Annual Report 2017

Unaudited translation for convenience purposes only

WashTec

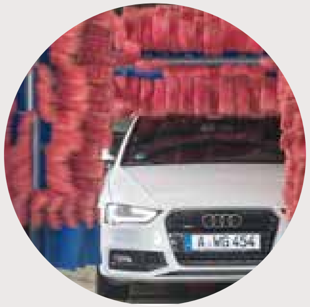
- Positive performance across all products and customer groups relative to prior year
- Revenue and earnings growth in Europe and North America regions
- Revenue of €425.0m or 14.0% higher than prior year
- EBIT increased by 18.4% to €52.2m with EBIT margin of 12.3%

Rounding differences may occur		Jan 1 to 31 Dec, 2017	Jan 1 to 31 Dec, 2016	absolute	in %
Revenue	€ m	425.0	372.8	52.2	14.0
EBITDA	€ m	62.1	53.4	8.7	16.2
EBIT	€ m	52.2	44.1	8.1	18.4
EBIT margin	in %	12.3	11.8	0.5	–
EBT	€ m	51.6	43.6	8.0	18.3
Employees at reporting date	persons	1,814	1,767	47	2.7
Average number of shares	€ m	13.4	13.4	–	–
Earnings per share[1]	€	2.76	2.29	0.47	20.5
Free cash flow[2]	€ m	28.1	20.8	7.3	35.1
Capital expenditure	€ m	10.7	19.1	−8.4	−44.0
Capital ratio at reporting date[3]	in %	40.3	40.1	–	–

[1] Basic = diluted
[2] Net cash flow – net cash flows from investing activities
[3] Equity capital/balance sheet total

We offer everything around carwash

Roll over systems



Wash tunnels

Self-service

Water reclaim system

Chemicals

Financial services

Services

Operations

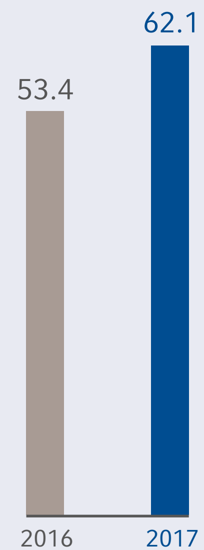
Financial Highlights 2017

Revenue

+14.0%

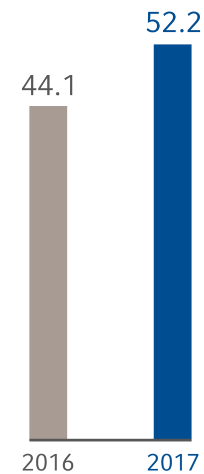
EBITDA

+16.2%



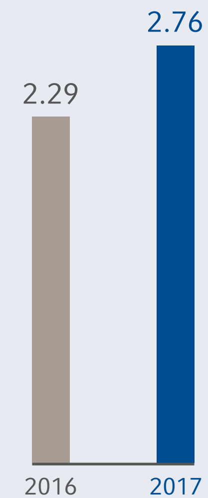
EBIT

+18.4%



Earnings per share

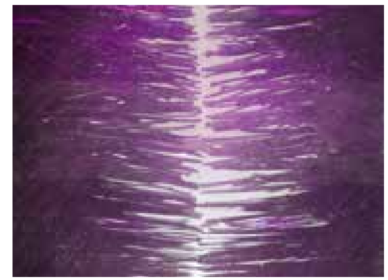
+20.5%



Content

WashTec

Combined Management Report of WashTec AG and the Group



Annual and Consolidated Financial Statements of WashTec AG

Further Information

WashTec

Report of the Management Board

Dr. Volker Zimmermann
Chief Executive Officer

Dear Shareholders, Customers and Employees,

We once again look back on a successful fiscal year. 2017 saw us generate our highest revenue so far at €425m, together with the best earnings in our corporate history at €52.2m and an EBIT margin of 12.3%. 2017 was also a highly successful year for our shareholders. We distributed a dividend of €28.1m. Total shareholder return was about 65%.

Our business is based on clean, dry and shiny cars. Our task is to support carwash operators in successfully developing their business around clean cars, and in this way to provide maximum customer benefit. In our image film, which you can view online at www.washtec.de, we address the fundamental need for clean, well-kept cars and clarify how we understand our task worldwide. It is all about clean cars, which is the motto of our annual report this year.

Not only roll-over systems, but also wash tunnels, self-service wash equipment and commercial vehicle wash equipment contributed to our double-digit revenue growth. In North America, we presented our linear technology for tunnel systems for the first time. This is to be deployed in North America's biggest wash tunnel in Canada. Nearly all sales regions have developed positively. While North America showed the largest percentage revenue growth, Europe, too, contributed significantly to the fiscal year's success with the largest absolute growth. Starting from a low base, China likewise developed very positively.

We also made further progress in the continuous improvement of our operating efficiency. A focus in 2017 was on reducing complexity across the entire product and process portfolio, which we will continue to pursue rigorously in 2018. An example is the introduction of SAP in North America. Our plant in Augsburg was selected for an award in the "Fabrik des Jahres" ("Factory of the Year") competition. In worldwide entrepreneurship workshops, we asked our employees how they regard themselves as entrepreneurs at WashTec. We plan to repeat these workshops and surveys each year. This enables us to identify scope for improvement on a measurable basis.

WashTec is aiming for slight revenue growth in fiscal year 2018, with a disproportionate increase in earnings. Our business model remains sustainable for the future. With vehicle numbers continuing to increase worldwide, demand for carwash will also continue to grow, irrespective of how vehicles are powered. Based on our clear focus on customer benefit and corresponding innovations, we will continue to provide compelling products and solutions. In combination with operating efficiency, we will, as a consequence, also continue to generate value.

We would like to thank all our employees for their commitment and active contribution. Many thanks also to our customers, shareholders and business partners for their support and for the trust they have placed in us. We look forward to continuing our activities around clean cars in 2018.

Dr. Volker Zimmermann
CEO

Stephan Weber (1963)

Sales, Marketing,
Product Management

Stephan Weber has a Diplom degree in engineering, majoring in wood engineering. After holding different management positions with well-known national and international machine and plant engineering companies, he became a member of the Management Board of Michael Weinig AG, where he was responsible for Sales and Marketing. Mr. Weber has been Member of the Management Board of WashTec AG since January 2015.

Karoline Kalb (1972)

Human Resources, Compliance, Investor Relations, Special Projects

Karoline Kalb is an attorney at law. Since 2001, she has held various management positions at WashTec AG, including Director of Key Accounts Management and Compliance. Ms. Kalb has been Member of the Management Board of WashTec AG since November 2013.

Dr. Volker Zimmermann (1963)

Supply Chain, Research and Development, Service, Quality, Purchasing
Finance and IT (March 1–July 31, 2018)

Volker Zimmermann earned a doctorate in mechanical engineering and worked for many years for Voith Turbo GmbH & Co. KG, among other positions as managing director. Most recently, Mr. Zimmermann served as Chairman of the Executive Board of Knorr-Bremse, Systeme für Nutzfahrzeuge GmbH. Mr. Zimmermann has been CEO of WashTec AG since February 2015.

Report of the **Supervisory Board**

Dr. Günter Blaschke
Chairman of the Supervisory Board

Ladies and Gentlemen,

Maximum customer benefit, to us, means delivering tangible added value meeting customer needs at all stages of the business relationship – in day-to-day use of our equipment, in pre-sales and after-sales, in technical customer service, as well as in our other services. Customers all over the world value us as partners in developing their profitable business, as our successful 2017 fiscal year clearly shows.

Work of the Supervisory Board

A major focus in the work of the Supervisory Board and its committees was on the Company's strategic orientation in line with its corporate philosophy. A further key topic of in-depth consultation comprised current business performance. During the reporting year, the Supervisory Board conscientiously performed the responsibilities incumbent on it by law, the Company's Articles of Association and its rules of procedure. The Supervisory Board was directly involved in all decisions of fundamental significance to the Company. It regularly obtained updates on the condition of the Group throughout fiscal year 2017.

The Supervisory Board also supervised the managerial activities of the Management Board of WashTec AG. This work was based on timely written and verbal reporting by the Management Board to the Supervisory Board. Among other things, the Management Board reported each month in writing to the Supervisory Board about the development of the business. As needed, the Supervisory Board also requested additional reports from the Management Board and inspected other relevant Company documentation. Any departure of the actual business development from plans and targets was explained to the Supervisory Board in detail and examined by the Supervisory Board based on the documents presented. The Management Board notably coordinated with the Supervisory Board with regard to the Company's strategic orientation. The Supervisory Board extensively discussed transactions of importance to the Company on the basis of the reports issued by the Management Board. According to thematic focus, a number of Supervisory Board meetings were also held at subsidiaries and included presentations by local management.

During fiscal year 2017, the Supervisory Board regularly reviewed the situation of the Group and monitored the work of the Management Board

The Supervisory Board voted on all reports and draft resolutions submitted by the Management Board wherever required by law, the Company's Articles of Association or rules of procedure, after thorough examination and discussion. Beyond the extensive work conducted during the Supervisory Board meetings, the Chairman of the Supervisory Board also consulted outside of meetings in numerous one-on-one discussions with the Management Board on the Company's position and its onward development and direction. The other Supervisory Board members were also available outside of meetings to exchange views with the Management Board. All members of the Supervisory Board provided the remaining members with comprehensive reports concerning their one-on-one consultations with the Management Board. In fiscal year 2017, the plenary Supervisory Board held a total of eleven meetings, of which two were conducted as teleconferences. At least one meeting was held each quarter. In addition, sixteen committee meetings were held, and various resolutions were adopted by circulation. Attendance at the meetings of the Supervisory Board and its committees was close to 100%. The work of the committees was reported upon to the Supervisory Board during plenary meetings. A separate report on the work of the committees is provided below.

Topics of regular Supervisory Board consultations included market trends, the competitive situation, product development, development of revenue, earnings and staffing at the WashTec Group, finances, the main Group companies, and the risk management system. The Management Board reported regularly and comprehensively to the Supervisory Board about corporate planning, strategic development, the course of business and the current situation of the Group. Subsequently, the Supervisory Board had a detailed understanding of all major business events and developments at the WashTec Group at all times. Furthermore, the Supervisory Board examined transactions and actions of the Management Board requiring approval and decided upon the granting of such approval. The relative situation of the current business and earnings was discussed in relation to budgeted figures at all meetings.

Other individual topics addressed in meetings were as follows:

Focal points in 2017:

- *Sales and marketing strategy*
- *Innovations*
- *Monitoring of ongoing projects*

- Discussion of the annual financial statements of WashTec AG and the consolidated financial statements for fiscal year 2016 (first quarter)
- Resolution on the agenda for the Annual General Meeting (first quarter)
- Strategy workshop (second quarter)
- Consultation on interim reports (second, third and fourth quarters)
- Supervisory Board matters (ongoing)
- Management Board matters (ongoing)
- Personnel matters (first, third and fourth quarters)
- Declaration of Conformity and compliance (fourth quarter)
- Sales and marketing strategies; various projects
- North America strategy and structure
- Product development, processes and projects
- Digitalization
- Implementation of the CSR Directive
- Production and global footprint
- Annual planning for 2018 and medium-term planning

Key topics at the March 14, 2018 meeting for adoption of the financial statements comprised discussion of the annual financial statements of WashTec AG, of the consolidated financial statements for fiscal year 2017 together with adoption and approval of the annual and consolidated financial statements, and of the combined management report.

Report on the work of the committees

There are five committees (Audit, Personnel, Nominating, Innovation and Sales Strategy Committee) whose primary purpose is to prepare Supervisory Board meetings and resolutions for the plenary Supervisory Board. The committees can also be assigned decision-making powers within the scope of mandatory statutory provisions. The current composition of the committees is shown on page 77. A brief overview of the work of the committees in the reporting year is provided in the following.

The Audit Committee convened five times in the fiscal year under review, including twice in the form of a teleconference. In the presence of the auditor, the committee focused mostly on the 2016 consolidated financial statements, the management report, the 2016 management letter, the compliance and risk report, as well as the results as of the 2017 half-year report, the report on the audit review of the interim consolidated financial statements, the review of focal points for the Supervisory Board and follow-up on the auditor's management letter. The quarterly statements were discussed at length and focal points defined for the audit of the interim and annual financial statements. A focus of the Audit Committee's activities was on preparing and conducting a public tendering process for the audit of the annual and consolidated financial statements for fiscal year 2018.

The Personnel Committee met three times during the reporting year and had various coordinations by phone or electronical. Agenda topics comprised extensions of contract for multiple members of the Management Board and personnel changes.

There was no meeting of the Nomination Committee during the reporting year.

The Innovation Committee convened five times in the fiscal year under review. Its focus was primarily on organization, processes and strategically important development projects.

The Sales Strategy Committee met three times during the reporting year. Its main topic of discussion was the strategic positioning of the WashTec and AUWA brands nationally and internationally, product strategies, the customer-specific product benefit message, and initiatives for the continuous improvement of global sales efficiency and leadership.

Good collaborative working relationships were assured at all times.

There were no conflicts of interest in relation to members of the Supervisory Board.

Corporate Governance

The Management Board and the Supervisory Board regard corporate governance as an ongoing process and regularly address compliance with the stipulations of the German Corporate Governance Code. They have jointly reviewed corporate governance. On December 20, 2017, the Management Board and Supervisory Board submitted an updated Declaration of Conformity, which is reprinted on page 81. The Audit Committee also consulted in-depth on the compliance organization and Corporate Audit.

The Supervisory Board regularly reviews the efficiency of its work. Members of the Supervisory Board were once again requested by means of the established questionnaire at the beginning of 2017 to give critical feedback on the work of the Supervisory Board and on the working relationship with the Management Board. The survey findings were presented at the Supervisory Board meeting of March 15, 2017. No notable deficits were identified.

Remuneration system for the Management Board

The Management Board remuneration system is geared to the responsibilities and performance of the Management Board members and to the situation of the Company. The overall remuneration of members of the Management Board is made up of monetary and non-monetary as well as fixed and variable components and is linked overall to sustained growth of the Company.

All remuneration components are structured in such a way that they are appropriate, both individually and in the aggregate, and do not encourage the taking of unreasonable risks. The remuneration of Management Board and Supervisory Board members is described in greater detail in the remuneration report on pages 82 to 85. At its meeting of January 10, 2017, the Supervisory Board specified new targets for short-term remuneration components.

In its meeting of December 20, 2017, the entire Supervisory Board adopted the Management Board remuneration system in a resolution that was essentially unaltered relative to the resolution of December 15, 2016. A new addition is a resolution on a renewed Long Term Incentive Program (LTIP) 2018-2020 for the Management Board.

Composition of the Supervisory Board

The terms of office of Jens Große-Allermann, Dr. Sören Hein, Dr. Hans Liebler and Roland Lacher ended during the reporting year. Mr. Roland Lacher was not available for reelection for reasons of age. Mr. Große-Allermann, Dr. Hein and Dr. Liebler were reelected at the 2017 Annual General Meeting and Dr. Alexander Selent was newly elected to the Supervisory Board due to the departure of Mr. Lacher for age reasons.

Immediately following the Annual General Meeting on May 3, 2017, a Supervisory Board meeting was held in which the committees were partly reappointed. As financial expert, Dr. Selent is also Chairman of the Audit Committee.

Audit of the annual and consolidated financial statements 2017

The Management Board prepared the annual financial statements of WashTec AG, the consolidated financial statements, and the combined management report of WashTec AG and of the Group as of December 31, 2017. These have been audited and issued with an unqualified audit opinion by PricewaterhouseCoopers GmbH, Wirtschaftsprüfungsgesellschaft, Munich, which was elected by the Annual General Meeting as auditor of the annual and consolidated financial statements.

PricewaterhouseCoopers also audited the annual financial statements of the main Group companies of WashTec AG.

The Audit Committee defined the focal points of the audit and engaged the auditor accordingly. The Audit Committee monitored the independence and qualification of the auditor both before and during the course of the audit.

The auditor was also engaged to review whether the Management Board has established a monitoring system capable of identifying any going-concern risks. In this respect, the auditor stated that the Management Board had taken the measures required in accordance with Section 91 (2) of the German Stock Corporation Act (AktG) and that those measures were capable of ensuring timely identification of any risks that may raise doubt about the Company's ability to continue as a going concern. The Supervisory Board itself also regularly monitors the effectiveness of WashTec AG's internal control systems, risk management, internal auditing and compliance.

The audited annual financial statements of WashTec AG, the audited consolidated financial statements, the combined management report of WashTec AG and of the Group as of December 31, 2017, as well as the Management Board's proposal on the appropriation of distributable profit were presented in a timely manner for review by all members of the Supervisory Board. The financial statements and reports were the subject of the Supervisory Board meeting held for adoption of the financial statements on March

14, 2018. For the same Supervisory Board meeting, the Management Board also submitted a report on the development of the Company’s earnings.

The auditor attended the meeting on March 14, 2018 and reported directly and comprehensively to the Supervisory Board on the audit findings and the focal points of the audit. All questions posed by members of the Supervisory Board were answered in detail. The Supervisory Board noted the auditor’s audit findings and reviewed the annual financial statements of WashTec AG, the consolidated financial statements, the combined management report, the non-financial report and the Management Board’s proposal on the appropriation of distributable profit. No objections were raised during the Supervisory Board’s review. At its meeting for adoption of the financial statements, the Supervisory Board approved the annual financial statements of WashTec AG as prepared by the Management Board and the consolidated financial statements. The annual financial statements of WashTec AG are thus formally adopted. The Management Board’s proposal on the appropriation of distributable profit was approved by the Supervisory Board following in-depth review.

Changes on the Management Board

Mr. Rainer Springs left the Company by mutual consent as of February 28, 2018 following completion of the 2017 financial statements. Effective August 1, 2018, Mr. Axel Jaeger (51) will be appointed as member of the Management Board and Chief Financial Officer (CFO). Mr. Jaeger holds a degree in business economics and is a qualified Auditor, Tax Consultant, Certified Public Accountant and Certified Internal Auditor. He worked at Carl Zeiss Group since 2005 as member of the Management Board and CFO in Semiconductor Technology, Industrial Metrology and Inhouse Banking & Treasury, and most recently as member of the Management Board and CFO of the Semiconductor Manufacturing Technologies (SMT) Business Group. The Supervisory Board looks forward to a good working relationship and wishes Mr. Jaeger every success in his new role.

Dr. Volker Zimmermann – CEO/CTO of WashTec AG – will assume the role of CFO in addition to his other duties during the transitional period from March 1, 2018 to July 31, 2018.

The Supervisory Board would like to thank Rainer Springs and the Management Board and all managers for their good and constructive teamwork. Mr. Roland Lacher was not available for reelection in 2017 due to reasons of age. Through his entrepreneurial experience, he has rendered outstanding service to WashTec, for which the Supervisory Board would like to express its sincere thanks. Further special thanks go to all employees, whose dedication and commitment helped make 2017 another successful year.

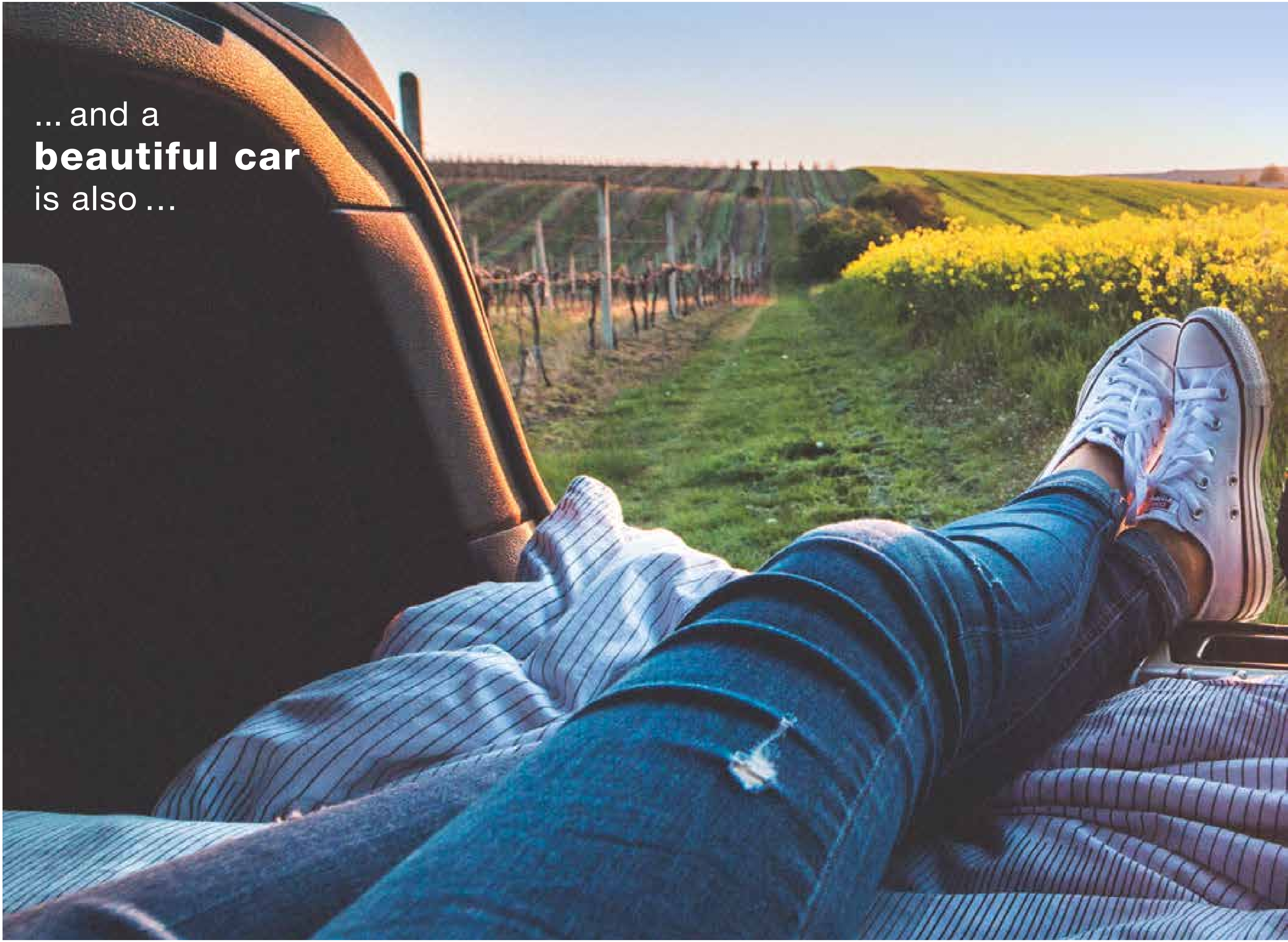
Augsburg, March 2018

On behalf of the Supervisory Board

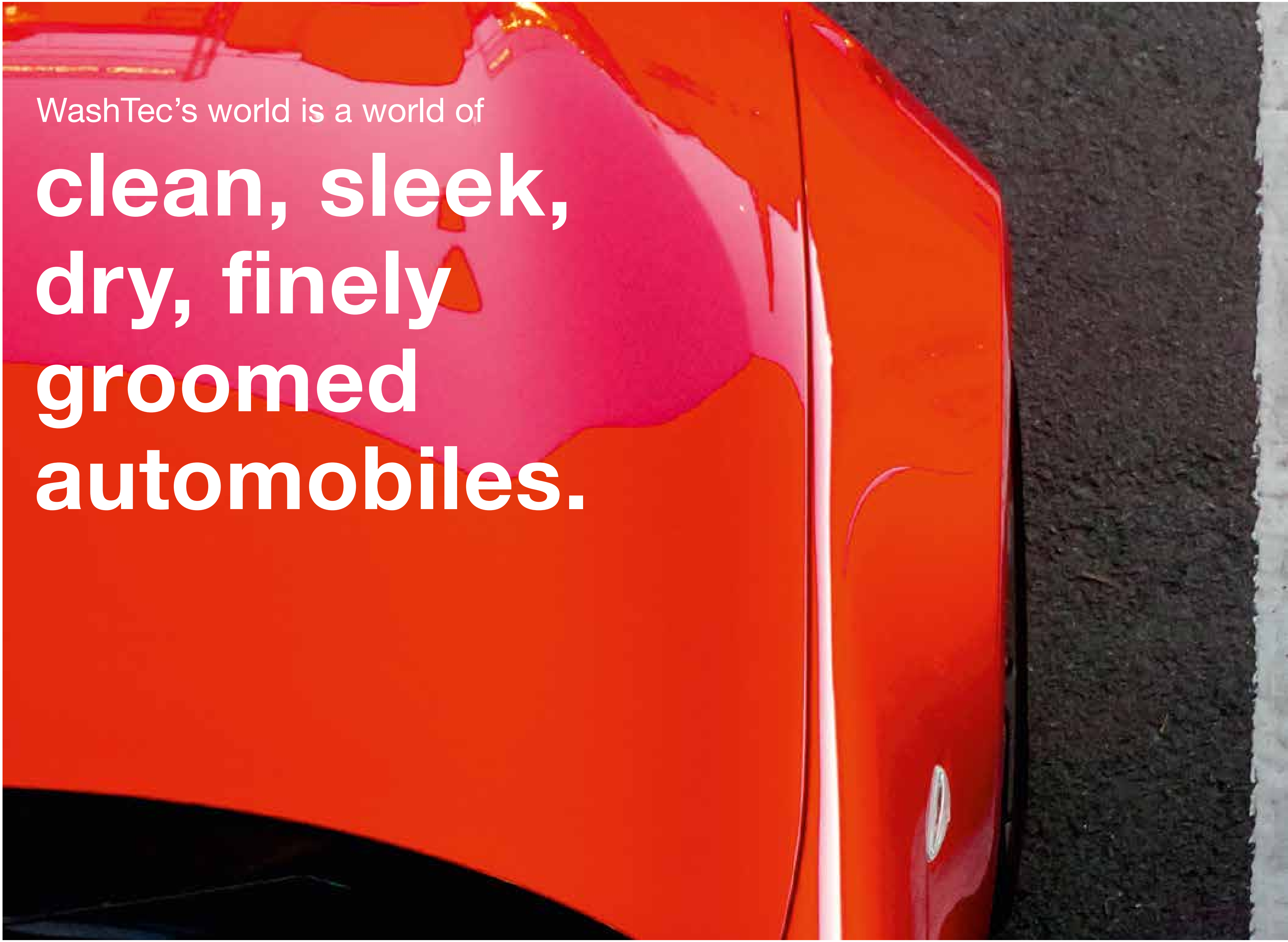
Dr. Günter Blaschke
Chairman of the Supervisory Board

Clean Cars


Beauty is an
important part of our life…


... and a
beautiful car
is also ...


quality of life.


WashTec's world is a world of
clean, sleek, dry, finely groomed automobiles.


All over the world – and for vehicles of all kinds.
The challenges are many and varied. We master them.
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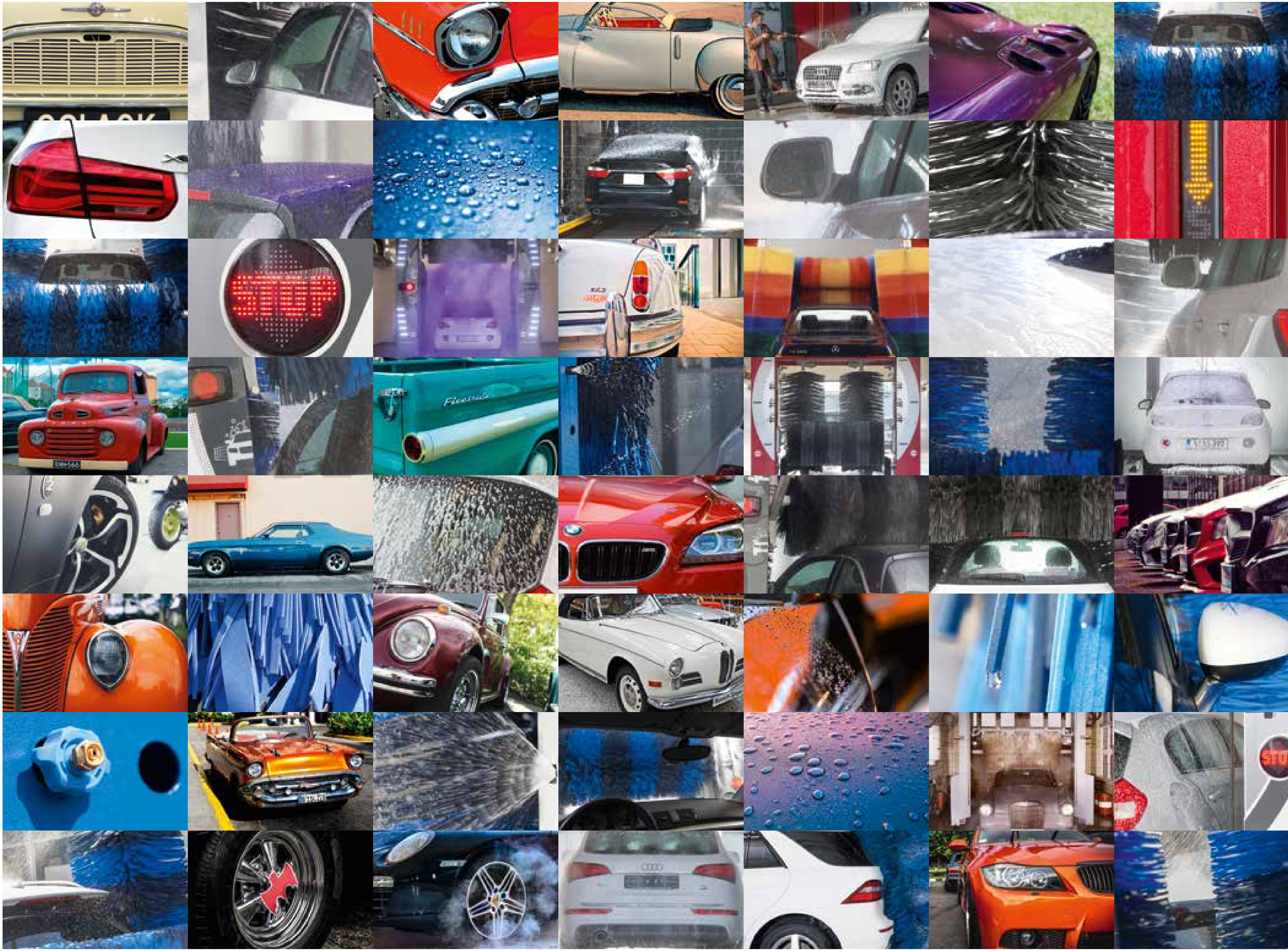
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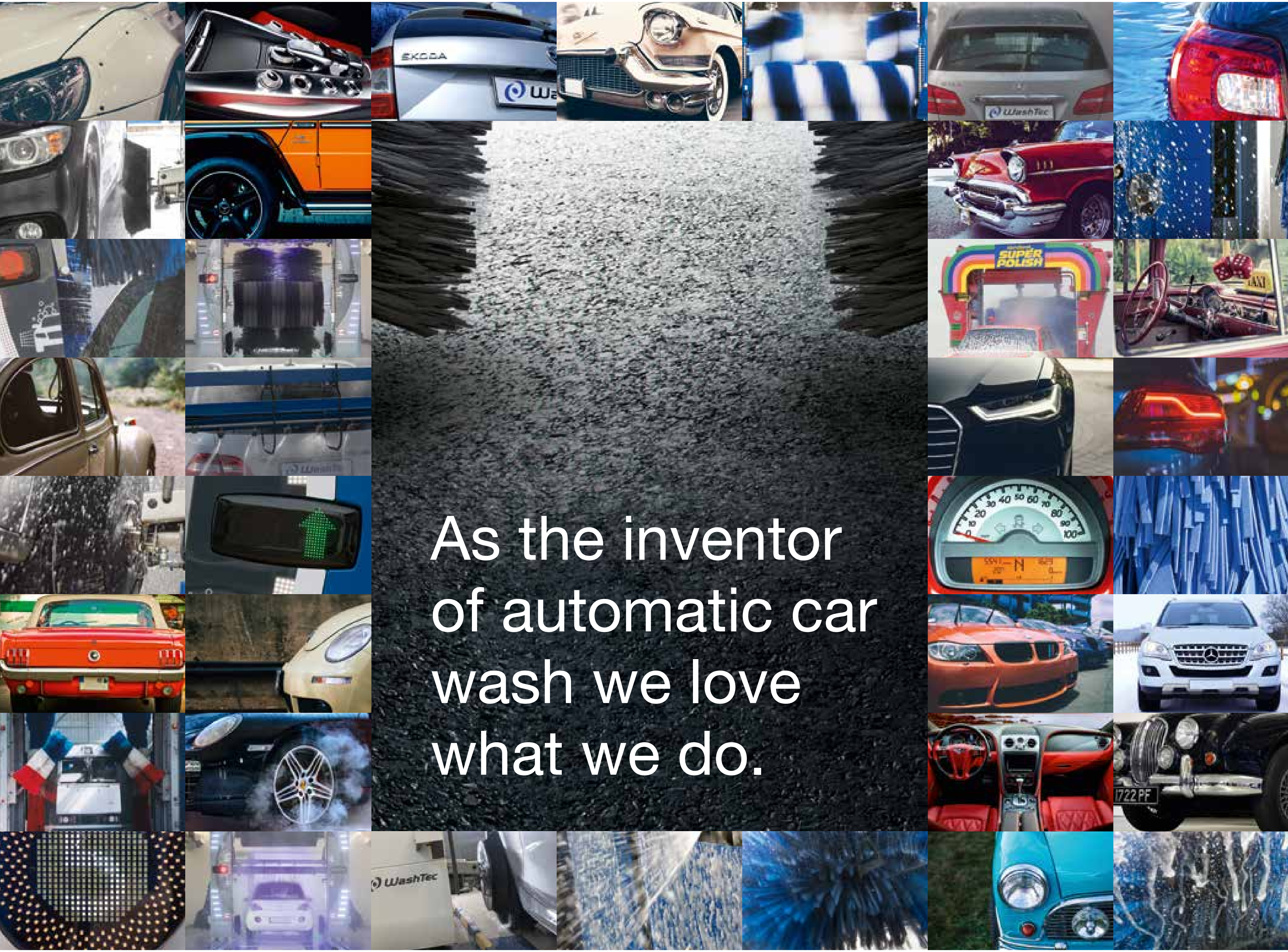

As the inventor
of automatic car
wash we love
what we do.
SKODA
WashTec
SUPER POLISH
TAXI
WashTec


WashTec

Our best machine.

So far.

Sustainability report

Sustainable business practices secure the future of our Company. As a manufacturer of automated car wash equipment, our business model contributes to sustainability. Our long term capital assets create lasting value, and through their sparing use of resources, we contribute to preserving a sustained living environment for future generations. We have a long track record of taking seriously our responsibility to employees and society.

WashTec meets the highest standards, not only of product and service quality, but also in environmental protection. In our operations, we always aim for maximum efficiency in the use of materials and resources.

This is reflected in our updated sustainability report, which we have presented for many years. We have now supplemented this with a separate combined non-financial report. In doing so, we have met the requirements of the CSR Directive Implementation Act, which has to be implemented in our reporting for fiscal year 2017.

1. Separate combined non-financial report

We based our preparation of the separate combined non-financial report on the Global Reporting Initiative Sustainability Reporting Standards (GRI Standards) and have described our policies in accordance with the requirements of GRI 103: Management Approach.

Besides financial aspects, additional disclosures must also be provided on certain non-financial aspects to the extent that they are material within the meaning of Section 289c (3) of the German Commercial Code (HGB). The non-financial aspects on which information must be provided comprise environmental, employee and social matters, respect of human rights, and anti-corruption and bribery. The Company describes whether each aspect is material to it and the general public.

Not all aspects provided for by law are material to WashTec's business activities. Policies are therefore presented solely for the aspects that are material to WashTec ("doubly material").

For a detailed report on our risk management and a description of prevailing risks with the potential to have a material impact on the onward development of the WashTec Group, please see the combined management report in Section 4, Outlook, opportunities and risk report, starting on page 62. No material risks from our business activities, business relationships, products and services have been identified for which it is highly probable that they have, or will have, severe adverse impacts on the above-mentioned aspects.

The content of the »separate combined non-financial report« is reviewed by the Supervisory Board. In the sustainability report, this review solely relates to heading »1. Separate combined non-financial report«, and not to the information under heading »2. Implementation of sustainability at WashTec«.

1.1 Description of the business model

For a description of the business model, please see the combined management report under Fundamental Information about the Group, section 1.1, Business Model, beginning on page 41.

1.2 Environmental matters

In the manufacture of automated car wash equipment, we contribute to protecting the environment. We take environmental matters very seriously. This is demonstrated by certifications that

WashTec has successfully gained for many years and consistently renews. The manufacture and operation of automated car wash systems are more environment-friendly than manual washing. For example, we constantly seek to reduce energy consumption and make use of renewable energy. A further aim is reducing the water consumption of wash systems to a minimum. In addition, we offer water treatment and reclaim systems for equipment operators. For detailed examples, please see the sustainability report under heading 2, Implementation of sustainability at WashTec

WashTec considers environmental matters to be material, although they currently do not have any material impact on our business activities. The majority of wash equipment is so far sold without water reclaim or treatment systems. There is no non-financial aspect that is material to WashTec in this regard.

WashTec's activities likewise do not have any material impact on the general public. To date, more than 50% of car washing worldwide is still performed manually. There is consequently no reportable non-financial aspect under environmental matters.

For further information, please see the sustainability report under heading 2, Implementation of sustainability at WashTec.

1.3 Employee matters

Objective/policy

The safety and health of our employees in the workplace is very important to us. Despite all precautions, occupational accidents can never be completely ruled out. We aim to reduce the number of work-related accidents to zero. The safety and health of employees is a material aspect for WashTec because, as well as the impact on those personally affected, accidents also have significant consequences for the Company. The impact in this area is also material to the general public as WashTec, through its conduct, contributes to the general good. We measure continuous improvement toward our zero-accidents target on the basis of the accident rate [work accidents/million hours worked].

Measures

We apply various measures on a regular basis to enhance workforce occupational safety and thus reduce accidents.

Functional units compile hazard analyses, for example. They are supported in this by WashTec's in-house Health, Safety and Environment (HSE) department. On the basis of the identified potential hazards, measures are derived, planned and implemented. Among other things, these relate to continuous improvements in production and office ergonomics.

To help identify potential accident hazards on a preventive basis and remove them before any accidents occur, a new app rolled out from the beginning of 2018 makes it easier than ever for service engineers to record and report near misses. The app is intended to boost reporting rates so that dangerous situations anywhere in the Group are promptly detected, assessed and eliminated. After successful rollout of the first app, a second will follow for supervisors' QHSE inspections (standardized hazard analysis) to reduce the time taken for reporting near misses.

A further means of reducing potential hazards is the WashTec Tower, a special mobile scaffold for safe working at heights, including on wash equipment. A project is being carried out with the involvement of subsidiaries to improve the WashTec Tower's handling. So far, the WashTec Tower has been made available across all European subsidiaries. Further subsidiaries are also to receive the WashTec Tower by 2020. Reduction in the time taken to put up the WashTec Tower will enhance acceptance and help uphold high levels of safety.

Safety Days, such as the event held in Augsburg last year, raise employee awareness of occupational safety and health.

WashTec deploys an e-learning tool, LeManSys, to train employees and external users in occupational safety matters relevant at WashTec. LeManSys is in use in ten languages across all subsidiaries.

Processes/due diligence

The HSE department carries out preventive activities such as hazard assessments on a continuous basis to enhance health and safety and prevent accidents. Prevention will be further improved with the new near-miss app. The HSE department also provides training for all employees and external users via the LeManSys tool. This makes it possible to track which participants have completed the training by the prescribed date and passed a test at the end. Taking and passing a test are obligatory. Any failure to do so is escalated, ultimately to the Management Board. This ensures that all employees and external partners know the training content.

Outcomes

The accident rate, which is the relevant indicator for employee matters, is determined for the entire Group. Over the years, the number of occupational accidents has been reduced significantly below the industry average reported by employers' liability insurance associations. There were no work accidents with serious or fatal injuries. Accident severity has likewise been reduced.

Number of occupational accidents per million hours worked significantly below industry average

In fiscal year 2017, the number of occupational accidents per million hours worked, at 0.9 as of the year-end, remained significantly below the industry average of 23.7 reported by the employers' liability insurance association.

Awards for successful safety activities conferred by major customers in the petroleum industry verify the high standard of our safety culture at WashTec.

1.4 Social matters

We take our social responsibility seriously and make a contribution for the chronically ill and disadvantaged by supporting the organization Bunter Kreis e.V. and the Kartei der Not foundation. In addition to monetary donations, we also held a social project week at Bunter Kreis in the year under review and aim to further step up our involvement in this regard. For further information, please see the sustainability report under 2.6, Social commitment. Social involvement is not a material business objective for our business model.

Likewise, the support provided by WashTec has no significant impact on the organizations named or the general public. The organizations are pleased to accept the support but are reliant on additional sponsors. There is consequently no significant non-financial aspect to be reported on in the area of social matters.

1.5 Respect for human rights

We work with suppliers and service providers worldwide. We expect all employees as well as our business partners to operate in compliance with the law. WashTec likewise expects business partners to comply with applicable laws and regulations, as well as to meet and continue developing high ethical standards in business operations. To this end, WashTec has developed a policy to ensure compliance.

The rules are described in the WashTec Code of Ethics. In the context of our international business relationships, WashTec also compiled a suppliers' declaration in 2017, which all material business partners are expected to sign with legally binding force by the end of 2018 in order to guarantee compliance with WashTec's principles.

Wash equipment is mainly produced in Europe and the USA. The predominant part of our suppliers are also located mainly in Europe and America. WashTec thus largely operates in countries that inherently have high standards of respect for human rights. Respect for human rights consequently has no material impact on WashTec's business activities.

As part of the machinery and plant engineering sector, WashTec operates in an industry that already meets high standards. The wash equipment segment is not very susceptible to human rights violations. Respect for human rights is therefore assured in WashTec's business activities and does not have to be specifically attained. There is no material non-financial aspect in relation to respect for human rights.

1.6 Anti-corruption and bribery

We work with suppliers and service providers worldwide. We expect all employees and business partners to operate in compliance with the law. WashTec likewise expects business partners to comply with applicable laws and regulations, as well as to meet and continue developing high ethical standards in business operations. To this end, WashTec has developed a policy to ensure compliance.

The rules are described in the WashTec Code of Ethics. In the context of our international business relationships, WashTec also compiled a suppliers' declaration in 2017, which all suppliers are expected to sign with legally binding force by the end of 2018 and thus guarantee compliance with WashTec's principles.

Production and suppliers in the value chain mainly operate in countries that are not susceptible to corruption and bribery. To prevent corruption and bribery nonetheless, WashTec has set down the corresponding principles in its Code of Ethics and additionally brings attention to the prohibition of corruption and bribery in the suppliers' declaration. Within the Group, corruption and bribery are combated through compliance training that has been rolled out worldwide.

WashTec additionally set up a whistleblower system in 2016 that allows employees and external parties to report violations anonymously.

Anti-corruption and bribery does not play a material role at WashTec due to the structure of the business. However, WashTec has taken precautionary measures. Anti-corruption and bribery do not have any material impact on the business activities. WashTec's impact on the general public is consequently likewise non-material. There is no material non-financial aspect in this regard.

2. Implementation of sustainability at WashTec

2.1 Product responsibility

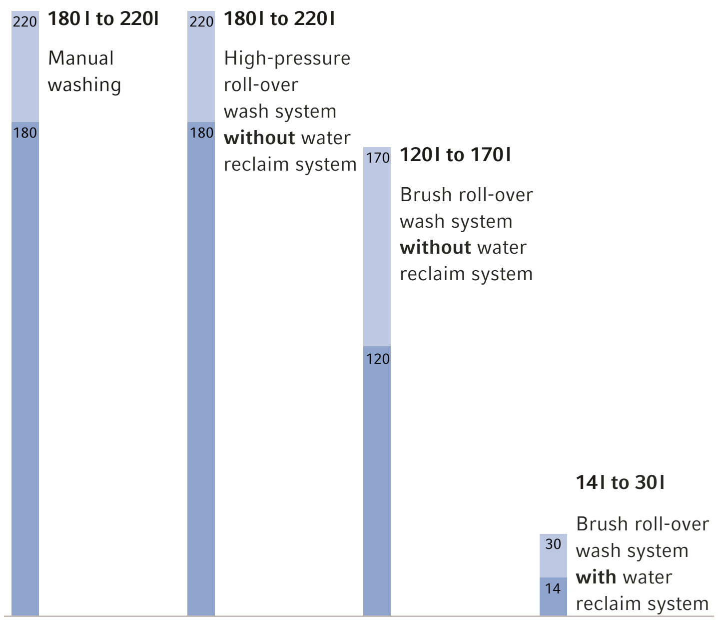
WashTec products

- WashTec Products enable customers to operate their washes efficiently and economically. This happens through low energy and fresh water consumption, the ability to use recycled water via water reclaim systems and optimum chemical portioning – it also protects the environment.
- WashTec offers local analysis to help customers arrive at the optimum product specification for their site and prevent both over-dimensioning and under-dimensioning of wash capacity.

All WashTec equipment meets all prevailing environmental regulations and offers a water-saving alternative to manual car washing, which is prohibited in Germany and various other countries. WashTec also expects to see increasing regulation in markets with lower environmental standards or where water is scarce. This means greater potential for environment-friendly automated car washes with water reclaim systems. Scandinavian countries especially have increasingly strict environmental requirements, and other countries are also considering a ban on manual car washing. In Scandinavia, WashTec has long used the Nordic Swan label for particularly environment-friendly water reclaim equipment and/or car wash facilities.

In automated car washing, water and other substances such as shampoo and oil remain in a closed cycle and so cannot seep into the ground or groundwater. Since clean water is indispensable for car washing, WashTec offers water recovery systems that, by treating the process water, reduce fresh water consumption during car washing by up to 90%. Thus, for example, a roll-over system with water reclaim equipment uses only between 14 and a maximum of 30 liters of fresh water during a standard wash (compared to 44 liters of fresh water consumed during a standard wash with a modern washing machine).

Minimized fresh water consumption (liters per wash)



Source: WashTec Analysis

WashTec and AUWA chemical products

WashTec and AUWA stand for vehicle cleaning and care that is at once both thorough and environmentally sound.

The product range encompasses a line-up of cleaning and care products for car wash facilities and spans everything from special solutions for water recovery systems to a comprehensive assortment for the cleaning and care of wash equipment and wash bays. Environmental compatibility is a priority for all products. Strict and seamless quality controls ensure that all AUWA products always satisfy all prevailing statutory requirements and meet stipulations such as wastewater thresholds. Compliance with the highest environmental and health standards is likewise a matter of course. For example, all active washing substances used are biodegradable, environment-friendly and non-abrasive – despite their high performance.

A number of products satisfy the requirements of the Nordic Swan ecolabel as well as those of the German Association of the Automotive Industry (VDA). Moreover, special wash chemical products are tested to DHI criteria and to ÖNORM B5106, which focuses on wastewater performance.

The AUWA product range works with all WashTec water reclaim equipment and in this manner helps retain a high level of water quality. The concentrated and highly efficient products assist in reducing portioning and dispensing quantities – and hence consumption – and in improving the quality of process water and thus lowering the quantity of freshwater needed. Specific recommendations on the product packaging help prevent the use of excessive quantities.

2.2 Production

Equipment

The majority of equipment production takes place at the Augsburg headquarters and has been continuously updated and reorganized in recent years. In addition, our subsidiary in Denver, Colorado (USA) produces car wash equipment primarily for the North American market, while our company in China assembles equipment for the Asian market. The subsidiary in the Czech Republic manufactures equipment and components for final assembly in Augsburg. In Recklinghausen, control units are manufactured for the entire Group.

Since exhaust fumes and exhaust air generated during production are filtered, discharges or emissions of harmful substances are kept to the currently lowest technically feasible. Products are installed and maintained at our customers' places of business by some 500 in-house service technicians, subcontractors, and sales partners' technical personnel. The service technicians are on the road with modern, specially-equipped service vehicles, which themselves carry along suitable equipment and fittings ranging from tools and spare parts to safety equipment.

The average service life for car wash equipment is between seven and ten years. At the end of its service life, the equipment is then professionally disassembled and either refurbished or recycled. All functional specification documents for the development of equipment at WashTec require maximum possible reuse or recycling.

Virtually all existing peripheral components can be used again in the event of equipment replacement; this now also extends to system control units. The sustainability of our products was examined as part of a project conducted by Öko-Institut Freiburg. The findings had an influence on ongoing product development in terms of ecological aspects such as lifetime water and energy consumption. This is where customer utility and sustainability come together.

Wash chemicals

The wash chemical products sold by AUWA are developed in our laboratories in Augsburg and Bollebygd (Sweden) and produced in Grebenau in close cooperation with the WashTec R&D Department.

In the production of AUWA products, conservation of scarce resources is always a priority. Accordingly, raw materials that are not required for a product to work are avoided as far as possible. All wash chemical products are high-concentration products that are automatically diluted and apportioned in the wash equipment. In addition to saving weight, this process also saves on packaging, thus minimizing transport costs. The use of high-quality ingredients in a highly concentrated and optimized mixture reduces chemical consumption per wash.

2.3 WashTec environmental scorecard

The WashTec environmental scorecard is divided into the two main areas of energy and waste.

Energy

At WashTec, the vehicle fleet accounts for the largest percentage of overall energy needs (60%). All vehicles newly acquired by WashTec are equipped with economical diesel motors with particle filters. Optimized route planning reduces fuel consumption. The company car policy incorporates limits for CO_2 emissions.

Energy-efficient systems are used for heating buildings. Measures such as energy reclamation, air recirculation, control technology, insulation of buildings beyond the industry standard and the use of available district heating systems for heating buildings are measures for sustainability. Renewable energy, such as solar power, is integrated into new buildings.

The electricity that WashTec procures for corporate headquarters and the main production site in Augsburg is 47.2% renewablesgenerated (prior year: 43.6%). This figure is significantly higher than the national average of 32.0% (prior year: 27.9%). WashTec thus actively contributes to avoiding radioactive waste and lowering CO_2 emissions.

Waste

In 2017, WashTec generated 2,800 tons of waste material in Germany by taking back old equipment and due to production waste. This waste is systematically separated into single-material fractions. Through consistent separation of disposable waste (such as sheet and other metal waste), the sale of these waste materials in 2017 generated proceeds of €310k (prior year: €210k). Disassembled old systems are either refurbished or professionally recycled by authorized service providers.

Certifications

Since 2000, WashTec has been certified under the ISO 9001 and ISO 14001 standards, which lay down globally recognized requirements for responsible quality management and environmental management systems. With its ISO 14001-based environmental management system, WashTec takes part in the Bavarian Environmental Pact for Sustainable Growth with Environmental and Climate Protection. This is a voluntary agreement between the Bavarian state government and Bavarian industry which, among other things, creates an obligation to provide additional environmental protection going far beyond the standards required by law. In addition, WashTec has held SCC (Safety Certificate Contractors) certification since 1999. Compliance with this standard by engaging in preventive measures serves to protect the safety and health of our employees and also extends to additional environmental protection requirements.

An energy management system in accordance with ISO 50001 was additionally introduced and certified during 2016 in fulfilment of our responsibility for sustainability. Introducing an energy management system enables WashTec to better document and monitor energy flows for more efficient energy use. Certifications routinely performed by DEKRA also verify compliance with statutory provisions and standards, thus providing legal certainty.

Ecological aspects form a permanent part of WashTec's strategic planning, from product development to resource management in production. WashTec regularly lays down Group-wide environmental targets together with attainment measures, with projects for implementation and attainment measurement. Target attainment and environmental management systems are regularly monitored and presented in an annual management review. A continuous improvement process aids in the attainment of the Company's adopted targets.

2.4 Stakeholder Dialogue

WashTec shares as a sustainable investment

In view of its sustainable business model, WashTec's shares are included in investment funds spezialising in sustainable investment. WashTec has held SRI (Sustainable & Responsible Investment) pass status as a sustainable investment since 2007.

Customer satisfaction

»Would you recommend WashTec?« We ask customers this question three months after installing a new roll over wash system. From July 2017 – following a three-month pilot in 2016 – customers have automatically been sent an invitation to take part in an online survey. The responses are collated in-house.

Any customers who say they would not recommend WashTec are called to ask the reason for their negative response. In this way, we learn from our customers themselves how we can better help them and continue to provide expert after-sales support. The survey has so far met with a positive response as customers see that their opinion is valued. In the meantime, the customer satisfaction survey has also been implemented in Austria, and it is to be rolled out to all subsidiaries in 2018.

2.5 Personnel and Compliance

WashTec Code of Ethics, suppliers' declaration and whistleblowers

Since as long ago as 2005, a standard Code of Ethics has applied to all WashTec Group companies, and its main tenet requires compliance by all employees with all rules, regulations and corporate directives. The Code includes the key directives on how employees are expected to interact with each other and with customers, suppliers, consultants and public authorities. All WashTec Group managers and employees in sensitive areas such as *Sales, Procurement, Human Resources* and *Finance* receive regular training which is concluded with a test and certification. The WashTec Code of Ethics can be downloaded from www.washtec.de. WashTec additionally introduced a suppliers' declaration in 2017 that specifies WashTec's principles in dealings with suppliers and has been signed by all key suppliers.

In further support of the compliance system, a whistleblower system introduced in 2016 enables employees and others to raise concerns – anonymously if they prefer – and to bring attention to circumstances that may indicate a breach of the law or corporate directives. Any such indications are investigated and action taken as appropriate if grounds for suspicion or violations are identified.

Corporate philosophy

Our corporate philosophy introduced in fiscal year 2015 provides all employees with guidance on our number one corporate objective of customer benefit and on how to interact among themselves and with customers. It describes what we expect of ourselves regarding innovation, specialization and the role of management. Each and every employee at WashTec shares responsibility for actively shaping the business. Our corporate philosophy is also the basis for the WashTec leadership policies.

Implementation of our corporate philosophy with a view to entrepreneurialism at WashTec is reviewed in entrepreneurship workshops. Each team is asked about how employees regard themselves as entrepreneurs at WashTec and what the teams can do to come closer to the ideal concept of the entrepreneur. To this end, each team adopts specific action items whose implementation is then tracked. In parallel, WashTec managers are made familiar with leadership principles and their implementation in specially developed leadership training units.

Employee Handbooks

In foreign subsidiaries of the WashTec Group such as WashTec in the USA, the most important provisions in connection with employment relationships are laid down in employee handbooks. These contain, for example, rules on non-discrimination, handling employee complaints and employee interaction, as well as general provisions on how employment relationships are structured.

Corporate audits

Processes and transactions at all WashTec Group companies are examined for compliance with external and internal rules and regulations on the basis of risk analysis, both routinely and in ad-hoc audits in response to alerts.

This enables any noncompliance to be identified and remedied as early as possible.

Training and human resource development

Human resource development plays an important role at WashTec. WashTec offers all employees the opportunity to participate in internal and external continuing education and training programs. These programs range from foreign language and IT courses such as Office and specialized training through to soft skills training. This includes the WashTec-specific management training courses and entrepreneurship workshops. A separate budget is allocated for employee training each year. Throughout the Group, 90% of the continuing education and training courses requested by employees were provided; WashTec follows the maxim here of 'never say no'.

In North America, the Company has voluntarily launched a system to continue paying compensation during illness as such benefits are not so far required under local law.

At the Company's headquarters in Augsburg, formal training is provided for qualification as a mechatronics fitter, industrial mechanic or industrial clerk. The large number of training places made available in 2017 is to be maintained in 2018. WashTec has also offered places for an integrated degree program since 2017.

Employee satisfaction

WashTec's employees are key to our business success. We constantly work to improve in this area.

In a study conducted by Focus, WashTec was once again recognized as one of Germany's best employers in the engineering sector. WashTec was also awarded the accolade of Top Career Chances by Focus and of Top Company and Open Company by the kununu review platform.

Social activities during non-business hours, such the monthly »WashTec Happy Hour« in Augsburg and at our subsidiaries, outings, and participating in the company run foster communication and teamwork.

Health and safety

WashTec contributes to workforce health with regular work safety training, ergonomic workplace design and medical checkups (such as during the WashTec Health Days held regularly in Germany). E-learning software has helped managers train our employees since 2007.

WashTec has a well-developed, SCC-certified occupational safety and health management system. WashTec service technicians are under special obligation to learn and understand safety issues. The focus of regular training and certification programs is on training sessions for working in and around filling stations when preparing and undertaking the commissioning, maintenance and servicing of our equipment and systems. All WashTec service technicians in Germany have participated in driver safety training with their fleet vehicles. The rollout of new safety equipment is accompanied by intensive training. For example, all service technicians are provided with special mobile scaffolding developed in collaboration with a major scaffolding manufacturer. A training program devised for the purpose introduced our employees to the WashTec Tower so that they can correctly and safely use the scaffolding specially developed for working at height on wash equipment. The design and introduction of the WashTec Tower gained a safety award in 2014 from Berufsgenossenschaft für Holz und Metall, the woodwork and metalwork employers' liability insurance association. Compliance with safety provisions is routinely monitored in internal and external audits. Similarly, the findings of audits on customer premises are used to motivate employees and continually improve working conditions.

In the course of reorganizing production processes and investing in production locations, special emphasis is placed on ergonomic workstations and tooling. Over the years, WashTec has also been able to reduce the number of occupational accidents significantly below the industry average reported by employers' liability insurance associations. Awards for successful safety work handed out by major customers in the petroleum industry verify our high safety culture standards at WashTec.

Balancing family and career

Balancing family and career lies close to every parent's heart. WashTec actively seeks to meet this need by offering a large variety of individual working arrangements. To this end, WashTec offers a wide range of flexible working time arrangements. Evidence of its success is the excellent way in which staff members who return from parental leave reintegrate into the challenging roles and responsibilities and the rising number of mothers and fathers signing up for part-time working.

2.6 Social commitment: Bunter Kreis e. V. and Stiftung Kartei der Not

The birth of a handicapped child, a heart problem or the diagnosis of cancer, an accident or hereditary disease always affects the entire family and changes lives abruptly. With approximately 70 professionals, the registered association known as Bunter Kreis e.V., which was founded in Augsburg in 1991, provides handicapped and severely sick children together with their families with comprehensive psychological, social, medical and financial support. Bunter Kreis helps most of all during the period following discharge from hospital, when it assists families in dealing with new challenges and burdens. The reliable follow-up care often also allows children to leave hospital early. Since the frequently time-consuming work of caring for sick children and their families is only partially covered by statutory health insurance, WashTec has continually supported Bunter Kreis with donations in cash and in kind as one of its main sponsors since 1996. WashTec further stepped up its involvement in 2017. All trainees voluntarily took part in a project week the Ziegelhof animal-assisted therapy center for sick children. Trainees carried out various work there to make Ziegelhof winter-ready.

We take our social responsibility seriously and want others to share in our success. Accordingly, WashTec has supplemented its existing social engagement activities since 2016 by supporting the Kartei der Not foundation. Kartei der Not supports people who are in need through no fault of their own. This includes any predicament that is not the fault of the person seeking help, as a result of invalidity, illness, accident or other causes. Kartei der Not supports poor children and their families, people with disabilities, the chronically ill, old people with small pensions, social orphans and people who have suffered severe strokes of fate. Since its foundation in 1965, Kartei der Not has provided some €40 million to help people in need across the region.

WashTec **Shares**

Karoline Kalb
Member of the
Management Board

Stock market performance in 2017

2017 brought a continuation of the upward trend on the stock markets seen in recent years. In Europe, the signs were once again set for growth in 2017. Germany's leading index, the DAX, looks back on a strong year's performance. Buoyed by the ongoing boom in the economy and the low interest rate environment, the DAX continued to climb. Entering 2017 at 11,426 points, the DAX hit an annual – and all-time – high of 13,479 points in November. As of the year-end, the DAX closed at 12,918 points, thus delivering an annual performance of 12.5%. A temporary correction from mid-June to late August can be explained by the escalating nuclear conflict with North Korea and by interim profit taking. The rally was fueled by the ECB, which left its benchmark rate unaltered at 0.0% in 2017 in order to attain the 2% long-term inflation rate target. The Dow Jones began 2017 at 19,873 points and contained the upward trend of recent years. As early as January, the index reached the 20,000 mark for the first time. In the further course of the year, the index rose without major fluctuations to over 24,000 points and attained a new all-time high of 24,838. The Dow Jones closed at 24,719 points on December 29, 2017, marking a tremendous 25.1% increase in 2017 as a whole. US stock markets were mainly influenced by the inauguration of Donald Trump and his first actions in office. Growth in China proved more robust than expected. The Chinese economy already grew more strongly than expected in the first three quarters of 2017, at 6.9%.

The SDAX small-cap index, similarly, was able to gain only 24.87%. The European benchmark index, Euro Stoxx 50, showed a 6.49% gain to 3,503.96 points.

WashTec share price gains 58.98% over the year

The WashTec share price began 2017 at €49.50. That opening price on January 2, 2017 also marked the low for the year. The share price had its high point of the year of €79.50 on December 29, 2017 and closed on the same day at €78.70.These figures relate to closing rates on the Xetra trading platform. The price gain in 2017 was 58.98%.

Market capitalization over €1 billion – added to MSCI Small Cap Index

WashTec shares were added to the MSCI Small Cap Index in November 2017. MSCI is a leading provider of international stock indices. Inclusion in the index is further testimony to the investment's attractiveness for more – and more international – investors.

As of February 27, 2018, the shares were trading at €69.70 per share.

Price performance of WashTec shares 2017/2018 compared to the SDAX (indexed)

Attractive dividend policy

Pursuant to a resolution adopted by the Annual General Meeting on May 3, 2017, the Company paid its shareholders a dividend of €2.10 per share for fiscal year 2016. Dividend distributions thus totaled €28.1 million in 2017. Total shareholder return in 2017 was 64.85%

Total shareholder return 64.85%

WashTec aims to maintain an attractive dividend policy under which shareholders duly participate in the Company's success. It has been possible to increase the dividend each year for the last several years. For future years, too, our aim is to increase the dividend annually or at least to maintain it at the level of the prior year.

The Management Board and Supervisory Board are proposing a dividend of €2.45 for fiscal year 2017.

Changes in shareholder structure

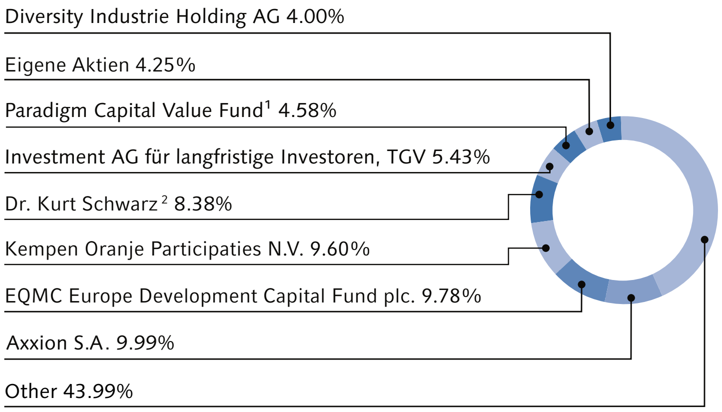
The great majority of WashTec AG shares are held by institutional investors. The strong focus of WashTec products on environment protection and sustainability is reflected in the proportion of shareholders who select investments on the basis of clearly defined sustainability criteria.

WashTec AG received the following voting rights notifications under the Securities Trading Act (Wertpapierhandelsgesetz) in fiscal year 2017: All changes or secondary offerings were price-neutral without any material impact on the share price.

Paradigm Capital Value Fund, Senningerberg, Luxembourg notified WashTec AG that its share of the voting rights on July 4, 2017 was now 4.58% instead of previously 6.01%. Paradigm Capital Value Fund, Senningerberg, Luxembourg, notified WashTec AG that Carne Global Fund Managers (Luxembourg) S.A., Senningerberg, Luxembourg, was designated as investment manager on December 1, 2017.

Lazard Frères Gestion S.A.S., Paris, France, notified WashTec AG that its share of the voting rights on July 24, 2017 was now 2.96% instead of previously 4.94%. It is attributed the shares held by Objectif Small Caps Euro Sicav. Objectif Small Caps Euro Sicav, Paris, France, notified WashTec AG that its share of the voting rights on July 24, 2017 was now 2.96% instead of previously 3.04%.

Shareholder structure as of December 31, 2017



[1] Carne Global Fund Managers (Luxembourg) S.A.
[2] Leifina GmbH & Co. KG et al

Source: Notifications pursuant to the German Securities Trading Act (WpHG)

BNY Mellon Service Kapitalanlagegesellschaft, Frankfurt am Main, Germany, notified WashTec AG that its share of the voting rights on October 1, 2017 was now 0.00% instead of previously 5.61%, as management of Frankfurter Aktienfonds für Stiftungen had been transferred with the associated voting rights to Axxion S.A. Axxion S.A., Grevenmacher, Luxembourg, notified WashTec AG that its share of the voting rights on October 1, 2017 was now 9.99% instead of previously 0.00%.

Alantra Partners, S.A., Madrid, Spain, notified WashTec AG that its share of the voting rights on November 6, 2017 was now 0.00% instead of previously 9.78%. The voting rights notification was made solely for Alantra Partners S.A. on the basis of the statement of independence pursuant to section 22a (3) of the WpHG. The voting rights held by Alantra Asset Management, SGIIC, S.A. and EQMC Europe Development Capital Fund plc have not changed in a way that makes a voting rights notification under section 21 of the WpHG necessary for either Alantra Asset Management, SGIIC, S.A. and/or for EQMC Europe Development Capital Fund plc.

Five investors subsequently each hold at least 5.00% of the voting rights. To the knowledge of the Management Board, 43.99% of the Company's shares are held by shareholders whose stakes are below the notification threshold. On the definition used by Deutsche Börse, the free float is 87.37%, as treasury shares and the shares held by Dr. Kurt Schwarz are deducted.

Managers' transactions/Directors' dealings

No managers' transactions were reported to the Company under the WpHG in fiscal year 2017.

Active investor relations

The Management Board communicated with shareholders, journalists and the financial community on an ongoing basis through the year. The Company held financial press conferences and conference calls for analysts and investors on publication of results. At the Annual General Meeting on May 03, 2017, the Management Board shared its detailed position on the current market situation, business development and strategy and discussed these matters with the shareholders. The shareholders of WashTec AG were also kept up to date in a timely manner about all important events. WashTec took part in the Baader Bank Investment Conference, several conferences held by Bankhaus Lampe and Berenberg Bank, and Eigenkapitalforum in Frankfurt.

Roadshows were held in the USA, Canada, the UK, Germany, Spain and Australia. In addition, numerous investors visited the Company to gain a first-hand impression of the world of WashTec.

WashTec shares are covered by various independent analysts

WashTec shares are regularly covered by analysts at major financial institutions (Hauck & Aufhäuser, HSBC Trinkaus & Burkhardt, MM Warburg and Bankhaus Lampe).

Key data on WashTec shares

		2017	2016	2015
Annual closing price*	€	78.70	49.50	30.50
Annual high	€	79.50	51.50	33.70
Annual low	€	49.50	26.50	12.90
Annual opening price	€	49.50	30.50	13.10
Number of shares as of Dec 31**	million units	13.4	13.4	13.4
Free float on Dec 31	%	44.33	42.0	35.2
Market capitalization as of Dec 31	€ million	1,101.80	691.9	426.4
Development over the year	%	58.98	62.30	132.8
(for comparison: SDAX)	%	24.87	4.63	26.6
Earnings per share***	€	2.76	2.29	1.78
Dividends per share	€	2.45	2.10	1.70

* based on Xetra-closing prices
** without the 594,646 own shares of WashTec AG
*** weighted average numer of outstanding shares at 31 Dec 2015: 13.8m, since 31 Dec 2016:13.4m

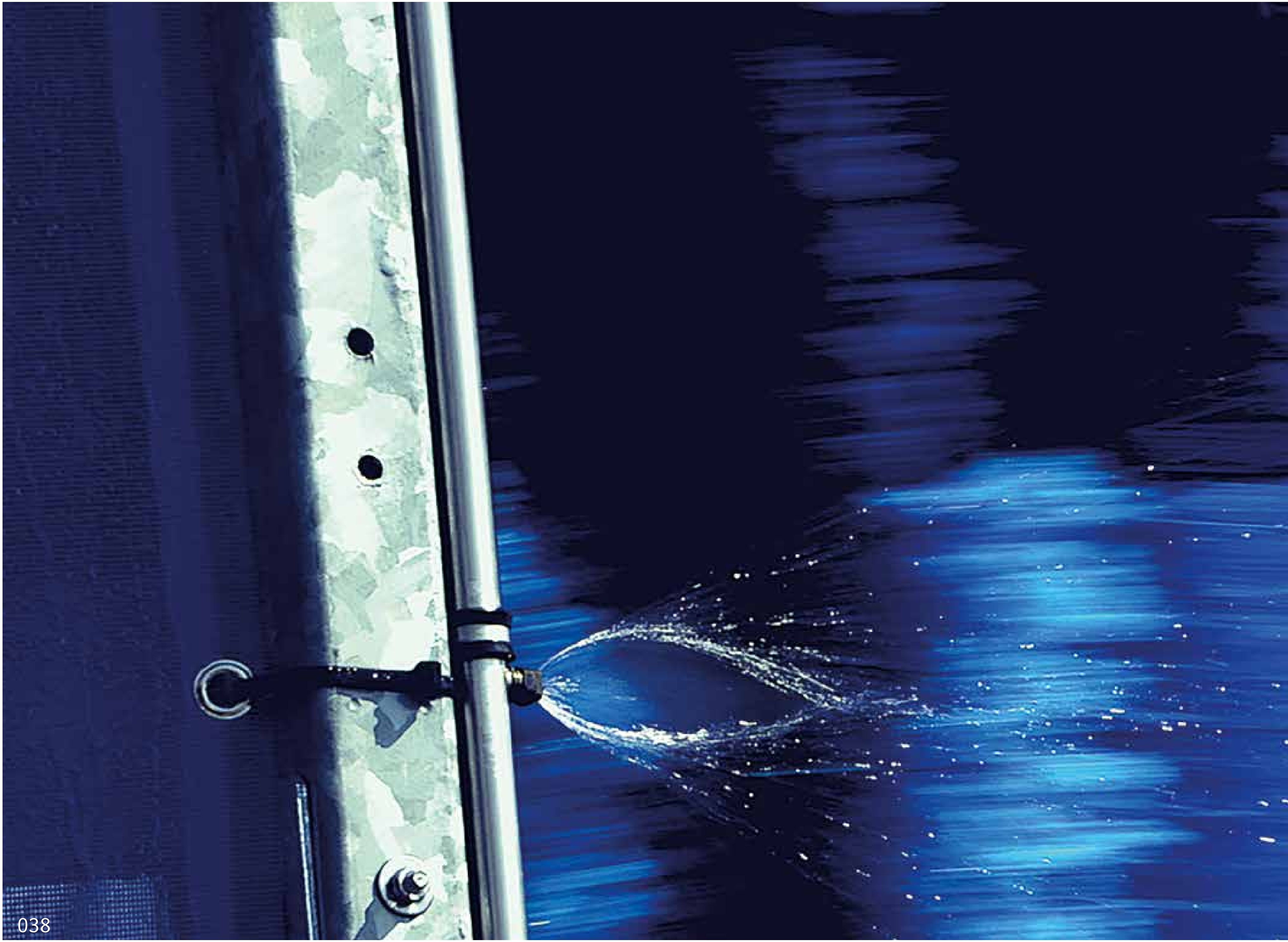
Further information and contact

Current data regarding the WashTec shares and detailed information about the WashTec Group and its products can be found on the Company's website at www.washtec.de.

Anyone interested in the Company and its shares may also contact the Investor Relations Department at WashTec AG:

Telephone +49 821 5584-0
Fax +49 821 5584-1135
E-mail washtec@washtec.de

WashTec



Combined Management Report **of WashTec AG and the Group**

2017 at a Glance

WashTec Group*

- Positive performance across all products and customer groups relative to prior year
- Revenue and earnings growth in Europe and North America regions
- Revenue of €425.0m or 14.0% higher than prior year (14.7% adjusted for exchange rate effects)
- EBIT increased by 18.4% to €52.2m with EBIT margin of 12.3%
- EPS up by 20.5% to €2.76

Europe

- Significant revenue growth and earnings improvement
- Revenue: €337.3m (+12.1%); EBIT: €45.7m (+17.2%)

North America

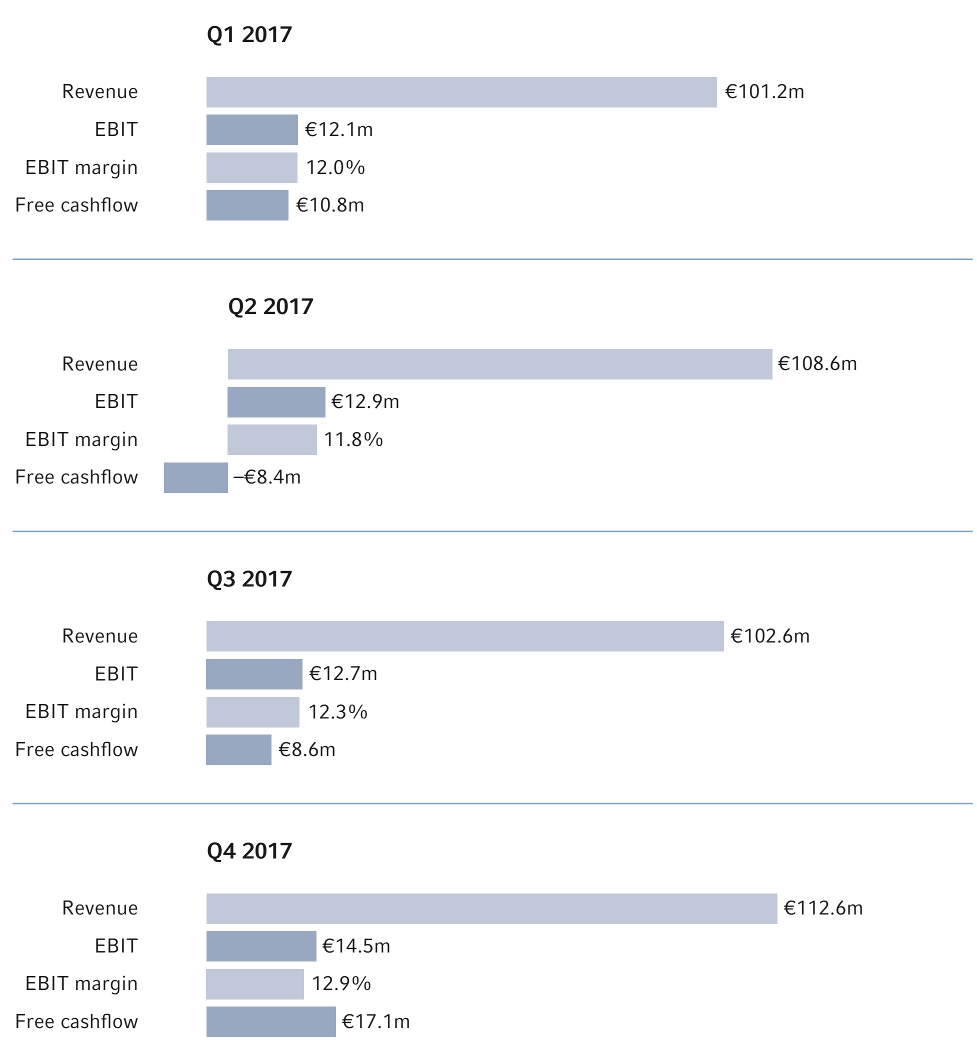
- Significant revenue growth, notably due to orders from major customers in Q1 and Q2 2017, and significant earnings improvement
- Revenue: €80.0m (+31.1%); EBIT: €5.9m (+78.8%)

Asia/Pacific

- Decrease in revenue and earnings, growth in China, decline in Australia
- Revenue: €16.5m (–8.3%); EBIT: €0.2m (–86.7%)

* Segment data without consolidation

Revenue, EBIT, EBIT margin, free cash flow



General Information about the Group

1

1.1 Business model

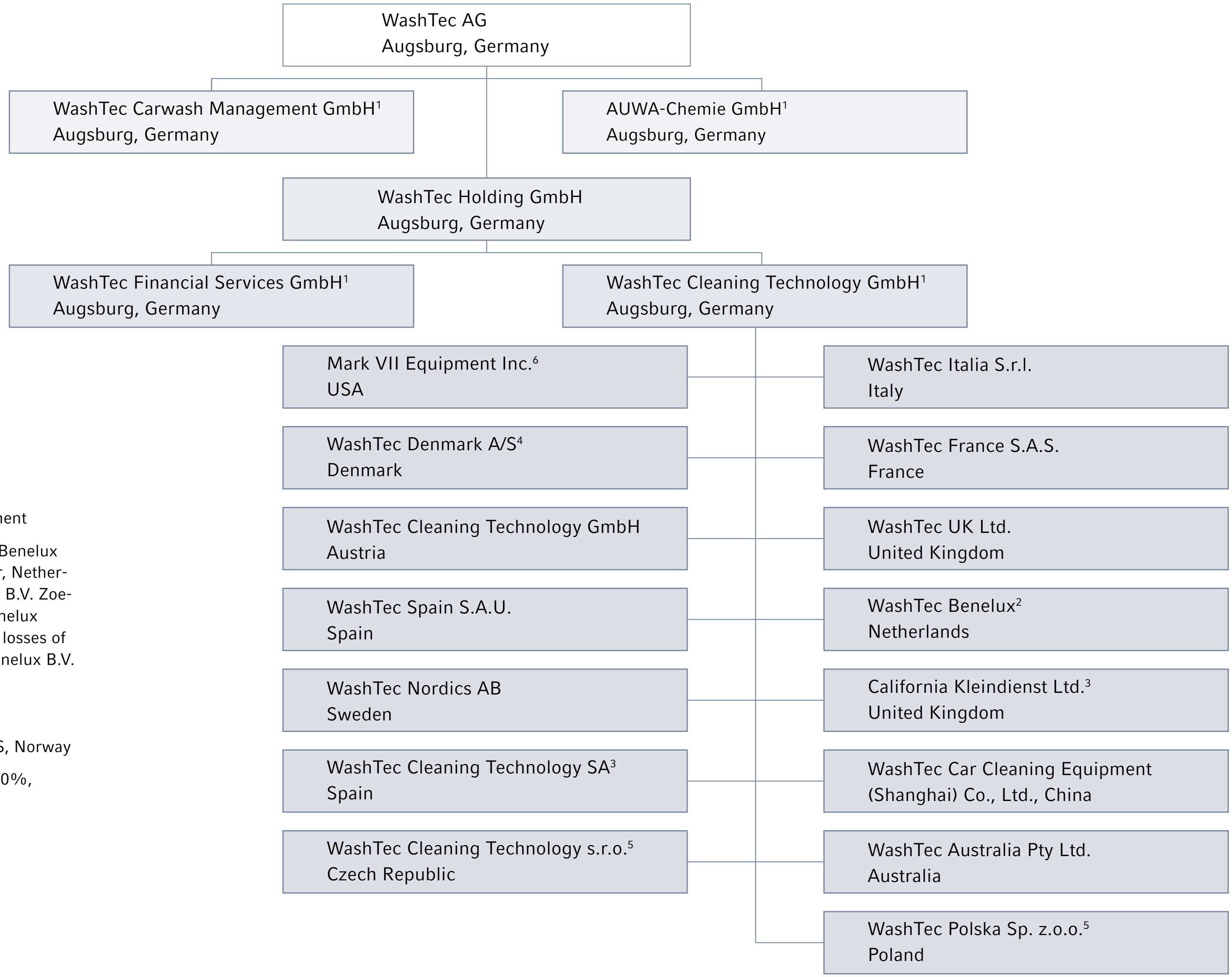
Sole global supplier – presence in Europe, North America and Asia

WashTec is the leading provider of innovative solutions for car wash worldwide. The WashTec product range comprises all types of vehicle wash equipment as well as the associated peripheral devices, wash chemicals and water reclaim systems. WashTec also offers comprehensive servicing packages spanning the entire product life cycle, including equipment maintenance, financing arrangements and operator management. Equipment and Service are the main revenue drivers.

Revenue by product in €m

1.1.1 Group and organizational structure

The consolidated financial statements of WashTec AG include the parent company and the Group companies shown below. WashTec AG directly or indirectly owns 100% of these companies.



[1] Control and profit (loss) pooling agreement

[2] Company constitutes a sub-group with Benelux Carwash Management B.V., Zoetermeer, Netherlands, WashTec Benelux Administrative B.V. Zoetermeer, Netherlands, and WashTec Benelux N.V., Brussels, Belgium, the profits and losses of which are accounted for in WashTec Benelux B.V. Zoetermeer, Netherlands.

[3] Company currently inactive

[4] Includes subsidiary WashTec Bilvask AS, Norway

[5] WashTec Cleaning Technology GmbH 90%, WashTec Holding GmbH 10%

[6] Includes subsidiary WTMVII Cleaning Technologies Canada, Inc., Canada

As the Group's ultimate parent company, WashTec AG is responsible for the strategic management and control

WashTec AG

As the Group's ultimate parent company, WashTec AG is responsible for the strategic management and control of all its subsidiaries.

Since the Company does not have any operations of its own, its results of operations, net assets and financial position are determined solely by the business performance of its subsidiaries. The information set out below therefore mainly relates to the Group. Information specific to WashTec AG is provided where required. The direct subsidiaries of WashTec AG are AUWA-Chemie GmbH, WashTec Holding GmbH and WashTec Carwash Management GmbH. WashTec AG has profit and loss pooling agreements with AUWA-Chemie GmbH and WashTec Carwash Management GmbH.

WashTec Holding GmbH

With the exception of AUWA-Chemie GmbH and WashTec Carwash Management GmbH, the WashTec Group's ownership interests in operating companies are held by WashTec Holding GmbH, based in Augsburg, Germany. WashTec Holding GmbH has profit and loss pooling agreements with WashTec Financial Services GmbH and WashTec Cleaning Technology GmbH.

WashTec Cleaning Technology GmbH

The bulk of the operating business is conducted by WashTec Cleaning Technology GmbH, Augsburg, Germany. This is where the main products of the WashTec Group are developed, manufactured, sold and serviced. The Company's subsidiaries and independent foreign sales partners are supplied and supported by WashTec Cleaning Technology GmbH.

Foreign subsidiaries

The WashTec Group has subsidiaries in all major European, North American and Asia/Pacific markets. Subsidiaries in the US, Canada, Australia, China, Spain, the UK, France, Belgium, Denmark/Norway, Poland, Austria, Italy and the Netherlands are responsible for selling and servicing WashTec products. An overview of the production locations is provided in section 1.1.3.

WashTec Financial Services GmbH

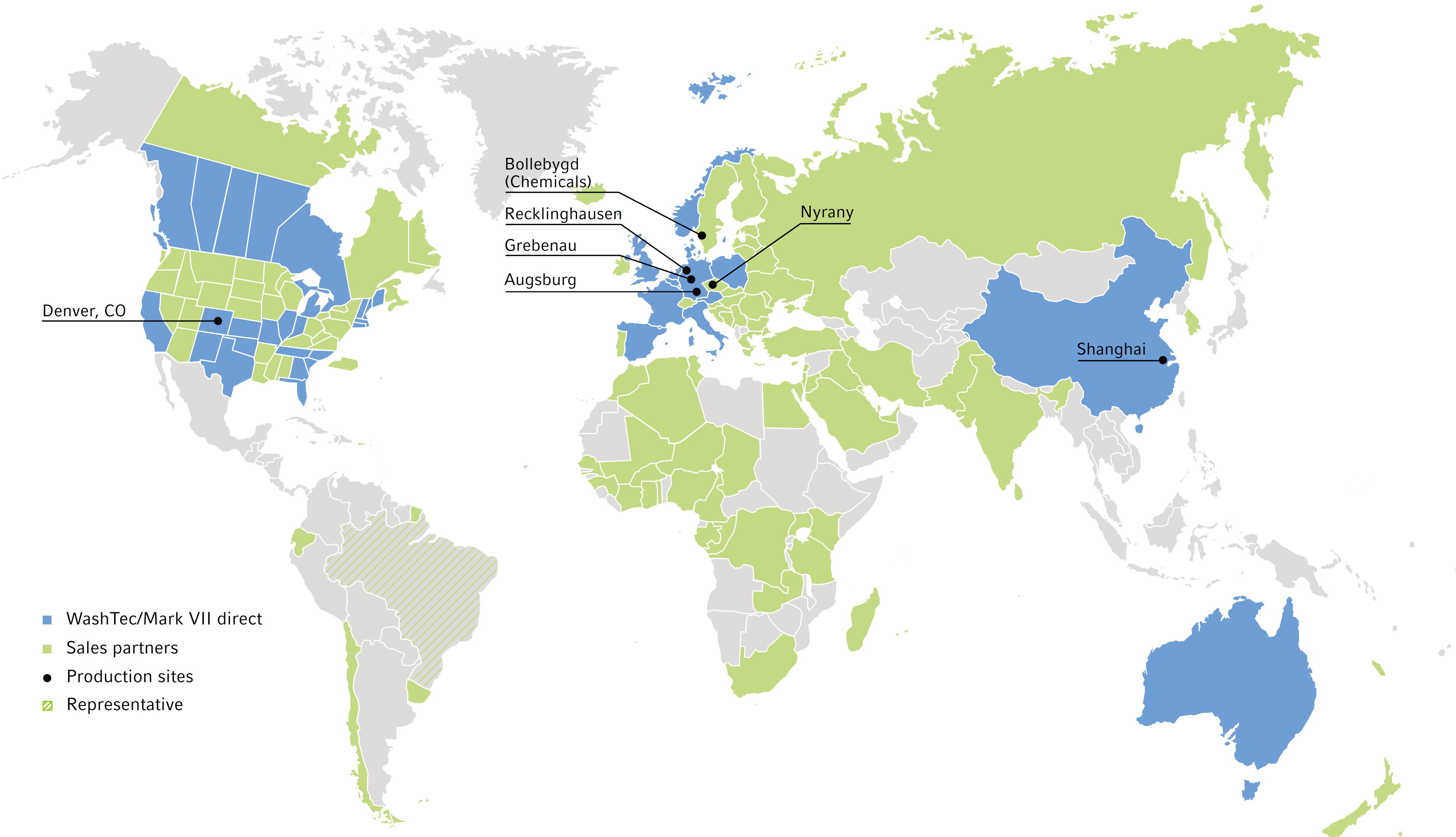
WashTec Financial Services GmbH brokers bespoke financing arrangements for WashTec products on behalf of customers of the WashTec Group. It receives commission from the lenders – mostly leasing companies – involved in the financing arrangements.

AUWA-Chemie GmbH

AUWA-Chemie GmbH produces chemical products for car wash equipment. Distribution is via WashTec subsidiaries and independent distributors in Germany and Europe.

WashTec Carwash Management GmbH

WashTec Carwash Management GmbH handles the operation of car wash equipment on behalf of and for the account of its customers. The company also offers numerous other services such as profitability and location analysis.


Bollebygd
(Chemicals)
Recklinghausen
Grebenau
Augsburg
Nyrany
Denver, CO
Shanghai
WashTec/Mark VII direct
Sales partners
Production sites
Representative

1.1.2 Locations

WashTec is represented worldwide

The WashTec Group has a global footprint with over 1,800 employees worldwide and with branches in all major markets including Europe, North America and Asia.

WashTec also has a broad network of independent sales partners and is thus represented today in over 70 countries throughout the world.

1.1.3 Production, sourcing and logistics

WashTec has a global procurement and production network

WashTec has a global procurement and production chain with production facilities in China, the Czech Republic, the US and Germany. Most of the equipment for Europe is assembled at the main plant in Augsburg, Germany. Roll over wash equipment is produced for the North American market in Denver (USA) and for Asian markets depending on the product in Shanghai (China) or Augsburg (Germany). Much of the sheet metal production takes place in the Czech Republic, where components are also preassembled. The Company has two other sites in Germany producing control units for the entire Group (Recklinghausen) and wash chemicals (Grebenau). All products are made using the latest technology and state-of-the-art production methods that are subject to ongoing development. The main plant in Augsburg gained an award in the location development category in the 2017 »Fabrik des Jahres« (»Factory of the Year«) competition.

1.1.4 Reporting by segment

WashTec's global business is divided into three geographical segments. The Europe segment pools the activities of the WashTec Group in Western Europe and Eastern Europe including Russia. The North America segment comprises the activities in the USA and Canada. The Asia/Pacific segment primarily relates to the business performance of the Australian and Chinese subsidiaries.

1.1.5 Management and control

As required by the German Stock Corporation Act (Aktiengesetz/AktG), WashTec AG has a two-tier management and supervisory structure comprising the Management Board and the Supervisory Board. The Management Board manages the Company under its own responsibility, sets the strategic direction and pursues the goal of sustained growth in shareholder value. The Supervisory Board, which consists of six members in accordance with the Articles of Association, advises and supervises the Management Board.

As the company spearheading the Group, WashTec AG determines corporate strategy and higher-level control, resource allocation and communication with key stakeholder groups in the business environment, primarily comprising the capital market and shareholders. WashTec's top-level objective is maximum customer benefit resulting in sustained growth in shareholder value. The Company's internal management and control pursues this aim through a value-oriented management system. This system encompasses an integrated planning and controlling strategy, target ratios for management as well as measures for ensuring sustained, profitable growth, efficiency improvements and efficient capital management. The Company's Management Board and Supervisory Board define the corporate strategy and related targets, which are implemented at all business units across all of levels of responsibility in the Group.

Monitoring is performed by way of regular meetings involving all reporting units. These include two-weekly Management Board meetings at which the divisional heads report, monthly meetings with the divisional heads, regular international management meetings with heads of the operating companies, strategic and annual planning including capital expenditure planning, production and capacity planning, regular reporting and forecasting, ongoing market analysis, and regular revenue, sales, order backlog and market share analyses. All capital expenditure projects are separately reviewed and monitored in the same connection.

1.1.6 External factors influencing the business

Key market drivers

Economy: Increase in the number of registered cars and labor costs; rising per capita income

Growing vehicle numbers, rising customer expectations and regulation as drivers for automated car wash

Key factors influencing the increasing popularity of automated car wash not only include country-specific consumer behavior and average per capita income, but also a large and growing pool of vehicles requiring washes. According to multiple independent studies, the global vehicle fleet is set to double by 2050 (Source: VDA, Shell).

Higher wages, rising per capita incomes and the worldwide increase in the number of vehicles create lasting market potential in many regions. This applies most of all to regions that are transitioning from manual washing to various forms of automated washing.

Rising customer expectations in terms of wash speed, convenience, quality and experience

Compared to manual washing, automated washing generally yields better wash quality and is less abrasive to car finish. The wash process in an automated car wash is also far less time-consuming than manual washing.

Environmental issues: More stringent requirements and enforcement of environmental regulations – fresh water as a limited resource

Automated car washing is environment-friendly: Particularly when used together with water reclaim systems, automated car washing requires significantly less water than manual washing.

Additional trends and influences: Vehicles need to be cleaned no matter how they are powered and regardless of the ownership model.

- The need for car washing arises from the effects of dust, pollen, rain, snow and salt, regardless of the means of propulsion.
- Alternative vehicle propulsion: vehicles are going over from combustion engines to alternative means of propulsion. Until now, no clear favorite has emerged as to which drive concept will prevail in the future (such as hybrid or electric), which means that it remains unclear where vehicles will ›fill up‹ in the future. The Company is assuming, however, that filling stations will not lose importance in the medium term.
- Alternative individual mobility concepts (such as car sharing): Vehicles used in such arrangements still have to be washed by providers or users.

WashTec is carefully monitoring these and other trends in order to respond to changing circumstances as quickly as possible.

1.2 Corporate objective and strategy

Our corporate philosophy defines our top-level objective as **Maximum Customer Benefit**. Generating customer benefit requires specialization, combined with a profound understanding of application and of related processes and technologies. The same specialization is a requirement for user-oriented innovation.

Our efforts in this regard target end customers and operators alike in order to promote the attractiveness of carwash and improve profitability for operators. Continuous management and employee development at WashTec is built around this basic strategic orientation. Each and every WashTec employee contributes as an entrepreneur to the company’s development. Clear focus on customer benefit enables us to extend our competitive advantage on a lasting basis and create value for customers, the Company and our shareholders.

1.3 Control system

1.3.1 Financial quantitative targets and performance indicators

The financial and non-financial performance indicators used by the Company for planning and control are as follows:

Key financial performance indicators

- Revenue
- EBIT
- Free cash flow [cash inflow from operating activities (net cash flow) – cash outflow from investing activities]

From 2018, return on capital employed is to be used as an additional Group-level financial performance indicator for the management of capital efficiency. ROCE is defined as the ratio of EBIT to capital employed. We define capital employed as total property, plant and equipment and intangible assets (including goodwill) plus net operating working capital (NOWC). NOWC is defined as the sum of inventories and trade receivables less trade payables and prepayments on orders. The new indicator is measured at Group level and forecast for 2018 for the first time.

Key non-financial performance indicators
The following non-financial performance indicator is used at Group level:

- Accident rate: Work accidents/million hours worked

In the course of complying with the CSR Directive Implementation Act, the Company has updated the sustainability report and supplemented it with the separate combined non-financial report (see the Sustainability Report on the WashTec website, https://ir.washtec.de/websites/washtec/English/6000/corporate-governance.html). This contains a detailed description of WashTec's key non-financial performance indicator, the accident rate.

1.3.2 Risk management

Responsible management of business risk is one of the basic principles of good corporate governance. The Management Board has at its disposal comprehensive Group-wide and Company-specific reporting and management systems that permit it to identify, assess and manage such risk. These systems are continuously developed and adapted to changes in the operating environment. The Management Board regularly informs the Supervisory Board about existing risks and their development.

Details of risk management are found in the risk report, which is part of the management report. The management report contains the report required under Sections 289a (1) and 315a (1) of the German Commercial Code (HGB) on the internal monitoring and risk management system as it relates to financial reporting.

1.4 Research and development

The focus of our research and development work is on innovation and ongoing development of our products and production processes. These activities additionally include supporting products throughout their entire life cycle and adding to the depth and breadth of our application know-how. The main substantive focus is on:

- Optimizing washing and drying processes
- Enhancing ease of use
- Improving product availability and efficiency.

70 employees in research and development

In total, more than 70 employees work in research and development at the WashTec headquarters in Augsburg. We place high priority on protecting innovations with patents.

As a result of the volume of projects in progress, total research and development expenditure increased by 13% to €8.0m.

The Group's capitalized development costs came to €3.1m in 2017 (prior year: €1.9m). Added to this is €1.2m (prior year: €0.9m) which was unable to be capitalized.

Report on economic position

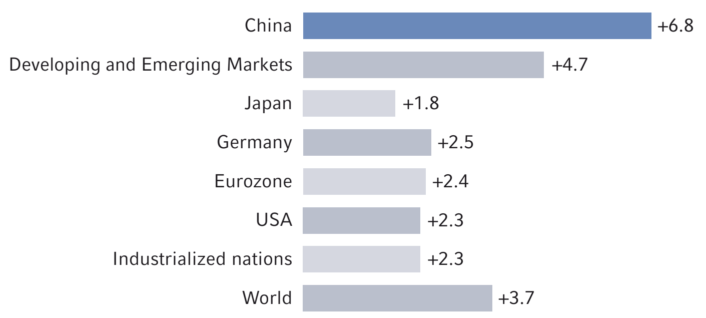
2.1 Overall economic and industry-specific environment and conditions

2.1.1 Overall economic development

Global economic growth

According to information provided by the International Monetary Fund (IMF), the global economy grew by 3.7% in 2017. Global economic growth of 3.9% is forecast for 2018. For the eurozone, the IMF sees little change with growth of 2.2% and 2.0% in the next two years (following 2.4% in 2017). With an estimated 2.3% growth in 2018, Germany is slightly down on the prior year (2017: 2.5%). In the United Kingdom, growth decreased in 2017 to 1.7% and the forecast for 2018 is 1.5%. The growth forecast for the USA in 2018 is 2.7%. Developing and emerging economies continue to contribute to global economic growth. According to forecasts, their economic growth rate will rise to 4.9% in the coming year and to no less than 5.0% in 2019. In China, the IMF now expects economic growth of 6.6% in 2018.

Economic growth 2017 in %



Source: International Monetary Fund (IMF) World Economic Outlook Update, January 2018

Industry environment

In WashTec's assessment, the wash equipment sector once again showed a positive trend in 2017. This was helped along by the positive overall development in operators' wash business, most of all in the first half of 2017.

2

Ongoing good industry economic cycle supports WashTec growth in 2017

Oil price fluctuations, most recently with an increase, have not yet caused the major customers that are affected by them to reduce capital expenditure. Individual major customers with a strong focus on convenience retail have implemented large investment programs that came to an end with the first half of 2017. The customers concerned have since returned to their usual ordering volumes.

2.1.2 Market for car wash equipment

Customer groups

WashTec as market leader in Europe

WashTec's customers are predominately operators of filling stations that offer on-site car washes, with which they generate a substantial part of their earnings. These customers include multinational petroleum companies, retailers, individual filling station operators and filling station operator chains. Additional key customer groups include car wash operators, supermarket chains, car dealerships and workshops, road freight companies and public transport operators.

Competition

In Europe – an established market with intense competition – WashTec's own research shows it to be the clear market leader in terms of market coverage and market share. The main European competitors are Otto Christ AG (Germany), and Istobal S. A. (Spain).

The largest competitors in the established North American market, which is more fragmented on the customer and provider sides, are NCS/Ryko Inc., PDQ Manufacturing Inc., Belanger Inc. and Sonny's, along with Broadway in the car dealerships segment.

Asian markets predominantly served by local competitors are Japan and South Korea. The 'missionary' Chinese market has an array of local providers alongside WashTec.

Sales markets

Germany and Europe remain the largest sales markets. Based on WashTec's strategy, North America and Asia/Pacific will account for a higher percentage of the Group's total sales revenue in the long term.

2.2 Business performance

Revenue and EBIT increased in line with guidance

The following section examines WashTec Group's business performance. WashTec AG is not itself an operating entity and earns income exclusively from dividends paid by WashTec Holding GmbH as well as from profit transfers made by WashTec Carwash Management GmbH and AUWA-Chemie GmbH. The following discussion therefore primarily relates to the Group. WashTec AG is discussed separately in section 2.6.

Rounding differences may occur		2016	Guidance 2017	2017	Change
Revenue	€m	372.8	significant increase	425.0	14.0%
EBIT	€m	44.1	significant increase	52.2	18.4%
Free Cashflow	€m	20.8	significant increase	28.1	35.1%
Accident rate (work accidents/ million working hours)		1.2	0	0.9	–25.0%

Good revenue and business development

Revenue rose by 14.0% in 2017 to €425.0m (prior year: €372.8m). Adjusted for exchange rate effects, the increase was 14.7%. The target for 2017 of significant revenue growth on the prior year was thus attained. The increase in revenue was the result of positive revenue performance across all products.

EBIT rose to €52.2m. This represents an increase of 18.4% (prior year: €44.1m). The target of a significant increase was thus attained. This mainly reflected the positive business performance in Europe and North America. In terms of EBIT, too, the increase in the guidance during the course of the year to an EBIT margin of at least 12% was fully attained.

Free cash flow [cash inflow from operating activities (net cash flow) – cash outflow from investing activities] was €28.1m (prior year: €20.8m). The forecast of a significant increase in free cash flow was thus attained. The main reason for this was the positive business performance, large prepayments from customers at the end of the year and lower capital expenditure.

The number of work accidents per million hours worked decreased and at 0.9 remains significantly below the industry average of 23.7 reported by the employers' liability insurance associations (Berufsgenossenschaften). The target of zero accidents in 2017 was not attained. WashTec continues to aim for zero accidents.

The WashTec Group's business performance in 2017 was in line with the expectations communicated to the capital market and updated over the course of the year, and above the guidance given at the beginning of the year. The original guidance was updated upwards each quarter. 2017 stood out for particularly strong growth in revenue from major customers in the first half year and from direct sales over the year as a whole. The Management Board views the development of the business – and above all the progress on the measures taken to promote the future development of the Group – as positive.

2.3 Position

Multi-year comparison of key performance indicators for planning and management

Rounding differences may occur		2015	2016	2017
Revenue	€m	340.9	372.8	425.0
EBIT	€m	36.4	44.1	52.2
Equity ratio	in %	42.2	40.1	40.3
Free cash flow	€m	26.2	20.8	28.1

2.3.1 Order backlog

The Company's order backlog in North America as of December 31, 2017 was smaller than at the end of the prior year. The order backlog in the prior year was at a very high level due to the investment program with major customers at the time, which also included a financing plan. For the rest of the Group, the order backlog was at the same high level as in the prior year and, in total, well above its 2016 level. Since the WashTec Group's orders generally cycle through within six to ten weeks, the order backlog serves as an indicator for the months ahead but has only limited indicative value for how business will develop over fiscal year 2018 as a whole.

2.3.2 Results of operations

2.3.2.1 Income statement

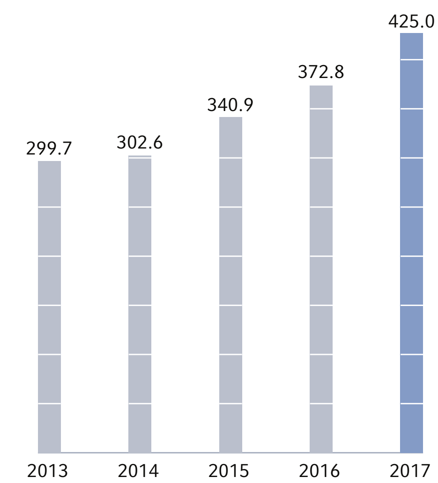
The following table shows the income statement of the WashTec Group:

in €m, rounding differences may occur	2017	2016	Change (absol.)	Change (in %)
Revenue	425.0	372.8	52.2	14.0
Cost of materials	183.0	153.1	29.9	19.5
Other operating income	4.3	4.7	–0.4	–8.5
Personnel expenses	131.6	122.9	8.7	7.1
Other operating expenses (including other taxes)	57.7	53.2	4.5	8.4
EBITDA	62.1	53.4	8.7	16.2
Depreciation and amortization	9.9	9.4	0.5	5.3
Operating result (EBIT)	52.2	44.1	8.1	18.4
EBIT margin in %	12.3	11.8	0.5	–
Financial result	–0.6	–0.4	–0.2	–50.0
Earnings before taxes (EBT)	51.6	43.6	8.0	18.3
Taxes	14.7	13.1	1.6	12.2
Consolidated net income	36.9	30.6	6.3	20.6
Earnings per sher (EPS)	2.76	2.29	0.47	20.5

2.3.2.2 Revenue development

The WashTec Group's revenue totaled €425.0m and was therefore significantly higher (by €52.2m or 14.0%) than the prior year figure of €372.8m. After exceptionally strong growth of 24.1% in the first half year, which was primarily driven by specific projects with a number of major customers, revenue increased in the second half year by 5.7%.

Revenue development in €m



Adjusted for exchange rate effects, full-year revenue was €427.6m, an increase of 14.7% on the prior year (€372.8m). The exchange rate effect was notably a result of depreciation of the pound sterling and the US dollar against the euro. A detailed discussion about the development of the individual segments is provided under Segment Reporting in section 2.3.3.

Revenue by products

in €m, rounding differences may occur	2017	2016	Change (absol.)	Change (in %)
Equipment and service	367.2	319.3	47.9	15.0
Chemicals	44.7	40.5	4.2	10.4
Operations business and others	13.1	13.0	0.1	0.8
Total	**425.0**	372.8	**52.2**	**14.0**

Significant revenue growth in all product areas

Equipment and Service revenue was €367.2m, significantly higher than the prior-year figure of €319.3m. The Chemicals business likewise continued to develop favorably. **Chemicals** revenue grew by €4.2m to €44.7m (prior year: €40.5m). Revenue in the **operations business and from arranging finance** for wash equipment accounts for only about 3.0% of WashTec Group revenue and held stable during the year under review.

2.3.2.3 Expense items and results

2.3.2.3.1 Expense items

Cost of materials

Cost of materials primarily includes purchased raw materials, consumables and supplies along with purchased services. The largest items related to procurement of steel, plastics and other raw materials. Due to higher sales, the cost of materials increased from €153.1m to €183.0m.

Based on the increase in revenue, gross profit rose from €223.0m to €244.1m. Mainly due to a higher percentage of new equipment business, changes in the regional mix and an increase in purchased services in connection with the completion of a number of specific projects with major customers, the margin narrowed relative to the prior year by 2.4% to 57.4% in the year under review.

Personnel expenses

Personnel expenses rose from €122.9m to €131.6m. The increase in personnel expenses primarily related to the larger employee numbers as a result of the planned expansion of the sales and service functions and of production, and also to pay increases under collective agreements in Europe. The personnel expense ratio (personnel expenses as a percentage of revenue) decreased from 33.0% to 31.0%.

The number of employees at the year-end was 1,814 and therefore 47 or 2.7% more than the prior year.

Other operating expenses (including other taxes)

Other operating expenses (including other taxes) rose by €4.5m, from €53.2m to €57.7m. The increase in other operating expenses was mainly due to a rise in costs incurred for contract employees (€2.0m) relating to capacity utilization. There was also a project-related increase in travel expenses and IT consulting expenses, among other things in connection with the successful introduction of SAP in North America. The exchange rate losses contained in other operating expenses increased slightly to €2.8m (prior year: €2.4m).

Other operating income (excluding capitalized development costs) decreased slightly by €–0.4m from €4.7m in the prior year to €4.3m. The decrease mainly relates to gains recognized in other operating income from foreign currency measurement of balance sheet items.

2.3.2.3.2 Exchange rate effects

Changes in the US dollar-euro exchange rate do not generally have a material impact on the operating business because most value creation and revenue realization takes place in North America.

Measurement of foreign currency assets and liabilities at the reporting date had a negative impact on earnings of approximately €–1.0m (prior year: €-0.1m). This was mainly a result of movements in the US dollar relative to the euro. A foreign exchange hedge was entered into at the beginning of 2018 to minimize this effect.

2.3.2.3.3 EBITDA

Earnings before interest, taxes, depreciation and amortization (EBITDA) came to €62.1m, an increase of €8.7m on the prior year (€53.4m).

2.3.2.3.4 Depreciation and amortization

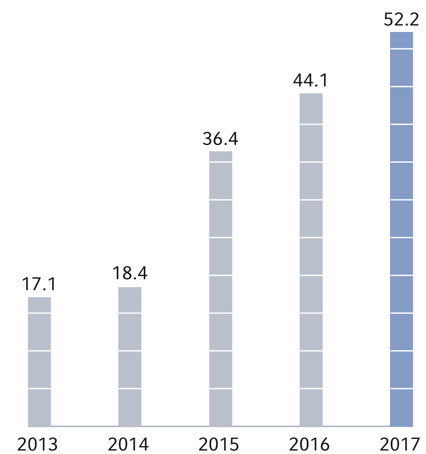
Depreciation and amortization increased slightly to €9.9m (prior year: €9.4m).

2.3.2.3.5 EBIT

Earnings before interest and taxes (EBIT) rose to €52.2m (prior year: €44.1m).

EBIT climbed by €8.1m to €52.2m; the EBIT margin was 12.3%

EBIT over multiple years (in €m)



EBIT by segments is shown under Segment Reporting in section 2.3.3.

2.3.2.3.6 EBIT margin

The EBIT margin improved to 12.3% (prior year: 11.8%).

2.3.2.3.7 Financial result

Net financial expenses increased slightly, mainly due to higher financial liabilities, from €–0.4m to €–0.6m.

Net financial expenses slightly increased to €–0.6m

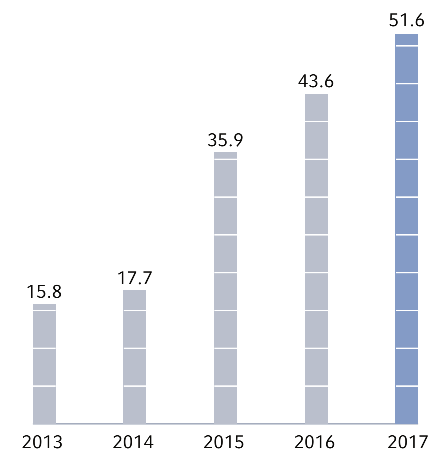
Analysis of financial result

in €m, rounding differences may occur	2017	2016
Other interest and similar income	0.1	0.2
Financial income	**0.1**	**0.2**
Interest-bearing loans	0.4	0.3
Finance lease expenses	0.1	0.1
Borrowing costs and similar expenses	0.2	0.2
Financial expense	**0.7**	**0.6**
Financial result (net financial expense)	**−0.6**	**−0.4**

2.3.2.3.8 EBT

Earnings before taxes (EBT) increased to €51.6m (prior year: €43.6m).

EBT over multiple years (in €m)



2.3.2.3.9 Taxes

The taxes of €14.7m (prior year: €13.1m) consist of deferred taxes, mainly relating to temporary differences, and current tax expense. The tax rate (relative to EBT) fell to 28.4%. This is mainly due to the utilization of loss carryforwards in North America on which no deferred taxes had been recognized.

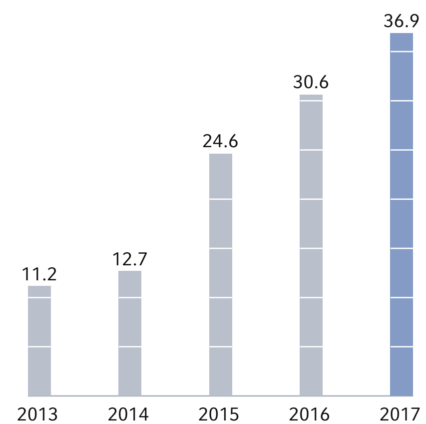
The loss carryforwards are exclusively held by international Group companies.

2.3.2.3.10 Consolidated net income

EPS 20.5% up on prior year

Consolidated net income went up by €6.3m to €36.9m (prior year: €30.6m). On the basis of the average number of shares (13,382,324), earnings per share (basic = diluted) rose significantly by 20.5% to €2.76 (prior year: €2.29).

Consolidated net income over multiple years (in €m)

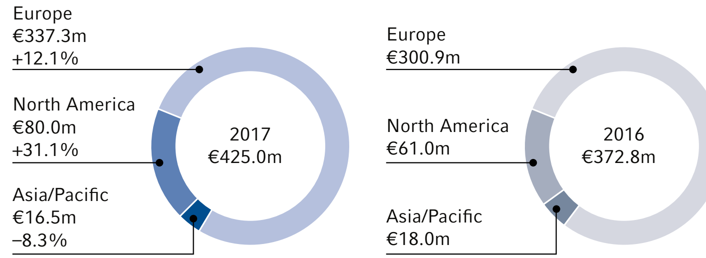


2.3.2.4 Use of funds/dividends

WashTec will continue to pursue an attractive dividend policy going forward. The Management Board and Supervisory Board will recommend to the Annual General Meeting, which is due to be held on April 30, 2018, to appropriate the distributable profit of €33,452,134.82 shown in the Company's annual financial statements for fiscal year 2017 as follows: Payment of a dividend in the amount of €2.45 per eligible share, totaling €32,786,693.80, with the remaining distributable profit of €665,441.02 to be carried forward.

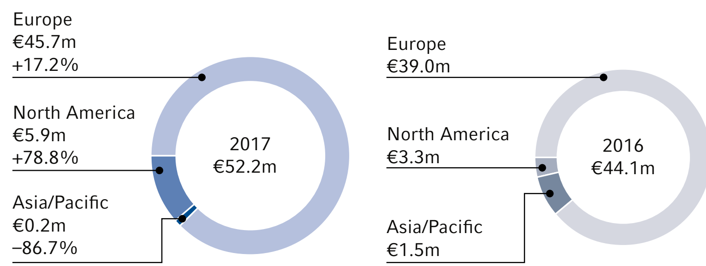
2.3.3 Segment reporting

Revenue by segments in €m*



* Consolidation effects disregarded.

EBIT by segments in €m*



* Consolidation effects are disregarded.

Revenue in largest segment, Europe, increased by 12.1%.

2.3.3.1 Europe

Key figures Core Europe segment

Rounding differences may occur		2017	2016	Change (in %)
Revenue	€m	337.3	300.9	12.1
EBIT	€m	45.7	39.0	17.2
EBIT margin	in %	13.5	13.0	–
Employees (as of Dec 31)		1,430	1,396	2.4

Market environment

Alongside North America, the wash equipment market in Europe is one of the most developed vehicle wash markets in the world. It has the highest proportion of installed car wash equipment and related supplier services and distribution structures. WashTec's customers in Europe are predominately operators of filling stations that offer on-site car washes, with which they generate a substantial part of their earnings. These customers include multinational petroleum companies, retailers, individual filling station operators and filling station operator chains. Additional key customer groups include car wash operators, supermarket chains, car dealerships and workshops, road freight companies and public transport operators.

The competition in Europe is intense and limited to only a small number of manufacturers. The current main competitors are Otto Christ AG (Germany) and Istobal S.A. (Spain). A key factor is a market-wide service network. New competitors face correspondingly high barriers to entry. According to its own research, WashTec is the clear market leader in terms of market coverage and market share, and has by far the most well-established sales and service network and by far the largest installed base of over 20,000 roll-over car wash systems in Europe's core markets.

Core Europe

Rounding differences may occur		2016	Guidance 2016	2017	Change (in %)
Revenue	€m	300.9	significant increase	337.3	12.1
EBIT	€m	39.0	significant increase	45.7	17.2

Revenue development

At €337.3m, revenue in Europe was substantially higher than in the prior year (€300.9m). The forecast performance was thus attained. Almost all countries contributed to the revenue growth. The largest absolute increase was notably attained in **Equipment** and **Service** and in **Chemicals**.

Earnings development

EBIT in Europe increased to €39.0m.

EBIT in Core Europe rose from €39.0m in the prior year to €45.7m, primarily due to the strong positive revenue performance. The EBIT margin was 13.5% (prior year: 13.0%). Earnings performance was thus likewise in line with the forecast.

2.3.3.2 North America

Key figures North America segment

Rounding differences may occur		2017	2016	Change (in %)
Revenue	€m	80.0	61.0	31.1
EBIT	€m	5.9	3.3	78.8
EBIT margin	%	7.4	5.4	–
Employees (as of Dec 31)		283	275	2.9

Market environment

New registrations of cars and light trucks have increased significantly in recent years. Slight population growth and growth in the number of vehicles continue to be expected for the years ahead.

Unlike in Europe, the key customer groups in North America – alongside a number of major customers – are independent small or medium-size filling station operators and individual operators of car wash equipment. The share of wash tunnels relative to roll-over systems and growth in this product segment are above the global average. The market outlook remains positive.

North America

Rounding differences may occur		2016	Guidance 2017	2017	Change (in %)
Revenue	€m	61.0	significant increase	80.0	31.1
EBIT	€m	3.3	significant increase	5.9	78.8

Revenue development

Revenue in North America went up from €61.0m in the prior year to €80.0m. In US dollars, revenue was USD 90.1m (prior year: USD 67.0m). The forecast substantial increase in revenue was thus attained.

Earnings development

North America EBIT 78.8% up on prior year

Earnings in North America increased to €5.9m (prior year: €3.3m). This was mainly a result of the positive revenue performance. The target of a substantial increase in EBIT was thus attained.

2.3.3.3 Asia/Pacific

Key figures Asia/Pacific segment

Rounding differences may occur		2017	2016	Change (in %)
Revenue	€m	16.5	18.0	−8.3
EBIT	€m	0.2	1.5	−86.7
EBIT margin	%	1.2	8.3	–
Employees (as of Dec 31)		59	57	3.5

Market environment

On the Australian market, the major American and European manufacturers are in direct competition.

China: Substantial market growth expected in the mid to long term

The Chinese car wash market is still dominated by manual washing because of the ongoing low cost of labor. Continuously rising wage levels and the rapidly growing numbers of cars on the road combined with greater environmental awareness will further increase the automated car wash share. Since 2008, WashTec has had its own production and procurement location near Shanghai.

Asia/Pacific

Rounding differences may occur		2016	Guidance 2017	2017	Change (in %)
Revenue	€m	18.0	significant increase	16.5	−8.3
EBIT	€m	1.5	significant increase	0.2	−86.7

Revenue development

At €16.5m, revenue was substantially lower than in the prior year (€18.0m). After a slow start to the fiscal year as a result of the development of the business in Australia, a slight increase in revenue was attained in the third quarter and a significant increase in the fourth quarter. Despite this, it was not possible to meet the target of significant sales growth for the year as a whole. The year-end order backlog for the region was significantly above the prior-year level. Another encouraging development is the continued positive revenue performance in China, which picked up momentum in 2017.

Earnings development

EBIT, at €0.2m, showed a marked decrease on the prior year due to the revenue performance. The forecast of significantly higher EBIT for 2017 was consequently not attained.

Balance sheet total increased to €233.9 million due to larger business volume

2.3.4 Net assets

2.3.4.1 Asset and capital structure

Condensed consolidated balance sheet

in €m, rounding differences may occur	2015	2016	2017
Non-current assets	79.3	89.5	92.3
Receivables and other assets	58.8	74.8	87.0
Inventories	39.9	42.9	40.8
Deferred tax assets	4.2	3.8	3.9
Cash and cash equivalents	7.8	6.8	9.8
Equity	80.3	87.4	94.2
Provisions (including income taxes)	34.6	39.8	29.9
Liabilities	62.5	77.7	94.5
of which trade payables	7.5	11.8	14.6
Deferred revenues	9.0	10.1	11.5
Deferred tax liabilities	3.8	3.1	3.8
Balance sheet total	**190.0**	**218.1**	**233.9**

The WashTec Group's **balance sheet total** went up from €218.1m to €233.9m.

2.3.4.1.1 Assets

As in previous years, the WashTec Group's **non-current assets** include goodwill totaling €42.3m. Non-current assets include land and buildings in the amount of €15.8m, technical equipment and machinery together with finance leases in the combined amount of €24.8m, and intangible assets (other than goodwill) in the amount of €9.4m. The increase in the year under review results from capital expenditure. The main factors involved are described in section 2.3.5.2.

Receivables and other assets went up from €74.8m to €87.0m as of the reporting date, primarily due to an increase in trade receivables. Most of the increase in trade receivables is due to the implementation of investment programs with major customers. This program, with extended payment terms, runs for six years and still accounted for receivables of €8.3m as of the year-end.

Inventories went down from €42.9m to €40.8m at the end of the year. The decrease relates among other things to inventories of finished equipment and further inventory optimization across the Group.

Deferred tax assets totaling €3.9m mainly related to temporary differences in the measurement of balance sheet items.

Cash and cash equivalents went up from €6.8m in the prior year to €9.8m.

2.3.4.1.2 Liabilities and equity

Equity ratio at 40.3%

Despite the dividend distribution, **equity** increased due to the positive business performance from €87.4m to €94.2m. Details regarding income and expenses recognized directly in equity in accordance with IFRS are shown in the Statement of Changes in Consolidated Equity (page 93). Even with the increased balance sheet total, the equity ratio remained at a solid 40.3% (prior year: 40.1%).

Bank liabilities rose compared to December 31, 2016 from €8.3m to €13.7m. This primarily related to the dividend distribution and the increase in receivables due to the revenue increase.

WashTec held bank deposits totaling €9.8m as of the year-end. These were countered by bank liabilities in the amount of €13.7m and finance lease liabilities in the amount of €3.2m. The €28.1m dividend payment and larger tax payments for prior years caused net financial debt (cash and cash equivalents less current and non-current financial liabilities) to increase moderately by €2.6m to €7.1m.

Trade payables rose from €11.8m to €14.6m. The increase resulted from working capital optimization measures.

Deferred tax liabilities increased to €3.8m (prior year: €3.1m).

Provisions (including income tax liabilities) primarily consist of provisions for personnel, phased retirement obligations, warranties and buy-back obligations. As of the reporting date, provisions totaled €29.9m (prior year: €39.8m). The decrease is mainly attributable to tax payments and the related reduction in provisions for income tax liabilities.

2.3.4.2 Internally generated intangible assets and off-balance sheet financial instruments

The main internally generated intangible assets benefiting WashTec's business are the immense experience and expertise of the workforce. Know-how regarding the wash process itself and the ability to deploy that expertise in research and development comprise a key competitive advantage. Another key success factor is the sales and service network built up by the WashTec Group over many years.

There are no off-balance sheet financial instruments.

2.3.5 Financial position

2.3.5.1 Capital structure

As part of centralized financial management, the companies of the WashTec Group are financed through WashTec Cleaning Technology GmbH. The Company's main liabilities are denominated in euros. The base interest rate on the loans is variable and linked to EURIBOR. As of December 31, 2017, the Group had a credit line for a total amount of €50.9m (prior year: €50.5m). The undrawn amount of the credit line available for future operating activities and to meet obligations was €30.7m as of the reporting date (prior year: €36.6m).

Further information on the financing of the WashTec Group can be found in the opportunities and risk report, under »Financial risks«.

2.3.5.2 Capital expenditures and write-downs

Capital expenditure focused on Europe

The main focuses of capital expenditure were in Europe (€11.9m). This mainly related to spending on the development of new products, modernization of operating locations, and investment in modern equipment. Additional capital expenditure was incurred in North America (€0.9m) and Asia/Pacific (€0.2m).

Depreciation and amortization of non-current assets is applied in accordance with statutory requirements and WashTec's accounting policies. Assets are generally depreciated or amortized on a straight-line basis over their economic useful life.

Any goodwill that has been recognized is not amortized but is tested annually for impairment. The impairment test is based on a three-year mid-term forecast at Group level.

Free cash flow increased to €28.1m

Net cash flow at €38.8

2.3.5.3 Cash flow statement

in €m, rounding differences may occur	2017	2016	Change (absol.)	Change (in %)
Earnings before taxes (EBT)	51.6	43.6	8.0	18.3
Net cash flows from operating activities (net cash flow)	38.8	39.9	−1.1	−2.8
Net cash flows from investing activities	−10.7	−19.1	8.4	44.0
Free cash flow	28.1	20.8	7.3	35.1
Net cash flows from financing activities	−30.0	−24.7	−5.3	21.5
Net change in cash and cash equivalents	−1.9	−3.9	2.0	51.3
Cash and cash equivalents as of December 31	−3.9	−1.5	−2.4	−160.0

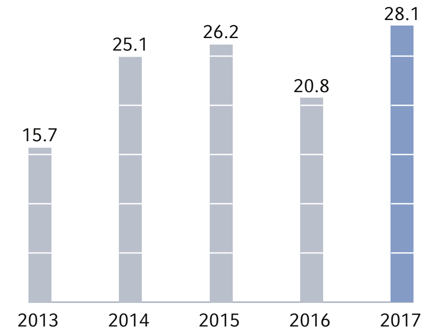
The **cash inflow from operating activities (net cash flow)** decreased to €38.8m (prior year: €39.9m).

Net operating working capital (trade receivables + inventories – trade payables – prepayments on orders) decreased by €0.6m from €87.3m to €86.7m. It must be noted that net operating working capital for the current year includes trade receivables in the amount of €8.3m from the financing program with major customers and an exchange rate effect in the amount of €3.1m. Adjusted for these effects, net operating working capital decreased by €5.8m.

The **net cash outflow from investing activities** was €10.7m in fiscal year 2017 (prior year: €19.1m).

Free cash flow [cash inflow from operating activities (net cash flow) – cash outflow from investing activities] increased despite the large tax payments for prior years to €28.1m (prior year: €20.8m).

Free cash flow (in €m)



The **cash outflow from financing activities** was €30.0m (prior year: €24.7m). This includes interest payments, dividend payments and the repayment of finance lease liabilities. The increase mainly relates to higher dividend payment.

Cash and cash equivalents went down from €–1.5m to €–3.9 as of the December 31, 2017 reporting date. The Company was able to meet its payment obligations at all times.

2.4 Non-financial performance indicators

Accident rate

Rounding differences may occur	2016	Guidance 2017	2017	Change (in %)
Work accidents/million working hours	1.2	0	0.9	–25.0

WashTec uses the number of work accidents per million hours worked as a non-financial performance indicator. The figure of 0.9 for 2017 was significantly below the industry average of 23.7 reported by the employers' liability insurance associations (Berufsgenossenschaften). The target of 0 accidents in 2017 was consequently not attained. WashTec continues to aim for zero accidents.

It is the aim of the WashTec Group to prevent all occupational accidents by means of suitable measures and stipulations.

2.5 Employees

The number of employees rose by 47 to 1,814 as of December 31, 2017 (prior year: 1,767). The average number employed at WashTec during the year was 1,793 (prior year: 1,741).

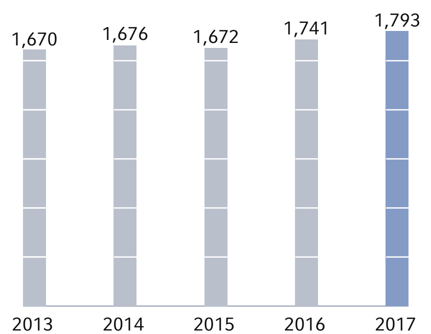
In Germany, the WashTec Group is subject to collective agreements with trade union IG Metall. Collective agreements with trade union IG Chemie apply at AUWA-Chemie GmbH.

Global entrepreneur workshops

The WashTec workforce is key to the WashTec Group's business success. After substantial increases in past years, expenditure for continuing education and training remained at its high prior-year level. A focus in 2017 was on the entrepreneur workshops held worldwide and on WashTec-specific management training courses.

For the third year in succession, WashTec will pay out a bonus to all employees worldwide due to the positive business performance in the successful 2017 fiscal year.

Average number of employees by year



2.6 WashTec AG

WashTec AG has its registered place of business in Augsburg and is the ultimate parent company of the WashTec Group. As such, it is responsible for the strategic management and control of all its subsidiaries. Since the Company does not have any operations of its own, its results of operations, net assets and financial position are determined solely by the business performance of its subsidiaries.

The business performance of WashTec AG to a large extent corresponds to that of the WashTec Group, which is described in detail under »Business performance«.

2.6.1 Result of operations

Income Statement of WashTec AG (condensed)

in €m, rounding differences may occur	2017	2016	Change (absol.)	Change (in %)
Revenue	2.8	2.8	0	0
Personnel expenses	5.4	5.0	0.4	8.0
Other operating expenses	2.5	2.5	0	0
Investment result	36.5	36.1	0.4	1.1
EBT	31.7	31.4	0.3	1.0
Net income for the period	31.0	30.3	0.7	2.3
Profit carried forward	2.4	0.2	2.2	–
Distributable profit	**33.5**	**30.5**	**3.0**	**9.8**

Revenue at WashTec AG – HGB-basis, meaning as measured in accordance with the German Commercial Code – was unaltered at €2.8m (prior year: €2.8m) and related to management costs charged on to subsidiaries. The target of stable revenue performance was thus attained.

WashTec AG's personnel expenses (HGB-basis) of €5.4m (prior year: €5.0m) include Management Board remuneration as shown in the remuneration report on pages 82 to 85. This item also includes the personnel expenses for the legal and investor relations departments and expenditure on employee bonuses paid out for the positive development of the business.

Other operating expenses (HGB-basis), at €2.5m, showed no change relative to the prior year (prior year: €2.5m).

Net income for the period (HGB-basis) went up from €30.3m to €31.0m.

The investment result (HGB-basis) includes primarily income under control and profit and loss pooling agreements in the amount of €6.3m (prior year: €6.0m) and interest income of €0.2m. In addition, WashTec Holding GmbH paid a phased dividend in the amount of €30.0m (prior year: €30.0m).

2.6.2 Net assets and financial position

Balance sheet of WashTec AG (condensed)

in €m, rounding differences may occur	2017	2016	Change (absol.)	Change (in %)
Non-current assets	128.1	128.1	0	0
Receivables, other assets	44.2	39.4	4.8	12.2
Cash and cash equivalents	0.0	1.0	1.0	100.0
Equity	162.6	159.7	2.9	1.8
Provisions	8.0	6.5	1.5	23.1
Liabilities	1.8	1.4	0.4	28.6
Balance sheet total	**172.4**	**167.6**	**4.8**	**2.9**

Non-current assets (HGB-basis) mainly consist of shares in affiliated companies in the amount of €128.1m (prior year: €128.1m). Management tests the shares in affiliated enterprises annually for impairment. There are no indications of impairment.

The receivables and other assets (HGB-basis) in the amount of €44.2m (prior year: €39.4m) primarily result from general clearing transactions with affiliated enterprises under profit and loss pooling agreements.

Equity (HGB-basis) was €162.6m (prior year: €159.7m). This yields an equity ratio of 94.3% (prior year: 95.3%).

Equity ratio of WashTec AG 94.3%

Provisions (HGB-basis) stood at €8.0m (prior year: €6.5m) and mainly related to employee bonuses, legal and consulting expenses, auditing costs, Management Board remuneration and Supervisory Board remuneration.

2.6.3 Opportunities and risk report

WashTec AG's opportunities and risks as the Group's ultimate parent company are derived from the opportunities and risks of its operating subsidiaries. WashTec AG is integrated into the Group-wide risk management system. Further information is provided in the opportunities and risk report. That section also provides a description of the internal control system as required under Section 289f (1) HGB.

2.6.4 Miscellaneous

The principles underlying the remuneration system for the Management Board members and the members of the Supervisory Board are explained in the remuneration report, section 8.3, which is an integral part of the Management Report within the meaning of Section 315 HGB.

The declaration on corporate governance is reprinted in the Compliance section and published on our website, www.washtec.de.

2.6.5 Outlook

The expectations described in the Outlook for the WashTec Group under section 4.1.4 WashTec Business Development also apply to the business development of WashTec AG as the ultimate Group parent company.

3 Report on post-balance sheet date events

Significant events after the balance sheet date

Chief Financial Officer (CFO) Mr. Rainer Springs left the Company by mutual consent as of February 28, 2018 following completion of the 2017 financial statements. The Supervisory Board thanks Mr. Springs for his many years of dedicated service in a wide range of capacities and wishes him all the best for his private and professional future.

Effective August 1, 2018, Mr. Axel Jaeger will be appointed as member of the Management Board and CFO. Mr. Jaeger holds a degree in business economics and is a qualified Auditor, Tax Consultant, Certified Public Accountant and Certified Internal Auditor. He worked at Carl Zeiss Group since 2005 as member of the Management Board and CFO in Semiconductor Technology, Industrial Metrology and Inhouse Banking & Treasury, and most recently as member of the Management Board and CFO of the Semiconductor Manufacturing Technologies (SMT) Business Group. The Supervisory Board looks forward to a good working relationship and wishes Mr. Jaeger every success in his new role.

Dr. Volker Zimmermann – CEO/CTO of WashTec AG – will assume the role of CFO in addition to his other duties during the transitional period from March 1, 2018 to July 31, 2018.

4 Report on expected developments and on opportunities and risks

4.1 Outlook

This outlook report takes into account relevant facts and events that were known at the time of its preparation and could impact the expected development and business performance of the WashTec Group.

4.1.1 Business policy and strategy

Going forward, as in 2018, WashTec continues to pursue its strategy of maximizing customer benefit and expanding its market and technology leadership in the car wash industry.

4.1.2 Markets and products

The Group intends to further increase its global presence and market share in all sales regions and product segments. This applies to all markets in which WashTec intends to occupy a leading position with maximum customer benefit in every customer and product segment. WashTec has generated a significant portion of revenue to date in Europe and aims to further extend this market position. There is additional potential for the WashTec Group given its smaller market share in North America and in the still embryonic Asian market. Vehicle numbers have already grown very dynamically in recent years and are expected to continue increasing. In the same connection, it is also expected that automated vehicle washing will gradually become increasingly generally accepted.

4.1.3 General economic conditions

A detailed description of the economic environment and the development of the world economy is provided in section 2.1 of this management report. On the whole, the Company expects stable development in the economic environment and the world economy.

4.1.4 WashTec business development

Any outlook for 2018 is subject to uncertainties that could have a material effect on budgeted revenue and earnings performance. The Management Board aims to actively further the development of the Group's strategy together with the entire workforce and to continuously improve operating performance beyond the levels already attained. One focus in 2018 is on sales efficiency in product issues and digitalization. No significant expansion of the workforce is planned and capital expenditure is intended to remain stable.

The terms used in the forecasts given in the following are defined as follows:

Term	Positive/negative deviation (in %)
Stable	<3
Slight	≥ 3
Significant	≥5

The Company projects the following overall regional developments for 2018:

Market in Europe is assessed to be constant

- **Europe:** In the Company's view, the market in Europe will not undergo any material change in 2018. The higher volumes seen in 2017 are also expected for 2018. Margins in Europe remain under pressure in some countries and customer segments. Capital spending continues to improve in certain sub-regions such as the Mediterranean. Based on the foregoing, the Company assumes that, aided by further intensification of sales activities, revenue will improve slightly and earnings will improve significantly compared to 2017.

Europe		2017	2018 forecast
Revenue	€m	337.3	slight increase
EBIT	€m	45.7	significant increase

- **North America:** WashTec continues to invest in further organic growth in this region and continues to see major potential based on its small market share in combination with a very good product portfolio. In the wash tunnels segment – a market in which WashTec currently still has little presence – initial feedback is expected during 2018 on the pilot systems sold in 2017. As a result of the high levels of revenue in the first two quarters of 2017 under the one-time program with major customers in the USA and the smaller order backlog as of the 2017 year-end, the Company expects business performance for the first half of the year to be down on the prior-year period and that growth will take place in the second half year. For the full year 2018 – excluding exchange rate effects – WashTec anticipates stable revenue and EBIT, in that increased sales activity is expected to compensate for the effect of the major customer orders in 2017.

North America		2017	2018 forecast
Revenue	€m	80.0	stable
EBIT	€m	5.9	stable

- **Asia/Pacific:** The region contracted in 2017 due to the business performance in Australia. Based on activities that are already underway and an increased order backlog as of the year-end, WashTec anticipates an increase in business for 2018. WashTec expects a significant increase in revenue and EBIT for the segment as a whole.

Asia/Pacific		2017	2018 forecast
Revenue	€m	16.5	significant increase
EBIT	€m	0.2	significant increase

- **Group:** The once-only effect of major customer orders in the first half of 2017 will not be repeated in 2018. WashTec is aiming for slight revenue growth for the Group in fiscal year 2018, with a significant increase in EBIT. The EBIT margin is expected to be at least on a level with the prior year. The Company likewise expects a significant increase in free cash flow.

Our goal as a company is to employ the capital available to us profitably and efficiently. We use return on capital employed (ROCE) as our central measure of capital efficiency. Our target is return on capital employed of over 25%.

In summary, the Management Board expects in its guidance that the key performance figures will develop as follows:

		2017 actual	2018 forecast
Revenue	€m	425.0	slight increase
EBIT	€m	52.2	significant increase
Free cash flow	€m	28.1	significant increase
ROCE	in %	29.1	>25%
Accident rate (work accidents/ million working hours)		0.9	

We aim to reduce the accident rate further in the next year.

For WashTec AG, in light of the charging on of costs to subsidiaries, stable revenue growth and therefore stable operating results are expected in 2018. The results continue to depend on the profit distributing potential of the subsidiaries.

4.2 Opportunities and risk report

Risks are possible future developments or events that could lead to negative variation from projections or targets for the Company. Risk is intrinsic to any business venture.

Opportunities are possible future developments or events that could lead to positive variation from projections or targets for the Company. A potential favorable outcome of a risk is also referred to as an opportunity.

The international business activities of the WashTec Group give rise to opportunities and risks that are inextricably linked to its business. To address these opportunities and risks rapidly and in a controlled manner, the Company's main business processes are subject to an internal management and monitoring system. This enables timely action to be taken as necessary. Likewise, no significant impact is expected from Brexit.

4.2.1 Opportunities and risk management

Risk management

WashTec has instituted a multi-stage, Group-wide, standardized risk management system for the identification, monitoring and control of all relevant risks. The purpose of this system is to identify risks posed by future events on the basis of short-term and mid-term forecasts (24 months) and to initiate any action needed to adequately address them. In the opinion of the Management Board, this risk early warning system is capable of suitably identifying all material and going-concern risks. There were no fundamental changes in the management of opportunities and risks compared with the prior year.

Multi-stage system established for identifying and monitoring risks

All identified risks are routinely reported by divisional heads and analyzed using a database. The parameters assessed are maximum impact, probability of occurrence and the effectiveness of any countermeasures. Risks are assessed using uniform criteria. The impacts on consolidated net income are presented in a gross/net analysis. The gross figure is the amount before any measures taken. These could comprise, for example, existing provisions or insurance policies. The final outcome of the analysis is the net risk or actual risk potential. This is classified according to financial impact and probability of occurrence as follows:

- Financial impacts on consolidated net income

1 Insignificant
2 Not significant, but not negligible
3 Material/significant
4 Serious, but not threatening the continued existence of the Group
5 Existential threat

- The probability of occurrence is indicated as follows:

1	Very unlikely	1–15 %
2	Unlikely	15–40 %
3	Possible	40–60 %
4	Likely	60–85 %
5	Very likely	85–99 %

Based on the combination of these two factors, risks are classified by threat potential as *negligible (N), relevant (R), major (M) or threat to survival (S)*. This forms the basis for the subsequent management of risks.

- Risk matrix

	Probability of occurrence				
Effects	1–15 %	15–40 %	40–60 %	60–85 %	85–99 %
Existential threat	R	M	M	B	B
Serious, but no threat to the continued existence of the Group	R	R	M	M	M
Material/significant	R	R	M	M	M
Not significant but not negligible	N	R	R	R	M
Insignificant	N	N	R	R	R

Risk management consists of the specification, initiation and regular monitoring of suitable countermeasures.

By reference to the internal risk reporting, the Management Board was able to satisfy itself, on the basis of the gross analysis and with risk mitigating measures and respective probability of occurrence taken into account, that there are no risks that individually or in the aggregate are not covered by budgeted operating earnings.

Opportunity management

The purpose of opportunity management is to identify, assess and manage future performance potential at an early stage and to take suitable measures for the implementation of new strategies and innovations. The identification and exploitation of opportunities (opportunity management) is an ongoing task of business geared to securing the long-term success of the Company and capitalizing on short-run advantages.

Opportunities are collated, assessed and, to the extent possible, materialized for all divisions in regular budget planning and update sessions as well as in management meetings.

4.2.2 Opportunities and risks

There were no material changes in the opportunity and risk structure relative to the prior year. Opportunities and risks as of December 31, 2017 that could have a material impact on the onward development of the WashTec Group are described in the following. Risks classified as insignificant are not discussed in detail.

4.2.2.1 Uncertainties in financial markets and in overall economic development

Risks

Uncertainties and unforeseeable changes in the global economy, financial markets and the political landscape could adversely affect capital spending patterns in individual customer groups. Access to markets and terms of delivery can also change at short notice.

Ongoing regional military conflicts and actions by extremists could spread and – beyond their current impact on a small number of sales markets – could have adverse consequences for economic development and hence for the sale of carwash equipment. There will be no significant effect of the Brexit.

Opportunities

The ongoing low cost of fuel will tend to boost demand and lead to more visits to filling stations. This could favorably influence the number of car washes and hence also capital spending and revenue for Service and Chemicals.

Certain regions that WashTec views as strategically important growth markets are now in a somewhat worse economic condition than they were in the prior year. Unlike other segments of German industry, WashTec is not materially affected by changes in overall economic development in China because of the low levels of revenue it so far generates there. Should negative developments in China impact the development of the global economy, then this would also impact WashTec's growth. Potential changes in the US sales market are not foreseeable but are considered less favorable than in the prior year.

4.2.2.2 Climate and environment

Risks

Climate change, regional droughts and water shortages, increasing road congestion, highly volatile costs for fuel and bans on inner-city driving together with road tolls and greater environmental awareness could all result in fewer vehicles on the road in order to protect the environment or comply with rules and regulations. Such a trend could diminish wash activity and, accordingly, reduce capital spending on vehicle wash equipment.

Opportunities

The fact that fresh water as a resource is becoming scarcer and more costly could result in an increase in automated car washing which, if water reclaim systems are used, could reduce the consumption of fresh water by 90% or approximately 150 liters per wash in comparison to manual washing or to car wash equipment without water reclaim systems. If the stricter legislation in force in a number of countries becomes more widespread, it would lead to a rise in demand for car wash systems with water reclaim equipment. Similarly, rules and regulations such as the prohibition of manual car washing could have a positive effect on demand for car wash equipment.

4.2.2.3 Customers, competition and market

Risks

A freeze on capital spending by individual petroleum companies or the listing of other suppliers due to new tender agreements with such companies could lead to a decrease in revenue and/or to losses of market share for WashTec in virtually all regions. This risk has decreased somewhat due to agreements entered into or renewed with major customers. Such do not represent an obligation to purchase, however, and may be suspended if the conditions for investment change for oil companies.

In connection with the high competitive intensity in the industry, risks from aggressive price competition could increasingly depress prices and squeeze margins in certain markets or market segments.

WashTec has installed a systematic and intensive market tracking system. Risks to earnings from declining demand or risks from falling prices can be partially mitigated by measures such as continuous product improvement, product range optimization, modifications to purchasing terms and conditions, and capacity adjustment.

As a consequence of the shortage and increasing cost of fossil fuels over the mid-term and the technical advancement and proliferation of electric vehicles, the use of filling stations in their current form could decline. Nevertheless, it is presently unclear what will be the prevailing charging concept for electric vehicles (possibilities include charging and battery switching at filling stations or charging at home). In the opinion of our major customers, this development will not, however, have a significant influence on the number and use of filling stations in the next 5 to 10 years, mostly because of volume of the cars already on the road. Changes in customers' car use and wash patterns could have adverse consequences for the sale of the WashTec Group's primary products. The market shares held by WashTec in the various wash types differ substantially, most of all outside of Europe. A trend towards forms of car washing that as yet have smaller market shares could hurt revenue.

A similar risk can arise if major customers sell some or all of their networks. If stations or networks are then acquired by more than one purchaser, then this could lead to higher selling effort and render existing long-term contacts with decision makers obsolete.

Opportunities

The current business climate affords WashTec an opportunity to further extend its leading market position. The trend towards high-quality automated car washing will continue, including in regions outside of the EU. The Company's solid structure allows it to invest in products and markets. Local presence with the Company's own production facilities in the growth regions of North America and Asia could lead to a positive outcome above the internal planning in the mid-term. The increasingly global procurement activities could enable further efficiency potential to be realized in the future procurement and production of individual components.

If global groups with a stronger retail focus take over petroleum companies' networks, then this trend could lead to a further improvement in WashTec's global market position.

Closer collaboration with our independent sales partners in countries where WashTec does not have branches of its own could result in higher sales in growth regions.

4.2.2.4 Capital expenditure

Capital expenditure decisions are based among other things on assumptions and estimates about future developments. The assessment of risks and opportunities plays a significant role when reviewing potential capital expenditure.

Risks
There is a risk of the assumptions or estimates made about future market developments not materializing as planned, leading to a misallocation of investment spending. Such misallocation would encumber the net assets, financial position and results of operations of the WashTec Group due to interest on tied-up capital and/or impairments. A significant increase in the duration of investment projects can also have a negative impact on the Company as a result of tied-up resources and/or cost overruns. To adequately address such risk, the Company has a detailed policy for approving capital expenditure and other spending. The policy defines upper thresholds and identifies the groups of persons authorized to make certain expenditures. Major capital expenditure projects are listed in an annual capital expenditure plan submitted to the Management Board and approved by the Supervisory Board. Strategic decisions are taken only after there have been detailed discussions in the Management Board, within the extended manager group and with the Supervisory Board.

Opportunities
Capital expenditure offers numerous opportunities. These include – depending on the type of capital expenditure – opportunities to strengthen WashTec's market and competitive position and/or to improve earnings.

4.2.2.5 Innovations and patents

Risks
WashTec has a large number of patents and various licenses that are highly important to the Group's business.

Even if patents have a presumption of validity by operation of the law, the granting of a patent does not necessarily mean that the patent will be valid or that any patent claims are enforceable. Insufficient protection or actual infringement of intellectual property rights could impair the WashTec Group's ability to exploit its technological lead to generate profits or could reduce future earnings. Furthermore, it cannot be ruled out that WashTec might infringe third party patents because WashTec's competitors, just like WashTec itself, register numerous inventions as patents and receive patent protection.

Competitor innovations, developments in the car industry and the development of new disruptive innovations in sectors outside of the car wash business could have a substantial and long-lasting impact on demand for WashTec products.

Ongoing improvements in product technology could affect the future scope of services.

Opportunities
The WashTec Group's research and development activities are aimed at adding to the existing product range, developing new wash systems and quickly and efficiently meeting individual customer requirements. WashTec's innovations have already received numerous awards at industry trade fairs and have been successfully launched on the market.

Technological improvements could modify the current business model of the carwash industry and lead to additional market share in the equipment sales segment.

Innovative products could outperform customer expectations, stimulate new demand and win new customer groups or lead to a shift in market share among existing customer segments.

4.2.2.6 Quality and processes

Risks
Quality and process risks can arise in connection with new product launches and with changes to internal processes and the introduction of new IT systems. Moreover, working in collaboration with customers, WashTec continues to actively develop its very high health, safety and environment (HSE) standards. Unforeseeable violations or individual misconduct could lead to loss of major contracts or to delays in equipment installation and therefore adversely affect the Company's net assets, financial position and results of operations.

Opportunities
The constant optimization of the main processes and the deployment of new technologies could have positive effects in terms of customer satisfaction and process efficiency that were not factored into normal planning.

4.2.2.7 Suppliers

Risks
With respect to the purchase of raw materials, components or services, there are risks that could arise from delayed deliveries, product unavailability, defective quality and volatile purchase prices. Such risk is minimized by rigorous supplier and procurement management and by risk assessment (particularly with regard to strategic suppliers).

It is conceivable that changes in procurement volumes could produce significant changes in procurement prices. This could adversely affect margins.

WashTec also purchases parts from competitors. The willingness to sell these parts at normal delivery times and prices as agreed can vary, for example when there are changes in management or ownership.

Opportunities
By virtue of the competition among suppliers and their innovation potential, it is possible to achieve both technical and price improvements for the procurement of products or services.

4.2.2.8 Capacity risks

Fluctuations in demand and varying production capacity utilization over the course of the year necessitate corresponding adjustments in capacity. With the help of internal sales quantity planning, capacity risks at the production sites are identified as far as possible and accommodated through the deployment of temporary workers and flexible seasonal working systems or, in the case of extreme fluctuations, by short time working.

Demand growth is met by continuous improvement of production processes and by timely capacity expansion, including through capital expenditure.

Management Report

4.2.2.9 Takeover risks or changes in ownership structure

Risks

If its stock market valuation fails to sufficiently reflect the Company's long-term intrinsic value or the Group's good performance sparks the interests of new investors, then this could lead to takeover or to significant changes in ownership structure.

Such events could change the WashTec Group's existing strategy, the composition of its boards and governing bodies, and previously communicated expectations. Some of the WashTec Group's contractual agreements (such as loans agreements) include a change of control clause.

4.2.2.10 Financial risks

Risks

The Company has loans and other local credit lines in the amount of €50.9m made available for the most part by a banking syndicate until December 2018. The terms and conditions of the syndicated loans limit the WashTec Group's financial and operating flexibility. The WashTec Group must comply with certain financial covenants for the duration of the loan term. There are provisions for termination for cause on the occurrence of certain events described in the credit agreement (such as takeover or loss of a key subsidiary) or breach of a material contractual obligation (such as the financial covenants).

The basic interest rate on the loans is variable and tied to EURIBOR and the Company's current net debt to operating earnings ratio. Financial and economic crises could make it more difficult to satisfy certain financial ratios which, in turn, could have a direct adverse effect on the Company's financing situation.

The Group already began talks and negotiations with various banks at the end of 2017 in order to arrange follow-up financing. The negotiations are now at an advanced stage. There are written commitments for sufficient credit lines from several banks interested in working with WashTec. The project will be completed in the second quarter of 2018 so that new financing can be put in place in the second half of 2018. That the refinancing might not materialize or be completed on poorer terms is considered absolutely unlikely on account of the solid balance sheet structure and the Company's positive business development.

Opportunities

The Group's refinancing can give rise to opportunities for WashTec as a result of better terms and greater flexibility.

4.2.2.11 Exchange rate changes

Risks

By virtue of the increasing number of USD transactions with the subsidiary in the United States, any changes in the USD/EUR exchange rate could have an influence on operating performance. In addition, fluctuations in the exchange rate may have an effect on the Group's income statement due to the measurement of open foreign currency positions. To mitigate such effects, WashTec hedges against major risk with derivatives. An additional forward foreign exchange contract was entered into at the beginning of 2018 in order to hedge against the effects of movements in the USD/EUR currency pair. Operational risks arising from other individual transactions in foreign currencies are immaterial to the Group due to their low volume.

Opportunities

A weakening of the euro could yield positive currency effects on sales generated in the North America or Asia/Pacific regions.

4.2.2.12 Liquidity risks

A key business objective is to ensure that WashTec companies are solvent at all times. The implemented cash management systems, which include monthly Group liquidity planning, enable the Company to identify potential shortfalls in good time and take appropriate action. Undrawn credit lines ensure the supply of liquidity.

A liquidity risk could arise in that there might not be adequate cash to discharge financial obligations as they fall due, for example due to payments not factored into cash planning.

Existing credit lines can be extended should additional financing requirements arise as a result of business development.

4.2.2.13 Credit and default risks

The Group exclusively conducts business with creditworthy third parties. To minimize credit risk, order limits are imposed where customers do not have first-class credit standing. For new regional customers, the Company requests evidence of credit standing or financing. Bad debt allowances are expected to be sufficient to cover actual risk. There is no material credit risk concentration within the Group. For selected customers, insolvency coverage is taken out with reputable credit insurers when receivables exceed a certain level.

4.2.2.14 Tax risks

The WashTec Group recognizes deferred tax assets mostly in relation to temporary differences. Changes in tax legislation that relate to the tax rate could result in expense from the remeasurement of recognized deferred tax assets and thus adversely affect consolidated equity and/or earnings per share.

Further risks could arise due to pending tax audits at various Group subsidiaries. Corporate management views this risk as low because all new calculations were performed in cooperation with local tax consultants. However, such risk cannot be fully dismissed until a tax audit is completed. Due to the Company's international structure, risks remain in connection with value added tax law.

4.2.2.15 Employee risks

WashTec is highly dependent on qualified employees and specialists in all areas and notably in development, customer care, and wash equipment programming and operation. The unexpected loss of employees or difficulty finding qualified employees could have an adverse effect on the WashTec's net assets, financial position and results of operations.

Differing collectively agreed pay scales apply in countries where WashTec does business through subsidiaries. Agreements between employers and employee representatives (such as pay scale increases that exceed Group expectations or are excessive generally) could undermine the international competitive position of the WashTec Group.

In addition, labor walkouts in production or service could delay the realization of revenue. WashTec attempts to minimize this risk through active communication with employee representatives.

A change in the conditions for employing temporary labor or in the social security obligations required of companies could lead to cost increases for the Group.

4.2.3 Overview of corporate risks

The aforementioned risks are presented in the table below to the extent that their overall assessment shows them to be material and relevant.

	Probability of occurrence	Possible financial impact	Overall assessment
Climate and environmental risks	unlikely	not significant, but not negligible	relevant
Customer, competition and market	unlikely	material/ significant	relevant
Investment	very unlikely	material/ significant	relevant
Innovations and patents	unlikely	material/ significant	relevant
Quality and process risks	unlikely	material/ significant	relevant
Supplier risks	unlikely	not significant, but not negligible	relevant
Capacity risks	unlikely	material/ significant	relevant
Takeover risks	very unlikely	material/ significant	relevant
Financial risks	unlikely	not significant, but not negligible	relevant
Currency risks	possible	not significant, but not negligible	relevant
Liquidity risks	very unlikely	material/ significant	relevant
Credit and default risks	unlikely	not significant, but not negligible	relevant
Tax risks	possible	material/ significant	relevant
Employee risks	unlikely	not significant, but not negligible	relevant

4.2.4 Overall risk assessment

Aggregation of the most significant individual risks across all corporate divisions and functions is not appropriate because it is unlikely that the individual risks will occur simultaneously. Based on the individual risks set out above, the overall assessment is as follows:

There was a slight increase in the total number of risks that could have a material effect on the WashTec Group, notably with regard to the dependence of short-term business development on the behavior of major customers and in the development of new wash technologies. As in the prior year, default risk is classified as very small due to larger total customer receivables in combination with extended payment terms. Nevertheless, there has been no fundamental change in the overall risk situation. No risk has been identified that raises doubt about the Group's ability to continue as a going concern. Likewise, no significant impact is expected from Brexit.

There were no changes between the balance sheet date and the date on which the management report was prepared.

In accordance with Section 317 (4) HGB, the risk early warning system set up in accordance with Section 91 (2) AktG is audited by the auditor as part of the audit of the annual financial statements. Risk reporting is also provided to the Supervisory Board.

5

ICS and RMS relevant to the consolidated financial reporting process

The internal control system (ICS) encompasses the principles, procedures and measures for ensuring that financial reporting is effective, cost-efficient, in proper order and compliant with the law. WashTec's ICS is intended to ensure the reliability of financial reporting and the published annual financial statements. Group-wide accounting policies ensure the uniformity of financial reporting throughout the WashTec Group. The effects that any new accounting provisions and changes in existing accounting provisions will have on the WashTec Group are examined on a timely basis. The WashTec Group has a largely standardized weekly, monthly and quarterly reporting structure that reflects the applicable policies in a timely and up-to-date manner. The financial statements of Group companies are analyzed internally each month in a Group-wide planning and reporting tool.

All processes and companies are assessed according to potential and already identified risks and internal audits are specified accordingly. Additionally, within divisions, regular control functions are primarily assumed by the controlling and internal audit departments.

There have been no changes to the internal control system between the balance sheet date and the date on which the management report was prepared.

Risk relating to the use of financial instruments

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The risks for the Group arising from derivative financial instruments comprise cash flow, liquidity, currency, credit and default risks. Company policy is to avoid or limit these risks as far as possible. The management of currency, liquidity, credit and default risks has already been addressed in the risk report. The Company also uses derivative financial instruments to hedge interest rate and market risks. In accordance with Group policy, there is no trading in derivatives. The Group's risk management objectives with regard to a hedge are formally established and documented at the inception of the hedge. Detailed information in this regard is provided in the notes to the consolidated financial statements.

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Takeover-related disclosures

Disclosures in accordance with Section 289a (1), 315a (1) HGB: Explanatory report by the Management Board

The following text contains the disclosures required under Section 289a (1) and 315a (1) HGB.

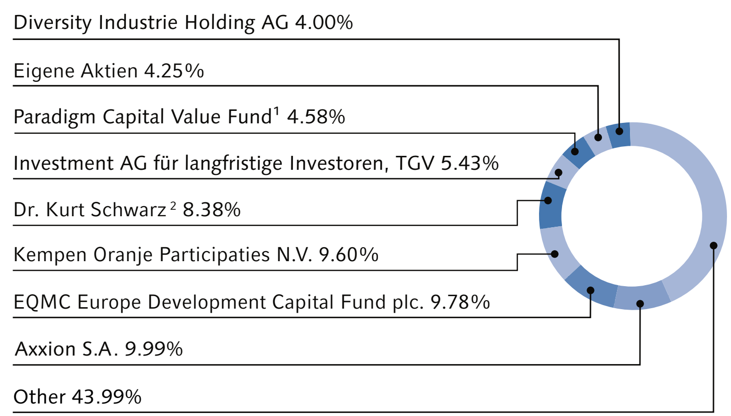
Section 315a (1) no. 1 HGB: Subscribed capital
The Company's subscribed capital of €40,000,000 is divided into 13,976,970 no-par-value bearer shares that each grant the same rights and notably the same voting rights. There are no different classes of shares. The Management Board is not aware of any restrictions regarding voting rights or the transfer of shares. There are no shares carrying special rights granting their holders a power of control.

Section 315a (1) no. 2 HGB: Restrictions regarding voting rights and the transfer of shares
In accordance with Section 71b of the German Stock Corporation Act (AktG), the Company has no rights in respect of treasury shares it acquires. In all other respects, each share has one vote. To the Management Board's knowledge, there are no restrictions regarding voting rights or the transfer of shares.

Section 315a (1) no. 3 HGB: Direct and indirect shareholdings
To the knowledge of the Management Board, 43.99% of the Company's shares (as of December 31, 2017) are held by shareholders whose stakes are below the notification threshold. According to the notifications filed under the German Securities Trading Act (WpHG), direct and indirect shareholdings close to but below 10% of voting rights are held by Axxion S.A., Luxembourg (9.99%), EQMC Europe Development Capital Fund plc., Ireland (9.78%) and Kempen Oranje Participations N.V., Netherlands (9.60%).

The Company's voting rights are currently distributed as follows:

Shareholder structure as of December 31, 2017



[1] Carne Global Fund Managers (Luxembourg) S.A.
[2] Leifina GmbH & Co. KG et al

Source: Notifications pursuant to the German Securities Trading Act (WpHG)

Section 315a (1) no. 4 HGB: Holders of shares with special control rights
There are no holders of shares with special control rights.

Section 315a (1) no. 5 HGB: System of control of any employee share scheme
There are no employee interests in capital.

Section 315a (1) no. 6 HGB: Appointment and removal of Management Board members and amendments of the Articles of Association

The appointment and removal of members of the Management Board is governed by Section 84 and 85 AktG and by Section 7 of the Company's Articles of Association. Under Section 7.1 of the Articles of Association, the Management Board consists of one or more members. The number of members of the Management Board is determined by the Supervisory Board.

In accordance with the Company's Articles of Association read in conjunction with the current rules of procedure of the Management Board, the Management Board currently comprises four members, one of whom has been appointed by the Supervisory Board to serve as CEO. The Articles of Association do not lay down any special requirements with respect to the appointment and removal of one or all of the members of the Management Board. The Supervisory Board is responsible for appointments and removals. Members may be reappointed to the Management Board or have their term of office extended.

Amendments to the Articles of Association are made pursuant to Section 179 and 133 AktG and to Sections 9.9 and 9.10 of the Articles of Association. The Company has not made use of the option to set out further requirements for amendments to the Articles of Association.

Section 9.9 of the Articles of Association reduces the statutory minimum requirements to the extent permitted by law. The Supervisory Board is authorized to make solely formal amendments to the Articles of Association.

Section 315a (1) no. 7 HGB: Powers of the Management Board to issue or buy back shares

Authorized capital (Section 5.1 of the Articles of Association of WashTec AG)

By resolution of the Annual General Meeting on May 11, 2016, the Management Board is authorized, subject to the consent of the Supervisory Board, to increase the registered share capital on one or more occasions on or before May 10, 2019 by a total amount of up to €8,000,000 (authorized capital) by issuing new no-par-value bearer shares in exchange for cash and/or non-cash contributions. To be deducted from this amount at the time the new shares are issued is the pro rata amount of the registered share capital attributable to those no-par-value bearer shares for which conversion rights or duties or option rights or duties exist that were granted or issued during the term of such authorization based on the authority granted by the Annual General Meeting on May 11, 2016 under item 8 of the agenda. If the aforementioned conversion rights or duties or option rights or duties no longer exist because they have been exercised on the date the new shares are issued, then any shares issued in relation to them must be taken into account. The shareholders must be granted preemptive rights in this connection unless otherwise stipulated. The new shares may also be underwritten by one or more banks designated by the Management Board with the obligation to offer them to the shareholders for subscription (indirect subscription right). However, the Management Board is authorized (subject to the approval of the Supervisory Board) to exclude shareholders' preemptive rights in certain cases as set out in Section 5.1 of the Articles of Association of WashTec AG. The Management Board has not made use of these authorizations to date. The authorized capital is intended to enable the Company to act rapidly and flexibly as needed in order to raise equity capital on favorable terms.

Contingent capital (Section 5.2 of the Articles of Association of WashTec AG)
The Company's registered share capital is conditionally increased by up to €8,000,000, divided into up to 2,795,394 no-par-value bearer shares (contingent capital I), subject to the deduction from this pro rata amount of the registered share capital of any amount by which the registered share capital has been increased on the basis of Section 5.1 of the Articles of Association (authorized capital). Any such deduction will be made on adoption of the applicable resolution to increase capital. This contingent capital increase will be carried out only to the extent that the holders of options (or creditors) or conversion rights or persons obligated to exercise the conversions or options under warrant-linked or convertible bonds, participation rights or participating bonds (or a combination of such instruments) issued in exchange for cash contributions, and issued or guaranteed on or before May 10, 2019 by the Company or by a subordinate Group enterprise of the Company based on the authorization granted to the Management Board by the Annual General Meeting on May 11, 2016, make use of their option or conversion rights. Or it will occur to the extent they are obligated to exercise the option or conversion rights, satisfy their obligation to exercise their conversion or option rights, or to the extent that the Company exercises an elective right – in complete or partial lieu of payment of the cash amount due – to grant shares in the Company, provided that no cash compensation is granted or treasury shares or the shares of another publicly listed company are used to satisfy those obligations. The new shares will be issued in each case at the option or conversion price determined in accordance with the aforementioned authorizing resolution. The new shares will have dividend rights beginning in the fiscal year in which they are created. The Management Board is authorized, with the consent of the Supervisory Board, to prescribe additional details regarding the implementation of the contingent capital increase.

Share buy-back
Unless expressly permitted by law, the Company cannot make any purchase or use of treasury shares except with authorization from the Annual General Meeting. As the authorization to purchase treasury shares granted by resolution of the Annual General Meeting of May 15, 2013 expired on May 14, 2016, it was resolved at the Annual General Meeting of May 11, 2016 to revoke the existing authorization and to grant the Company renewed authorization to purchase and make use of treasury shares. Pursuant to a resolution adopted by the Annual General Meeting on May 11, 2016, the Management Board was authorized to acquire, on or before May 10, 2019, the Company's own shares for purposes other than to deal in treasury shares, up to a total of 10% of the Company's current registered share capital of €40,000,000. The Management Board may opt to acquire such shares on the stock exchange, by means of a public purchase offer to all shareholders or by means of a public invitation directed at all shareholders to tender shares for sale. The precise terms and conditions for the purchase and use of treasury shares are set out in item 6 of the agenda in the 2016 Invitation to the Annual General Meeting of WashTec AG. Following completion of the share buyback offer in September 2015, and including shares previously held, WashTec AG now holds a total of 594,646 of treasury shares, representing approximately 4.25% of its registered share capital.

Section 315a (1) nos. 8 and 9 HGB: Significant agreements subject to a change of control of the company following a takeover bid
Individual contractual agreements entered into by the WashTec Group (such as loan agreements) provide for the option of extraordinary termination in the event of a takeover (change of control). In that event there may also be a change of management.

8

Corporate Governance Declaration (Section 289f HGB)

(including Corporate Governance Report and description of the diversity policy)

The actions of the Management Board and Supervisory Board of WashTec AG follow the principles of good and responsible corporate governance. In this declaration, the Management Board reports in accordance with Sections 289f (1) and 315d of the German Commercial Code (Handelsgesetzbuch, or HGB) on corporate governance at WashTec AG and in the WashTec Group. The Management Board and Supervisory Board further provide information about the Company's corporate governance pursuant to Section 3.10 of the German Corporate Governance Code (the 'Code') and on the description of the diversity policy in accordance with Section 289f of the German Commercial Code.

WashTec AG complies to the greatest possible extent with the recommendations of the Code

The Management Board and Supervisory Board of WashTec AG identify with the objectives of the Code, which encourage responsible, transparent corporate management and supervision directed at sustained growth in shareholder value.

WashTec AG's Management Board and Supervisory Board regularly direct their attention to satisfying the requirements of the Code. The recommendations of the Code are complied with, with one exception. In all other respects, the recommendations and suggestions of the Code as amended February 7, 2017 are met. The exception is disclosed by the Management Board and Supervisory Board in the Declaration of Conformity to the Code dated December 20, 2017. In accordance with the resolution of the Annual General Meeting of May 11, 2016 to refrain from publishing information about the remuneration of individual Management Board members, and in departure from Section 4.2.5 paras. 3 and 4 of the Code, the information there referred to is not disclosed for each member of the Management Board and the model tables relating to Section 4.2.5 para. 3 of the Code are not used.

8.1 Corporate and managerial structure

Supervisory Board

Supervisory Board has six members and several committees

The Supervisory Board is composed of six members. In order to perform its duties efficiently and in accordance with the requirements of the Code, the Supervisory Board has established an Audit Committee, a Personnel Committee, a Nominating Committee, an Innovation Committee and a Sales Strategy Committee. The primary purpose of the committees is to prepare Supervisory Board meetings and resolutions for the plenary Supervisory Board. The committees also exercise some decision making powers delegated to them by the Supervisory Board as required by law. Within the scope of the overall responsibility of the Supervisory Board, each member performs certain duties on the committees based on the member's expertise. The Audit Committee comprises Dr. Selent (Chairman), Mr. Große-Allermann and Dr. Liebler, with Dr. Selent assuming the role of financial expert on the basis of his special expertise and experience. Dr. Blaschke acts as chairman of the Personnel Committee, with Mr. Bellgardt and Dr. Selent serving as additional members. The Nomination Committee consists of Messrs. GroßeAllermann (Chairman), Dr. Liebler and Dr. Hein. The members of the Innovation Committee are Mr. Bellgardt (Chairman), Dr. Blaschke and Dr. Hein. The Sales Strategy Committee consists of Dr. Blaschke (Chairman) and Mr. Bellgardt.

The composition of the Supervisory Board reflects the Company's purpose and size, the composition of the workforce and WashTec's international business activities. In accordance with the recommendation in Section 5.4.1 of the Code, the Supervisory Board has set specific objectives with regard to its composition and has confirmed the profile of skills and expertise for the Supervisory Board as a whole. This is to ensure that the Supervisory Board collectively has the knowledge, skills and experience considered material to WashTec in light of its activities.

The Supervisory Board already largely satisfies these objectives in its current composition and also intends to take them into account in the next Supervisory Board election or in the event a Supervisory Board member resigns before his or her term has ended. The same applies for any applications for the appointment of Supervisory Board members by court order.

When proposing candidates to the competent election bodies, no persons are considered who would turn 75 years of age during their regular term of office as a member of the Supervisory Board of the Company.

The Supervisory Board is composed of shareholder representatives. In its assessment, all present members of the Supervisory Board are independent within the meaning of the Code – namely Dr. Blaschke, Mr. Bellgardt, Mr. Große-Allermann, Dr. Hein, Dr. Liebler and Dr. Selent.

The Supervisory Board oversees and advises the Management Board in its management of the business (including the management of the Group). At regular intervals, the Supervisory Board holds discussions on business development and planning as well as on the Company's strategy and its implementation. The Supervisory Board reviews the Company's quarterly and semi-annual reports and approves the annual financial statements of WashTec AG and the consolidated financial statements. As there is no resolution of the Annual General Meeting pursuant to Section 172 AktG, the annual financial statements of WashTec AG are adopted on approval by the Supervisory Board. The Supervisory Board monitors the Company's compliance with the law, regulatory requirements and internal corporate guidelines. Its scope of responsibilities also includes appointing the members of the Management Board and defining their portfolios. In addition, the Supervisory Board adopts resolutions on, and regularly reviews, among other things, the compensation system for the Management Board, including the main contractual elements of that system (Section 4.2.2 of the Code). Management Board decisions of major significance – for example, acquisitions, divestitures and financing measures – are subject to Supervisory Board approval.

The work of the Supervisory Board is governed by internal rules of procedure, in particular pertaining to the convocation and conduct of meetings, the adoption of resolutions and the manner in which any conflicts of interest are handled.

The Supervisory Board has adopted internal rules of procedure governing the work of the Management Board; in particular, these rules define the portfolios of each member of the Management Board, prescribe the matters that are reserved for decision by the full plenary Management Board, establish the matters requiring the approval of the Supervisory Board and set the majority voting requirements for Management Board resolutions.

The Management Board and Supervisory Boards work closely together in the best interests of the Company. No conflicts of interest arose on the part of members of the Management Board or Supervisory Board requiring disclosure to the Supervisory Board. The Supervisory Board's provision of independent advice to, and oversight over, the Management Board has been and continues to be assured at all times.

Management Board

The Management Board of WashTec AG, as the Company's executive body, is required to act in the Company's best interests, in furtherance of which it seeks to deliver sustained growth in shareholder value. It is responsible for specifying the principles of the Company's corporate policies in consultation with the Supervisory Board, and bears responsibility for the Company's strategic direction, for planning and setting the Company's budget, for allocating resources and for performing oversight over divisional heads. In addition, the Management Board is responsible for ensuring compliance with legal and regulatory requirements and with internal corporate guidelines or directives, and it works toward securing compliance with these rules by all Group companies. It reports to the Supervisory Board at regular intervals and in a timely and comprehensive manner with respect to all questions of relevance to the Company and the Group relating to strategy and strategy implementation, planning, the financial position and results of operations, compliance, risk and risk management.

During the reporting period, the Management Board consisted of four members: Dr. Zimmermann (CEO), Ms. Kalb, Mr. Weber and Mr. Springs. Dr. Zimmermann is responsible for the areas of Supply Chain, Development, Service, Quality and Purchasing. Ms. Kalb is responsible for the areas of Human Resources, Compliance, Investor Relations and Special Projects. Mr. Weber is responsible for Sales, Marketing and Product Management. Finance and IT are the responsibility of Mr. Springs. Mr. Springs left the Company by mutual consent as of February 28, 2018. Effective August 1, 2018, Mr. Axel Jaeger will be appointed as member of the Company's Management Board and CFO. Dr. Volker Zimmermann – CEO/CTO of WashTec AG – will assume the role of CFO in addition to his other duties during the transitional period from March 1, 2018 to July 31, 2018.

Managers' transactions/Directors' dealings

Under Article 19 of the Market Abuse Regulation (EU) No 596/2014, members of the Management Board and Supervisory Boards, as well as persons closely associated with them, are required to disclose any purchase or sale of securities in WashTec AG or of financial instruments linked thereto once the purchase and sale transactions reach a total amount of €5,000 within a calendar year. The Company was not notified of any managers' transactions/directors' dealings in the fiscal year under review.

All managers' transactions/directors' dealings are published in the Investor Relations section of the Company's website at www.washtec.de.

Management Board and Supervisory Board shareholdings

VVG Familie Roland Lacher KG, represented by former Supervisory Board member Mr. Roland Lacher, held 5,000 shares until Mr. Lacher's departure on May 3, 2017.

Supervisory Board member Mr. Jens Große-Allermann sits on the Management Board of Investmentaktiengesellschaft für langfristige Investoren TGV, which according to a notification dated July 31, 2009 held 758,358 voting shares (5.43%) of WashTec AG.

As of December 31, 2017, Dr. Günter Blaschke, Chairman of the Supervisory Board, held 50,000 shares of WashTec AG and Mr. Ulrich Bellgardt, Deputy Chairman of the Supervisory Board, held 27,500 shares of WashTec AG. Members of the Supervisory Board Dr. Hans-Friedrich Liebler and Dr. Sören Hein each held 5,000 shares of WashTec AG.

As of December 31, 2017, Dr. Volker Zimmermann, CEO, held 15,000 shares of WashTec AG. With regard to the members of the Management Board, Mr. Stephan Weber held 3,000 shares of WashTec AG, Mr. Rainer Springs held 4,000 shares of WashTec AG, and Ms. Karoline Kalb held 3,300 shares of WashTec AG.

Shareholders and the Annual General Meeting

WashTec AG regularly provides detailed information on the Company's business developments, financial situation and results of operations to its shareholders in the form of financial reports, in individual discussions and at investor conferences.

The Annual General Meeting of WashTec AG is generally held in conjunction with publication of the quarterly results. The Annual General Meeting adopts resolutions regarding, among other things, the appropriation of distributable profit, ratification of the acts of the Management Board and Supervisory Board, and election of the auditor. Amendments to the Company's Articles of Association and the granting of authority to engage in measures effecting changes in share capital are resolved exclusively by the Annual General Meeting and implemented by the Management Board. WashTec AG offers its shareholders, prior to the Annual General Meeting, the option to authorize a proxy, who is appointed by the Company but bound by the instructions issued by the shareholder in question.

All documents relevant for the Annual General Meeting can be downloaded online

In 2017, as in previous years, WashTec AG published all documents of relevance to its Annual General Meeting on the Internet in German and in English. The WashTec AG website thus provides a comprehensive information platform for both national and international investors, including with regard to the Annual General Meeting. WashTec AG does not webcast its Annual General Meeting and does not electronically transmit notices of convocation.

Diversity policy

The CSR Directive Implementation Act requires a description of the diversity policy in relation to the composition of the management and supervisory bodies of WashTec.

WashTec pursues the fundamental aim of enabling the composition of the Management Board and the Supervisory Board to be based on qualification. The composition of the Supervisory Board reflects the Company's purpose and size, the composition of the workforce and WashTec's international business activities (in accordance with Section 5.4.1 of the Code).

Positions on the Board of Management and Supervisory Board are assigned to women if suitably qualified. The Management Board currently has one woman member, Karoline Kalb.

Given suitable experience, people of all age groups can be members of the Management Board and Supervisory Board. An exception with regard to the composition of the Supervisory Board is that when proposing candidates to the competent election bodies, no persons are considered who would turn 75 years of age during their regular term of office as a member of the Supervisory Board of the Company. The normal age limit for members of the Management Board is 65.

In appointments to the Management Board and Supervisory Board, experience in a related industry is desirable.

Female quota

Pursuant to the Act on Equal Participation of Women and Men in Leadership Positions in the Private and Public Sectors (FührposGleichberG) of May 2015, certain companies in Germany are required for the first time to set targets for the percentage of women on the Supervisory Board, the Management Board and the two management levels immediately below the Management Board, and to set dates for the attainment of each target.

On September 17, 2015, the Supervisory Board resolved to set a target of at least 25% as the female quota for the Management Board. The position thus remained the same in 2017 as in 2015.

Likewise on September 17, 2015, the Supervisory Board resolved to set a target of at least 0% as a female quota for the Supervisory Board. This decision is intended to create the greatest possible flexibility for constituting the Board on the basis of qualification. This target was retained in the 2017 reporting year.

The Management Board also set a target for the two management levels beneath the Management Board. In light of the Company's purpose and size, the composition of its workforce and WashTec's international activities, the Management Board aims, with respect to the composition of the two management levels beneath it, for first management level to attain a female quota of at least 5.26% and the second management level to attain a female quota of at least 9.52%. Taking into account the specific circumstances and conditions at WashTec, the Management Board believes these percentages are reasonable as they provide flexibility in terms of filling positions on the basis of qualification. Both targets were exceeded in the 2017 reporting year.

8.2 Compliance

Compliance organization subject to continuous improvement

Providing comprehensive and timely information to shareholders and stakeholders is a high priority for WashTec. WashTec reports on its business situation and its results of operations through financial reporting, the annual press conference and conference calls. WashTec also publishes press releases and ad-hoc disclosures. All notices and disclosures, the Articles of Association of WashTec AG, all Declarations of Conformity, the corporate governance report (as a part of the Annual Report) and further documents concerning corporate governance (such as the WashTec Code of Ethics) are available for downloading from the Investor Relations section of the Company's website, www.washtec.de.

WashTec has established a Group-wide compliance organization to ensure that all relevant requirements are observed. The compliance organization is subject to continuous development and improvement. The Management Board and Supervisory Board regard the compliance organization as a major element of WashTec's management and control structure. Detailed reporting on compliance within the Group is thus a regular subject of meetings of the Supervisory Board. A detailed compliance report is also prepared each year.

All managers receive regular training on the WashTec Code of Ethics

The strategic guidelines and the WashTec AG Code of Ethics form the basis of the Company's compliance program. The Code of Ethics contains binding rules on legally compliant conduct as well as precise directions on matters such as compliance with competition law and anti-corruption law, handling donations, avoiding conflicts of interests, complying with the prohibition on insider trading, and protecting the Company's assets. The Code of Ethics is binding on all employees of the WashTec Group throughout the world and on the members of the Management Board. The members of the Supervisory Board observe the rules to the extent that they apply to them. All WashTec Group managers and employees in sensitive areas such as Sales, Procurement, Human Resources and Finance receive regular online training on the Code of Ethics which is concluded with a test and certification. In further support of the compliance system, a whistleblower system introduced in 2016 enables employees and others to raise concerns – anonymously if they prefer – and to bring attention to circumstances that may indicate a breach of the law or corporate directives. Any such indications are investigated and action taken as appropriate if grounds for suspicion or violations are identified.

The insider list to be drawn up under Article 18 of the Market Abuse Regulation (EU) No 596/2014 is updated in accordance with the law. The individuals recorded in the insiders list are informed of the duties entailed.

Any directors' dealings are published. The affected individuals at WashTec are informed about their duties in relation to directors' dealings and were provided with comprehensive training following the change in the law on entry into force of the Market Abuse Regulation (EU) No 596/2014.

The shareholdings of Management Board and Supervisory Board members are published both in the Company's Annual Report and in the Investor Relations section of the Company's website at www.washtec.de if the requirements in Section 6.2 of the Code are met.

The Declaration of Conformity in accordance with Section 161 AktG as submitted by the Management Board and Supervisory Board on December 20, 2017 and published on the Internet in the Investor Relations section at www.washtec.de is reprinted below.

»WashTec AG, Augsburg
Declaration of Conformity under Section 161 AktG

The Management Board and Supervisory Board submitted the last Declaration of Conformity on December 15, 2016.

The Management Board and Supervisory Board declare that from submission of the last Declaration of Conformity on December 15, 2016, WashTec AG complied, and will comply in the future, with the *recommendations of the German Corporate Governance Code issued by the Government Commission of the German Corporate Governance Code, initially as amended on May 5, 2015 and published on June 12, 2015 and thereafter as amended on February 7, 2017 and published on April 24, 2017, with one exception as follows:*

The Annual General Meeting of the Company resolved on May 11, 2016, in accordance with Sections 286 (5) and 314 (3) sentence 1 HGB, that for the fiscal year commencing January 1, 2016 and for all subsequent fiscal years up to and including at the latest the fiscal year ending December 31, 2020 the disclosures under Section 285 no. 9 a) sentences 5 to 8 and under Section 314 (1) no. 6 a) sentences 5 to 8 will not be made. The publication of information about the remuneration of individual Management Board members is refrained from accordingly, and therefore in departure from Section 4.2.5 paras. 3 and 4 of the Code, the information there referred to is not disclosed for each member of the Management Board and the model tables relating to Section 4.2.5 para. 3 of the Code are not used.

Augsburg, December 20, 2017

Management Board and Supervisory Board«

Further information about corporate governance can be found in the corporate governance report and corporate governance declaration in the annual reports of WashTec AG and on the Internet at www.washtec.de. Corporate governance declarations that are no longer current remain accessible on the website for a period of at least five years.

8.3 Remuneration report

Management Board remuneration

Remuneration and the remuneration system for the Management Board of WashTec AG are determined and regularly reviewed by the Supervisory Board. In conformity with the Code, the remuneration system as a whole is structured in such a way as to take account of the responsibilities and personal performance of each Management Board member, the performance of the Management Board as a whole, the economic situation, the performance and outlook of the Company, and customary levels of compensation taking into account peer companies and the compensation structure in place in other areas of the Company. The Supervisory Board also considers the relationship of Management Board remuneration to that of senior management and of the workforce as a whole, including with regard to its development over time.

The remuneration of the members of the Management Board complies with the statutory requirements of the German Stock Corporation Act and with the recommendations and suggestions contained in the Code. The remuneration system was last discussed in depth by the Supervisory Board at its meeting of December 20, 2017 and adopted by resolution, including the major elements of remuneration (Section 4.2.2 para. 1 of the Code). The overall remuneration of members of the Management Board is made up of monetary and non-monetary as well as fixed and variable components and is linked overall to sustained growth of the Company. All remuneration components are structured in such a way that they are reasonable, both individually and in the aggregate, and do not encourage the taking of unreasonable risks.

Fixed remuneration

The fixed remuneration also includes benefits in kind, notably comprising the provision of company cars and insurance coverage. The fixed remuneration components ensure that the Management Board members receive basic compensation permitting them to exercise their office in the best interests of the Company and with the due diligence of a prudent businessperson, without exclusive dependence on solely short-term performance targets.

Short-term variable remuneration: performance-related components

The existing Management Board contracts provide for Management Board remuneration that fully accords with the recommendations of the Code. The variable remuneration components include short-term components linked to the achievement of various targets to be set by the Supervisory Board. These are intended to create incentives for the Management Board to further the commercial success of WashTec AG. The short-term variable annual remuneration tracks strategic and/or operational and financial targets set each year by the Supervisory Board.

Components providing long-term incentives

All existing Management Board contracts provide for long-term Management Board remuneration that fully accords with the recommendations of the Code. The long-term variable remuneration is based on separate strategic, financial and operating targets based on a multi-year assessment and set by the Supervisory Board. The remuneration is divided into two components that are based on identical objectives and chronological parameters. The long-term component, which in each instance is equal in amount to the short-term variable remuneration, can be doubled if the member of the Management Board concerned invests the corresponding amount in shares in the Company. The incentivization phase runs from January 1, 2015 to December 31, 2017. Payments due at the end of the incentivization phase are contingent upon attainment of the agreed targets and the share price at the time.

The setting of challenging targets ensures that Management

Board members are granted a variable remuneration component that takes into account both positive and negative developments (Section 4.2.3, para. 2 of the Code). The targets under the Long-Term Incentive Plans (LTIP) are set in relation to ROCE and total shareholder return.

Benefits following termination of employment

The current Management Board contracts provide for compensation equal to 50% of the prorated monthly portion of the annual salary as consideration for the enforcement of a contractual non-compete covenant after the employment or service relationship ends.

The current Management Board contracts contain a provision, pursuant to which if service on the Management Board is terminated early other than for cause justifying termination of the Management Board contract, then severance payments are agreed but are to be limited to a maximum of two years' compensation including reimbursables (severance cap).

Other information

The members of the Management Board do not receive any loans or other indemnities from the Company.

Tabular presentation in the remuneration report of the remuneration of individual Management Board members (Section 4.2.5 paras. 3 and 4 of the Code)

By resolution of the Annual General Meeting of May 11, 2016, the Company refrains from presenting Management Board remuneration on an individual basis in accordance with the Sections 286 (5) and 314 (2) sentence 2 HGB (pre-amendment). The Management Board has been provided with an exemption from the disclosures pursuant to Section 314 (1) no. 6a sentences 5 to 8 HGB for the fiscal year commencing January 1, 2016 and for all subsequent fiscal years up to and including at the latest the fiscal year ending December 31, 2020. Further details on remuneration are provided in the notes to the consolidated financial statements starting on page 130.

Supervisory Board remuneration

The remuneration of the Supervisory Board is specified in Section 8.16 of the Articles of Association of WashTec AG. It comprises fixed and variable remuneration components. The basic fixed remuneration for an ordinary member of the Supervisory Board is €35,000 for each full fiscal year of membership of the Supervisory Board. The Deputy Chairman receives fixed remuneration of €70,000 for each full fiscal year, and the Chairman receives €100,000 for each full fiscal year of his membership of the Supervisory Board. In addition, each Supervisory Board member receives an attendance fee of €1,500 for each meeting of the Supervisory Board and its committees that they attend. The Chairman of the Supervisory Board receives double the attendance fee. Every Supervisory Board member also receives €500 for each cent by which consolidated earnings per share (IFRS-basis) exceeds the equivalent amount for the prior fiscal year.

Each member of a committee (with the exception of the Audit Committee) receives additional fixed remuneration of €2,500. The chairperson of a committee (with the exception of the Audit Committee) receives additional fixed remuneration of €5,000. Each member of the Audit Committee receives an additional fixed remuneration of €5,000, and the Chairman receives remuneration of €10,000.

The fixed and performance-based total remuneration in accordance with the Articles of Association together with attendance fees are limited a maximum of €75,000 for each regular Supervisory Board member and €100,000 for the Chairman of the Audit Committee. The total remuneration is limited to a maximum of €150,000 for the Deputy Chairman of the Supervisory Board and of €200,000 for the Chairman of the Supervisory Board.

Any Supervisory Board members who have served on the Supervisory Board for only part of a fiscal year receive proportionately reduced fixed and performance-based remuneration.

The Company did not pay any remuneration or grant any benefits to members of the Supervisory Board in fiscal year 2017 for services provided individually (Section 5.4.6 of the Code).

Pursuant to Section 8.16 of the Articles of Association, the Annual General Meeting also approved a Long Term Incentive Program (LTIP) for the Supervisory Board, stipulating a personal investment in WashTec shares on or before June 30, 2015 as a condition for participation (Chairman: 25,000 shares maximum; all others: 5,000 shares maximum). The stipulated performance targets are an EBIT target, a ROCE target and an EPS target. The reference base for the targets comprised the key performance indicators for fiscal year 2014. Depending on whether one, several or all of the targets are fulfilled, a different multiplier applies for the bonus payment, which is the sum total of the reference price, number of shares and multiplier. The bonus payment is payable in fiscal year 2019. Entitlement to the bonus payment is conditional on the Supervisory Board member still being on the Supervisory Board and still holding shares in the Company. Supervisory Board members Dr. Blaschke, Mr. Bellgardt, Dr. Hein and Dr. Liebler participate in the LTIP with the maximum number of shares.

2017 in €k, rounding differences may occur	Fixed	Variable	Attendance fees	Total	Caps[1]	Amount paid out	Multi-year variable compensation (long-term components)[2]
Dr. Günter Blaschke	100.0	23.5	68.0	191.5	200.0	191.5	–
Ulrich Bellgardt	70.0	23.5	49.0	142.5	150.0	142.5	–
Jens Große-Allermann	35.0	23.5	23.5	82.0	75.0	75.0	–
Dr. Sören Hein	35.0	23.5	29.0	87.5	75.0	75.0	–
Roland Lacher[3]	12.0	8.0	7.0	27.0	25.0	25.0	–
Dr. Hans Liebler	35.0	23.5	32.0	90.5	83.0	83.0	–
Dr. Alexander Selent[4]	23.0	16.0	26.0	65.0	67.0	65.0	
Total	**310.0**	**141.0**	**234.5**	**686.0**	**675.0**	**658.0**	**–**

[1] Payments limited by cap (according to membership/function)
[2] Fair value of the LTIP at the time of granting
[3] until May 3, 2017
[4] since May 3, 2017

2016 in €k, rounding differences may occur	Fixed	Variable	Attendance fees	Total	Caps[1]	Amount paid out	Multi-year variable compensation (long-term components)[2]
Dr. Günter Blaschke	100.0	57.0	64.0	221.0	200.0	200.0	–
Ulrich Bellgardt	70.0	28.5	41.5	140.0	150.0	140.0	–
Jens Große-Allermann	35.0	28.5	25.0	88.5	75.0	75.0	–
Dr. Sören Hein	35.0	28.5	24.5	88.0	75.0	75.0	–
Roland Lacher	35.0	28.5	14.5	78.0	75.0	75.0	–
Dr. Hans Liebler	35.0	28.5	33.5	97.0	100.0	97.0	–
Total	**310.0**	**199.5**	**203.0**	**712.5**	**675.0**	**662.0**	**–**

[1] Payments limited by cap (according to membership/function)
[2] Fair value of the LTIP at the time of granting

Augsburg, March 14, 2018

Dr. Volker Zimmermann
CEO

Karoline Kalb
Member of the Management Board

Stephan Weber
Member of the Management Board

Consolidated Financial Statements **of WashTec**

Consolidated Income Statement

in €k	Note	Jan 1 to Dec 31, 2017	Jan 1 to Dec 31, 2016
Revenue	7	424,986	372,785
Other operating income	8	4,268	4,738
Capitalized development costs		3,056	1,915
Change in inventory		2,091	3,311
Total		**434,401**	**382,748**
Cost of materials			
Cost of raw materials, consumables and supplies and of purchased material		145,857	122,386
Cost of purchased services		37,109	30,753
		182,966	**153,139**
Personnel expenses	9	131,620	122,949
Amortization, depreciation and impairment of tangible and intangible assets		9,890	9,385
Other operating expenses	10	56,776	52,117
Other taxes		934	1,099
Total operating expenses		**382,186**	**338,689**
EBIT		**52,215**	**44,059**
Financial income		80	231
Financial expenses		719	645
Financial result	11	**−639**	**−415**
EBT		**51,576**	**43,644**
Income taxes	12	14,660	13,062
Consolidated net income		**36,916**	**30,582**
Weighted average number of outstanding shares in units		**13,382,324**	**13,382,324**
Earnings per share (basic = diluted) in €	13	**2.76**	**2.29**

See notes for further explanations to the Consolidated Income Statement.

The Notes to the Consolidated Financial Statements are an integral part of the Consolidated Financial Statements.

Rounding differences may occur.

Consolidated Statement of Comprehensive Income

in €k	Jan 1 to Dec 31, 2017	Jan 1 to Dec 31, 2016
Consolidated net income	**36,916**	**30,582**
Actuarial gains/losses from defined benefit obligations and similar obligations	101	–819
Deferred taxes	4	244
Items that will not be reclassified to profit or loss	**105**	**–575**
Adjustment item for currency translation of foreign subsidiaries	–2,198	–237
Exchange differences on net investments in subsidiaries	–99	271
Deferred taxes	155	–146
Items that may be subsequently reclassified to profit or loss	**–2,142**	**–112**
Other comprehensive income	**–2,037**	**–687**
Total comprehensive income	**34,879**	**29,895**

See notes for further explanations to the Consolidated Statement of Comprehensive Income.

The Notes to the Consolidated Financial Statements are an integral part of the Consolidated Financial Statements.

Rounding differences may occur.

Consolidated Balance Sheet – Assets

in €k	Note	Dec 31, 2017	Dec 31, 2016
Non-current assets			
Property, plant and equipment	15	40,603	40,773
Goodwill	15	42,312	42,312
Intangible assets	15	9,423	6,666
Trade receivables	19	9,024	2,926
Other assets	20	593	612
Deferred tax assets	16	3,922	3,791
Total non-current assets		**105,877**	**97,080**
Current assets			
Inventories	17	40,847	42,877
Trade receivables	19	66,238	60,427
Tax receivables	18	7,928	7,562
Other assets	20	3,246	3,271
Bank balances and cash on hand	21	9,786	6,837
Total current assets		**128,045**	**120,974**
Total assets		**233,922**	**218,054**

See notes for further explanations to the Consolidated Balance Sheet.

The Notes to the Consolidated Financial Statements are an integral part of the Consolidated Financial Statements.

Rounding differences may occur.

Consolidated Balance Sheet – Equity and Liabilities

in €k	Note	Dec 31, 2017	Dec 31, 2016
Equity			
Subscribed capital	22	40,000	40,000
Contingent capital	22	*8,000*	*8,000*
Capital reserves	23	36,463	36,463
Treasury shares	24	−13,177	−13,177
Other reserves and currency translation effects	25	−5,585	−3,550
Profit carried forward		−427	−2,906
Consolidated net income		36,916	30,582
		94,191	**87,413**
Non-current liabilities			
Finance lease liabilities	29	2,150	1,871
Provisions for pensions	26	10,247	10,491
Trade payables	30	7	5
Other non-current provisions	27	3,927	3,564
Other non-current liabilities	30	1,161	2,471
Deferred income	31	2,638	1,473
Deferred tax liabilities	16	3,826	3,062
Total non-current liabilities		**23,956**	**22,937**
Current liabilities			
Interest-bearing loans	28	13,726	8,342
Finance lease liabilities	29	1,058	1,173
Prepayments on orders	30	14,795	7,187
Trade payables	30	14,612	11,773
Taxes and levies	30	6,806	6,196
Liabilities for social security	30	1,536	1,108
Tax provisions		5,752	12,369
Other current liabilities	30	38,713	39,224
Other current provisions	27	9,932	11,731
Deferred income	31	8,846	8,602
Total current liabilities		**115,775**	**107,704**
Total equity and liabilities		**233,922**	**218,054**

See notes for further explanations to the Consolidated Balance Sheet.

The Notes to the Consolidated Financial Statements are an integral part of the Consolidated Financial Statements.

Rounding differences may occur.

Consolidated Statement of Changes in Equity

in €k	Number of shares (in units)	Subscribed capital	Capital reserves	Treasury shares	Other reserves and currency translation effects	Profit carried forward	Total
As of January 1, 2016	**13,382,324**	**40,000**	**36,464**	**−13,177**	**−2,862**	**19,845**	**80,268**
Income and expenses recognized directly in equity					−786		−786
Taxes on transactions recognized directly in equity					98		98
Dividend						−22,750	−22,750
Consolidated net income						30,582	30,582
As of December 31, 2016	**13,382,324**	**40,000**	**36,464**	**−13,177**	**−3,550**	**27,677**	**87,412**
As of January 1, 2017	**13,382,324**	**40,000**	**36,464**	**−13,177**	**−3,550**	**27,677**	**87,412**
Income and expenses recognized directly in equity					−2,195		−2,195
Taxes on transactions recognized directly in equity					159		159
Dividend						−28,103	−28,103
Consolidated net income						36,916	36,916
As of December 31, 2017	**13,382,324**	**40,000**	**36,464**	**−13,177**	**−5,586**	**36,490**	**94,191**

See notes for further explanations to the Consolidated Statement of Changes in Equity.

The Notes to the Consolidated Financial Statements are an integral part of the Consolidated Financial Statements.

Rounding differences may occur.

Consolidated Cash Flow Statement*

in €k	Note	Dec 31, 2017	Dec 31, 2016
EBT		**51,576**	**43,644**
Amortization, depreciation and impairment of tangible and intangible assets		9,890	9,385
Gain/loss from disposals of non-current assets		−78	−378
Other gains/losses		2,044	1,071
Financial income		−80	−230
Financial expenses		719	645
Movements in provisions		−1,482	−1,273
Income tax paid		−22,457	−7,556
Gross cash flow		**40,132**	**45,308**
Increase/decrease in trade receivables		−14,222	−15,715
Increase/decrease in inventories		203	−2,758
Increase/decrease in trade payables		3,121	4,231
Increase/decrease in prepayments on orders		7,931	298
Increase/decrease in Net Operating Working Capital		**−2,967**	**−13,944**
Changes in other net working capital		1,635	8,539
Net cash flows from operating activities		**38,800**	**39,903**
Purchase of property, plant and equipment (excluding finance leases)		−11,548	−19,778
Proceeds from sale of property, plant and equipment		805	722
Net cash flows from investing activities		**−10,743**	**−19,056**
Free cash flow		**28,057**	**20,847**
Dividend payout		−28,103	−22,750
Interest received		80	230
Interest paid		−649	−568
Repayment of finance lease liabilities		−1,293	−1,615
Net cash flows from financing activities		**−29,964**	**−24,703**
Net increase/decrease in cash and cash equivalents		**-1,908**	**−3,856**
Net foreign exchange difference		**−529**	**−160**
Cash and cash equivalents at January 1		**−1,504**	**2,512**
Cash and cash equivalents at December 31	21	**−3,941**	**−1,504**
Composition of cash and cash equivalents for cash flow purposes:			
Bank balances and cash on hand		**9,786**	**6,837**
Overdrafts/current interest-bearing loans		**−13,726**	**−8,341**
Cash and cash equivalents at December 31		**−3,941**	**−1,504**

See notes for further explanations to the Consolidated Cash Flow Statement

The Notes to the Consolidated Financial Statements are an integral part of the Consolidated Financial Statements.

Rounding differences may occur.

* As a presentation improvement, prepayments on orders and net operating working capital are presented separately. The prior year has been restated accordingly.

Notes to the Consolidated Financial Statements of WashTec AG (IFRS) for Fiscal Year 2017

General

1. General information on the Group

The consolidated financial statements of the WashTec Group for the fiscal year January 1 to December 31, 2017 were prepared and submitted to the Supervisory Board for review on March 14, 2018. They are expected to be adopted at the Supervisory Board meeting on March 14, 2018 and subsequently released for publication by the Management Board. The consolidated financial statements and Group Management Report may be accessed through the Bundesanzeiger (Federal Gazette) and the Unternehmensregister (Company Register) and downloaded from our website, www.washtec.de.

The ultimate parent company of the WashTec Group is WashTec AG, which is entered in the commercial register for the City of Augsburg under registration number HRB 81.

The Company's registered office is located at Argonstrasse 7, 86153 Augsburg, Germany.

The Company's shares are in free float and are publicly traded.

The purpose of the WashTec Group comprises the development, manufacture, sale and servicing of car wash products, as well as leasing and all related services and financing solutions required in order to operate car wash equipment.

2. Basis of preparation of the consolidated financial statements

The consolidated financial statements of WashTec AG have been prepared in accordance with the International Financial Reporting Standards (IFRSs) of the International Accounting Standards Board (IASB) in force as of the balance sheet date together with the interpretations of the IFRS IC (IFRIC). They comply with the accounting standards applicable in the European Union for fiscal year 2017 and are also supplemented by additional information required under section 315e of the German Commercial Code (Handelsgesetzbuch, or HGB) and by the Group Management Report.

The requirements under Section 315e HGB for exempting the Company from the preparation of consolidated financial statements in accordance with German commercial law are met.

The consolidated financial statements are prepared on a historical cost basis except with respect to derivative financial instruments measured at fair value. The consolidated financial statements are presented in euros and, unless otherwise indicated, all figures rounded to the nearest thousand (€k); this may result in rounding differences. The fiscal year is the calendar year.

3. Basis of consolidation

The consolidated financial statements include the financial statements of WashTec AG and its subsidiaries as of December 31 of each fiscal year. The financial statements of subsidiaries are prepared for the same reporting period as those of the parent company, using uniform accounting policies.

Subsidiaries are fully consolidated as of the acquisition date, which is the date when the Group obtains control. WashTec AG controls an investee from the date on which it has the direct or indirect ability to determine the investee's operating and financing policies, to participate in variable returns from its involvement with the investee, and to affect the amount of the returns. Subsidiaries cease to be consolidated when the parent company no longer has control.

All intra-group balances, transactions, income, expenses as well as unrealized gains and losses resulting from intragroup transactions are eliminated in full.

A subsidiary, WashTec Bilvask AS, Billingstad, Norway, was established with retrospective effect from January 1, 2017 for what was previously the Norway branch of the Company, WashTec Bilvask NUF, Billingstad, Norway. The new subsidiary has been included in the consolidated financial statements of the WashTec since the beginning of fiscal year 2017.

In addition to the parent company, the consolidated financial statements of WashTec AG also contain the following group entities as of December 31, 2017:

Consolidated entities	Share-holding in %	Holding company	Business activity	Equity at Dec 31, 2017 in €k	Profit/loss for 2017 in €k
German entities					
WashTec Cleaning Technology GmbH, Augsburg, Germany [1]	100	A	I	29,846	0
WashTec Holding GmbH, Augsburg, Germany	100	B	II	87,142	23,219
WashTec Carwash Management GmbH, Augsburg, Germany [2]	100	B	III	51	0
WashTec Financial Services GmbH, Augsburg, Germany [1]	100	A	IV	62	0
AUWA-Chemie GmbH, Augsburg, Germany [2]	100	B	V	537	0
Foreign entities					
WashTec France S.A.S., St. Jean de Braye, France	100	C	VI	4,084	1,426
Mark VII Equipment Inc., Arvada, USA	100	C	I	20,290	7,762
WashTec S.r.l., Casale, Italy	100	C	VI	1,781	103
WashTec UK Ltd., Great Dunmow, United Kingdom	100	C	VI	3,125	327
California Kleindienst Limited, Wokingham, United Kingdom [5]	100	A		0	0
WashTec A/S, Hedehusene, Denmark	100	C	VI	2,014	628
WashTec Bilvask AS, Billingstad, Norway [4]	100	F	VI	1,102	803
WashTec Cleaning Technology GmbH, Vienna, Austria	100	C	VI	2,100	558
WashTec Spain S.A., Madrid, Spain	100	C	VI	993	332
WashTec Car Cleaning Equipment (Shanghai) Co. Ltd., Shanghai, China	100	C	VII	−711	−774
WashTec Cleaning Technology s.r.o., Nyrany, Czech Republic	100	D	VII	3,675	619
WTMVII Cleaning Technologies Canada Inc., Grimsby, Ontario, Canada [6]	100	E	VI	−7,140	−831
WashTec Australia Pty Ltd., Sydney, Australia	100	C	VI	3,102	758
WashTec Cleaning Technology España S.A., Bilbao, Spain [5]	100	C		1	0
WashTec Benelux B.V., Zoetermeer, The Netherlands [3]	100	C	VI	4,397	451
WashTec Nordics AB, Bollebygd, Sweden	100	C	VI	1,889	735
WashTec Polska Sp. z o.o., Warsaw, Poland	100	D	VI	129	222

1) Profit/loss absorbed by WashTec Holding GmbH

2) Profit/loss absorbed by WashTec AG

3) Subgroup with Benelux Carwash Management B.V., Zoetermeer, NL, WashTec Benelux Administratie B.V., Zoetermeer, NL and WashTec Benelux N.V., Brussels, Belgium, whose results are included in WashTec Benelux B.V., Zoetermeer, NL.

4) Indirect shareholding through WashTec A/S Hedehusene, Denmark

5) Company currently inactive

6) Indirect shareholding through Mark VII Equipment Inc., Arvada, USA

A) WashTec Holding GmbH

B) WashTec AG

C) WashTec Cleaning Technology GmbH

D) 90% of interests held by WashTec Cleaning Technology GmbH, 10% by WashTec Holding GmbH

E) Mark VII Equipment Inc., Arvada, USA

F) WashTec A/S, Hedehusene, Denmark

I) Production, sales and service entity

II) Holding company

III) Car wash rental

IV) Conclusion and arrangement of leases and finance

V) Development, production and sale of chemical products

VI) Sales and service entity

VII) Production entity

4. Effects of new financial reporting

The Group applied the following new and revised IFRS Standards and Interpretations in fiscal year 2017.

Applied standards or amendments to existing standards

Standard/ Interpretation	Title	Mandatory application	Endorsement by the EU	Material effects on WashTec
IAS 7	Amendments to IAS 7 Statement of Cash Flows – Disclosure Initiative	Jan 01, 2017	Nov 09, 2017	Presentation of a reconciliation of liabilities from financing activities.
IAS 12	Amendments to IAS 12 Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses	Jan 01, 2017	Nov 09, 2017	None
IFRS	Annual Improvements to IFRS (2014-2016 cycle) – Amendments to IFRS 12	Jan 01, 2017	Feb 02, 2018	None

The IASB and the IFRS Interpretations Committee have also issued additional standards, interpretations and amendments as listed below that did not yet have to be applied in fiscal year 2017 and/or have not yet been recognized by the European Union.

The WashTec Group had not elected early application of these standards as of December 31, 2017. First-time application of the standards is planned when they are recognized and endorsed by the EU.

Standard/ Interpretation	Title	Mandatory application	Endorsement by the EU	Material effects on WashTec
IFRS 15	Revenue from contracts with customers, including altered first-time application date	Jan 01, 2018	Oct 29, 2016	IFRS 15 replaces all existing revenue recognition standards – notably IAS 18 Revenue and IAS 11 Construction Contracts. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer. In application of the modified retrospective approach, the cumulative impact of adoption is recognized in retained earnings. Prior-year comparative figures are not restated. IFRS 15 requires separate presentation of contract assets and contract liabilities in the balance sheet. In the WashTec Group, this results in changes to the balance sheet presentation of the following items: ■ Prepayments on orders in the amount of €14,795k will be presented in the future as contract liabilities. ■ Liabilities in the amount of €6,086k from expected volume discounts previously accounted for as other liabilities will be reclassified to contract liabilities. ■ Deferred income for full maintenance, extended guarantees and prepaid service agreements, in the amount of €7,424, will be reclassified to contract liabilities. At present, the WashTec Group expects that further differences between IFRS 15 and IAS 18 will have only non-material impacts.

Standards or amendments to existing standards not yet applied

Standard/ Interpretation	Title	Mandatory application	Endorse-ment by the EU	Material effects on WashTec
IFRS 9	Financial instruments	Jan 01, 2018	Nov 29, 2016	IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities while introducing new rules for hedge accounting and a new impairment model for financial assets. Under IFRS 9, impairments of financial assets must be recognized on the basis of the expected credit loss (ECL) model in place of the incurred credit loss model under IAS 39. This will lead in the future to an increase in write-downs on trade receivables in the amount of €566k. In application of the exemptions and transitional provisions in IFRS 9, the cumulative impact of adoption is recognized in retained earnings. Existing hedges are carried on. No transition effects are currently expected from accounting for these financial instruments.
IFRS 4	Amendments to IFRS 4 Insurance Contracts – Applying IFRS 9, Financial Instruments with IFRS 4, Insurance Contracts	Jan 01, 2018	Nov 09, 2017	None
IFRS 15	Clarifications to IFRS 15 Revenue from Contracts with Customers	Jan 01, 2018	Nov 09, 2017	None
IFRS 16	Leases	Jan 01, 2019	Nov 09, 2017	IFRS 16 requires lessees normally to recognize all leases as a right-of-use asset and a lease liability. Exceptions are made for short-term leases and leases for low-value assets. The new standard mainly affects the accounting treatment of operating leases. The WashTec Group has non-cancelable operating lease liabilities in the amount of €31,109k as of the balance sheet date (see Note 29). The leases to be accounted for in the future primarily relate to rented buildings and leasing of service vehicles. At present, the WashTec Group expects that approx. €30m will be accounted for as right-of-use assets. This amount represents a preliminary estimate based on present knowledge and current agreements. The analysis of lease arrangements is not yet complete. Because of this, the foregoing figure is subject to uncertainty. Depending on the outcome of the final analysis, that figure may differ substantially from the current estimate. Accounting for right-of-use assets will increase total assets and hence decrease the equity ratio. The WashTec Group has not yet decided whether IAS 8 or the modified retrospective approach will be used on first-time application.
IFRS	Annual Improvements to IFRS (2014-2016 cycle) – Amendments to IFRS 1 and IAS 28	Jan 01, 2018	Feb 02, 2018	None
IFRS 2	Amendments to IFRS 2 Share-based Payment – Classification and Measurement of Share-based Payment Transactions	Jan 01, 2018	Feb 27, 2018	None
IAS 40	Amendments to IAS 40 Investment Property – Transfers of Investment Property	Jan 01, 2018	Expected in Q1 2018	None
IFRIC 22	Foreign Currency Transactions and Advance Consideration	Jan 01, 2018	Expected in Q1 2018	None
IFRIC 23	Uncertainty over Income Tax Treatments	Jan 01, 2019	Expected in 2018	None
IFRS 9	Amendments to IFRS 9 – Prepayment Features with Negative Compensation	Jan 01, 2019	Expected in 2018	None
IAS 28	Amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures	Jan 01, 2019	Expected in 2018	None
IFRS	Annual Improvements to IFRS (2015–2017 cycle)	Jan 01, 2019	Expected in 2018	None
IFRS 17	Insurance contracts	Jan 01, 2021	Yet to be determined	None

5. Accounting policies

The adopted accounting policies are consistent with those adopted in prior years, except as stated below.

Currency translation

The consolidated financial statements are presented in euros, the euro being the Group’s functional and reporting currency.

Foreign currency annual financial statements of subsidiaries are translated by applying the functional currency approach. The functional currency of a foreign company is normally the respective national currency. The items in the separate financial statements of each entity are measured in the entity’s functional currency.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the reporting date exchange rate as of each reporting date. All exchange differences are recognized in profit or loss with the exception of exchange differences relating to net investments in a foreign operation and related foreign currency loans. These are recognized in other comprehensive income until disposal of the net investment, at which time they are recognized as income or expense in the period. Deferred tax expense or income arising from such exchange differences is likewise recognized in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. Where changes in the fair value of a non-monetary item are recognized in other comprehensive income, any exchange differences relating to that item are recognized in other comprehensive income. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of resulting assets and liabilities are accounted for as assets and liabilities of the foreign operation and translated at the reporting date exchange rate.

Assets and liabilities of subsidiaries that do not report in euros are translated at the reporting date exchange rate, and their income and expenses are translated at the weighted average exchange rate for the fiscal year. Resulting exchange differences are accounted for separately in other comprehensive income. On disposal of a foreign operation, the cumulative amount recognized in other comprehensive income relating to that foreign operation is reclassified to profit or loss.

Property, plant and equipment

Property, plant and equipment is carried at cost less accumulated depreciation and accumulated impairment losses. The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item when the cost is incurred, if the recognition criteria are met. In addition to directly attributable costs, the cost of self-constructed assets also includes an allocation of material and production overheads and depreciation (IAS 16). Repair and maintenance costs are immediately recognized in profit or loss. Depreciation is applied pro rata temporis on a straight-line basis over the estimated useful life of the asset.

Property, plant and equipment is mostly depreciated using the following useful lives:

Property, plant and equipment	Useful life
Buildings	20 to 50 years
Technical plant and machinery	5 to 14 years
Finance leases	6 to 10 years
Other plant, fixtures and fittings	3 to 8 years

An item of property, plant and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition (measured as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the item is derecognized. At the end of each fiscal year, an asset’s residual value, useful life and method of depreciation are reviewed and, if necessary, adjusted.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. For this purpose, the cost of the acquisition is determined as the consideration transferred, meaning the sum of the assets transferred, equity interests issued and liabilities assumed at the acquisition date. Acquisition-related costs are normally accounted for as expense.

Goodwill is initially measured at the cost of acquisition. It is measured as the excess of the acquisition cost of the business combination over the acquirer's share in the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. After initial recognition, goodwill is measured as cost less any accumulated impairment losses. It is not amortized but is tested for impairment at least annually and whenever there is an indication that it may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is allocated, from the acquisition date, to the Group's cash generating units that are expected to benefit from the synergies of the business combination.

Intangible assets

Intangible assets mainly comprise acquired patents, technologies, capitalized development costs, licenses and software.

Intangible assets are mostly amortized using the following useful lives:

Intangible assets	Useful life
Acquired patents and technologies	8 years
Licenses and software	3 to 8 years
Capitalized development costs	6 to 8 years

Acquired intangible assets

Intangible assets not acquired in a business combination are measured at cost on initial recognition and subsequently measured at cost less any accumulated amortization and impairment losses.

A distinction is made between intangible assets with finite useful lives and those with indefinite useful lives. During the reporting period, the Group exclusively held assets with finite useful lives.

Intangible assets with finite useful lives are amortized over their economic useful life. The amortization period and amortization method are reviewed at the end of each fiscal year and adjusted accordingly if expectations have changed.

Internally generated intangible assets (research and development costs)

Research costs are recognized as expense in the period in which they are incurred. Development costs for a given project comprise all directly attributable costs (mainly personnel expenses) as well as allocated overheads. Under IAS 38, these costs are capitalized as an intangible asset only if the asset can be identified, a future economic benefit is expected and the cost can be measured reliably during development. In addition, development costs are only capitalized if completion of development and subsequent use or sale are feasible and intended technically and financially.

After initial recognition of development costs as an asset, the cost model is applied, meaning that the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization begins when development is complete and the asset is available for use. The asset is amortized over the period of the expected future benefits. During the development phase, when the useful life is indefinite, the asset is tested annually for impairment.

Impairment of non-financial assets

Assets with a finite useful life are tested as of each balance sheet date for indications of impairment. If there is such an indication, the Group estimates the asset's recoverable amount. An asset's recoverable amount is fair value less costs of disposal or value in use, whichever is higher. Value in use is determined by applying an appropriate valuation method. For this purpose, the expected future cash flows are discounted to present value using a pre-tax discount rate that reflects market expectations concerning the time value of money and the risks specific to the asset. Recoverable amount is estimated for each individual asset or, if it cannot be estimated for the asset, for the cash-generating unit to which the asset belongs. If the carrying amount of an asset exceeds its recoverable amount, the asset is impaired and the carrying amount is reduced to the recoverable amount. An impairment loss recognized in earlier reporting periods is reversed to income if there has been a change in the estimates used to determine the recoverable amount. The increased carrying amount may not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized in the past. Impairment reversals are recognized in profit or loss.

Intangible assets with an indefinite useful life and goodwill are tested for impairment at least annually and if there are events or circumstances that indicate that an asset may be impaired.

Goodwill is tested for impairment by estimating the recoverable amount of the cash generating unit to which the goodwill has been allocated. The cash generating units at the WashTec Group correspond to the operating segments identified in accordance with IFRS 8. These are divided into the regions Europe, North America and Asia/Pacific.

If the recoverable amount of a cash generating unit is less than its carrying amount, then an impairment loss is recognized. Impairment losses recognized for goodwill cannot be reversed in subsequent reporting periods. The Group performs annual impairment testing of goodwill after completing the budgeting process.

Financial instruments and hedging

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Financial assets are normally classified in accordance with IAS 39 as financial assets at fair value through profit or loss (FVthP/L), loans and receivables (LaR), held-to-maturity investments (HtM), or available-for-sale (AfS). On initial recognition, they are classified and measured at fair value plus, in the case of a financial asset not subsequently measured at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset.

The financial assets primarily comprise cash and cash equivalents, trade receivables, derivatives with a positive fair value, and other assets.

Regular way purchases and sales of financial assets are accounted for at the trade date, which is the date when the Group commits itself to purchase or sell the asset. Regular way purchases or sales require delivery of the asset within the timeframe established by regulation or convention in the marketplace.

Assets at fair value through profit or loss: All financial instruments held for trading and derivatives not qualifying for hedged accounting are classified in this category. They are normally measured at fair value. All changes in fair value are recognized in profit or loss. Fair value is the amount that can be agreed by willing parties in an arm's length transaction. If there is no active market, fair value is established using valuation techniques.

Held-to-maturity assets: Financial investments are classified in this category if there is the intention to hold the instrument to maturity. Such instruments are measured at amortized cost using the effective interest method. The calculation includes any impairments and any discounts and premiums. Transactions costs and fees are an integral part of the interest rate.

Loans and receivables: This category contains non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. After initial recognition, loans and receivables are measured at amortized cost using the effective interest method less any accumulated impairment losses. Non-current receivables are discounted at current market rates if the effect is material. Gains and losses on derecognition or impairment of loans and receivables are recognized in profit or loss.

Cash and cash equivalents: This category comprises cash on hand and bank balances that have an original term of less than three months and are carried at face value.

For the purposes of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above plus any utilized bank overdrafts.

Impairment of financial assets: The Group tests financial assets, and groups of financial assets not at fair value through profit or loss, as of each balance sheet date for impairment. Indications of impairment include, among other things, a high probability of insolvency, significant financial difficulties of an obligor, or the disappearance of an active market.

Any impairment loss is recognized in profit or loss using an allowance account for impairment. The amount is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. The reversal may not result in a carrying amount that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed.

Derecognition of financial assets: A financial asset (or a part of a financial asset or a part of a group of similar financial assets) is derecognized when contractual rights to the cash flows from the financial asset expire.

Financial liabilities

A financial liability gives rise as a rule to an obligation to deliver cash or another financial asset. This category notably includes liabilities to credit institutions, trade payables, derivatives with a negative fair value, and other liabilities.

Financial liabilities are measured on initial recognition at fair value after deducting transaction costs. Subsequent measurement is mainly as financial liabilities at amortized cost (FLAC) using the effective interest method. Financial liabilities held for trading include derivatives and are initially recognized and subsequently measured at fair value through profit or loss (FVthP/L).

Interest-bearing loans: Interest-bearing loans are initially recognized at cost. They are not carried at fair value. After initial recognition, interest-bearing loans are subsequently measured at amortized cost using the effective interest method.

Derecognition of financial liabilities: A financial liability is derecognized if the obligation underlying the liability is discharged, terminated or extinguished.

Derivative financial instruments and hedging

Derivative financial instruments are initially recognized and subsequently measured at fair value and, according to market value, are accounted for as financial assets or financial liabilities. The amounts are derived from the market or estimated using recognized valuation techniques. Changes in fair value are accounted for according to whether a derivative financial instrument is designated in an effective hedge as defined in IAS 39. If an effective hedge exists, then changes are recognized in other comprehensive income. Otherwise, they are recognized in profit or loss.

Hedges are classified according to the nature of the hedged item:

- as fair value hedges, when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment
- as cash flow hedges, when hedging the exposure to variability in cash flows which is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction and which could have an impact on the result for the period
- hedges of a net investment in a foreign operation.

At the inception of the hedge, the relationship between the financial instrument used as a hedging instrument and the hedged item, including the Group's objective and the strategy for undertaking the hedge, is formally designated and documented. This information includes the nature of the hedged risk, an assessment of the hedging instrument's effectiveness, and how effectiveness is assessed. The effectiveness of hedging instruments is assessed on an ongoing basis throughout the entire reporting period.

As of the reporting date, there are hedges that are classified as net investment hedges. An assessment is carried out as of each balance sheet date.

Cash flow hedges: In the case of a cash flow hedge, the effective portion of changes in fair value of a hedge is recognized in other comprehensive income net of deferred taxes. The ineffective portion of changes in fair value is recognized in profit or loss. If a hedging instrument expires or is sold, terminated or exercised without replacement or rollover into another hedging instrument or if the criteria for hedge accounting are no longer met, the cumulative amounts that have been recognized remain separately in equity and are not reclassified to profit or loss until the forecast transaction occurs or is no longer expected to occur.

Net investment hedges: These are treated as for a cash flow hedge. The effective portion of any gains or losses on the hedge is recognized in other comprehensive income. The ineffective portion of any gains or losses on the hedge is recognized in profit or loss. The cumulative amount of changes in the fair value of the hedge and of the exchange differences relating to the hedged item that have been recognized in other comprehensive income are not reclassified to profit or loss until disposal (sale or liquidation) of the foreign operation.

Inventories

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated proceeds from a sale in the ordinary course of business less estimated costs of completion and estimated costs necessary to make the sale.

The cost of raw materials, consumables and supplies is determined on a rolling average basis. The cost of finished goods and work in progress includes directly attributable costs as well as a reasonable allocation of material and production overheads on the basis of normal capacity utilization. Borrowing costs are not included in the cost of inventories.

Treasury shares

WashTec AG makes purchases of its own shares (treasury shares); the cost of treasury shares is accounted for as a single adjustment in equity. Purchases, sales and retirements of treasury shares are not recognized in profit or loss.

Provisions

Other provisions

Other provisions are recognized for all legal or constructive obligations to third parties as of the balance sheet date as a result of past events where it is probable that an outflow of resources will be required to settle the obligation and the obligation can be reliably estimated. If the Group expects reimbursement of some or all of a provision (such as through an insurance policy), the reimbursement is recognized as a separate asset when it is virtually certain that the reimbursement will be received. Non-current provisions are discounted at current pre-tax market rates if the effect is material. The effect of the time value of money is accounted for in the financial result. Provisions are normally reversed to the same item in the income statement for which they were recognized.

Provisions for pensions
Provisions for pensions are measured using the projected unit credit method (IAS 19 revised). This method takes into account the pensions known and vested as of the balance sheet date as well as expected future increases in salaries and pensions. Actuarial gains and losses are recognized immediately in their entirety in other comprehensive income. Service cost and interest are accounted for in the operating result. For further details, please see Note 26.

Provisions for partial retirement arrangements
Partial retirement arrangements are primarily based on the block model. They result in two types of obligations that are measured at present value in accordance with actuarial principles and are accounted for separately: The first type of obligation relates to the accumulated outstanding settlement amount, which is recognized pro rata over the active/working phase. The accumulated outstanding settlement amount is based on the difference between the compensation earned by an employee prior to the partial retirement arrangement (including the employer's share of social security contributions) and the compensation for the part-time employment (including the employer's share of social security contributions, but not including top-up payments). The second type of obligation relates to the employer's obligation to pay the top-up payments plus an additional amount towards statutory pension insurance. In accordance with IAS 19 (revised), this is recognized as a provision pro rata over the working phase.

Share-based payment
In accordance with IFRS 2, a distinction is made between cash-settled and equity-settled share-based payments. The members of the Management Board and Supervisory Board of WashTec AG receive share-based remuneration in the form of a cash settlement as consideration for their service. In the case of cash-settled transactions, the resulting liability is recognized at fair value through profit or loss at the time service is performed. The fair value is estimated using a suitable option price model. Conditions relating to the WashTec AG share price (market conditions) and performance-related exercise conditions are included in the calculation. Until settlement of the liability, the fair value is remeasured as of each balance sheet date and any changes are recognized in profit or loss. For more details, see Note 37.

Leases

A lease is any agreement that conveys, in return for payment, the right to use a certain asset for a certain period of time. On the basis of beneficial ownership or of who bears substantially all the primary risks and rewards incidental to the leased property, a lease may be classified as either a finance lease or an operating lease.

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Where the WashTec Group is the lessee in a finance lease, the leased asset is recognized at the inception of the lease. The asset is recognized at fair value or, if lower, the present value of the minimum lease payments, and amortized over the estimated useful life or, if shorter, the lease term. A lease liability is recognized in the same amount and is amortized in subsequent periods using the effective interest method. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability; the finance charge is allocated over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Finance expenses are recognized in profit or loss.

Operating lease payments payments are recognized as expense in profit or loss on a straight-line basis over the lease term.

Taxes on income

The current income tax charge is calculated for the consolidated financial statements on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where subsidiaries operate and generate taxable income. For recognized tax provisions, the expected tax payment is used as a best estimate. Deferred tax assets and liabilities are determined using tax rates that have been enacted or substantially enacted and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Current and deferred taxes are recognized in profit or loss except to the extent the tax relates to transactions that are recognized in other comprehensive income or directly in equity.

Deferred taxes are recognized for all temporary recognition and measurement differences between tax bases and carrying amounts in the IFRS consolidated financial statements and on consolidation adjustments in profit or loss.

Deferred tax assets are recognized for the future benefit from tax loss carryforwards and unused tax credits if it is probable that they will be utilized. For deferred tax assets to be recognized, it must be probable that taxable profit will be available against which the deductible temporary differences, loss carryforwards and tax credits can be utilized.

Deferred taxes are recognized for taxable temporary differences associated with investments in subsidiaries (outside-basis differences) unless the parent is able to control the reversal of the temporary differences and is probable that the temporary difference will not reverse in the foreseeable future.

Conversely, no deferred taxes are recognized on temporary differences if the temporary differences arise from the initial recognition of an asset or liability in a transaction which affects neither IFRS-basis accounting profit (before income taxes) nor taxable profit and which is not a business combination. In addition, no deferred tax liabilities are recognized for temporary differences arising from the initial recognition of goodwill.

Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax balances relate to the same taxation authority.

Revenue recognition

Revenue is recognized if it is probable that the economic benefits will flow to the Group and the amount of the revenue can be measured reliably. The amount is based on the fair value of the consideration received less any value added tax, deductions (such as rebates and trade discounts), and other charges. In addition, the following recognition criteria must be met:

- Revenue from the sale of machines, accessories, goods and services is recognized once performance has been rendered or the significant risks and rewards of ownership have transferred to the buyer. This is normally the case when finished goods or merchandise are delivered, sent or collected.
- The deferred income item relates to the recognition of income from servicing agreements and extended guarantees on an accrual basis. Revenue from servicing agreements is recognized once performance has been rendered.
- Rental revenue is not recognized until a car wash is completed, even if it is first sold to an external leasing company, as such sales are treated as sale and leaseback transactions in accordance with IAS 17.

Interest income is recognized on an accrual basis in profit or loss using the effective interest method.

Earnings per share

In accordance with IAS 33, earnings per share is calculated by dividing consolidated net income by the weighted average number of shares outstanding.

Basic earnings per share is calculated by dividing net income attributable to the ordinary shareholders of the parent by the weighted average number of ordinary shares outstanding during the year.

For the calculation of diluted earnings per share, the weighted average number of ordinary shares outstanding is adjusted to account for the number of all potentially dilutive shares.

Segment reporting

In accordance with IFRS 8 Operating Segments, operating segments are identified using the management approach. Under this approach, external segment reporting is based on the internal group organizational and management structure and on internal reporting to the Management Board as the entity's chief operating decision maker. Where the aggregation criteria are met, operating segments are aggregated into reportable segments.

A geographical segment is a distinguishable component of an entity that is engaged in providing products or services within a particular economic environment and is subject to risks and returns that differ from those of components operating in other economic environments.

6. Significant estimates, assumptions and judgements

In preparing the consolidated financial statements, it is necessary to make certain assumptions, estimates and judgments that may affect the presentation of the net assets, financial position and results of operations. These primarily relate to the determination of economic useful lives, the measurement of provisions, the realizability of deferred tax assets and assumptions about future cash flows and discount rates. All judgments are continually reassessed and are based in each case on historical experience and current knowledge with regard to future events. Actual amounts may differ from the assumptions and estimates in individual cases. Changes are taken into account when better knowledge becomes available and can lead in future periods to material adjustments to the carrying amounts of affected assets or liabilities.

Impairment of non-financial assets
In connection with impairment testing of goodwill, intangible assets with indefinite useful lives and other non-financial assets, it is necessary to estimate future cash flows from each asset or cash generating unit. An appropriate discount rate must also be selected in order to determine the present value of the cash flows. Estimating future cash flows requires long-term income forecasts to be made in light of general economic conditions and the development of the industry. For further details, please see Note 5.

Depreciation of plant, property and equipment and amortization of intangible assets require estimates and assumptions to be made in order to determine uniform Group-wide economic useful lives and methods of depreciation and amortization.

Deferred tax assets
Deferred tax assets are recognized to the extent that it is probable that sufficient taxable profits will be available against which they can be utilized. Management estimates relate to the amount of taxable profit and the expected timing. For further details, please see Note 16.

Pensions, other post-employment benefits and partial retirement benefits
The costs of pension and partial retirement obligations are determined using actuarial methods. Actuarial valuation involves assumptions about discount rates, future wage and salary increases, pension increases and life expectancy. Due to the long-term nature of the pension plans, such estimates are subject to considerable uncertainty. Further details are provided in Notes 26 and 27.

Share-based payment

The costs of cash-settled share-based payment are measured at the fair value of the equity instruments at the grant date. In order to estimate the fair value of shared-based payment, it is necessary to determine the most suitable valuation technique, which is dependent on the granting conditions. It is also necessary to determine suitable input parameters for the valuation technique, notably including the expected option term, volatility, dividend yields, and corresponding assumptions. The assumptions and techniques used are shown in Note 37.

Provisions

Restructuring provisions and guarantee provisions are recognized on the basis of expectations, estimates of the probability of occurrence, and planned measures. The size of potential payment obligations is estimated on the basis of an assessment of the situation.

Development costs

Development costs are capitalized in accordance with the accounting policies described in Note 5. Their initial recognition is based on management's assessment that technical and financial feasibility is demonstrated. This is usually the case when a product development project has reached a specific milestone in an established project management model.

Buy-back agreements

The WashTec Group sells some of its wash systems to major customers through leasing companies. Under these arrangements, it guarantees that, if necessary, it will repurchase wash systems at the end of the lease term for a residual purchase price. To determine the amount to recognize as a provision for this purpose, it is necessary to estimate the probability that the system will need to be repurchased at the end of the lease term. Revenue is realized on sale to the leasing company because that is when the economic benefits and the substantial risks and rewards transfer to the buyer.

7. Notes to segment reporting

By segment 2017 in €k	Europe	North America	Asia/Pacific	Consolidation	Group
Revenue	**337,263**	**80,009**	**16,543**	**–8,829**	**424,986**
with third parties	328,508	79,935	16,543	0	424,986
with other divisions	8,755	74	0	–8,830	0
EBIT	**45,700**	**5,882**	**188**	**444**	**52,215**
EBIT margin in %	13.5	7.4	1.2	–	12.3
Financial income					80
Financial expenses					719
EBT					**51,576**
Income taxes					14,660
Consolidated net income					**36,916**
Capital expenditure on tangible and intangible assets	11,872	930	204	0	13,006
Amortization, depreciation and impairment of tangible and intangible assets	8,925	709	256	0	9,890

By segment 2016 in €k	Europe	North America	Asia/Pacific	Consolidation	Group
Revenue	**300,902**	**60,968**	**17,987**	**–7,072**	**372,785**
with third parties	293,943	60,855	17,987	0	372,785
with other divisions	6,959	113	0	–7,072	0
EBIT	**38,969**	**3,282**	**1,490**	**317**	**44,059**
EBIT margin in %	13.0	5.4	8.3	–	11.8
Financial income					231
Financial expenses					645
EBT					**43,644**
Income taxes					13,062
Consolidated net income					**30,582**
Capital expenditure on tangible and intangible assets	18,971	902	184	0	20,057
Amortization, depreciation and impairment of tangible and intangible assets	8,430	695	260	0	9,385

Segmentation using the management approach at the WashTec Group is by sales territories. Reflecting market-specific conditions, the sales territories are defined as the regions Europe, North America and Asia/Pacific and correspond to the respective domiciles of the Group companies. The individual segments are controlled on the basis of revenue and EBIT. Segment results consist of income and expenses directly attributable to each reporting segment and to Group charges for cross-divisional functions. The Consolidation column contains consolidation adjustments to eliminate transactions in profit or loss between operating segments. This mainly relates to the elimination of intercompany income from sales of goods. The sum of the reportable segments corresponds, after consolidation adjustments, to consolidated net income. Transfer prices between individual Group entities are established on an arm's length basis. They take into account market-specific and economic conditions in the individual regions. The measurement principles for segment reporting are based on the IFRS principles used in the consolidated financial statements.

The WashTec Group's segments are business units that generate their revenue primarily through the sale of machines, spare parts, service and chemical products.

The consolidated revenue was generated in the following products:

in €k	2017	2016	Change
Equipment and service	367,243	319,323	47,920
Chemicals	44,634	40,480	4,154
Operations business and others	13,109	12,982	127
Total	**424,986**	**372,785**	**52,201**

WashTec generates approximately 80% of external sales in European countries. Germany and France make up the largest share of total revenue. After consolidation, Germany accounts for €126,663k, relating to Equipment and Service, Chemicals, Operations Business and Others. Slightly more than 10% of Group revenue is attributable to France. External sales outside of Europe are primarily generated in North America and are mostly attributable to the United States. Transactions with one major customer marginally exceeded 10% of total revenue.

The Group's geographical segments are based on the location of its assets. Sales to external customers shown for each geographical segment are assigned to the segments based on customers' geographical location.

Group assets can be broken down into the following regions within our business segments:

2017 in €k	Germany	Europe	North America	Asia/ Pacific	Group
Property, plant and equipment	31,815	6,761	1,702	325	40,603
Capital expenditure on property, plant and equipment	*5,830*	*2,104*	*930*	*200*	*9,064*
Intangible assets incl. Goodwill	47,430	4,228	3	74	51,735
Capital expenditure on intangible assets	*2,737*	*1,201*	*0*	*4*	*3,942*

2016 in €k	Germany	Europe	North America	Asia/ Pacific	Group
Property, plant and equipment	31,450	7,360	1,626	337	40,773
Capital expenditure on property, plant and equipment	*13,038*	*2,998*	*902*	*184*	*17,122*
Intangible assets incl. Goodwill	44,483	4,365	0	130	48,978
Capital expenditure on intangible assets	*2,737*	*198*	*0*	*0*	*2,935*

The Group has no assets in other countries because it does not have its own sales organizations in such countries. Revenue with other countries is generated through exports to independent dealers.

Notes to the Consolidated Income Statement

8. Other operating income

Other operating income totaling €4,268k (prior year: €4,738k) consists primarily of income arising from exchange rate differences in the amount of €1,750k (prior year: 2,263k), income from accrual of income from operator models in the amount of €1,077k (prior year: €731k), income from insurance settlements in the amount of €158k (prior year: €582k), income from the sale of scrap in the amount of €680k (prior year: €403k) and income from the sale of acquired vehicles and from the sale of other property, plant and equipment totaling €111k (prior year: €429k).

9. Personnel expenses

Personnel expenses consist of the following:

in €k	2017	2016
Wages and salaries	112,945	104,819
Social security contributions	8,882	8,772
Pension and partial retirement costs	1,705	1,776
Expenses for employer share of statutory and voluntary pension insurance (defined contribution)	8,088	7,582
Total	**131,620**	**122,949**

The average number of employees by function is as follows:

Average number of employees	2017	2016	Change
Sales, marketing and servicing	1,077	1,054	23
Production, technology and development	549	531	18
Finance and administration	167	156	11
Total	**1,793**	**1,741**	**52**

10. Other operating expenses

Other operating expenses are as follows:

in €k	2017	2016
Vehicle costs	9,925	9,844
Travel expenses (including hospitality)	7,544	6,660
Temporary workers	5,473	3,495
IT and communication expenses	4,798	4,167
Rent/operating leases excluding vehicles	4,379	3,992
Maintenance/repairs	4,344	4,332
Advertising, trade fair and PR expenses	4,164	4,351
Exchange rate effects	2,755	2,391
Legal and consulting fees	2,629	2,593
Fees, licenses and research costs	1,722	1,162
Insurance (including product liability)	1,264	1,726
Training/continuing education costs	1,215	1,645
Office supplies	826	905
Bank charges and contributions	823	657
Allocations to bad debt allowances on receivables	394	170
Miscellaneous administrative expenses/other expenses	4,521	4,028
Total	**56,776**	**52,117**

11. Financial result

in €k	2017	2016
Other interest and similar income	80	231
Financial income	**80**	**231**
Interest-bearing loans	444	292
Finance lease expenses	111	150
Borrowing costs and similar expenses	164	203
Financial expenses	**719**	**645**
Financial result	**−639**	**–415**

Of the interest income and interest expense, a total of €-528k (prior year: €-265k) is classified in the IAS 39 categories loans and receivables (LaR) and financial liabilities at amortized cost (FLAC).

12. Income taxes

The income taxes item relates to both current and deferred taxes.

The table below shows a reconciliation of the expected and the actual tax expenses. To calculate the expected tax expense, earnings before taxes were multiplied by the Group tax rate of 31.93% (prior year: 30.7%). The Group tax rate is based on the tax rate faced by the parent company. The increase results from a rise in the trade tax factor applied in the City of Augsburg. The WashTec Group's effective tax rate is 28.4% (prior year: 29.9%).

in €k	2017	2016
Expected income tax expense	16,468	13,401
Effect of different foreign tax rates	−1,052	84
Non-deductible expenses	771	644
Non-recognition of deferred taxes on temporary differences and tax loss carryforwards	348	375
Use of loss carryforwards in relation to deferred taxes not recognized	−2,001	−1,903
Prior-period tax expense	−45	370
Other	170	91
Current income tax expense	**14,660**	**13,062**

Tax expenses consist of the following:

in €k	2017	2016
Current tax expense (+) / income (–)	13,854	13,199
Deferred tax expense(+) / income (–)	806	−136
Total income taxes	**14,660**	**13,062**

13. Earnings per share

Calculation of basic earnings per share for 2017 and 2016:

in €k or units	2017	2016
Consolidated net income	36,916	30.582
Weighted average outstanding number of shares	13,382,324	13.382.324
Earnings per share (basic = diluted)	**2.76**	**2.29**

The Management Board and Supervisory Board will recommend to the Annual General Meeting, which is due to be held on April 30, 2018, to appropriate the distributable profit of €33,452,134.82 shown in the Company's annual financial statements for fiscal year 2017 as follows: Payment of a dividend in the amount of €2.45 per eligible share, totaling €32,786,693.80, with the remaining distributable profit of €665,441.02 to be carried forward. 36.9% of the distribution is expected to be made out of the tax contribution account.

14. Non-recurring effects

There were no non-recurring effects in the reporting year.

Notes to the Consolidated Balance Sheet

15. Property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets developed as follows:

in €k	Cost					
	January 1, 2017	Additions	Disposals	Reclassifica-tions	Currency trans-lation effects	December 31, 2017
Land, land rights and buildings	**43,671**	1,131	0	3,059	−178	**47,683**
Technical equipment and machines	**35,282**	2,402	3,644	2,250	12	**36,303**
Other equipment, fittings and fixtures	**20,103**	2,287	839	260	−528	**21,282**
Finance leases	**13,505**	1,458	0	−1,478	−2	**13,484**
Prepayments and construction in progress	**4,411**	1,786	0	−4,352	0	**1,845**
Property, Plant and Equipment	**116,972**	**9,064**	**4,483**	**−259**	**−697**	**120,597**
Development costs internally generated	**16,170**	104	0	0	−498	**15,776**
Licenses and software acquired	**12,872**	886	5	304	−12	**14,045**
Patents, technologies and other intangible assets	**6,504**	0	1,837	−45	−314	**4,308**
Goodwill	**84,972**	0	0	0	−2,334	**82,638**
Prepayments and development projects in progress	**2,631**	2,952	0	0	0	**5,583**
Intangible Assets	**123,149**	**3,942**	**1,842**	**259**	**−3,158**	**122,351**
Total Fixed Assets	**240,121**	**13,006**	**6,325**	**0**	**−3,855**	**242,948**

in €k	Cost					
	January 1, 2016	Additions	Disposals	Reclassifica-tions	Currency trans-lation effects	December 31, 2016
Land, land rights and buildings	**42,731**	1,270	246	21	−105	**43,671**
Technical equipment and machines	**34,955**	4,922	6,910	2,349	−34	**35,282**
Other equipment, fittings and fixtures	**18,823**	6,220	5,039	11	88	**20,103**
Finance leases	**15,519**	278	0	−2,292	1	**13,505**
Prepayments and construction in progress	**176**	4,432	40	−156	0	**4,411**
Property, Plant and Equipment	**112,203**	**17,122**	**12,236**	**−67**	**−50**	**116,972**
Development costs internally generated	**15,981**	97	0	0	92	**16,170**
Licenses and software acquired	**11,802**	1,020	8	67	−9	**12,872**
Patents, technologies and other intangible assets	**6,472**	0	0	0	32	**6,504**
Goodwill	**84,390**	0	0	0	582	**84,972**
Prepayments and development projects in progress	**813**	1,818	0	0	0	**2,631**
Intangible Assets	**119,459**	**2,935**	**8**	**67**	**696**	**123,149**
Total Fixed Assets	**231,662**	**20,057**	**12,244**	**0**	**646**	**240,121**

Depreciation/amortization						Carrying amount		in €k
January 1, 2017	Additions	Disposals	Reclassifications	Currency translation effects	December 31, 2017	January 1, 2017	December 31, 2017	
30,138	1,522	2	422	−175	**31,906**	13,533	15,777	Land, land rights and buildings
24,175	2,955	3,322	617	−150	**24,274**	11,107	12,029	Technical equipment and machines
11,452	2,814	423	0	−575	**13,269**	8,650	8,014	Other equipment, fittings and fixtures
10,434	1,153	0	−1,039	−2	**10,546**	3,072	2,938	Finance leases
0	0	0	0	0	**0**	4,411	1,845	Prepayments and construction in progress
76,199	**8,443**	**3,746**	**0**	**−902**	**79,994**	**40,773**	**40,603**	**Property, Plant and Equipment**
14,018	550	0	0	−498	**14,070**	2,152	1,706	Development costs internally generated
11,154	806	5	35	−9	**11,981**	1,718	2,064	Licenses and software acquired
6,339	91	1,847	−35	−311	**4,238**	165	70	Patents, technologies and other intangible assets
42,660	0	0	0	−2,333	**40,326**	42,312	42,312	Goodwill
0	0	0	0	0	**0**	2,631	5,583	Prepayments and development projects in progress
74,171	**1,447**	**1,852**	**0**	**−3,150**	**70,616**	**48,978**	**51,735**	**Intangible Assets**
150,370	**9,890**	**5,598**	**0**	**−4,052**	**150,610**	**89,751**	**92,338**	**Total Fixed Assets**

Depreciation/amortization						Carrying amount		in €k
January 1, 2016	Additions	Disposals	Reclassifications	Currency translation effects	December 31, 2016	January 1, 2016	December 31, 2016	
29,066	1,408	233	−7	−97	**30,138**	13,664	13,533	Land, land rights and buildings
26,662	2,455	6,795	1,915	−62	**24,175**	8,294	11,107	Technical equipment and machines
13,987	2,346	4,866	0	−14	**11,452**	4,835	8,650	Other equipment, fittings and fixtures
10,801	1,540	0	−1,908	1	**10,434**	4,717	3,072	Finance leases
0	0	0	0	0	**0**	176	4,411	Prepayments and construction in progress
80,517	**7,749**	**11,894**	**0**	**−172**	**76,199**	**31,686**	**40,773**	**Property, Plant and Equipment**
13,049	873	0	0	96	**14,018**	2,932	2,152	Development costs internally generated
10,521	644	5	0	−5	**11,154**	1,282	1,718	Licenses and software acquired
6,184	119	0	0	36	**6,339**	288	165	Patents, technologies and other intangible assets
42,078	0	0	0	582	**42,660**	42,312	42,312	Goodwill
0	0	0	0	0	**0**	813	2,631	Prepayments and development projects in progress
71,831	**1,636**	**5**	**0**	**709**	**74,171**	**47,628**	**48,978**	**Intangible Assets**
152,348	**9,385**	**11,899**	**0**	**537**	**150,370**	**79,314**	**89,751**	**Total Fixed Assets**

Finance leases

Carrying amount in €k	**2017**	2016
Washing bay sale and leaseback	2,938	3,031
Washing bay hire-purchase	0	41
Total	**2,938**	**3,072**

There were no material contractual obligations such as obligations to purchase property, plant and equipment or intangible assets as of the reporting date.

Intangible assets

The addition in prepayments and construction in progress was mostly the result of capitalized development costs. These development projects are not yet completed and were therefore tested as of the year-end for impairment, which did not result in recognition of any impairment loss.

Research and development costs in the amount of €1,243k (prior year: €861k) were not capitalized as the criteria for capitalization under IAS 38 were not met.

Goodwill

The total goodwill with a carrying amount of €42,312k (prior year: €42,312k) is allocated as follows to the operating segments identified in accordance with IFRS 8: Europe in the amount of €42,306k (prior year: €42,306k), North America in the amount of €0k (prior year: €0k) and Asia/Pacific in the amount of €6k (prior year: €6k).

The goodwill allocated to the operating segments is routinely tested for impairment by determining value in use.

In accordance with the approach described in Note 5, goodwill is tested for impairment on the basis of the Group-level medium-term forecast for 2018 through 2022.

The medium-term planning primarily uses the following assumptions based on the longstanding experience of management and the medium-term strategies for the individual markets. Further information was available to management in the form of external market studies. The key assumptions are as follows:

- Revenue growth averaging approximately 5.9% p.a. in the Europe segment and between 3.8% and 9.3% in the remaining regions
- Cost increases of 2–3%
- Wage and salary cost increases of approximately 3–5% p.a.

Assumptions made for discounting purposes were a discount rate of 6.6% (prior year: 6.3%) and a long-term growth rate in perpetuity of 1.0% (prior year: 1.0%).

The discount rate is based on a weighted cost of debt of 2.47% (prior year: 2.13%) and the weighted cost of equity. The cost of equity is based on a risk-free rate of return averaging 1.25% (prior year: 1.0%) and a beta of 0.99 (prior year: 1.08).

No indications of impairment were identified for goodwill in the WashTec Group in the reporting year. Nor would a 10 percentage point increase in the discount rate and a 5 percentage point decrease in the gross margin (after deducting direct selling costs) result in recognition of an impairment loss.

16. Deferred taxes

There are deferred tax assets in the amount of €3,922k (prior year: €3,791k) and deferred tax liabilities in the amount of €3,826k (prior year: €3,062k). These relate to deferred tax receivables on tax loss carryforwards that are expected to be utilized and to temporary differences.

Deferred taxes have not been recognized for outside basis differences because the entity holding the equity interest is able to control the reversal of the differences and it is not probable that they will reverse in the foreseeable future. The tax base of the unrecognized deferred tax liabilities is €2,178k (prior year: €1,780k).

Loss carryforwards and temporary differences have been recognized as deferred tax assets to the extent it is probable that the loss carryforwards or the temporary differences will be utilized on the basis of the internal mid-term planning (2018 through 2022).

To the extent that there is uncertainty that loss carryforwards will be able to be utilized against future taxable income, the loss carryforwards are not recognized as deferred tax assets. Deferred taxes were therefore not recognized in the reporting year in relation to loss carryforwards in the amount of €14,190k (prior year: €17,516k) and temporary differences in the amount of €11,778k (prior year: €18,999k). This corresponds to non-recognized deferred tax assets for loss carryforwards in the amount of €3,699k (prior year: €5,678k) and non-recognized deferred tax assets for temporary differences in the amount €3,145k (prior year: €6,785k).

Some of the loss carryforwards have no time restrictions with regard to their utilization. €12,600k in loss carryforwards are restricted. Of this amount, €1,679k will expire between 2018 and 2022 and €10,920k will expire between 2030 and 2036 if they cannot be utilized.

The deferred tax receivables and tax liabilities relate, prior to offsetting, to the following material balance sheet items and loss carryforwards:

in €k	Deferred tax receivables 2017	Deferred tax receivables 2016	Deferred tax liabilities 2017	Deferred tax liabilities 2016
Tax loss carryforwards	0	67	0	0
Property, plant and equipment	217	200	−2,473	−2,478
Intangible assets	63	72	−2,784	−1,884
Inventories	1,021	1,132	−425	−321
Trade receivables	8	162	−741	−1,277
Provisions	2,645	2,627	0	0
Other liabilities	624	744	0	−198
Finance lease liabilities	966	890	0	0
Deferred income	969	932	0	−3
Miscellaneous	1	177	−147	−113
Total	**6,514**	**7,003**	**−6,570**	**−6,274**
of which non-current	*4,096*	*3,964*	*−4,952*	*−4,112*
of which current	*2,418*	*3,039*	*−1,618*	*−2,162*

Deferred tax receivables and tax liabilities totaling €2,628k (prior year: €3,212k) were offset in accordance with the offsetting rules in IAS 12.

€159k (prior year: €98k) in deferred taxes were recognized in equity in the reporting year. The aggregate amount of deferred taxes recognized in equity is consequently €1,602k (prior year: €1,443k).

The following table shows the income and expenses recognized in other comprehensive income together with the income tax relating to them:

in €k	2017			2016		
	before income tax	income tax	after income tax	before income tax	income tax	after income tax
Adjustment item for currency translation of foreign subsidiaries	−2,197	0	−2,197	−238	0	−238
Exchange differences on net investments in subsidiaries	−98	156	58	271	−146	125
Changes in actuarial gains and losses	101	4	105	−819	244	−575
Other comprehensive income	**−2,194**	**159**	**−2,034**	**−786**	**98**	**−688**

17. Inventories

in €k	2017	2016
Raw materials, consumables and supplies, including merchandise	20,866	24,755
Work in progress	11,049	5,432
Finished goods	8,913	12,439
Prepayments	19	251
Total	**40,847**	**42,877**

During the reporting year, reversals of write-downs on inventories came to €1,003k (prior year: €579k). The reversals result from a further improvement of inventory management.

18. Tax receivables

in €k	2017	2016
Current tax receivables	7,928	7,562
Total	**7,928**	**7,562**

The tax receivables are primarily claims against the tax authorities based on deductible investment withholding tax.

19. Trade receivables

in €k	2017	2016
Non-current trade receivables	9,024	2,926
Current trade receivables	66,238	60,427
Total	**75,262**	**63,353**

Current trade receivables are generally due between 0 and 90 days net. Write-downs on trade receivables are recorded in a separate account for bad debt allowances. If a receivable is classified as uncollectible, then the related impaired asset is derecognized.

As of December 31, 2017, bad debt allowances were charged on trade receivables in the nominal amount of €4,269k (prior year: €4,548k). The bad debt allowance account developed as follows:

in €k	2017	2016
As of January 1	4,548	4,661
Allocations recognized as expense	512	92
Utilization	–441	–45
Reversal	–131	–62
Currency translation effects	–240	–98
As of December 31	**4,248**	**4,548**

The analysis of overdue trade receivables on which no bad debt allowances have been charged is as follows as of December 31:

in €k	2017	2016
Receivables, neither overdue nor written down	57,593	46,096
Overdue receivables, not written down, of which		
less than 30 days	10,415	9,332
30–120 days	3,527	4,970
120–365 days	2,108	1,025
more than 365 days	1,412	2,065
Total	**17,462**	**17,393**
Receivables written down	4,456	4,500

A global bad debt allowance on receivables is recognized on the basis of the account aging structure. Individual receivables may also be written down where there is a risk that they cannot be collected or where legal action has been initiated.

The increase in non-current receivables mainly relates to a capital expenditure program carried out with a major customer. All receivables in connection with this program are insured against any default.

With respect to trade receivables that have neither been written down nor are in default, there is no indication as of the reporting date that the debtors will not meet their payment obligations.

20. Other assets

in €k	2017	2016
Non-current other assets	593	612
Current other assets	3,246	3,271
Total	**3,839**	**3,883**
of which prepaid expenses	*1,607*	*1,761*

Prepaid expenses are recognized in order to account for prepayments of servicing fees and prepayments of insurance premiums.

21. Cash and cash equivalents

in €k	2017	2016
Bank balances and cash on hand	**9,786**	**6,837**

Credit balances held at banks earn interest at variable interest rates based on daily bank account rates. The cash in those accounts has a fair value of €9,786k (prior year: €6,837k).

The cash flow statement shows how cash and cash equivalents (cash on hand, bank balances with a maturity of up to three months, and overdrafts) held by the WashTec Group changed in the reporting year. Cash flows are classified for this purpose in accordance with IAS 7 as cash flow from operating activities, cash flow from investing activities and cash flow from financing activities.

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise the following as of the end of the year:

in €k	2017	2016
Bank balances and cash on hand	9,786	6,837
Overdrafts/current interest-bearing loans	–13,726	–8,342
Cash and cash equivalents	**–3,941**	**–1,504**

For information regarding interest-bearing loans, see Note 28.

Equity

22. Subscribed capital

The subscribed capital of WashTec AG is €40,000k. It is divided into 13,976,970 no-par-value bearer shares (prior year: 13,976,970 shares) and is fully paid in. Each share has a single voting right and is entitled to dividends according to the share's percentage of the registered share capital.

in €k	2017	2016
Ordinary shares in units k	13,977	13,977
Share capital per share in €	2.86	2.86

As of December 31, 2017, the average weighted number of issued and outstanding shares was 13,382,324 (prior year: 13,382,324 shares).

The Annual General Meeting of WashTec AG on May 3, 2017 resolved to appropriate the distributable profit of €30,538,308.54 shown in the Company's annual financial statements for fiscal year 2016 as follows: Payment of a dividend of €2.10 per eligible share, totaling €28,102,880.40, with the remaining distributable profit of €2,435,428.14 to be carried forward.

Authorized capital

As the authorization to create authorized capital by resolution of the Annual General Meeting of May 15, 2013 expired on May 14, 2016, it was resolved at the Annual General Meeting of May 11, 2016 to revoke the previous authorization and to grant the Company renewed authorization to create authorized capital with authorization to exclude shareholder preemptive rights.

By resolution of the Annual General Meeting on May 11, 2016, the Management Board is authorized, subject to the consent of the Supervisory Board, to increase the registered share capital on one or more occasions on or before May 10, 2019 by a total amount of up to €8,000,000 (Authorized Capital) by issuing new no-par-value bearer shares in exchange for cash and/or non-cash contributions; to be deducted from this amount at the time the new shares are issued is the pro rata amount of the registered share capital attributable to those no-par-value bearer shares for which conversion rights or duties or option rights or duties exist that were granted or issued during the term of such authorization based on the authority granted by the Annual General Meeting on May 11, 2016; if the aforementioned conversion rights or duties or option rights or duties no longer exist because they have been exercised on the date the new shares are issued, then any shares issued in relation to them must be taken into account. The shareholders must be granted preemptive rights in this connection unless otherwise stipulated in the following. The new shares may also be underwritten by one or more banks designated by the Management Board with the obligation to offer them to the shareholders for subscription (indirect subscription right).

The Management Board is authorized, subject to the consent of the Supervisory Board, to exclude the statutory preemptive rights of shareholders. In addition, the Management Board is authorized, subject to the consent of the Supervisory Board, to stipulate further details concerning the capital increase and its implementation, including the features of the share rights and the terms and conditions of issue.

Contingent capital and issue of warrant-linked and convertible bonds, participation rights or participation bonds or a combination of such instruments

Under Section 218 of the German Stock Corporation Act (AktG), the contingent capital of a stock corporation increases in the same proportion as the registered share capital is increased through a capital increase from the Company's own funds.

Contingent capital was created as follows by resolution of the Annual General Meeting of May 11, 2016:

The Contingent Capital I existing pursuant to Section 5.2 of the Company's Articles of Association expired on May 14, 2016 since the authorization granted by the Annual General Meeting of the Company on May 15, 2013 to issue warrant-linked and convertible bonds, participation rights or participating bonds or a combination of such instruments was never exercised.

The Management Board is thus authorized, with the consent of the Supervisory Board, on or before May 10, 2019 to issue on one or more occasions bearer or registered warrant-linked bonds and/or convertible bonds, participation rights or participating bonds or a combination of such instruments (hereinafter collectively referred to as 'Bonds') with a total face value of up to EUR 50,000,000 with or without term limitations and to grant option rights or impose option duties upon the holders or creditors of warrant-linked bonds, option participation rights or option participating bonds or to grant option rights or impose option duties upon the holders or creditors of the convertible bonds, convertible participation rights or convertible participating bonds on the Company's no-par-value bearer shares accounting for a pro rata amount of registered share capital totaling up to EUR 8,000,000 pursuant to the more specific terms and conditions of such Bonds, subject to the deduction from this pro rata amount of the registered share capital of any amount by which the registered share capital has been increased pursuant to the authorizing resolution of the Annual General Meeting of May 11, 2016 (Authorized Capital); any such deduction will be made on adoption of the applicable resolution to increase capital. Additionally, the existing Authorized Capital I is revoked.

Contingent Capital I: The Company's registered share capital is conditionally increased by up to €8,000,000, divided into up to 2,795,394 new no-par-value bearer shares (Contingent Capital I), subject to the deduction from this pro rata amount of the registered share capital of any amount by which the registered share capital has been increased pursuant to the authorizing resolution of the Annual General Meeting of May 11, 2016 (Authorized Capital); any such deduction will be made on adoption of the applicable resolution to increase capital.

This contingent capital increase will be carried out only to the extent that the holders or creditors of option or conversion rights or persons obligated to exercise their conversion obligations or options under warrant-linked or convertible bonds, participation rights or participating bonds (or a combination of such instruments) issued against cash combination exercise their options or conversion rights or to the extent that they fulfil their conversion obligations or options or to the extent that the Company exercises an elective right – in complete or partial lieu of payment of the cash amount due – grants its

Company shares, provided that no cash compensation is granted or treasury shares or the shares of another publicly listed company are used to satisfy those obligations.

The new shares will be issued in each case at the option or conversion price determined in accordance with the aforementioned authorizing resolution. The new shares will have dividend rights beginning in the fiscal year in which they are created. The Management Board is authorized, with the consent of the Supervisory Board, to prescribe additional details regarding the implementation of the contingent capital increase.

Amendments to the Articles of Association
The Supervisory Board is authorized to amend subsections 4.1 and 5.2 of the Articles of Association in order to reflect each issue of share subscriptions and to make all other related amendments to the Articles of Association, provided that only the wording is affected. The same applies in the event that the authority to issue Bonds is not used after the expiration of the authorization period and in the event the contingent capital is not used following the expiration of the periods for exercising the option or conversion rights or for satisfying the conversion or option duties.

23. Capital reserves

Capital reserves primarily consist of the contribution of California Kleindienst Holding GmbH to the capital of WashTec AG as of January 1, 2000 in the amount of €26,828k and €18,019k, less €1,774k in costs relating to capital increases, from the premium paid in connection with the capital increase in August 2005. The capital reserve was reduced in 2009 when treasury shares were retired in the amount of €9,464k.

24. Treasury shares

As in the prior year, WashTec AG held treasury shares in the amount of €13,177k as of December 31, 2017. This corresponds to 594,646 shares.

Purchase and use of treasury shares
As the authorization to purchase treasury shares granted by resolution of the Annual General Meeting of May 15, 2013 expired on May 14, 2016, it was resolved at the Annual General Meeting to revoke the previous authorization and to grant the Company renewed authorization to purchase and make use of treasury shares.

The Management Board is thus authorized, on or before May 10, 2019 and for purposes other than to trade in the Company's own shares, to acquire the Company's own shares in the amount of up to 10% of the registered share capital of €40,000k at the time of the resolution. Shareholders' preemptive rights to treasury shares are excluded to the extent that, in accordance with the authorization, the shares are used by means other than a sale on the stock exchange or an offer to all shareholders.

The number of outstanding shares is 13,382,324 shares.

The Company reserves the right to retire some or all of the repurchased shares.

25. Other reserves and currency translation effects

Other reserves notably relate to the recognition of actuarial gains and losses relating to pension provisions and to accounting for financial instruments used as hedges:

in €k	Jan 01, 2017	Income and expenses recognized directly in equity	Changes in deffered taxes	Dec 31, 2017
Hedge reserve	−500	0	0	−500
Exchange differences on net investments in subsidiaries	−1,713	−98	156	−1,655
Actuarial gains/losses	−3,241	101	4	−3,136
Other reserves	**−5,454**	**3**	**159**	**−5,292**
Currency translation effects	1,904	−2,197	0	−293
Total	**−3,550**	**−2,194**	**159**	**−5,585**

in €k	Jan 01, 2016	Income and expenses recognized directly in equity	Changes in deffered taxes	Dec 31, 2016
Hedge reserve	−500	0	0	−500
Exchange differences on net investments in subsidiaries	−1,838	271	−146	−1,713
Actuarial gains/losses	−2,666	−819	244	−3,241
Other reserves	**−5,004**	**−548**	**98**	**−5,454**
Currency translation effects	2,142	−238	0	1,904
Total	**−2,862**	**−786**	**98**	**−3,550**

26. Provisions for pensions

The provisions relate mainly to WashTec Cleaning Technology GmbH and WashTec Holding GmbH, Augsburg, Germany, and have been recognized in order to reflect obligations arising from future and current benefit entitlements for current and former employees and their surviving dependants. The pension plan provides for retirement benefits (from the age of 63), early retirement benefits and invalidity benefits. Employees must have served the Company for at least 10 years in order to be entitled to the benefits, with years of service taken into account only after an employee has reached the age of 30. The monthly retirement benefit is derived from a fixed amount multiplied by the number of pension-qualifying years of service. In addition, individual contractual terms and conditions apply.

The amount of the provision was determined using actuarial methods at a discount rate of 1.40% (prior year: 1.20%). As in the previous year, the annual salary and cost-of-living increases were measured at 1.50%. The anticipated return from reimbursement claims due to the existing liability insurance policies amounts to 1.40% (prior year: 1.20%). The Prof. Dr. Klaus Heubeck 2005 G mortality tables were used as the biometrical basis of calculation. Staff turnover ratios were estimated according to age and sex and taken from standard tables.

The number of pension beneficiaries as of December 31, 2017 was 235 employees (prior year: 243 employees), and the total number of all persons holding a pension commitment is 404 employees (prior year: 385 employees). The new valuations include the effects of experience adjustments in the amount of €16k (prior year: €–14k).

All actuarial gains and losses were recognized in other comprehensive income. Actuarial gains and losses in the fiscal year under review were €101k (prior year: €–819k). In total, actuarial gains and losses of €–4,576k (prior year: €–4,677k) have been recognized in other comprehensive income as of December 31, 2017.

The present value of the defined benefit obligation developed as follows in fiscal years 2016 and 2017:

in €k	2017	2016
As of January 1	10,491	9,740
Expected return	11	4
Pensions paid	−432	–430
Service cost in the reporting period	159	184
Interest expense	119	174
Actuarial gains and losses	−101	819
As of December 31	**10,247**	**10,491**

Details of changes in actuarial gains and losses:

in €k	Provisions for pensions at present value	Reimbursement rights at fair value	Total
Expected return	0	16	**16**
Gains and losses from change in financial assumptions	−88	0	**−88**
Experience gains and losses	−31	0	**−31**
Total	**−119**	**16**	**−103**

The claims against the relief fund and the employer's liability insurance policies taken out on the lives of qualifying employees are of the nature of reimbursement rights.

Pension obligations are exclusively covered by pension liability insurance. There is no investment in real estate, stocks or similar. The development of reimbursement rights in 2016 and 2017 is shown in the following table:

in €k	2017	2016
Fair value of reimbursement rights as of January 1	439	426
Expected return	16	13
Fair value of reimbursement rights as of December 31	**455**	**439**

Sensitivity analysis for pension obligations in accordance with IAS 19

Risks under pension obligations mostly arise from an increase in the life expectancy of pension beneficiaries, which leads to an increase in the pension provision.

The following table shows the sensitivities (calculated on the basis of the projected unit credit method) in relation to current assumptions regarding potential changes in discount rates, cost-of-living increases and life expectancy. All other variables are held constant. There has been no change relative to the prior year in the assumptions and methods applied in the sensitivity analysis.

in €k		Impact on defined benefit obligation (DBO)	
Assumptions	**Change**	**2017**	2016
Life expectancy	Increase by 1 year	4.9%	6.4%
Cost-of-living adjustment	Increase by 0.25%	2.1%	2.0%
Interest rate	Increase by 0.25%	–2.5%	–2.6%
Interest rate	Decrease by 0.25%	2.6%	2.7%

The average remaining duration of the pension obligations is approximately 10 years (prior year: approximately 11 years).

The following table shows the expected payments for pension benefits:

in €k	< 1 year	1–5 years	> 5 years	Total
Pension benefits	552	2,319	7,815	10,685

27. Other provisions

in €k		As of January 1 2017	Addition	Utilization	Reversal	Currency translation effects	As of December 31 2017	current	non-current	Provisions in 2016 current	Provisions in 2016 non-current
Partial retirement		1,468	267	–606	–1	0	**1,128**	550	578	841	628
Warranty		8,263	4,421	–4,511	–1,192	–87	**6,895**	6,877	18	8,238	25
Repurchase obligations		3,220	686	–629	0	0	**3,276**	533	2,743	782	2,437
Legal Fees		862	617	–115	–285	–13	**1,066**	1,066	0	862	0
Restructuring		573	634	–375	–198	0	**634**	634	0	573	0
Other		909	213	–28	–236	0	**859**	270	589	436	474
Total	**2017**	**15,296**	**6,837**	**–6,263**	**–1,912**	**–99**	**13,859**	**9,932**	**3,927**	–	–
	2016	**16,478**	**6,862**	**–7,224**	**-834**	**14**	**15,296**	**–**	**–**	**11,731**	**3,564**

The provision for partial retirement was measured in accordance with IAS 19 Employee Benefits. The calculation was based on an interest rate of 0.00% (prior year: 0.00%) and annual salary increases of 1.50% (prior year: 1.50%).

The provision for warranty obligations is recognized based on experience. The assumptions used in calculating the provision for warranty obligations were based on current sales levels and on the currently available information about repairs and returns for sold products during the warranty period. It is expected that the costs will be incurred during the warranty period after the balance sheet date.

The provision for repurchase obligations is computed on a rolling basis and takes into account the contractual obligations to repurchase and refurbish equipment previously sold to oil companies. In general, these obligations are secured by bank guarantees.

The provision for restructuring measures in the amount of €634k (prior year: €573k) mostly related to provisions for planned personnel measures.

The other provisions totaling €859k (prior year: €909k) mainly relate to provisions for potential claims in the amount of €684k (prior year: €738k).

Contingent liabilities for the WashTec Group as of the balance sheet date primarily consisted of contractual performance obligations and potential expenses in connection with repurchasing equipment in the amount of €1,039k (prior year: €1,037k), with the probability that such liabilities would arise estimated at less than 50%.

28. Interest-bearing loans

in €k	2017	2016
Current interest-bearing loans	13,726	8,342
Total interest-bearing loans	**13,726**	**8,342**

Changes in liabilities arising from financing activities are shown in the table below.

in €k	Jan 01, 2017	Changes arising from cash flows	Non-cash changes	December 31, 2017
			Finance lease liabilities	
Non-current lease liabilities	1,871	–887	1,166	2,150
Current lease liabilities	1,173	–406	292	1,058
Total	**3,044**	**–1,293**	**1,458**	**3,209**

The WashTec Group has a credit line for a total of €50.9m. This primarily consists of a revolving credit facility with a term ending December 30, 2018. The Group is currently negotiating the agreement of follow-up financing for the second quarter of 2018. There are already written commitments for sufficient lines of credit from various banks. The refinancing will take place in the second half of 2018. The principal borrower is WashTec Cleaning Technology GmbH; it has access to a €50.0m credit line consisting of a working capital credit facility in the amount of €44.0m, which can be drawn upon up to an amount of €8.0m in the form of a bilateral line as overdraft or guarantee line, and an additional guarantee line of €6.0m. There is also an interest-bearing loan relating to the subsidiary in China.

As of December 31, 2017, there were drawings on the guarantee line in the amount of €6.5m (prior year: €5.6m) and a short-term loan in the amount of €13.7m (prior year: €8.3m) that, as in the prior year, consisted entirely of overdraft borrowings. The undrawn amount of the credit line available for future operating activities and to meet obligations was €30.7m as of the reporting date (prior year: €36.6m).

The syndicated loan is tied to covenants. For the term of the agreement, WashTec must comply with an equity covenant and a net debt to operating earnings ratio covenant. No collateral has been provided under the loan agreement.

The interest rate for the loan is variable and is linked to EURIBOR and to an interest margin that is in turn tied to the operating performance of the Company.

The costs of extended guarantees are based on the interest margin, less a discount of 0.40%, plus a fronting fee in the amount of 0.125%. The overdraft facility carries interest according to the applicable conditions of the relevant banks at the time it is utilized. The interest rates ranged between 0.77% and 1.90% in the reporting year.

In connection with structuring the borrowing arrangements, a discount was calculated using the effective interest method in accordance with IAS 39. The amounts recognized in interest expense for the amortization of the discount came to €69k (prior year: €69k).

29. Leases

Finance Lease

Equipment manufactured by WashTec is sold to a leasing company and leased back by the WashTec Group which, in turn, makes the equipment available to its customers (specifically to large operator groups or oil companies) under an operator model in return for compensation based on the number of washes. The agreements between the leasing company and WashTec are treated as finance leases in accordance with IAS 17 because substantially all the risks and rewards incidental to ownership are transferred to WashTec.

As a rule, the sale and leaseback agreements have a term of approximately 5–7 years, while the agreements that WashTec Group has with its customers have terms of up to 10 years. The gains from the sale are amortized over the life of the lease.

The sale and leaseback agreements relating to equipment generally include a purchase option at the end of the term as well as an option to extend the agreement. There is no provision for price adjustments during the term of the lease.

The Group has entered into sale and leaseback agreements and hire purchase agreements primarily for wash systems under the operator model.

The minimum lease payments for these finance lease liabilities are as follows:

Lease payment due in €k	**< 1 year**	**1–5 years**	**> 5 years**	**Total**
Minimum lease payment 2017	1,151	1,988	298	3,437
Interest expense for lease liability as of each balance sheet date	93	127	8	227
Present value of minimum lease payment 2017	1,058	1,861	290	3,209

Lease payment due in €k	< 1 year	1–5 years	> 5 years	Total
Minimum lease payment 2016	1,265	1,912	47	3,224
Interest expense for lease liability as of each balance sheet date	92	87	1	180
Present value of minimum lease payment 2016	1,173	1,825	46	3,044

Operating Lease

Obligations under operating leases classified by maturities are as follows as of the reporting date (€k):

Year	< 1 year	1–5 years	> 5 years	Total
2017	12,288	18,769	51	31,109
2016	10,080	10,311	65	20,456

These leases primarily relate to buildings and to service vehicles that are replaced with new leases at the end of the term. The increase results from the signing of new long-term logistics agreements.

30. Liabilities

in €k	Non-current (> 1 year)		Current (< 1 year)	
	Dec 31, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016
Accrued liabilities	0	0	11,156	12,001
Liabilities to trading partners	0	0	6,101	7,745
Debtors with credit balances	0	0	843	867
Other	20	25	195	96
Total other financial liabilities	**20**	25	**18,295**	20,709
Liabilities to employees	**1,138**	2,438	**19,569**	16,185
Other	3	7	848	671
Total other non-financial liabilities	**1,141**	2,445	**20,417**	16,856
Total	**1,161**	2,470	**38,713**	37,565

The accrued liabilities in the amount of €11,156k (prior year: €12,001k) mainly relate to missing invoices for service already rendered and for credit notes yet to be issued in the Service business.

The liabilities for taxes and levies primarily consist of unremitted value added tax.

31. Deferred income

Deferred income in the amount of €11,484k (prior year: €10,075k) primarily related to the recognition of revenue on an accrual basis.

32. Financial risk management objectives and methods

The risks for the Group arising from derivative financial instruments comprise credit and liquidity risk along with market risk in the form of interest and currency risk. Company policy is to avoid or limit these risks as far as possible. Substantially all hedging is coordinated and undertaken centrally. For example, WashTec regularly identifies all items that are subject to interest and exchange rate risks, assesses the probability of the occurrence of negative developments for the Company and makes any decisions required to avoid or reduce the corresponding interest and/or currency positions. The current and future liquidity situation is controlled in a timely manner using a monthly rolling consolidated liquidity plan on an annual basis. No trading in derivatives is undertaken as a fundamental rule in accordance with internal Group policy.

All risk types to which the Group is exposed, and the strategies and procedures for managing the risks, are described below.

Credit risks

The Group exclusively conducts business with creditworthy third parties. To minimize credit risk, very strict order limits are imposed where customers do not have first-class credit standing. For new regional customers, the Company requests evidence of credit standing or financing. Bad debt allowances are expected to be sufficient to cover actual risk.

There is no material credit risk concentration within the Group. There is presumed to be a concentration of credit risk if a single customer or oil company makes up more than 10% of revenue. Transactions with one major customer marginally exceeded 10% of total revenue. This revenue is additionally covered by credit loss insurance. There is therefore no enhanced credit risk in this regard.

With respect to credit risk arising from the Group's other financial assets – such as cash and cash equivalents and sundry other financial assets – the maximum credit risk in the event of a default by a counterparty is the carrying amount of the instruments. No credit losses are expected on these instruments.

Liquidity risks

A key business objective is to ensure that WashTec companies are solvent at all times. The implemented cash management systems, which include rolling Group liquidity planning on an annualized basis, enable the Company to identify potential shortfalls in good time and take appropriate action. Undrawn credit lines ensure the supply of liquidity. The working capital facilities have been granted by the syndicate banks of the WashTec Group subject to joint and several liability on the part of WashTec Cleaning Technology GmbH as borrower – which as the main operating company has the largest borrowing needs – and subject to the joint liability of other Group companies. For additional details, please see Note 28 (Interest-bearing loans).

The table below shows all contractually agreed undiscounted payments of principal, repayments and interest on financial liabilities recognized as of December 31, 2017 for future fiscal years.

The table includes all instruments held as of December 31, 2017 for which payments were already agreed. Foreign currency amounts are translated at closing rates. Variable interest payments on the financial instruments, primarily on the loan, are calculated at expected interest rates. Financial liabilities that are repayable at any time are always included in the earliest repayment category.

in €k	Carrying amount in	Cash flows		
	2017	**2018**	**2019–2021**	**2022 ff.**
Interest-bearing loans	13,726	13,766	0	0
Finance lease liabilities	3,209	1,151	1,988	298
Trade payables	14,619	14,612	5	2
Other financial liabilities	18,316	18,316	0	0
Derivative financial liabilities	12	12	0	0

in €k	Carrying amount in	Cash flows		
	2016	**2017**	**2018–2020**	**2021 ff.**
Interest-bearing loans	8,342	8,342	0	0
Finance lease liabilities	3,044	1,265	1,832	127
Trade payables	11,779	11,774	0	5
Other financial liabilities	20,734	20,734	0	0
Derivative financial liabilities	55	55	0	0

Market risks

The main sources of market risk facing the WashTec Group relate to exchange rate movements between the euro and other currencies and interest rate movements on the international money and capital markets.

Currency risks

Movements in the USD/EUR exchange rate could have a material effect on consolidated net income because a portion of business is conducted by the subsidiary in the United States. To avoid this currency risk, a forward exchange transaction was entered into during fiscal year 2017 with a maturity date as of December 14, 2018. Changes in the fair value of the hedging instrument and the hedged item are recognized in profit or loss.

Furthermore, the Group holds non-current loan receivables against its subsidiary, Mark VII. As of December 31, 2017, there was one net investment in a foreign operation, in the amount of USD 4.0m. The US subsidiary MarkVII also has a long-term CAD loan receivable against its Canadian subsidiary. As of December 31, 2017, this amount remained unchanged at CAD 7.8m. Accordingly, the translation effects of these loans are recognized in other comprehensive income.

Operational risks arising from other individual transactions in foreign currencies are immaterial to the Group due to their small volume.

The following table shows the sensitivity of consolidated earnings before taxes (based on changes in the fair values of monetary assets and liabilities) and the consolidated equity of the Group (due to hedges of net investments) to a reasonably possible change in the EUR/USD exchange rate. All other variables are held constant.

in €k	**Change in USD exchange rate 2017**	**–5%**	**5%**
	Impact on EBT	–243	243
	Impact on equity	186	–186

in €k	**Change in USD exchange rate 2016**	**–5%**	**5%**
	Impact on EBT	–255	255
	Impact on equity	190	–190

Interest rate risks

Interest rate risk in the WashTec Group is primarily connected with interest-bearing loans, as the base rate under the loan agreement is variable and linked to one-month EURIBOR.

There were no interest rate swaps in the fiscal year and the measurement of interest rate swaps had no effect on profit or loss.

Capital management

The Group's capital management activities are primarily directed at maintaining a high credit rating and a good equity ratio in order to support operations and maximize shareholder value. The Group manages its capital structure and makes adjustments in response to changes in economic conditions. The Group monitors capital using appropriate financial ratios such as the net debt to operating earnings ratio, which is the ratio of net financial liabilities to operating earnings as defined in the agreement for the interest-bearing loan. Under internal policy, the net debt to operating earnings ratio thus defined is not allowed to exceed 2.5; in 2017 it was 0.12 (prior year: 0.09). Net financial liabilities comprise interest-bearing loans and finance lease liabilities less cash and cash equivalents. At the end of 2017, net financial liabilities amounted to €7,149k (prior year: €4,548k). With the approval of the banks, the covenant figure for the equity ratio was reduced in the first quarter of 2017 from at least 35% to at least 27.5% through to the end of the current bank agreement. The equity ratio as defined in the loan agreement was 43.45% (prior year: 43.50%).

All covenants are met as of the balance sheet date.

33. Financial instruments: additional disclosures

The following table, which is based on the relevant balance sheet items, shows the connection between the classification and the measurement of financial instruments.

Carrying amounts, measurement and fair value by category:

in €k	IAS 39 category	Carrying amount Dec 31, 2017	Measurement under IAS 39			Measurement under IAS 17	Fair value Dec 31, 2017	IFRS 13 level
			Amortized cost	Fair value through equity	Fair Value through profit or loss			
Assets								
Cash and cash equivalents	LaR	9,786	9,786	–	–	–	9,786	
Trade receivables	LaR	75,262	75,262	–	–	–	75,262	
Other financial assets	LaR	1,002	1,002	–	–	–	1,002	
Liabilities								
Trade payables	FLAC	14,619	14,619	–	–	–	14,619	
Interest-bearing loans	FLAC	13,726	13,726	–	–	–	13,726	
Other financial liabilities	FLAC	18,316	18,316	–	–	–	18,316	
Finance lease liabilities	n.a.	3,209	–	–	–	3,209	3,209	
Derivative financial liabilities	FVthP/L	12	–	–	12	–	12	2
Aggregated presentation by IAS 39 category								
Loans and receivables (LaR)		86,050	86,050	–	–			
Financial liabilities measured at amortized cost (FLAC)		46,661	46,661	–	–			
Fair value through profit/loss (FVthP/L)		12	–	–	12			

in €k	IAS 39 category	Carrying amount Dec 31, 2016	Measurement under IAS 39			Measurement under IAS 17	Fair value Dec 31, 2016	IFRS 13 level
			Amortized cost	Fair value through equity	Fair value through profit or loss			
Assets								
Cash and cash equivalents	LaR	6,837	6,837	–	–	–	6,837	
Trade receivables	LaR	63,353	63,353	–	–	–	63,353	
Other financial assets	LaR	903	903	–	–	–	903	
Liabilities								
Trade payables	FLAC	11,779	11,779	–	–	–	11,779	
Interest-bearing loans	FLAC	8,342	8,342	–	–	–	8,342	
Other financial liabilities	FLAC	20,734	20,734	–	–	–	20,734	
Finance lease liabilities	n.a.	3,044	–	–	–	3,044	3,044	
Derivative financial liabilities	FVthP/L	55	–	–	55	–	55	2
Aggregated presentation by IAS 39 category								
Loans and receivables (LaR)		71,093	71,093	–	–			
Financial liabilities measured at amortized cost (FLAC)		40,854	40,854	–	–			
Fair value through profit/loss (FVthP/L)		55	–	–	55			

Due to their short terms, the fair values of trade receivables, trade payables and cash and cash equivalents as well as other financial liabilities generally match their carrying amounts. The fair value of finance lease liabilities and loans has been determined by discounting the expected future cash flows at current market interest rates.

Foreign exchange forwards are measured at fair value using expected exchange rates quoted on a regulated market.

The fair value of the financial instruments is classified by maturity as follows:

in €k	**2017**	2016
Current	12	55
Total	**12**	**55**

Net results by measurement category

The following table shows the net gains and losses on financial instruments based on the categories in IAS 39:

in €k	**2017**	2016
Loans and receivables	–1,240	578
Financial liabilities measured at amortized cost	–393	–1,114

The net result in the loans and receivables category is primarily attributable to foreign currency measurement and allowances; the net result in the amortized cost category is primarily attributable to interest expenses and foreign currency measurement.

Miscellaneous information

34. Declaration of Conformity under § 161 AktG

WashTec AG has issued the declaration required under Section 161 AktG for fiscal year 2017 and has made it available to shareholders on www.washtec.de.

The Management Board approved the consolidated financial statements on March 14, 2018 and submitted them directly to the Supervisory Board for review.

The separate financial statements are to be adopted and the consolidated financial statements approved at the Supervisory Board meeting on March 14, 2018.

35. Auditor's fees

The following fees were incurred in the reporting year for services rendered by the auditor (PricewaterhouseCoopers AG, Wirtschaftsprüfungsgesellschaft, Munich, Germany):

in €k	**2017**	2016
Annual accounts auditing	455	322
Total	**455**	**322**

The annual accounts audit fees relate primarily to the audit of the consolidated financial statements of the WashTec Group, the statutory audits of the separate financial statements of WashTec AG and of the subsidiaries included in the consolidated financial statements and the audit review of the interim consolidated financial statements as of June 30, 2017.

36. Information about the Company's governing bodies

Management board

Name	Profession, place of residence	Management Board portfolio
Dr. Volker Zimmermann	Mechanical engineer, Munich	Supply Chain, Research and Development, Service, Quality, Purchasing Finance and IT (March 1–July 31, 2018)
Karoline Kalb	Attorney at law, Augsburg	Human Resources, Compliance, Investor Relations, Special Projects
Rainer Springs (until February 28, 2018)	Diplom degree in business administration, Augsburg	Finance and IT
Stephan Weber	Diplom degree in engineering, Werther	Sales, Marketing, Product Management

Supervisory board

Name	Profession, place of residence	Memberships in other statutory supervisory boards	Memberships in comparable domestic and international supervisory bodies of business enterprises
Dr. Günter Blaschke	Businessman, Buchloe	None	None
Ulrich Bellgardt	Business consultant, ubc GmbH, Solothurn, Switzerland	KROMI Logistik AG, Hamburg (Chairman of the Supervisory Board since January 4, 2018)	None
Jens Große-Allermann	Member of the Management Board of Investmentaktiengesellschaft für langfristige Investoren TGV and Member of the Management Board of Fiducia Treuhand AG, Bonn	■ FPM Deutsche Investmentgesellschaft mit Teilgesellschaftsvermögen, Frankfurt ■ GESCO AG, Wuppertal (Member of the Supervisory Board since October 4, 2017) ■ KROMI Logistik AG, Hamburg (Chairman of the Supervisory Board until January 3, 2018; Deputy Chairman of the Supervisory Board since January 4, 2018) ■ Sparta AG, Hamburg (Member of the Supervisory Board)	None
Dr. Sören Hein	Partner, MIG Verwaltungs AG, Munich	None	■ Konux, Inc., Delaware, USA (Member of the Board of Directors) ■ Elatec Holding GmbH, Puchheim (Chairman of the Advisory Board; previously NEUE FALKEN Siebzehnte Verwaltungsgesellschaft mbH)
Dr. Hans Liebler	Managing Director of Lenbach Capital GmbH, Gräfelfing	Grammer AG, Amberg (Member of the Supervisory Board until June 30, 2017)	autowerkstattgroup N.V., Amsterdam, Netherlands (Member of the Supervisory Board)
Dr. Alexander Selent (since May 3, 2017)	Diplom degree in business administration, Limburgerhof	None	None
Roland Lacher (until May 3, 2017)	Self-employed businessman, Gelnhausen-Meerholz	None	None

37. Related party disclosures

The principles underlying the remuneration system for the Management Board and the Supervisory Board are set out and explained in the Remuneration Report. The Remuneration Report is part of the Combined Management Report, p. 82–85.

Amount of Management Board compensation (HGB)

The members of the Management Board active in each reporting year were remunerated as follows:

Total remuneration granted in fiscal year 2017 to the Management Board (DRS 17) amounted to €1,649k (prior year: €1,559k). €1,069k (prior year: €1,064k) of this total consisted of non-performance-related components and €580k (prior year: €494k) of performance-related components.

Total remuneration in fiscal year 2017 (HGB):

in €k	2017	2016
Fixed remuneration	1,015	1,011
Incidental benefits	54	54
Total (fixed)	**1,069**	**1,064**
Single-year variable remuneration	550	494
Bonus (once-only)	30	0
Total (variable)	**580**	**494**
Total remuneration	**1,649**	**1,559**

Management Board shareholdings developed as follows:

Shares held by members of the management board (units)	2017	2016
Dr. Volker Zimmermann	15,000	15,000
Karoline Kalb	3,300	3,300
Stephan Weber	3,000	3,000
Rainer Springs	4,000	4,000

Management Board and Supervisory Board

In relation to fiscal year 2017, the WashTec Group is affected by the disclosure obligations under IAS 24 solely as they pertain to business transactions with members of the Management Board and Supervisory Board and with former members of the Management Board. The terms and conditions of the transactions correspond to those of arms-length transactions.

The total expense recognized for Management Board remuneration in accordance with IFRS was €2,526k (prior year: €2,379k). €1,069k (prior year: €1,064k) consisted of fixed remuneration. In addition to the provision for single-year variable remuneration in the amount of €642k (prior year: €494k), an amount of €2,400k (prior year: €1,584k) was recognized in other liabilities for the future disbursement of multiple-year variable remuneration (long-term share-based compensation) for the members of the Management Board active as of December 31, 2017. The expense recognized for multiple-year variable remuneration (long-term share-based compensation) for fiscal years 2015 to 2017 is €815k (prior year: €820k).

The total expense recognized for remuneration of the Supervisory Board in accordance with IFRS was €948k (prior year: €1,005k). The expense recognized for fixed remuneration of the Supervisory Board was €310k (prior year: €310k) and that recognized for single-year variable remuneration was €113k (prior year: €149k). Other remuneration, predominantly attendance fees, amounted to a total of €235k (prior year: €203k). In addition, members of the Supervisory Board of WashTec AG received multiple-year variable remuneration (long-term share-based payment) for fiscal years 2015 to 2018 for which a total amount of €972k (prior year: €682k) was recognized in other liabilities. The expense recognized in this connection in the fiscal year was €290k (prior year: €343k).

Cash-settled share-based compensation

The contracts of the Management Board and of the Supervisory Board members Dr. Blaschke, Mr. Bellgardt, Dr. Hein and Dr. Liebler provide for share-based compensation. These are intended to give members of the Management Board and Supervisory Board additional incentives to secure the business success of the Company in the medium and long term and to seek to deliver sustained growth in shareholder value.

Obligations under share option programs were measured at fair value as for cash-settled share-based compensation in accordance with IFRS 2. The share-based compensation for the Management Board expires as of December 31, 2017. It is paid out after the Supervisory Board adopting the financial statements in March 2018. The material assumptions used in measuring the fair value of the long-term share-based compensation for the Supervisory Board are based on an expected volatility of 29.16% and a risk-neutral interest rate of −0.51% with a remaining duration of one year. If the share price exceeds €27, this price is taken as the reference share price for calculation purposes.

The obligation is recognized as a current or non-current liability at the fair value thus determined and taking into account the remaining duration of the program, and changes in fair value are recognized as part of personnel expenses in profit or loss. The obligation is as follows:

in €k	2017	2016
Obligation arising from LTIP	3,372	2,267
Total	**3,372**	**2,267**

The personnel expenses recognized under the Long Term Incentive program (LTIP) are as follows: :

in €k	2017	2016
LTIP expenses	1,105	1,163
Total	**1,105**	**1,163**

The Company refrains from publishing information about the remuneration of individual Management Board members. By resolution of the Annual General Meeting of May 11, 2016, the Management Board has been provided with an exemption from the disclosures pursuant to Section 314 (1) no. 6a sentences 5 to 8 HGB for the duration of five years.

Former members of the Management Board

There are pension obligations to a former Management Board member and to surviving dependants of a former Management Board member in the amount of €258k (prior year: €266k), which are covered by a relief fund.

Supervisory Board

Supervisory Board remuneration (HGB)

The remuneration of the Supervisory Board is specified in Section 8.16 of the Articles of Association of WashTec AG. It comprises fixed and variable remuneration components. The basic fixed remuneration for an ordinary member of the Supervisory Board is €35,000 for each full fiscal year of membership of the Supervisory Board. The Deputy Chairman receives fixed remuneration of €70,000 for each full fiscal year, and the Chairman receives €100,000 for each full fiscal year of his membership of the Supervisory Board. In addition, each Supervisory Board member receives an attendance fee of €1,500 for each meeting of the Supervisory Board and its committees that they attend. Every Supervisory Board member also receives €500 for each cent by which consolidated earnings per share (IFRS-basis) exceeds the equivalent amount for the prior fiscal year.

Each member of a committee (with the exception of the Audit Committee) receives additional fixed remuneration of €2,500. The chairman of a committee (with the exception of the Audit Committee) receives additional fixed remuneration of €5,000. Each member of the Audit Committee receives an additional fixed remuneration of €5,000, and the Chairman receives remuneration of €10,000.

The fixed and performance-based total remuneration and attendance fees are limited to a maximum total of €75,000 for each regular Supervisory Board member, while the remuneration for the Chairman of the Audit Committee is limited to maximum total of €100,000, the remuneration for the Deputy Chairman of the Supervisory Board is limited to a maximum total of €150,000, and the remuneration for the Chairman of the Supervisory Board is limited to a maximum total of €200,000.

Any Supervisory Board members who have served on the Supervisory Board for only part of a fiscal year receive proportionately reduced fixed and performance-based remuneration.

The Company did not pay any remuneration or grant any benefits to members of the Supervisory Board in fiscal year 2017 for services provided individually (Section 5.4.6 of the Code).

Pursuant to Section 8.16 of the Articles of Association, the Annual General Meeting also approved a Long Term Incentive Program (LTIP) for the Supervisory Board, stipulating a personal investment in WashTec shares on or before June 30, 2015 as a condition for participation (Chairman: 25,000 shares maximum; all other Supervisory Board members: 5,000 shares maximum). The stipulated performance targets are an EBIT target, a ROCE target and an EPS target. The reference base for the targets comprised the key performance indicators for fiscal year 2014. Depending on whether one, several or all of the targets are fulfilled, a different multiplier applies for the bonus payment, which is the sum total of the reference price, number of shares and multiplier. The bonus payment is payable in fiscal year 2019. Entitlement to the bonus payment is conditional on the Supervisory Board member still being on the Supervisory Board and still holding shares in the Company. Supervisory Board members Dr. Blaschke, Mr. Bellgardt, Dr. Hein and Dr. Liebler are participating in the LTIP with the maximum number of shares.

The total remuneration of the Supervisory Board members in 2017 amounted to €658k (prior year: €662k). €310k (prior year: €310k) of this total related to fixed remuneration, €113k (prior year: €149k) to variable remuneration and €235k (prior year: €203k) to attendance fees.

Supervisory Board shareholdings developed as follows:

Shares held by members of the supervisory board (units)	**2017**	**2016**
Dr. Günter Blaschke	50,000	50,000
Ulrich Bellgardt	27,500	27,500
Jens Große-Allermann*	0	0
Dr. Sören Hein	5,000	5,000
Roland Lacher (until May 3, 2017)	5,000	5,000
Dr. Hans Liebler	5,000	5,000
Dr. Alexander Selent (since May 3, 2017)	0	0

* Mr. Große-Allermann sits on the management board of the investment company, Investmentaktiengesellschaft für langfristige Investoren TGV, which – according to the notification dated July 31, 2009 – held 758,358 voting shares (5.43%) of WashTec AG.

38. Notes after the balance sheet date

Mr. Rainer Springs left the company as of February 28, 2018. Effective August 1, 2018, Mr. Axel Jaeger will be appointed as member of the Board of Management and Chief Financial Officer (CFO). Dr. Volker Zimmermann – CEO/CTO of WashTec AG – will in addition take over the function as CFO during the transition period from March 1, 2018 to July 31, 2018.

Augsburg, March 14, 2018

WashTec AG

Dr. Volker Zimmermann
CEO

Karoline Kalb
Member of the Management Board

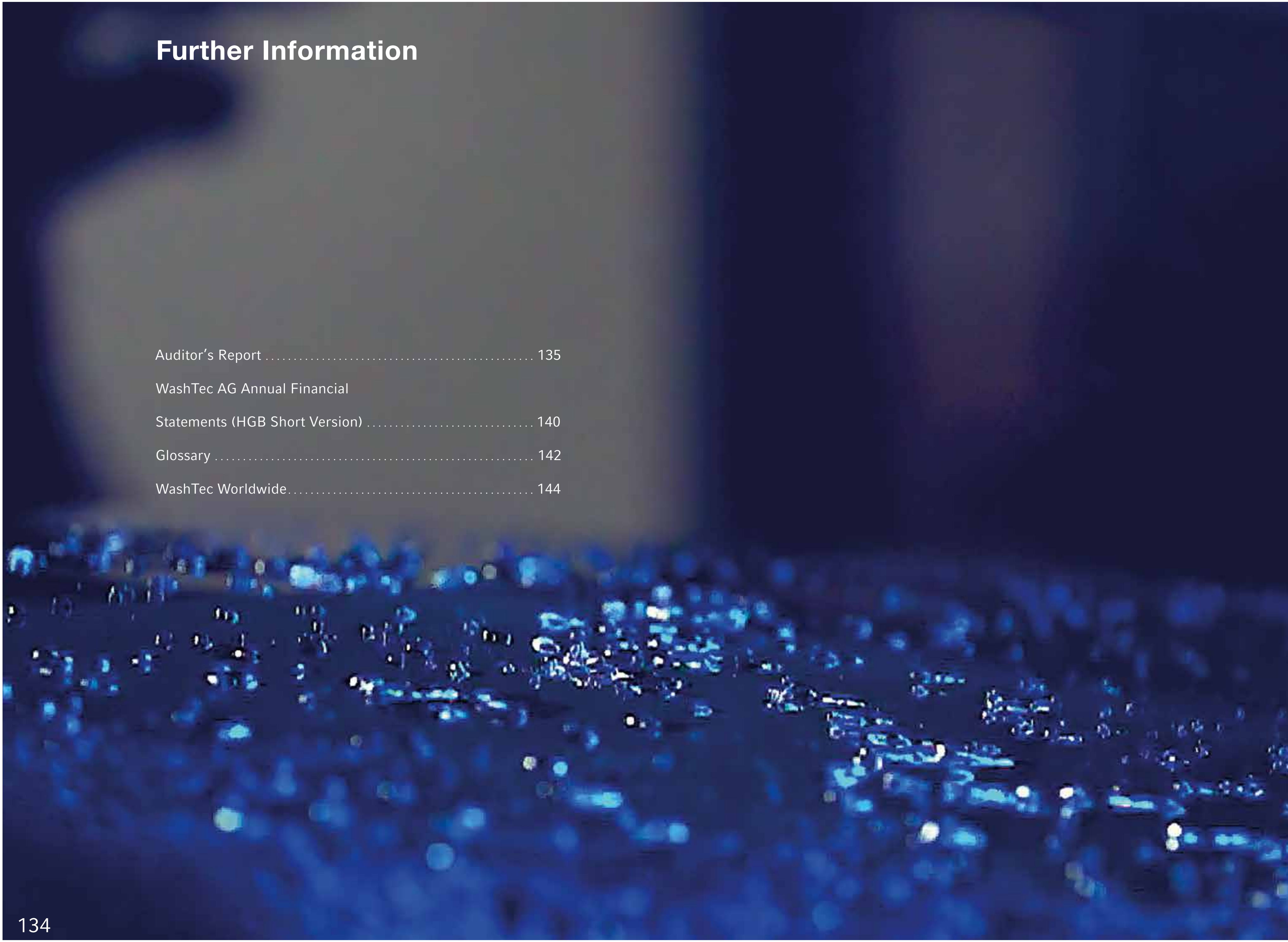
Stephan Weber
Member of the Management Board

Responsibility Statement

»To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the group Management Report includes a fair review of the development and performance of the business and the position of the group, together with a description of the material opportunities and risks associated with the expected development of the group.«

Augsburg, March 14, 2018

Dr. Volker Zimmermann CEO	Karoline Kalb Member of the Management Board	Stephan Weber Member of the Management Board



Further Information

Independent Auditor’s Report

To WashTec AG, Augsburg

Report on the Audit of the Consolidated Financial Statements and of the Group Management Report

Audit Opinions

We have audited the consolidated financial statements of WashTec AG, Augsburg, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of comprehensive income, consolidated statement of profit or loss, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of WashTec AG, which is combined with the Company’s management report, for the financial year from 1 January to 31 December 2017. We have not audited the content of those parts of the group management report listed in the »Other Information« section of our auditor’s report in accordance with the German legal requirements.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2017, and of its financial performance for the financial year from 1 January to 31 December 2017, and

- the accompanying group management report as a whole provides an appropriate view of the Group’s position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of those parts of the group management report listed in the “Other Information” section of our auditor’s report.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as »EU Audit Regulation«) and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report” section of our auditor’s report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matter of most significance in our audit was as follows:

1 Recoverability of goodwill

Our presentation of this key audit matter has been structured as follows:

1. Matter and issue
2. Audit approach and findings
3. Reference to further information

Hereinafter we present the key audit matter:

1 Recoverability of goodwill

1. In the Company's consolidated financial statements Goodwill amounting in total to EUR 42,312 thousand (18 % of total assets) is reported. Goodwill is tested for impairment by the Company once a year or when there are indications of impairment to determine any possible need for write-downs. Impairment testing is carried out at the level of the groups of cash-generating units to which the relevant goodwill has been allocated. The carrying amount of the relevant cash-generating units, including goodwill, is compared with the corresponding recoverable amount in the context of the impairment test. The calculation of the recoverable amount generally employs the value in use. The present value of the future cash flows from the respective group of cash-generating units normally serves as the basis of valuation. Present values are calculated using discounted cash flow models. For this purpose, the adopted medium-term business plan of the Group forms the starting point for future projections based on assumptions about long-term rates of growth. Expectations relating to future market developments and assumptions about the development of macroeconomic factors are also taken into account. The discount rate used is the weighted average cost of capital for the relevant group of cash-generating units. The impairment test determined that no write-downs were necessary.

   The outcome of this valuation exercise is dependent to a large extent on the estimates made by the executive directors with respect to the future cash inflows from the respective group of cash-generating units, the discount rate used, the rate of growth and other assumptions, and is therefore subject to considerable uncertainty. Against this background and due to the complex nature of the valuation, this matter was of particular significance in the context of our audit.

2. As part of our audit, we assessed the methodology employed for the purposes of performing the impairment test, among other things. After matching the future cash inflows used for the calculation against the adopted medium-term business plan of the Group, we assessed the appropriateness of the calculation, in particular by coordinating it with general and sector-specific market expectations. We also assessed whether the basis for including the costs of Group functions was accurate. In the knowledge that even relatively small changes in the discount rate applied can have a material impact on the value of the entity calculated in this way, we focused our testing in particular on the parameters used to determine the discount rate applied, and evaluated the measurement model. In order to reflect the uncertainty inherent in the projections, we assessed the sensitivity analyses performed by the Company and carried out our own sensitivity analyses with respect to those groups of cash-generating units whose carrying amount was only slightly greater than the recoverable amount. Taking into account the information available, we determined that the carrying amounts of the cash-generating units, including the goodwill, were adequately covered by the discounted future cash flows.

   Overall, the measurement inputs and assumptions used by the executive directors are in line with our expectations and are also within the ranges considered by us to be reasonable.

3. The Company's disclosures on the »Goodwill« balance sheet item are contained in sections 5, 15 in the notes to the consolidated financial statements.

Other Information

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the group management report:

- the statement on corporate governance pursuant to § 289f HGB and § 315d HGB included in section »Corporate Governance Declaration« of the management report
- the corporate governance report pursuant to No. 3.10 of the German Corporate Governance Code (with the exception of the remuneration report)
- the separate non-financial report pursuant to § 289b Abs. 3 HGB and § 315b Abs. 3 HGB

The other information comprises further the remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 3 May 2017. We were engaged by the supervisory board on 20 November 2017. We have been the group auditor of the WashTec AG, Augsburg, without interruption since the financial year 2008.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Holger Graßnick.

Munich 14 March 2018

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Holger Graßnick Wirtschaftsprüfer	Sebastian Stroner Wirtschaftsprüfer

Financial Statements of WashTec AG – Balance Sheet (HGB)

Assets	Dec 31, 2017	Dec 31, 2016
in €k (Rounding differences may occur)		
A. Non-current assets		
I. Property, plant and equipment		
Fixtures and fittings	85	82
II. Financial assets		
Shares in associated companies	128,049	128,049
	128,133	**128,130**
B. Current assets		
I. Receivables and other assets		
1. Receivables from associated companies	36,632	31,907
2. Other assets	7,575	7,509
thereof more than one year €0k (prior year €0k)		
	44,207	**39,416**
II. Cash	0	1
	0	**1**
C. Prepaid expenses	**63**	**42**
Total assets	**172,403**	**167,590**

Equity and Liabilities	Dec 31, 2017	Dec 31, 2016
in €k (Rounding differences may occur)		
A. Equity		
I. Subscribed capital	**40,000**	**40,000**
Contingent capital	*8,000*	*8,000*
Treasury shares	−1,702	−1,702
	38,298	**38,298**
II. Capital reserve	**90,845**	**90,845**
III. Retained earnings	**33,452**	**30,538**
	162,595	**159,681**
B. Provisions		
1. Provisions for taxes	82	182
2. Other provisions	7,885	6,312
	7,967	**6,494**
C. Liabilities		
1. Trade liabilities	49	123
2. Liabilities to affiliated companies	1	26
3. Other liabilities	1,792	1,265
thereof from taxes €1,780k (prior year €1,253k)		
thereof for social security €6k (prior year €8k)	**1,841**	**1,414**
Total equity and liabilities	**172,403**	**167,590**

Financial Statements of WashTec AG – Income Statement (HGB)

in €k (Rounding differences may occur)	**Dec 31, 2017**	Dec 31, 2016
1. Revenue	2,770	2,785
2. Other operating income	332	47
thereof from affiliated companies €126k (prior year: €37k)		
thereof from currency translation €1k (prior year: €0k)		
	3,102	**2,832**
3. Cost of materials (cost of sales)		
a) Cost of purchased services	−9	−9
4. Personnel expenses		
a) Wages and salaries	−5,312	−4,918
b) Social security, pension and other benefit costs	−63	−48
thereof for old-age pensions €–15k (prior year: €–13k)		
	−5,376	**−4,967**
5. Amortization, depreciation and impairment of intangible assets and property, plant and equipment	−14	−10
6. Other operating expenses	−2,470	−2,511
thereof from currency translation €–4k (prior year: €–23k)		
	−7,869	**−7,497**
	−4,767	**−4,665**
7. Income from profit and loss pooling agreements	6,333	5,968
8. Income from participating interests	30,000	30,000
9. Other interest and similar income	202	123
thereof from affiliated companies €199k (prior year: €118k)		
thereof from discounting €3k (prior year: €5k)		
10. Interest and similar expenses	−78	−6
thereof to affiliated companies €–78k (prior year: €–5k)		
	36,457	**36,085**
11. EBT	31,689	31,420
12. Income taxes	−671	−1,114
13. Net income	31,018	30,306
14. Other taxes	−2	−2
15. Net income for the period	31,017	30,305
16. Profit carried forward	2,435	234
17. Distributable profit	**33,452**	**30,538**

Glossary

AB	Aktiebolag (Swedish company form)
Accident rate	Work accidents/million hours worked
AG	Aktiengesellschaft (German company form)
AktG	Aktiengesetz (German Stock Corporation Act)
B.V.	Besloten Vennootschap met beperkte aansprakelijkheid (Dutch company form)
Capital employed	Net working capital plus property, plant and equipment plus any increase in goodwill and acquired intangible assets during the incentivization phase
Cash flow	Total inflows and outflows of cash and cash equivalents in a period
Corporate governance	Framework for responsible corporate management and control geared to sustainability
DCGK	German Corporate Governance Code (Deutscher Corporate Governance Kodex)
EBIT	Earnings before interest and taxes
EBIT margin	EBIT/revenue
EBITDA	Earnings before interest, taxes, depreciation and amortization
EBT	Earnings before taxes
EPS	Earnings per share; formula: Consolidated net income/ weighted average shares outstanding
Equity	Funds made available to the entity by owners by paying in and/or by contribution or from retained earnings
Equity ratio as of the reporting date	Equity/total assets
EURIBOR	Euro Interbank Offered Rate; system of reference interest rates in the euro market established under European Economic and Monetary Union
Financial covenants	Requirements to be complied with in connection with a loan
Free cash flow	Free cash flow available for dividend distributions, debt repayment or reinvestment; formula: [cash inflow from operating activities (net cash flow) – cash outflow from investing activities]
GmbH	Gesellschaft mit beschränkter Haftung (German company form)
HGB	Handelsgesetzbuch (German Commercial Code)
HS(S)E	Health, safety, (security), environment
IAS	International Accounting Standards
IASB	International Accounting Standards Board
ICS	Internal control system
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards; Internationally harmonized and applied financial reporting standards compiled by the International Accounting Standards Board (IASB)
IMF	International Monetary Fund
Inc.	Incorporated (American company form)

Linear technology	Patented technology where the brushes accompany the vehicle as it travels through the tunnel, enabling an intensive wash at high throughput
Ltd.	Limited (company form)
LTIP	Long-term incentive program
Managers' transactions/ Directors' dealings	Managers' own transactions
Net financial debt	Cash and cash equivalents less current and non-current financial liabilities
Net working capital	Current trade receivables + inventories – current trade payables
NOWC	Net operating working capital (NOWC) is calculated as follows: (Trade receivables + inventories) – (trade payab-les + prepayments on orders).
Pty Ltd.	Proprietary limited (Australian company form)
RMS	Risk management system
ROCE	EBIT/capital employed
Roll-over	In a roll-over, the vehicle is washed and dried by a track-mounted gantry that passes back and forth over the standing vehicle in multiple passes
S.A.	Société Anonyme (French company form)
S.A.S.	Société of par actions simplifiée (French company form)
Self-service car wash	Self-service washing bays, single or multiple bay wash systems where customers clean their vehicles themsel-ves using a high-pressure lance or brush
SP. z.o.o.	Spółka z ograniczoną odpowiedzialnością (Polish company form)
S.r.l.	Società a responsabilità limitata (Italian company form)
S.r.o.	Společnost s ručením omezeným (Czech company form)
Tendering	Procedur common in the car wash industry where customers (mostly large oil companies) call for bids from multiple potential system suppliers; the submitted bids then provide the basis for negotiations and the listing of suppliers in framework agree-ments
Total shareholder return	[(Closing share price – opening share price) + dividend] / ope-ning share price
WashTec	WashTec refers to the WashTec Group unless it is expressly indicated that it refers to a specific company
Wash tunnel	In a wash tunnel, the vehicle is transported by a conveyor through fixed washing and drying modules, making for higher through-put in vehicles per hour than a roll-over
Working capital	Formula: (Trade receivables + inventories + prepayments made) – (trade payables + prepayments received)
WpHG	Wertpapierhandelsgesetz (German Securities Trading Act)

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An up-to-date overview of our international sales partners can be found online at www.washtec.de

Group Level Key Performance Indicators (KPIs)
2013 through 2017

		2013	2014	2015	2016	2017
Revenue	in €m	299.7	302.6	340.9	372.8	425.0
EBITDA	in €m	27.0	28.6	46.1	53.4	62.1
EBIT	in €m	17.1	18.4	36.4	44.1	52.2
EBIT margin	in %	5.7	6.1	10.7	11.8	12.3
EBT	in €m	15.8	17.7	35.9	43.6	51.6
Consolidated net income	in €m	11.2	12.7	24.6	30.6	36.9
Earnings per share[1]	in €	0.80	0.91	1.78	2.29	2.76
Dividend per share	in €	0.64	1.65	1.70	2.10	2.45
Free cash flow	in €m	15.7	25.1	26.2	20.8	28.1
Balance sheet total	in €m	174.2	185.8	190.0	218.1	233.9
Equity	in €m	87.8	90.9	80.3	87.4	94.2
Employees[2]	people	1,670	1,676	1,672	1,741	1,814

[1] Weighted average number of outstanding shares as of Dec 31, 2015: 13.8m, since Dec 31, 2016: 13.4m
[2] Average for the year

Financial Calendar

Mar 21, 2018	Annual Report 2017
Apr 18, 2018	Bankhaus Lampe Conference, Baden-Baden
Apr 30, 2018	Annual General Meeting Augsburg
Apr 30, 2018	Q1 Report 2018
July 27, 2018	Q2 Report 2018
Sep 24–27, 2018	Baader Bank Investment Conference,Munich
Oct 26, 2018	Q3 Report 2018
Nov 26–28, 2018	Equity Forum, Frankfurt

Publishing Information

Publisher	WashTec AG Argonstraße 7 86153 Augsburg
Design/layout	Büro Benseler
Text	WashTec AG
Photo	altro – die Fotoagentur, WashTec AG
Printing	Estermann

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