,918	88,609
Net income from equity-accounted investments	-321	-952
Net financial income	9,420	-25,814
Consolidated net income before taxes	100,017	61,843
Income taxes	-31,444	-16,613
Consolidated net income after taxes	**68,573**	**45,230**

Net sales are divided as follows among the segments:

Net sales by segment		
EUR '000	**2009**	**2008**
Heating and Air Conditioning	534,968	569,250
Water and Sewage	360,380	381,576
Other segments	30,749	26,408
Total	**926,097**	**977,234**

(12) Disclosures relating to financial instruments

(12.1) Derivative financial instruments

The following table shows the fair values of derivative financial instruments as at 31 December 2009 and the changes compared with the previous year.

Derivative financial instruments							
	Fair value					Notional amount	
	Time to maturity as of 31.12.2009						
EUR '000	1 year	> 1 < 5 years	> 5 years	Previous year	Total change	31.12.2009	31.12.2008
Forward exchange contracts	15	-431	0	522	-938	21,810	15,509
Interest rate and currency swaps	-44	-4,334	-4,712	-4,404	-4,686	76,499	72,499
Forward exchange options	0	0	0	843	-843	0	9,752
Commodity derivates	5,008	0	0	-18,065	23,073	15,711	36,506

Net financial income includes gains of EUR 23,828 thousand (2008: EUR 2,396 thousand) and losses of EUR 7,175 thousand (2008: EUR 18,075 thousand) (see Note 8.9).

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

Financial assets

The table below shows carrying amounts and fair values by category at 31 December 2009 and 2008 of financial assets accounted for at notional amount or amortised cost.

Financial assets

	Notional amount	Amortised cost			
		Loans and receivables		Available-for-sale	
EUR '000		Carrying amount	Fair value	Carrying amount	Fair value
Financial assets as at 31 December 2009					
Non-current financial assets					
Trade accounts receivable	–	3,224	3,224	–	–
Other financial assets	–	2,600	2,600	245	245
Current financial assets					
Trade accounts receivable	–	180,618	180,618	–	–
Other financial assets	–	5,108	5,108	–	–
Cash and cash equivalents	140,391	–	–	–	–
Carrying amount by category	**140,391**	**191,550**	**–**	**245**	**–**
Fair value by category	**–**	**–**	**191,550**	**–**	**245**
Financial assets as at 31 December 2008					
Non-current financial assets					
Trade accounts receivable	–	2,238	2,238	–	–
Other financial assets	-	2,188	2,188	231	231
Current financial assets					
Trade accounts receivable	–	197,803	197,803	–	–
Other financial assets	–	5,363	5,363	–	–
Cash and cash equivalents	45,452	–	–	–	–
Carrying amount by category	**45,452**	**207,592**	**–**	**231**	**–**
Fair value by category	**–**	**–**	**207,592**	**–**	**231**

The figure of EUR 245 thousand (2008: EUR 231 thousand) as at 31 December 2009 for non-current other financial assets in the “Available-for-sale” column mostly relates to the wholly-owned subsidiary PT. WILO Pumps Indonesia, Jakarta, Indonesia, established in 2009. The fair value of the investment in this subsidiary is measured at cost. The other financial assets item as a whole is measured at amortised cost; its fair value cannot be reliably determined because no quoted or other market price is available for the investments concerned. There are no plans for disposals of these investments.

The table below shows carrying amounts and fair values by category at 31 December 2009 and 2008 of financial assets accounted for at fair value.

Financial assets

	Fair value			
	Available-for-sale		Held for trading	
EUR '000	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets as at 31 December 2009				
Non-current financial assets				
Other financial assets	13	13	84	84
Current financial assets				
Other financial assets	–	–	5,023	5,023
Carrying amount by category	**13**	**–**	**5,107**	**–**
Fair value by category	**–**	**13**	**–**	**5,107**
Financial instruments as at 31 December 2008				
Non-current financial assets				
Other financial assets	13	13	–	–
Current financial assets				
Other financial assets	–	–	1,514	1,514
Carrying amount by category	**13**	**–**	**1,514**	**–**
Fair value by category	**–**	**13**	**–**	**1,514**

The EUR 13 thousand (2008: EUR 13 thousand) fair value of non-current other financial assets in the “Available-for-sale” column corresponds to quoted market prices at the reporting date.

The current other assets item, which is allocated in the amount of EUR 5,107 thousand (2008: EUR 1,514 thousand) as “Held for trading”, consists entirely of derivative financial instruments. Measurement of their fair value is described in Note (7).

Financial liabilities

The table below shows carrying amounts and fair values by category at 31 December 2009 and 2008 of financial liabilities accounted for at amortised cost, at fair value or at the net present value of minimum lease payments.

Financial liabilities

	Amortised cost		Fair value		Liabilities from finance leases	
	Other liabilities		Held for trading			
EUR '000	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities as at 31 December 2009						
Non-current financial liabilities						
Liabilities due to banks	77,459	92,024	–	–	–	–
Trade accounts payable	1,218	1,218	–	–	–	–
Other financial liabilities	1,887	1,887	9,561	9,561	3,349	3,349
Current financial liabilities						
Liabilities due to banks	22,686	22,686	–	–	–	–
Trade accounts payable	69,804	69,804	–	–	–	–
Other financial liabilities	27,345	27,345	44	44	1,715	1,715
Carrying amount by category	**200,399**	**–**	**9,605**	**–**	**5,064**	**–**
Fair value by category	**–**	**214,964**	**–**	**9,605**	**–**	**5,064**
Financial liabilities as at 31 December 2008						
Non-current financial liabilities						
Liabilities due to banks	83,621	90,225	–	–	–	–
Trade accounts payable	8,408	8,408	–	–	–	–
Other financial liabilities	1,749	1,749	10,405	10,405	3,792	3,792
Current financial liabilities						
Liabilities due to banks	19,460	19,460	–	–	–	–
Trade accounts payable	66,683	66,683	–	–	–	–
Other financial liabilities	23,950	23,950	12,213	12,213	1,987	1,987
Carrying amount by category	**203,871**	**–**	**22,618**	**–**	**5,779**	**–**
Fair value by category	**–**	**210,475**	**–**	**22,618**	**–**	**5,779**

Fair values of non-current liabilities due to banks are determined by banks using the net present value method. Fair values of other non-current financial liabilities accounted for at amortised cost or as finance lease liabilities approximate to their carrying amount as the liabilities are not material in amount. The Company estimates that the fair value of all current liabilities corresponds to their carrying amount.

(12.3) Net gains and losses by category

The table below shows net gains and losses recognised in profit or loss in 2009 and 2008 as a result of changes in fair value, impairments, impairment reversals and the effects of currency translation on each category of financial assets and liabilities.

Net gains and losses

EUR '000 Category	Carrying amount at 31.12.	Fair value at 31.12.	Changes in fair value*	Impairments	Impairment reversals	Effects of currency translation	Net gains/ losses
2009							
Loans and receivables	191,550	191,550	–	-4,939	1,143	10	-3,786
Available-for-sale	258	258	0	0	0	0	0
Held for trading	-4,498	-4,498	16,653	–	–	n,a,	16,653
Other Liabilities	-200,399	-214,964	–	–	–	1,098	1,098
Total			**16,653**	**-4,939**	**1,143**	**1,108**	**13,965**
2008							
Loans and receivables	207,592	207,592	–	-1,461	788	-142	-815
Available-for-sale	244	244	0	0	0	0	0
Held for trading	-21,104	-21,104	-15,679	–	–	n,a,	-15,679
Other liabilities	-203,871	-210,475	–	–	–	-2,644	-2,644
Total			**-15,679**	**-1,461**	**788**	**-2,786**	**-19,138**

* The changes in fair value consist of realised and unrealised gains and losses on financial assets and financial 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 2009 and 2008:

Fair value hierarchy

	31.12.2009		31.12.2008	
EUR '000	Level 1	Level 2	Level 1	Level 2
Available-for-sale financial assets	13	0	13	0
Receivables from derivative financial instruments	0	5,107	0	1,514
Liabilities from derivative financial instruments	0	9,605	0	22,618

No financial assets or liabilities classified as Level 3 based on the calculation method for their fair value were disclosed by the Wilo Group as at 31 December 2009 and 2008.

(13) Risk management and derivative financial instruments

Risk management principles

The Wilo Group faces market risk on its assets, liabilities and planned transactions in connection with exchange rate, interest rate and raw material price changes. Mitigating this risk from operating and financial activities is the objective of financial risk management. This is done using derivative and non-derivative financial instruments selected according to estimated risk exposure. Derivative financial instruments are solely used to cover 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 exclusively entered into with banks that have an immaculate credit standing. General 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 the Group Treasury. Further information on risk and risk management is provided in the 'Risk report' and section of the Group management report.

Market risk

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 closed 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 2009 resulting from foreign-currency transactions in operating activities and from foreign-currency financing activities up to 31 December 2009, and from expected foreign-currency transactions in operating activities in 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

	31.12.2009	
'000	TEUR	TUSD
Trade accounts receivable	3,647	2,698
Trade accounts payable	–2,411	–1,743
Liabilities due to banks	0	–80,000
Currency risk from assets and liabilities (gross)	**1,236**	**–79,045**
Expected sales in 2010	22,606	31,371
Expected acquisitions in 2010	–17,249	–19,505
Currency risk from expected transactions in operating activities in 2010 (gross)	**5,357**	**11,866**
Derivative financial instruments	0	77,000
Currency risk (net)	**6,593**	**9,821**

The liabilities due to banks of USD 80.0 million relate solely to the 2006 senior notes issue, which is fully hedged against currency risk by interest rate and currency swaps.

Foreign-currency receivables and liabilities, and derivative financial instruments in the form of interest rate and currency swaps, forward exchange contracts and forward exchange options disclosed in the Wilo Group's consolidated balance sheet as at 31 December 2009 have specific sensitivities to currency fluctuations. At 31 December 2009, a 10.0 percent increase (decrease) in the euro against all foreign currencies would have resulted in a EUR 67 thousand decrease (increase) in earnings before interest and taxes (EBIT) and a EUR 873 thousand increase (EUR 171 thousand increase) in net financial income. At 31 December 2008, a 10.0 percent increase (decrease) in the euro against all foreign currencies would have resulted in a EUR 308 thousand decrease (increase) in EBIT and a EUR 1,535 thousand increase (EUR 682 thousand decrease) in net financial income. The change in EBIT in this sensitivity analysis is the result of translating foreign-currency receivables and liabilities into reporting currency.

The change in net financial income in this sensitivity analysis is the sum of two factors: Firstly, a 10.0 percent increase (decrease) in the euro would have resulted in a positive (negative) translation difference on foreign-currency non-current liabilities due to banks in the amount of EUR 5,576 thousand in 2009 and EUR 5,656 thousand in 2008. Secondly, a 10.0 percent increase (decrease) in the euro would have resulted in fair value changes on interest rate and currency swaps, forward exchange contracts and currency options in the amount of minus EUR 4,703 thousand (plus EUR 5,747 thousand) in 2009 and minus EUR 4,121 thousand (plus EUR 4,974 thousand) in 2008. 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 at the reporting date held constant. The calculations are performed using net present value and option pricing models. The changes in EBIT and in net financial income in the sensitivity analysis mostly relate to receivables, payables and derivative financial instruments in US dollars, South Korean won, Indian rupees and Chinese renminbi. Other foreign currencies are of secondary importance in the sensitivity analysis.

Interest rate risk

The Wilo Group faces interest rate risk mainly on variable interest liabilities due to banks and on invested cash and cash equivalents. Both a rise and a fall in the interest rate curve results 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 liabilities due to banks are subject to long-term fixed rates of interest.

If the market interest rate had been 100 basis points higher (lower) on 31 December 2009, net financial income would increase (decrease) by EUR 2,455 thousand (EUR 2,601 thousand). The same change in the previous year would increase (decrease) net financial income by EUR 178 thousand (EUR 199 thousand). The change in net financial income in this sensitivity analysis of EUR 2,455 thousand and minus EUR 2,601 thousand (previous year: EUR 178 thousand and minus EUR 199 thousand) relates exclusively to measurement of the interest component of interest rate and currency swaps at the reporting date. The sensitivity analysis does not indicate any material effect on net financial income relating to non-derivative variable interest liabilities because most liabilities due to banks carry 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 at the reporting date held constant. The calculations are performed using net present value and option pricing models.

Raw material price risk

The Wilo Group faces raw material price risk primarily from price fluctuations on the world market for copper, aluminium and stainless steel, and their alloys. It uses commodity derivatives to minimise this risk. Most of our copper and aluminium needs for 2010 are covered at fixed prices. On current information, Wilo Group earnings would be affected by price fluctuations on the world market for copper, aluminium, stainless steel and their alloys from 2011.

If the prices of copper and aluminium had been 10.0 percent higher (lower) on 31 December 2009, net financial income would increase (decrease) by EUR 762 thousand (2008: EUR 1,846 thousand). The change in net financial income in this sensitivity analysis of EUR 762 thousand and EUR -762 thousand (previous year: EUR 1,846 thousand and minus EUR 1,846 thousand) relates exclusively to the measurement of commodity derivatives at the reporting date. 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 (raw material prices) with all other determinants of fair value at the reporting date held constant. The calculations are performed using net present value and option pricing models.

Credit risk

Customer credit risk is addressed with a uniform and effective Group-wide system for consistent receivables management and monitoring of payment behaviour. Dependency on individual customers is limited because Wilo does not generate more than 10.0 percent of total net sales with any one customer. It is not possible to predict how the economic crisis will affect customer payment behaviour. Maximum credit risk corresponds to the carrying amount of financial instruments. The table below shows maximum credit risk on and the age structure of financial instruments classified as loans and receivables as at 31 December 2009 and 2008. Current and non-current items are combined.

Credit risk

	Carrying amount	Of which: neither past due nor impaired	Of which: past due in stated time band (days) but not yet impaired				
EUR '000			up to 30	31–60	61–90	91–180	over 180
31.12.2009							
Trade accounts receivable	183,842	151,408	16,973	3,030	1,191	2,106	1,815
Other financial assets*	7,708	7,708	0	0	0	0	0
31.12.2008							
Trade accounts receivable	200,041	165,652	15,606	5,588	2,792	4,804	3,012
Other financial assets*	7,551	7,551	0	0	0	0	0

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

Trade accounts receivable are secured with retentions of title. The fair value of these retentions of title corresponds to the carrying amount of trade accounts receivable. The carrying amount of trade accounts receivable before valuation allowances is EUR 195,024 thousand (2008: EUR 207,704 thousand). At 31 December 2009, EUR 8,289 thousand (2008: EUR 5,561 thousand) in specific valuation allowances was recognised on EUR 18,501 thousand (2008: EUR 10,250 thousand) in past-due trade accounts receivable. A further EUR 2,893 thousand (2008: EUR 2,102 thousand) in general valuation allowances on trade accounts receivable was recognised at the reporting date for country-specific credit risk. The valuation allowances were recognised for a range of usual reasons.

In addition to the above, there is maximum credit risk of EUR 258 thousand (2008: EUR 244 thousand) on available-for-sale financial assets and of EUR 5,107 thousand (2008: EUR 1,514 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 reporting date of debtors failing to make payment. There were no impairments of other financial assets or other assets at either 31 December 2009 or 31 December 2008.

Liquidity risk

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. These instruments include binding committed credit facilities from various national and international reputable banks, which have a maturity of between one and four years. As at 31 December 2009, these credit facilities were not used by WILO SE. In addition, WILO SE has secured its long-term financial requirements with the issue of senior notes, 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 covering of financial requirements with the senior notes issue, 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 2009 and 2008.

Liquidity risk

EUR '000	Carrying amount	Agreed payments	Remaining contractual maturity < 1 year	> 1 < 5 years	> 5 years
31.12.2009					
Liabilities due to banks					
Non-current	77,459	-96,428	-4,328	-59,879	-32,221
Current	22,686	-22,686	-22,686	0	0
Trade accounts payable	71,022	-71,022	-69,804	-1,218	0
Finance lease liabilities	5,064	-5,711	-2,018	-3,665	-28
Other financial liabilities	29,232	-29,232	-27,345	-1,566	-321
Derivative financial instruments	9,605	-6,687	540	-2,953	-4,274
Total	**215,068**	**-231,766**	**-125,641**	**-69,281**	**-36,844**
31.12.2008					
Liabilities due to banks					
Non-current	83,621	-106,487	-4,668	-64,280	-37,539
Current	19,460	-19,460	-19,460	0	0
Trade accounts payable	75,091	-75,091	-66,683	-8,408	0
Finance lease liabilities	5,779	-6,566	-2,221	-3,845	-500
Other financial liabilities	25,699	-25,699	-23,950	-1,441	-308
Derivative financial instruments	22,618	-18,809	-11,627	-6,673	-509
Total	**232,268**	**-252,112**	**-128,609**	**-84,647**	**-38,856**

(14.) Other disclosures

(14.1) Waiver of disclosure

The following Group companies have made use of the waiver of disclosure under Section 264 (3) of the German Commercial Code (HGB): Wilo EMU GmbH, Hof, Germany, Wilo Mitarbeiter-Beteiligungsgesellschaft mbH, Dortmund, Germany and Wilo Nord Amerika GmbH, Dortmund, Germany.

(14.2) Contingent liabilities and other financial obligations

No provisions have been recognised for the following contingent liabilities (stated at notional amount) because an outflow of resources is not estimated to be probable:

Contingent liabilities

EUR '000	31.12.2009	31.12.2008
Contingent liabilities		
in resepct of financial guarantees	1,100	1,100
in respect of warranty guarantees	4,900	5,758
Total	**6,000**	**6,858**

Contingent liabilities on financial and warranty guarantees existed at 31 December 2009 in respect of contracts with a notional value of EUR 226 thousand (2008: EUR 1,656 thousand) and a remaining agreed term of less than one year, while obligations in a notional amount of EUR 1,397 thousand (2008: EUR 955 thousand) existed in respect of contracts with a remaining agreed term of more than one year. There are also obligations in a notional amount of EUR 4,377 thousand (2008: EUR 4,247 thousand) in respect of indefinite financial and warranty guarantees. Purchase commitments for planned capital expenditure on property, plant and equipment amount to EUR 10,186 thousand (2008: EUR 11,091 thousand). It is not practicable to disclose an estimate of the financial effect of contingent liabilities, an indication of the uncertainties relating to the amount or timing of any outflow, 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	2009	2008
Production	3,201	3,128
Sales and administration	2,826	2,896
Total	**6,027**	**6,024**
Germany	1,911	1,892
Other countries	4,116	4,132
Total	**6,027**	**6,024**

The average number of employees remained almost on a par with the previous year. Personnel expenses amounted to EUR 240.8 million (2008: EUR 233.4 million) in 2009.

(14.4) Proposal for the appropriation of profits

The Executive Board will propose a resolution at the WILO SE shareholders' meeting on 13 April 2010 to distribute a dividend of EUR 2.70 per share and to carry forward the remaining profit of WILO SE to new account. This distribution is not recognised as a liability in the balance sheet of these financial statements.

(14.5) Events after the balance sheet date

The Executive Board of WILO SE approved the consolidated financial statements for submission to the Supervisory Board on 16 February 2010. It is the responsibility of the Supervisory Board to examine the consolidated financial statements and to state whether it endorses them.

(14.6) Related party disclosures

All business transactions consisting of the supply of products and the provision of services to non-consolidated subsidiaries, jointly controlled entities and associates of WILO SE are effected at market prices. Receivables due from these companies come to EUR 417 thousand (2008: EUR 1,555 thousand). Payables due to these companies amount to EUR 2,655 thousand (2008: EUR 1,509 thousand). Sales and services charged on to these companies amounted to EUR 1,335 thousand in 2009 (2008: EUR 4,432 thousand).

As at 31 December 2009, 51,000 shares in WILO SE were owned by members of the Supervisory Board. In 2009, members of the Executive Board sold 27,500 shares to WILO SE for a price of EUR 728 thousand. As at 31 December 2009, 2,000 shares in WILO SE were owned by members of the Executive Board. As a result of these transactions, the Company reports 307,000 shares as treasury stock with a carrying value of EUR 8,557 thousand at 31 December 2009. The current repurchase obligation for shares owned by members of the Supervisory Board and the Executive Board on 31 December 2009 is recognised as a liability under current other liabilities.

A shareholder owns a heating and air-conditioning installation company which purchases pumps in quantities commensurate to its size 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 market prices. As at 31 December 2009, payables due to this company amount to EUR 394 thousand (2008: EUR 332 thousand). Sales of EUR 49 thousand (2008: EUR 61 thousand) were transacted with the heating and air-conditioning installation company in 2009.

Approved consulting agreements exist with members of the Supervisory Board. Total remuneration under these agreements for 2009 amounted to EUR 552 thousand (2008: EUR 571 thousand), of which EUR 389 thousand (2008: EUR 209 thousand) had not yet been paid as at 31 December 2009.

There are also leases relating to land and buildings that are directly or indirectly owned by shareholders. Total lease payments of EUR 220 thousand (2008: EUR 187 thousand) were made to shareholders in 2009. The agreed rent corresponds to the market rate. A lease agreement also exists in respect of a building owned by a company in which a family member of a former Executive Board member and one shareholder have an ownership interest. EUR 414 thousand (2008: EUR 414 thousand) in rental payments were made in 2009. The resulting finance lease liabilities at the reporting date amounted to EUR 1,572 thousand (2008: EUR 1,821 thousand). A financial guarantee of EUR 1,100 thousand was provided to the Company in 2005 and remained in existence in the year under review.

In the reporting year, a consulting agreement was concluded with a member of the founder's family in the amount of EUR 70 thousand (2008: EUR 70 thousand), of which EUR 69 thousand had not yet been paid as at 31 December 2009 (EUR 45 thousand as at 31 December 2008).

(14.7) Auditor's fees

The following fees were recognised as an expense in 2009 for services provided by the auditors of the consolidated financial statements, KPMG AG Wirtschaftsprüfungsgesellschaft, Essen, Germany, and their associate (KPMG Europe LLP):

Auditor's fees

EUR '000	**2009**
Audits	384
Other certification services of which for 2008: EUR 4 thousand	11
Tax consulting services	2
Other services of which for 2008: EUR 36 thousand	156
Total	**553**

The audit fees primarily include fees for the audit of the consolidated financial statements as well as for the audit of the annual financial statements of WILO SE and its German subsidiaries.

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

The total remuneration of the Executive Board amounted to EUR 1.7 million in 2009 (2008: EUR 1.8 million). EUR 0.8 million (2008: EUR 0.8 million) of this total relates to fixed remuneration and EUR 0.9 million (2008: EUR 1.0 million) to variable remuneration, of which EUR 0.5 million (2008: EUR 0.5 million) is accounted for as a provision and will not be paid out until the consolidated financial statements are endorsed in the next financial year. EUR 2.2 million was paid out in 2009 as part of defined contribution pension plans for active and former members of the Executive Board.

The total remuneration paid to former members of the Executive Board amounted to EUR 2.0 million in 2009 (2008: EUR 0.8 million). The remuneration of the Supervisory Board was EUR 0.1 million (2008: EUR 0.1 million).

On the reporting date, a pension provision of EUR 6.4 million (2008: EUR 6.0 million) was recognised in respect of former members of Company boards.

(14.9) Boards

Supervisory Board

Dr. Heinz-Gerd Stein
Dinslaken, Germany
Chairman

Prof. Dr. Hans-Jörg Bullinger
Stuttgart, Germany

Hans-Joachim Früh
Düsseldorf, Germany

Jean-Francois Germerie
France
from 5 April 2009

Karl Mego
Pressbaum, Austria
until 4 April 2009

Jan Opländer
Dortmund, Germany

Heinz-Peter Schmitz
Dortmund, Germany

Executive Board

Oliver Hermes
Essen, Germany
Chairman of the Executive Board
from 1 January 2010

Dr. Holger Krasmann
Dortmund, Germany

Dr. Thomas Schweisfurth
Dortmund, Germany
Chairman of the Executive Board
until 31 March 2009

Dr. h.c. Jochen Opländer is Honorary Chairman of the Supervisory Board

Dortmund, Germany, 16 February 2010

The Executive Board

Oliver Hermes **Dr. Holger Krasmann**

Shareholdings of WILO SE as at 31 December 2009	
	Shareholding (%)
Allied Centrifugal Pumps Pvt. Ltd., Kolkata, India	100.00
Bombas WILO-SALMSON Portugal – Sistemas Hidráulicos, Lda., Porto, Portugal	100.00
CCD Pumps Ltd., London, United Kingdom	100.00
Circulating Pumps Ltd., King's Lynn, United Kingdom	100.00
EMB Pumpen AG, Rheinfelden, Switzerland	100.00
EMU I.D.F. S.A.R.L., Ste. Geneviève-des-Bois, France**	50.00
FLOM S.A.R.L., Couzon au Mont d'Or, France	100.00
Mather and Platt Fire Systems Ltd., Pune, India	55.48
Mather and Platt Pumps Ltd., Pune, India	93.15
POMPES SALMSON S.A.S., Chatou, France	100.00
PT. WILO Pumps Indonesia, Jakarta, Indonesia*	100.00
Rotaqua GmbH, Rheinfelden, Switzerland	100.00
S.E.S.E.M. S.A.S., Saint-Denis, France	100.00
SALMSON Italia s.r.l., Modena, Italy	100.00
SALMSON South Africa Ltd., Johannesburg, South Africa	100.00
STEMMA S.R.L., Trissino, Italy	100.00
WILO (UK) Ltd., Burton-on-Trent, United Kingdom	100.00
WILO Adriatic d.o.o., Ljubljana, Slovenia	100.00
WILO Baltic SIA, Riga, Latvia	100.00
WILO Bel o.o.o., Minsk, Belarus	100.00
WILO Beograd d.o.o., Belgrade, Serbia	100.00
WILO Bulgaria EOOD, Sofia, Bulgaria	100.00
WILO Canada Inc., Calgary, Canada	100.00
WILO Caspian LLC, Baku, Azerbaijan	100.00
WILO Central Asia TOO, Almaty, Kazakhstan	100.00
WILO China Ltd., Beijing, China	100.00
WILO Danmark A/S, Karlslunde, Denmark	100.00
WILO Eesti OÜ, Tallin, Estonia*	100.00
WILO ELEC China Ltd., Qinhuangdao, China	100.00
WILO EMU Anlagenbau GmbH, Roth, Germany	100.00
WILO EMU GmbH, Hof, Germany	100.00
WILO EMUPORT GmbH, Minden, Germany	100.00
WILO Engineering Ltd., Limerick, Ireland	100.00
WILO Finland OY, Espoo, Finland	100.00
WILO France S.A.S., Bois d' Arcy, France	100.00
WILO Hellas A.B.E.E., Athens, Greece	100.00
WILO Hrvatska d.o.o., Zagreb, Croatia	100.00
WILO Ibérica S.A., Alcalá de Henares, Spain	100.00

	Shareholding (%)
WILO Industriebeteiligungen GmbH, Dortmund, Germany	100.00
WILO Intec S.A.S., Aubigny, France	100.00
WILO Italia s.r.l., Peschiera Borromeo (Milan), Italy	100.00
WILO Lietuva UAB, Vilnius, Lithuania	100.00
WILO Magyarország Kft., Törökbálint, Hungary	100.00
WILO Middle East FZE, Dubai, United Arab Emirates	100.00
WILO Middle East LLC, Riyadh, Saudi Arabia***	50.00
WILO N.V./S.A., Ganshoren (Brussels), Belgium	100.00
WILO Nederland b.v., Westzaan, Netherlands	100.00
WILO Nord Amerika GmbH, Dortmund, Germany	100.00
WILO Norge AS, Oslo, Norway	100.00
WILO Polska Sp.z o.o., Raszyn (Warsaw), Poland	100.00
WILO Pompa Sistemleri San. Ve Tic. A.S., Istanbul, Turkey	100.00
WILO Praha s.r.o., Prague, Czech Republic	100.00
WILO Pumpen Österreich GmbH, Vienna, Austria	100.00
WILO Pumps Ltd., Gimhae, Korea	100.00
WILO Pumps Ltd., Limerick, Ireland	100.00
WILO Romania s.r.l, Bucharest, Romania	100.00
WILO Rus o.o.o., Moscow, Russia	100.00
WILO SALMSON Argentina S.A., Buenos Aires, Argentina	100.00
WILO Slovakia s.r.o., Bratislava, Slovakia	100.00
WILO Sverige AB, Växjö, Sweden	100.00
WILO Ukrainia t.o.w., Kiev, Ukraine	100.00
WILO USA LLC, Chicago, USA	100.00
WILO-EMU Taiwan Co. Ltd., Taipeh, Taiwan	100.00
WILO-EMU USA LLC, Thomasville, USA	100.00
WILO-Mitarbeiter-Beteiligungsgesellschaft mbH., Dortmund, Germany	100.00
WILO-SALMSON France S.A.S., Chatou, France	100.00
WILO-SALMSON Lebanon S.A.R.L., Beirut, Lebanon	100.00

* Company not included in the 2009 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 the WILO SE, Dortmund – consisting of the balance sheet, the income statement, the statement of comprehensive income, the cash flow statement and the statement of changes in equity as well as the notes to the consolidated financial statements – and the group management report for the financial year from 1 January 2008 to 31 December 2009. 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 paragraph 1 HGB are the responsibility of the parent company's management. 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 § 317 HGB [Handelsgesetzbuch „German Commercial Code"] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB (and supplementary provisions of the shareholder agreement/articles of incorporation) 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 2010

KPMG AG
Wirtschaftsprüfungsgesellschaft

Beumer	Huperz
Auditor	Auditor

Report of the Supervisory Board

The Supervisory Board oversaw the work of the Executive Board on an ongoing basis while providing intensive support and advice throughout the 2009 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. Action requiring consent from the Supervisory Board was appraised in close detail.

Various key issues were dealt with at ordinary meetings of the Supervisory Board in 2009. The meeting of 4 April 2009 centred on the 2008 annual financial statements. In addition, the impact of the global financial and economic crisis on the Wilo Group's operating activities and the corresponding countermeasures introduced were discussed in detail. At the meeting on 30 June 2009, the Executive Board and the Supervisory Board conferred among other things on the medium-term plan presented by the Executive Board for the period 2010 to 2012. Regional activities in Brazil, the UK and North America were also discussed in detail. In October 2009, the Supervisory Board addressed the strategic direction of the Wilo Group. Another focus was the efficiency programme to implement corporate strategy. Finally, in December 2009, the Supervisory Board adopted the budget for 2010. At the same meeting, the Supervisory Board addressed the realignment of the regional sales structure.

The Supervisory Board met without the Executive Board in February 2009 for routine discussion of the efficiency of the Supervisory Board in its work and to deal with personnel matters.

Throughout the year, the Supervisory Board supported the onward development of the Wilo Group's business policies and strategic direction, notably with regard to new manufacturing technologies, the alignment of the product portfolio and human resources planning.

Both the 2009 consolidated financial statements presented with the annual report and the separate financial statements of WILO SE for 2009, each comprising an income statement, balance sheet, 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 duly submitted to the Supervisory Board for examination and subjected to comprehensive scrutiny. The auditors took part in the meeting on the annual financial statements and the consolidated financial statements on 13 April 2010 in order to report on key audit findings and provide supplementary information. The Audit Committee previously undertook preparatory work for the Supervisory Board and also appraised the outcomes of the risk management 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 given by the auditor and approves the annual financial statements and the consolidated financial statements prepared by the Executive Board by resolution of 13 April 2010. The annual financial statements are hereby adopted. The Supervisory Board also approves the proposal for appropriation of the net profit of WILO SE.

There were a number of changes in the composition of the Supervisory Board and the Executive Board during the year under review:

The terms of office of the members of the first Supervisory Board of WILO SE expired at the end of the shareholders' meeting on 4 April 2009. Dr. Heinz-Gerd Stein, Prof. Dr. Hans-Jörg Bullinger, Hans-Joachim Früh and Jan Opländer were appointed as shareholder representatives by resolution of the shareholders' meeting on 4 April 2009. Heinz-Peter Schmitz and Jean-Francois Germerie from France were appointed as employee representatives on the proposal of the employees. Karl Mego from Austria stepped down at the close of the shareholders' meeting on 4 April 2009.

Dr. Thomas Schweisfurth resigned from the Executive Board of the Company at his own wish with effect from midnight on 31 March 2009. The resignation of Dr. Thomas Schweisfurth was accepted by the Supervisory Board. Dr. Schweisfurth thus stepped down from the Executive Board with effect from midnight on 31 March 2009. The Supervisory Board thanked Dr. Schweisfurth for his dedicated and successful work and years of loyal service. The Supervisory Board transferred joint responsibility for the Sales and Marketing division to Mr. Hermes and Dr. Krasmann until further notice. Mr. Hermes was appointed Chairman of the Executive Board of WILO SE with effect from 1 January 2010 by resolution of the Supervisory Board of 8 December 2009.

In the interests of good, responsible corporate governance, WILO SE and its boards have voluntarily complied with the German Corporate Governance Code dated 6 June 2008 and voluntarily comply with the version dated 18 June 2009 since its entry into force. There are departures from the code relating to the specific nature of our Company (primarily as to the preparation and holding of shareholders' meetings, the publication of reports, and Supervisory Board committees) as well as to the individual disclosure of Executive Board and Supervisory Board remuneration, in which connection we apply the statutory rules. Detailed information on departures from the Code has once again been compiled in full for banks and institutional counterparties in a declaration of conformity in line with Section 161 of the German Stock Corporation Act.

Subject to the above qualification, WILO SE intends to continue complying with the recommendations of the Government Commission on the German Corporate Governance Code dated 18 June 2009.

2009 was a successful year for Wilo despite the global financial and economic crisis. The Supervisory Board thanks the Executive Board for navigating the Wilo Group through troubled waters. It also thanks the workforce of the Wilo Group for their commitment and hard work. They have contributed decisively to the implementation of the crisis management plans developed by the Executive Board.

Dortmund, April 2010

The Supervisory Board
Dr. Heinz-Gerd Stein
Chairman

Glossary

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.

Axial 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.

Bus technology
A technology in which several network participants communicate via a shared communication medium.

Cash flow
Net inflow of cash generated from operating activities.

CSA (Canadian Standards Association)
A non-governmental organisation that establishes standards and tests and certifies products in terms of their safety. It was founded in Canada in 1919 and now operates internationally. The CSA issues its own mark of conformity which is particularly important in the USA and Canada.

Pressure sewer systems
A cost-effective method of sewage disposal over large distances in which effluent is transported through a small-sized pressurised pipe into the public sewer network or directly to the sewage treatment plant.

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.

EBIT/EBITDA
Earnings before interest and taxes (EBIT) and earnings before interest, taxes, depreciation and amortisation (EBITDA) are measures of earnings excluding net income from equity-accounted investments.

ECM technology
An “Electronically Commutated Motor” is a motor in which the rotating field is generated electronically independently of the network frequency.

Energy efficiency class
A measure of the relative efficiency of energy-saving electrical appliances to support purchase decisions.

EuP directive
The EuP 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.

Solids separation system
Latest Wilo technology. Filtering out of solids ahead of the pump and immediate backwashing increases efficiency due to minimised passage. Clogging of the hydraulics is also effectively avoided by means of pre-filtering.

Frequency converter
Latest Wilo technology. Permits extremely energy-efficient control of pump speed, particularly in frequently encountered part-load operation. The pumps adapt their speed intelligently to demand and consume only as much energy as is actually needed.

Geothermal energy
The heat stored in the upper part of the earth’s crust. This is a renewable energy and can be used directly for heating and cooling with heat pump heating systems.

High efficiency
Efficiency is defined as the ratio between work performed and 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.

Hydrodynamics (also called fluid dynamics)
A branch of fluid mechanics concerned with moving liquids and gases. For example, it examines laminar and turbulent flows in open and closed channels as well as movements and forces in pressurised piping systems.

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).

CIP (continuous improvement process)
Constant improvement of product, process and service quality through cooperation in small steps. CIP is a basic principle of quality management and an indispensable part of ISO 9001.

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.

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.

NPSH value (net positive suction head)
Term used in the USA.

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

Simultaneous engineering
Design approach aimed at shortening the development time of new products, avoiding subsequent product changes and improving coordination between development and production. The basic idea is to integrate consecutive work steps. As soon as enough information has been developed in one step, the next step is begun in parallel.

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

UL (Underwriters Laboratories) certification
Organisation founded in the USA in 1894 for testing and certifying products and their safety. The UL symbol is found on many products, particularly electrical equipment.

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