Annual report 2010

Unaudited translation for convenience purposes only

WashTec

WashTec – »Hidden Champion«

Mission Statement

We offer our customers the best products, processes and services, which allow them to operate a successful car wash business. As a market and innovation leader with the best return on investment, we aim to provide the best offering in all market segments. Fast and efficient processes, entrepreneurial employees and a sound capital structure help us to achieve this goal.

Group Level KPIs

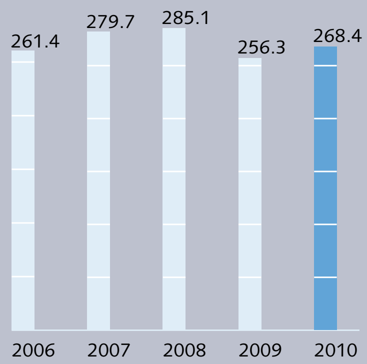
in €m	2010	2009	2008	2007	2006
Revenues	268.4	256.3	285.1	279.7	261.4
Domestic	97.4	97.8	100.9	94.1	92.4
Abroad	171.0	158.5	184.2	185.6	169.0
EBITDA	29.9	22.2	37.1	36.0	32.6
EBIT	20.3	13.1	29.4	28.9	24.9
EBT	18.6	10.5	26.4	25.0	21.0
Net income	10.8	5.8	15.3	12.6	12.5
Earnings per share €*	0.77	0.41	1.03	0.83	0.82
Net cash flow	29.1	20.7	33.0	22.2	22.4
Investments (excl. finance lease)	7.5	5.4	9.8	5.8	10.9
Balance sheet total	217.1	199.9	202.8	211.3	208.8
Equity	94.4	85.6	79.1	72.7	61.7
Employees**	1,596	1,553	1,562	1,529	1,412

* weighted average number of outstanding shares:
31 Dec 2007: 15.2m; 31 Dec 2008: 14.9m; since 31 Dec 2009: 14.0m

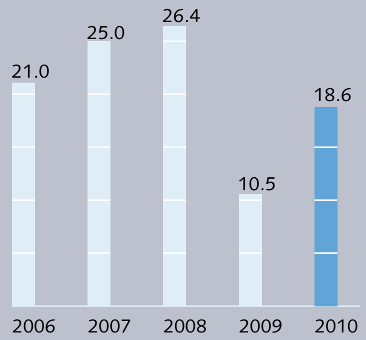
**year average

Revenues, earnings, cash flow, employees

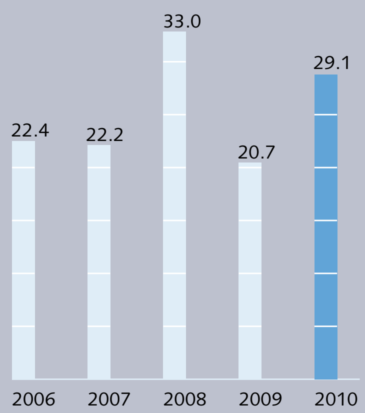
Revenues in €m



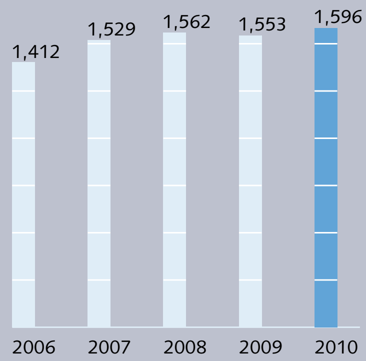
Earnings before taxes in €m



Net cash flow in €m



Average number of employees by year



»Creating Value«

With its numerous offerings that encompass all aspects of car washing, WashTec is creating value for a number of interested groups:

- Our customers can rely on the high quality of our products and services. Many of them already use our goods and services at various steps along the value chain of the car wash business – from brokering financial services, to offering marketing support and suitable wash chemicals to performing competent customer service on a global scale – or they engage us to operate facilities as part of a total facility management program. With our broad product and service package, we are helping to keep the operation of wash systems a profitable business model. Furthermore, at the industry trade fair »automechanika«, we exhibited a number of product innovations which once again proved that our benchmark is the demands of the market.
- Our shareholders have an investment in the global market leader of the car wash business. Our stock price rose again in 2010 – and at times outperformed our benchmark index, the SDAX. Moreover, WashTec will from now on position its share – much more strongly than before – as value oriented with an attractive return policy. WashTec's aim is to generate a moderate growth and to constantly distribute around 40% of the annual net income.
- We provide more than 1,600 employees worldwide with promising jobs in an international work environment.
- And the environment also benefits: our roll-over wash and tunnel car wash equipments operate very efficiently and therefore preserve resources, thanks – among other things – to our water reclaim systems. And in the area of wash chemicals, we also offer products – such as the »ecoline« product line – that are bio-degradable, environmentally-friendly and a non-abrasive.

In the past year, WashTec has set a course for »creating value« and therefore more growth and, despite the difficult general conditions that persist, we are already achieving some initial success using this approach. Mainly by improving efficiency we were able once again to disproportionately increase our earnings, even though the hoped-for general market recovery has not yet arrived. Our acquisitions in Scandinavia, Australia and Canada form a solid basis for continued revenue growth in 2011 and beyond.

The Group

Management Report WashTec AG and the Group

Consolidated Financial Statements of WashTec

Preface by the Management Board

Thorsten Krüger, Spokesman of the Management Board

Dear Shareholders, Business Partners, Employees and Friends of WashTec AG,

The motto of this year's annual report – »Creating Value« – quite aptly describes the very endeavor that motivates us. And despite the continued difficult economic environment, we were able to achieve that goal very well in 2010: by making a number of acquisitions, implementing efficiency measures and engaging in some attractive product innovations, we were able, even at the international level, to further consolidate our position as market leader in the car wash business and to increase our EBIT by 55%. We would like to expressly thank all our employees who contributed to making these achievements possible.

Let us share the best news first: last year, we increased revenues and improved earnings in a market environment that is still difficult. Our revenues rose to € 268.4m, and earnings before interest and taxes (EBIT) climbed disproportionately to € 20.3m. Thus, our EBIT margin increased from 5.1% to 7.6%. The revenue growth resulted, above all, from the resolute expansion of our market position. The actions taken to reduce costs and improve efficiency specifically helped to increase the EBIT. Even though the WashTec share was not covered extensively during the course of the year, the share's performance nevertheless revealed a very favorable trend at the end of the year.

No significant market recovery in 2010

After the very discernable, crisis-based decline in 2009, the market for car wash equipment did not recover significantly in 2010 either. As a result of the decline, the dynamics of competition in the market have changed dramatically. While our Company was able to improve its earnings margins, a number of our competitors faced financial difficulties and were forced to retreat from individual markets. Based on the general economic situation, we also continue to believe that there is real possibility that the intensity of competition will increase and that the market will continue to consolidate.

In Core Europe, Germany once again proved to be a relatively stable market during the global crisis and is one in which WashTec has a high market share. In Southern Europe, we were able to partially expand our position relative to the competition, even though in Spain, as an individual market, we have had to contend with a considerable market decline. In the Northern European countries, the sales situation has solidified, and by virtue of the acquisition of Adekema, we were able to significantly improve our access to the customers in, and the product range for, this region. In Eastern Europe, we were able to successfully halt the decline in revenues and even succeeded in slightly increasing them again. As a whole, however, the market development in Europe lagged substantially behind our expectations.

Even in the mid-term, we are not anticipating any dramatic market recovery in Europe. Thus, our goal is to preserve our market position and to further expand it in targeted individual regions.

Difficult market environment in the US remains

Since the market environment in the United States has remained extremely difficult, we were again unable in 2010 to meet our original objectives there. Only by engaging in significant restructuring were we able to partially compensate for the almost 50% decline in the US market during the last few years. Despite the difficult market conditions, we further expanded our product portfolio. Thankfully, we succeeded in penetrating the Canadian market through a framework agreement with a major mineral oil company. Our advantage and unique selling proposition is that WashTec can deliver its products to its Canadian customers in a timely manner from its US production site and that it has also been able to establish an almost nationwide direct sales and service network. Overall, the revenue situation in the Northern American market has therefore developed advantageously. Even if no recovery in the US market is yet foreseeable, we do assume that based on the regional expansion and the rounded-out product portfolio, our market share will increase and our revenues and earnings will grow.

One particular highlight last year was the installation of our first rollover washing equipment in China. In Australia, we were able to protect the sales of our equipment by purchasing the major assets of our former dealer there who entered insolvency. The goal is to continue to expand our business in Australia on the basis of a more stable market share. In the mid-term, we believe that the Chinese market represents the greatest potential since the number of existing vehicles and gross domestic product there will grow at an above-average pace. With our own local operation there, we believe that we have established the right conditions not only to participate in the potential market growth, but also to help shape the future of that market.

In the Fall of 2010, we welcomed visitors from all areas and regions to our exhibition booth at the most important industry trade fair, automechanika, under the motto of »Exceeding expectations«. We were able to exhibit more than 20 innovations in areas such as roll-over wash equipment and the car wash tunnels.

Efficiency projects contribute to growth in earnings

One of the significant achievements the Company had in the previous year was the implementation of the efficiency projects. Above all, the activities in the areas of production and purchasing, which included expanding possibilities in the Czech Republic and China, contributed to earnings growth. Based on the general market situation, we will continue to work on implementing efficiency projects. In Germany, once the supplementary collective wage agreement for a 37-hour work week expired, the Compensation Master Agreement (Entgelt-Rahmenabkommen or ERA) was implemented as of the end of the year. We had sought to secure an extension of the supplementary collective wage agreement in return for safeguarding local employment, but had to conclude, to our disappointment, that from today's perspective and despite extensive negotiations, no solution appears possible either at the plant level or at the collective bargaining level. The first structural measures relating to compensation have already been initiated.

What will be happen at WashTec during the current fiscal year? After the financial and economic crisis of 2008 has led in some cases to a significant decline in revenues in most markets and there are no signs of a general recovery, we are expecting that – based on the measures instituted in 2010 – the Group will see stronger revenue growth in 2011 and a further improvement in its EBIT margin from 8% to 9%.

We want to continue building the Group's regional presence, to expand the value chain by adding high margin activities and to improve the Group's overall return on capital. We shall therefore, during the current fiscal year as well, continue exploring external growth opportunities by engaging in targeted acquisitions and expanding our regional structures. In our view, the financial resources required for these activities can be financed from internal cash flow. The Company sees no strategic advantage from actively consolidating with manufacturers.

WashTec has a stable future

WashTec AG has a stable future, and we shall continue to do everything possible to create value beyond 2011 by generating moderate growth and sustainable earnings margins. In the future, we shall invest the generated cash flow both in meeting our growth and earnings targets and in pursuing a sustainable return policy.

We look forward to continue faithfully working with you.

Thorsten Krüger
Spokesman of the
Management Board

Houman Khorram
Member of the
Management Board

Thorsten Krüger (*1964), Spokesman of the Management Board
Sales, Service and Supply Chain
Thorsten Krüger has a degree in mechanical engineering. After completing his studies, he began his professional career at Jungheinrich AG, Hamburg before moving to Wap-Reinigungssysteme GmbH, Bellenberg. Prior to his appointment to the management board of WashTec AG in July 2003, he was Managing Director of Alto Deutschland GmbH and also a member of group management for the Alto Group in Denmark, an international manufacturer of cleaning appliances. In his most recent position at the Alto Group, he was responsible for Europe-wide logistics, production and sourcing. Thus he has a broad knowledge in the area of cleaning technology. On April 1, 2004 he was appointed spokesman of the Management Board.

Houman Khorram (*1970), Member of the Management Board
Finance, General Services, Service Support, Business Development and Product Development
Houman Khorram has a degree in engineering and industrial engineering. He joined WashTec from Roland Berger Consulting in 2004 and started as a restructuring project manager. He was in charge of Finance and Controlling of the WashTec Group from 2005 until 2008. After that Mr. Khorram headed WashTec's Business Development including the Wash Chemicals and Financial Services business. He is CFO of WashTec AG since September 2010.

Our Strategic Guidelines

- **Customer focus**
  WashTec is the partner for customers looking for profitable and cost-optimized washing system operations. Our objective has always been to strive for long-term customer relations thanks to the wide availability and proven quality of our systems, combined with the best price-performance ratio.

- **One-stop provider of carwash solutions**
  WashTec aims to meet customer needs in all market segments to the greatest extent possible. We offer intelligent and comprehensive solutions for the entire washing business thanks to our in-depth market knowledge.

- **Quick and measurable key processes**
  Clearly defined processes and management systems set WashTec apart from the competition, allowing us to meet customer requirements in a fast, cost-efficient manner.

- **Employees**
  Employees with an entrepreneurial mindset help shape the strategic focus of the Company. The Code of Ethics is their binding guideline.

- **Growth**
  WashTec aims for growth in the key and developing markets through the optimized exploitation of market potential driven by improved sales structures and a comprehensive product portfolio.

- **Environment and safety**
  Environmental and health protection, as well as safety in the work place are a priority in all business areas. All employees and suppliers are committed to the compliance with legal requirements and continuous improvement.

- **Financial solidity**
  WashTec's sound balance sheet structure, high cash flows, and leadership in terms of return on investment in the carwash industry provide the foundation for the successful future of the Company.

Thorsten Krüger
Spokesman of the
Management Board

Houman Khorram
Member of the
Management Board

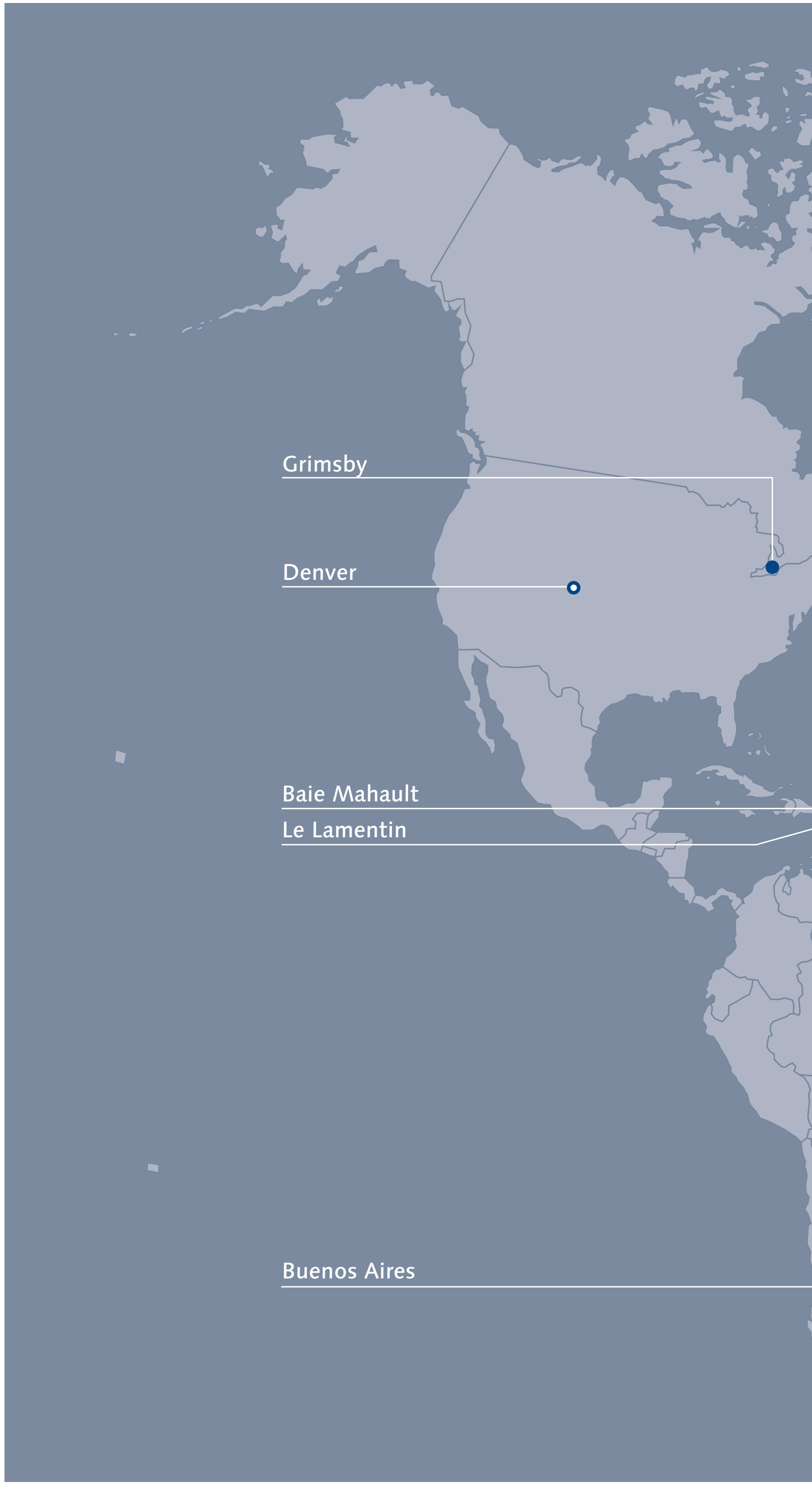
Did you know

that WashTec is globally present? We employ over 1,600 persons worldwide and have our own subsidiaries in all major markets of Core Europe, Northern America, Australia and China. We also have a wide network of independent sales partners, and thereby maintain a presence in a total of approximately 60 countries around the world. Thanks to this global scale, we are able to offer our customers amongst others – following the principle of »Think global, act local« – the following advantages:

- Substantial market knowledge
- Competent local contacts
- Short reaction times

Extensive dialogue with our business partners and quick decisions: for us, these two features go hand in glove. For this very reason, we stay close in proximity to our customers and support them worldwide – as a competent business partner and reliable supplier of innovative solutions along the entire car wash value chain.

WashTec Creating Value



Globally present

Did you know

that WashTec is the industry leader in innovation? It has over 700 patents and exhibited over 20 innovations at the 2010 automechanika trade fair. WashTec invested nearly 2 million euro in research and development in 2010 alone.

One of WashTec's guiding mottos is: satisfying today the car washing needs of tomorrow. For this reason, our experts on the Technology Team are constantly working to forge innovations with the newest components and materials. It has become increasingly important to collaborate and partner with the automobile industry in identifying as early as possible new vehicle shapes, materials and surface qualities. And finally, WashTec can rely on the ideas and experience of its employees.

In recent times, for example, the focus has been on optimally matching equipment with chemical wash products and care products. A number of new findings were exhibited at the automechanika 2010 trade fair, such as the WheelFlash system for roll-over wash facilities. This innovation provides a targeted, intensive spray function to clean wheel-rims with a special cleaning product and then follows with a wheel wash using high-pressure brushes. In the wash chemicals segment, we have also brought to market an innovative product – namely, ShineTecs – which, when used regularly, smoothes out micro-scratches in the vehicle enamel and provides more gleam.

For us, innovation means investing in the future and creating more value, specifically for our customers.

WashTec Creating Value

Over 700 patents

Did you know

that around the world roughly two million vehicles are washed each day using WashTec equipment? That is almost 1,400 vehicles per minute.

More than 30,000 WashTec car wash systems are operated throughout the world. With our comprehensive service package – which ranges from analyzing locations and brokering equipment financing to maintaining and servicing the equipment to supporting the operators in their marketing campaigns – we assist our customers with their profitable car wash business.

Upon request and with the assistance of our subsidiary, WashTec Carwash Operations GmbH, we can also take over the operation of an entire car wash system network on behalf and for the account of our customers.

WashTec Creating Value

Two million per day

Did you know

that WashTec has an easy-to-follow business model and distinguishes itself through sustainable growth, a solid balance sheet and high profitability?

Although the economic crisis has indeed left its marks, the car wash business is and remains hardly cyclical and is generally a profitable business. While Core Europe is a relatively stable replacement market, we expect further short-term growth in Northern America and a growing demand in car wash equipment over the mid and long-term, particularly in Eastern Europe and China. The major factors supporting this expectation are the rising gross domestic product, the increase in the number of cars and the escalating labor costs which will make manual car washing operations more expensive and less attractive. Thus, over the long-term, WashTec is targeting a moderate growth, and an EBIT margin of eight to ten percent.

Since the restructuring in 2003, the WashTec share price has performed very well. Our shareholders have also benefited directly from the favorable business development. After paying a dividend of € 0.12 per share for 2009, WashTec will position its share more strongly than before as value-oriented with an attractive dividend policy. The goal is to grow moderately and to sustainably pay out approximately 40% of the net profit for the year as a dividend.

WashTec Creating Value

A clean investment

Did you know

that a WashTec roll-over system with water reclaim equipment uses a very low share of fresh water during each wash?

By contrast, a single wash cycle in a standard washing machine consumes approximately 44 liters of fresh water.

In order to protect water as a resource and to lower the operating cost for the wash system, WashTec offers water reclaim systems for all car wash equipments. The deployment of the water reclaim system also helps to reduce the consumption of fresh water by up to 90% for each car wash: from 120 – 170 liters to 14 – 30 liters. In a manual car wash, this amount of fresh water is just enough to initially loosen the dirt and grime. Furthermore, during automated car washes, the other substances, such as shampoo and oil, remain in a closed cycle and are therefore incapable of leeching into the ground or the ground water.

The beneficiaries of these systems are the system operators, their customers and of course the environment itself.

WashTec Creating Value


14 Liters

Report of the Supervisory Board

Michael Busch,
Chairman of the
Supervisory Board

Dear Shareholders,
Ladies and Gentlemen,

While 2009 was a crisis year for the global economy, one might well describe 2010 as a year of recovery and transition: growth rates are rising again, markets are recovering, and the mood in the international economy is improving, especially in Germany. Nevertheless, the pre-crisis level has not yet been reached again, and the sovereign debt and attitudes in the financial sector do not preclude uncertainties for the future.

What does that mean for our company?

First of all: if we go by the figures presented to us, the car wash behavior of end users has changed very little. On the other hand, the general overall conditions, specifically the terms of credit for our direct customers, have worsened considerably. These conditions have created a reluctance to make new investments in car wash equipment and prompted customers to postpone their replacement investments and lengthen the life cycles of their existing equipment.

In the opinion of the supervisory board, our company has responded appropriately. Many efficiency projects have helped to significantly improve the results compared to last year. Moreover, by virtue of our company's international setup, we were able to win important tenders, which will specifically help things in Northern America by making up for the strong market declines in the US market.

The supervisory board believes that WashTec is well-positioned for the future. Even in the absence of a drastic market recovery, we will once again achieve respectable results. Should our specific markets experience major recoveries, then we will be able to return to the kind of earnings made in years past.

We would like to sincerely thank our employees and management for the successes of the past year.

In 2010, there were changes on both the management board and the supervisory board. At the request of many shareholders and shareholder groups, you elected Mr. Massimo Pedrazzini to the supervisory board as a representative of an important shareholder group. This appointment helped generate some new momentum. However, the style of collaboration, which is good and faithful, has remained unchanged.

We have increased our efforts to improve even more the transparency of the company in its disclosures to the financial markets. One such measure taken by the company with the consent of the supervisory board was the publication of its future dividend and acquisition policy in February 2011.

Please allow me now to address in more detail the work carried out by the supervisory board during the reporting period.

Work of the Supervisory Board

In fiscal year 2010, the supervisory board regularly obtained information about the condition of the Group and supervised the managerial activities of the management board

During the reporting year, the supervisory board discharged the responsibilities imposed on it under the law, the Company's articles of association and the board's own internal rules of procedure. The supervisory board has been directly involved in all decisions with basic relevance for the Company. In fiscal year 2010, the supervisory board, among other things, regularly obtained information about the status of business and the condition of the Group. It also supervised the managerial activities of the Company's management board. The basis for this work was, above all, timely written and oral reports issued to it by the management board. The management board provided the supervisory board with, among other things, monthly written reports on business development. When it was needed, the supervisory board had also requested additional reports from the management board and had inspected other relevant Company documentation. Deviations in the planned development of business were explained to the supervisory board in detail and then checked by the supervisory board based on the documents presented to it. The management board conferred and coordinated with the supervisory board on the strategic direction of the Company. The supervisory board discussed any transactions, which were important to the Company, on the basis of the reports issued by the management board.

The supervisory board has voted on all reports and draft resolutions of the management board, whenever required by law or the Company's articles of association, after thorough examination and discussion. In addition to the extensive work conducted during the supervisory board meetings, the chairman of the supervisory board also discussed the Company's position and further development and direction in various one-on-one talks with the management board. The other supervisory board members were also available to confer with the management board outside of the board meetings. All three supervisory board members subsequently provided each other with detailed reports concerning their respective one-on-one talks with the management board.

In fiscal year 2010, the supervisory board held a total of ten ordinary and extraordinary meetings, of which two were held as conference calls. Moreover, two resolutions were adopted by the board members without a meeting pursuant to draft resolution circulation and signing procedure. At least one meeting was held each quarter. All members of the supervisory board were represented at all the meetings held.

The topics at the regular conferences of the supervisory board were the development of revenues, earnings and staffing at the WashTec Group, the financial position and the major investment projects. The development in Northern America has been on the agenda of every meeting. The management board submitted regular and comprehensive reports to the supervisory board about corporate planning, strategic development, the status of business and the updated condition of the Group. Thus, the supervisory board had at all times a detailed understanding of all major business events and developments at the WashTec Group. Moreover, any transactions and courses of action, which required the consent of the supervisory board, were reviewed and then discussed and decided with the management board.

Further key issues at supervisory board meetings in fiscal year 2010 were:

- All Meetings: discussions about current business development and earnings and comparison with the budgeted figures, with a special focus on the development of orders in the wake of the financial and economic crisis;
- Meeting held on February 23, 2010: discussions in the presence of the annual accounts auditor regarding the earnings generated by the Group and the subsidiaries in the recently completed fiscal year; preliminary financial statements of the WashTec Group; consultation about the items on the agenda for the annual general meeting of shareholders for 2010;
- Meeting held on March 18, 2010: resignation of Mr. Lacher; adoption and approval of the annual financial statements and management reports with the involvement of the annual accounts auditor; draft resolutions submitted to the annual general meeting of shareholders;
- Extraordinary meeting held on March 24, 2010: acquisition in Australia;
- Meeting held on May 5, 2010: determination of the focus of the semi-annual audit; status reports; acquisition in Canada;
- Extraordinary meeting held on June 17, 2010: management board business allocation plan; operations business;
- Extraordinary meeting held on June 26, 2010: resolution concerning management board matters;
- Extraordinary meeting held on July 6, 2010: resolution concerning management board matters;
- Extraordinary meeting held on August 5, 2010: report on the audit committee; status reports; strategy for Scandinavia, Investor Relations topics;

Focus 2010:

- *Current state of business*
- *Acquisitions*
- *Strategic direction and mid-term planning*

- Meeting held on October 15, 2010: report concerning the internal audit; compliance organization and measures; status and outlook for the service business; human resource issues; determination of the key issues for the annual accounts audit;
- Meeting held on December 9, 2010: budget and mid-term planning; additional strategic structuring of the WashTec Group; reporting structures; annual resolution on the remuneration system for the management board and the corporate governance declaration; resolution on diversity, efficiency assessment.

The supervisory board consists of three members; each member is responsible for certain areas of oversight based on his expertise

Corporate Governance

Commensurate with the size of the Company, the supervisory board consists of three members. Given the size of the supervisory board, supervisory board committees are not considered appropriate and were therefore not formed. Within the representative body, each member is responsible for areas and projects that correspond to his area of special expertise. The supervisory board chairman is responsible for the Marketing and Sales divisions as well as for organization, personnel, Group inter-company projects, supply chain, product development and strategy. Another member of the supervisory board is responsible for the Finance and Compliance divisions since he has special knowledge and experience in applying accounting principles and internal control procedures. He acts for the supervisory board in coordinating with the Group auditor selected by the annual general meeting of the Company. In conferences held on February 24 and July 29, 2010, the supervisory board's »financial expert« had extensive discussions with the Group auditor, who was elected by the annual general meeting of shareholders, about the financial statements and interim financial statements. Another supervisory board member represents a key WashTec shareholder on the supervisory board and is responsible for the Investor Relations and Acquisitions divisions. The working cooperation among members of the supervisory board can be characterized as efficient and professional. No conflicts of interest arose among supervisory board members. The management board remuneration system is based on the duties and achievements of the management board members and on the condition of the company. The overall remuneration of the members of the management board is made up of monetary and non-monetary as well as fixed and variable components, and in general, it is directed at the sustained development of the Company. All of the components of remuneration are structured in such a way that each of them is reasonable both in and of itself and in the aggregate, and that they do not encourage the directors to take unreasonable risks. The remuneration of the management board and the supervisory board members is more closely described within the annual report under the declaration of corporate management on pages 52–59 (Remuneration Report). A detailed discussion about corporate governance is also set forth there. The supervisory board approved the annual remuneration systems for the management board at its meeting of December 9, 2010.

Changes on the Management Board and the Supervisory Board

Changes on the management board and supervisory board: Houman Khorram succeeds Christian Bernert as the CFO of WashTec AG; Massimo Pedrazzini replaces Roland Lacher as a member of the supervisory board

As of September 1, 2010, the supervisory board appointed Houman Khorram – who had been working for the WashTec Group since 2004 – to the management board of WashTec AG. Mr. Khorram is responsible for Finance, General Services, Service Support and Business Development as well as Product Development. The Supply Chain division – together with Sales and Service – is managed by Thorsten Krüger, the CEO of WashTec AG. Mr. Krüger also acts as the spokesman of the management board. Christian Bernert, who until August 31, 2010 had been the CFO of WashTec AG, decided on his own accord to resign from the Company in order to pursue a new professional challenge. The supervisory board thanks Mr. Bernert for his successful work for WashTec AG and wishes him the best of luck in his future endeavors.

On May 5, 2010, the former supervisory board member, Mr. Roland Lacher, resigned from the supervisory board for personal reasons effective at the end of the annual general meeting of shareholders of WashTec AG. Upon the recommendation of management, the annual general meeting of shareholders elected Mr. Massimo Pedrazzini from

Switzerland to serve as Mr. Lacher's successor on the supervisory Board. He represents a major shareholder of WashTec.

The supervisory board thanks Mr. Lacher for his work and wishes him all the best in his future endeavors.

Audit of the annual and consolidated financial statements

The management board prepared the financial statements of WashTec AG as well as the consolidated financial statements and the combined management report of WashTec AG and of the Group as of December 31, 2010. These financial statements and reports were audited by the Group auditors who were selected by the annual general meeting of shareholders – PricewaterhouseCoopers AG, Wirtschaftsprüfungsgesellschaft, Munich – and each issued an unqualified audit opinion. PricewaterhouseCoopers also audited the annual financial statements of the main WashTec AG subsidiaries.

The supervisory board initially defined the focus of the audit and thereupon engaged the auditor to perform the audit. Prior to and during the financial statements audit, the supervisory board monitored the independence and qualification of the auditor.

The auditor was also engaged to review whether the monitoring system established by the management board was capable of identifying in a timely manner the potential risks that could jeopardize the Company's very existence. In this respect, the auditor stated that the management board had taken the measures required in accordance with § 91 (2) of the German Stock Corporation Act (AktG) and that these measures were suitable for identifying at an early stage any developments that could threaten the Company's continued existence. Moreover, the supervisory board itself regularly monitors the effectiveness of WashTec AG's internal control systems (risk management, internal auditing, 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, 2010, as well as the management board's proposal on the use of the non-appropriated distributable profits had been presented to all members of the supervisory board in a timely manner so that the latter could carry out their own review. The audited financial statements, the combined management report and the management board's proposal on the use of non-appropriated retained earnings were the topic of the supervisory board meeting held on March 21, 2011 to approve the accounts. As part of that supervisory board meeting and the supervisory board meeting held on February 23, 2011, the management board also issued a report regarding the development of the Company's earnings.

The auditor attended the meeting on March 21, 2011 and provided the supervisory board with a direct and extensive report on the findings of his audit and on the focus of the audit. All questions posed by members of the supervisory board were answered here in detail. The supervisory board noted the audit findings and reviewed the annual financial statements of WashTec AG, the consolidated financial statements and the combined management report as well as the management board's proposal on the use of non-appropriated distributable profits. The supervisory board's review did not yield any objections. At its meeting held for purposes of approving the accounts, the supervisory board therefore 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 thereby formally adopted. The management board's proposal on the use of the non-appropriated distributable profits was approved by the supervisory board after it reviewed the proposal.

Augsburg, March 2011

Michael Busch
Chairman of the Supervisory Board

Highlights 2010

Operating performance

- Significant earnings growth despite difficult environment and lack of overall market recovery
- EBIT margin climbs from 5.1% to 7.6%
- Balance sheet quality improved again: equity ratio increases to 43.5%; gearing lowered to 0.28
- Solid foundation created for sustainable profit growth

Markets

- Northern and Western Europe: market stabilization at a lower level
- Northern America: market decline in the United States offset by the Shell tender in Canada
- Central and Eastern Europe: customers have postponed new investments because of the financial and economic crisis, yet short-term and mid-term growth is expected
- Asia/Pacific: first equipment installed at locations in China; high mid- to long-term growth potential
  Australian market stable, equipment sales secured through acquisition

Q1 2010

Q2 2010

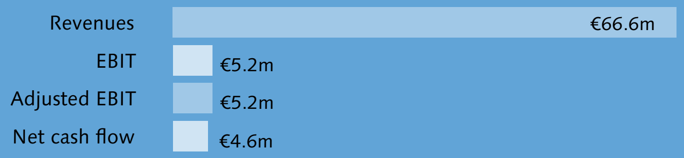
Acquisitions

- Acquisition of the major assets of the former dealer in Australia
- Setup of direct sales & service network in Canada
- Acquisition of major assets of Adekema, one of the leading suppliers of chemicals in Scandinavia

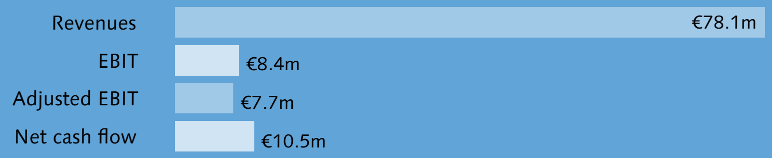
Products and investments

- Completion of the product portfolio in Northern America through the launch of the TurboJet XT carwash
- Exhibition of over 20 innovations at the 2010 automechanika trade fair
- Expansion of component manufacturing in the Czech Republic and of sourcing activities in China
- International standardization and optimization of the IT system landscape continued

Q3 2010



Q4 2010



automechanika 2010

»Exceeding expectations«: This was the motto under which WashTec exhibited its entire product program including more than 20 product innovations to a large international audience at the world's largest industry trade fair, automechanika, which was held in Frankfurt am Main from September 14 through September 19, 2010. The innovations included the new basic roll-over washing system known as »Easy Wash«, which is particularly well-suited for sites with fewer washes (such as car dealers) or the completely revised car wash tunnel known as »SoftLine²«, which has a number of new details and a new design. The wash chemicals subsidiary, AUWA, presented amongst others »ShineTecs«, a car polish which, when used regularly, smoothes out micro-scratches in the vehicle enamel and ensures more gleam. All innovations found a lot of approval with our visitors.


WashTec

Sustainability Report

As the worldwide leading supplier of products along the car wash value chain, WashTec meets the highest standards not only in matters involving product and service quality, but also in matters of environmental protection.

WashTec is committed to the principle of environmental sustainability, and therefore always manages its business affairs in a manner that uses resources and materials as efficiently as possible. Our environmentally-friendly products allow us to help preserve the globally scarce sources of energy and raw materials.

We would like to explain to you below how sustainability is implemented at WashTec.

Product responsibility

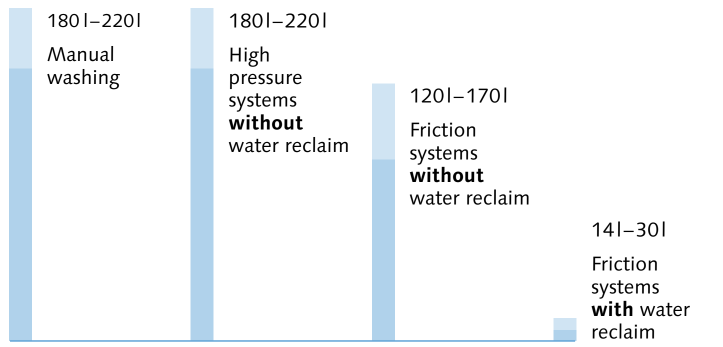
The new WashTec environmental seal can be found on all products and product components which are environmentally friendly and kind on natural resources.

1. WashTec Products

The WashTec Group's business model and its products actively contribute to protecting the environment. We expect that as water becomes more and more scarce as a natural resource, the requirements for water reclamation will continue to rise. As this trend materializes, we will be best equipped with our products to handle these new demands:

In automated car washing, water and other substances such as shampoo and oil remain in a closed cycle and can therefore not seep into the ground or the groundwater. WashTec offers water reclaim systems for all car wash equipment in order to ensure environmentally-friendly car washes. The use of water reclaim systems helps lower the consumption of fresh water during car washes by up to 90%. Thus, for example, a roll-over wash system uses only between 14 and a maximum of 30 liters of fresh water during a standard wash (compared to

Fresh water consumption (in litres per wash)



Source: WashTec analysis

44 liters of fresh water consumed during a standard wash with a modern washing machine). Each WashTec equipment meets all of the environmental regulations currently in force and offers an environmentally-sound and fresh water-preserving alternative to the manual car washing that is prohibited in Germany. Also in markets with lower environmental standards or greater water scarcity, WashTec is expecting to see more and more regulation. This means greater potential for environmentally-friendly automated car washes with water reclaim systems.
In Northern Europe, the environmental policy requirements are now becoming increasingly strict, and even in other countries, a ban against manual car washing is under discussion. In Scandinavia, WashTec has already received the »Nordic White Swan« environmental prize for particularly environmentally-sound water reclaim systems and/or car wash equipments.

2. AUWA-Chemie products

AUWA stands for vehicle cleaning and care, which is at once both powerful and environmentally sound.

The range of products begins with a line-up of cleaning and care products for car wash equipment that have a low environmental impact and are optimally reconciled with one another and spans from our special solutions for water reclaim systems to a comprehensive assortment of cleaning and care of wash equipment and wash bays.

Environmental compatibility is a priority for all AUWA products. Strict and seamless quality controls ensure that all AUWA products always satisfy all currently valid statutory requirements and that, for example, the wastewater thresholds are always met. For the company, the need to have seamless quality controls is just as obvious as the imperative of meeting the highest environmental and health standards. Thus, for example, all AUWA »ecoline« products are exceptionally bio-degradable, environmentally friendly and non-abrasive.

The entire AUWA portfolio is free and clear of hydrofluoric acid and nitrilotriacetic acid (NTA). This potential carcinogenic substance is used to soften water in conventional car care products. The environmentally-friendly substitute used by AUWA is the best example in showing that an uncompromisingly high level of car care can be achieved even with formulations that have a low environmental impact.

A number of AUWA products also satisfy the requirements of the Nordic Ecolabel (Nordic Swan), as well as the Milieukeur Ecolabel. Moreover, the wash chemical products are inspected under the DHI-criteria (which classifies products according to various environmental categories) as well as under the ÖNORM B5106, which focuses on the wastewater response of the products.

The AUWA product program is excellently harmonized with all water reclaim systems and also in this manner helps preserve a high level of water quality. The effectively concentrated and highly efficient products assist in reducing dosage quantities – and therefore, consumption – and in improving the quality of the process water and in thereby lowering fresh water needs. Specific dosage recommendations on the product packaging also help to avoid excessive dosages.

Production

1. Equipment

The majority of the equipment production takes place at the headquarters in Augsburg and has in recent years been fundamentally updated and reorganized. Individual components are also procured or manufactured in China and Eastern Europe. Equipment which is sold primarily in the American market undergoes final assembly in Denver, Colorado (USA). There is also another smaller production site in Recklinghausen, where the control units are manufactured for the entire Group.

The added value at WashTec is carried out mostly as a result of sheet metal forming with modern machinery and is carried out in the form of a final assembly of components groups. Thus, there is no significant discharge or emission of harmful substances during production. Thereafter, products are installed and maintained at our customers' places of business by over 500 in-house service technicians, sub-contractors and technical personnel of our sales partners. The service technicians are on the road with specially equipped service vans, in which the suitable equipment is installed, from tools and spare parts to safety equipment.

The average period of use for car wash equipment is between 5 and 10 years. At the end of the equipment's period of use, it is then professionally disassembled and either refurbished or professionally removed. All product specifications for the development of the equipments at WashTec include rules for a possible complete re-usage of the products. Virtually all existing peripheral components can be used again in the event of an equipment replacement – which now even extends to system control components.

2. Wash chemicals

The wash chemical products sold by AUWA are conceptualized and produced in our laboratory in Augsburg and Grebenau in close cooperation with the WashTec Development Department.

During the production of the AUWA products, the available resources are always handled conservatively. Accordingly, any raw materials such as dye, fragrances, emulsifying agents, or similar products will be avoided to the extent possible, while factoring in our customers' own needs. All wash chemical products are concentrates that are automatically diluted and apportioned in the wash equipments. In addition to saving weight, this process also saves packaging materials, thereby reducing to a minimum the transport costs.

The use of high-value ingredients in a highly concentrated and optimized mixture allows chemical consumption per wash to be reduced. By using the concentrated cleaning agents, the uses and the related transport costs and exhaust fume emissions are reduced by 30–70% per product.

In the production and development of all AUWA products, the general slogan is »quality before quantity«; i.e. preference is always given to using an optimally reduced quantity of an efficient raw material or a performance-enhanced raw material combination instead of a larger quantity of standard raw materials.

Moreover, there are as a rule no poisonous ingredients used in producing AUWA products. If a raw material is classified as »environmentally hazardous«, then it will no longer be used or will be replaced by a non-hazardous raw material. In addition, a review is always made as to whether a raw material not requiring a label can be used instead of one that does in fact require a label (i.e., is potentially hazardous).

WashTec environmental scorecard

The WashTec environmental scorecard may be divided primarily into the following two areas:

1. Energy
At WashTec, the vehicle fleet makes up the largest percentage of overall energy needs (61%). Since 2007, all diesel vehicles newly acquired by WashTec are equipped with particle filters. These filters reduce the discharge of particles by up to 99% per vehicle. In addition, the fuel consumption is lowered to the furthest extent possible by equipping the service vans with GPS navigation systems, which facilitate better route planning and thereby reduce travel time.

The electricity, which WashTec procures for the corporate headquarters and the main production site in Augsburg, is derived from up to 30% (prior year: 29%) renewable energy. This figure is significantly higher than the national average of 16% (prior year 15%). WashTec thereby actively contributes to reducing radioactive waste and lowering its CO^2 emissions.

2. Waste
In 2010, WashTec generated 2,970 tons of waste material in Germany by having taken back old equipment and due to production waste. This waste is systematically sorted and recorded. Through the resolute separation of disposable waste (e.g., metal and sheets) and the improved price level on the market for recyclable waste, these waste materials were sold in 2010 and produced proceeds of €583k (prior year €261k). Disassembled systems are either refurbished or professionally removed by authorized service providers.

Certifications

Since 2000, WashTec is certified under EN ISO 9001:2008 and 14001:2004, which are standards that set forth the globally recognized requirements in responsible quality management and environmental management systems. Thus, ecological aspects constitute a permanent part of WashTec's strategic planning: from product development to resource management in the production. At WashTec, group-wide environmental goals are routinely set and measures for their achievement adopted, which measures are realized and evaluated in projects. Goal realization and environmental management systems are regularly reviewed and are explained in an annual management review. A continuous improvement process serves as a means for achieving the goals defined by the company. With the environmental management system set up pursuant to DIN EN ISO 14001, WashTec participates in the »Environmental Pact Bavaria – Sustainable Growth and Environmental and Climate Protection«, an agreement between the state government of Bavaria and Bavarian industry.

In addition, WashTec is certified under SCC**:2006. »SCC« stands for »Safety Certificate Contractors«. This standard governs all safety rules and work conditions for technical service providers and serves to protect the health of our employees.

Stakeholder dialogue

WashTec as a sustainable investment

Due to the Company's sustainable business model, WashTec shares are included as components in investment funds that focus on sustainable investment. In 2007, WashTec received the »SRI Pass-Status« as a sustainable investment (Sustainable & Responsible Investment).

Customer satisfaction

Our goal is to offer our customers at all times the best possible products and processes as well as the best possible service for operating a successful car wash business.

In order to review the extent to which we can satisfy this goal, we constantly carry out customer satisfaction surveys in which we review the level of satisfaction with our products (e.g., regarding quality, price-performance ratio, introductory training and operation) and our customer service (e.g., regarding quality, reaction time, friendliness). The survey reveals that our customers have been consistently very satisfied with the service we provide. According to the most recent survey conducted in Germany, the overall customer satisfaction with the WashTec service is very high. In connection with this survey, over 1,300 service deployments and machine installations were analyzed in 2010. Our customers are particularly satisfied with the quality of the product assembly (grade: 1.8) and the friendliness of the service (grade: 1.8). None of the categories was graded worse than 2.3 (grading based to the German school grading system where 1 represents the highest grade and 6 the lowest grade).

Personal & Compliance

1. WashTec Code of Ethics

Since 2005, a standard Code of Ethics applies to all companies of the WashTec Group, and its main tenet requires that all employees comply with all laws and directives (compliance). The Code also includes the key directives on how employees ought to interact with one another and how to interact with customers, suppliers, advisors and government officials. The managers at WashTec Group are required to regularly sign an avowal to comply with the directive. Any violations will be pursued.

The Code of Ethics can be downloaded from www.washtec.de.

2. Employee handbooks

In all foreign subsidiaries of the WashTec Group, the most important provisions concerning the employment relationships are also governed in so-called »Employee Handbooks«. These contain, for example, rules on non-discrimination, handling employee complaints, employee interaction as well as general rules on structuring employment relationships.

3. Internal compliance audits

All departments and companies within the WashTec Group are regularly audited on their compliance with all applicable internal and external directives and rules. These audits take the form of a so-called »internal compliance audit«. Thus, any inconsistencies or discrepancies shall be identified as early as possible and corrected.

4. Training and human resource development

Human resource development plays an important role at WashTec. WashTec offers all its employees the opportunity to participate in internal and external education and training programs. These programs include, for example, foreign language courses or courses in current Office programs. A budget is planned each year for the ongoing training of employees.

Most of the employees in the WashTec Group's subsidiaries are service technicians who install and regularly maintain the car wash equipment. The service technicians are under a special obligation to learn and understand the issue of safety (for details on this issue, please see the heading »Health and Safety«).

The Company's headquarters are in Germany. At this location, the Company offers formal training and education to qualify as mechatronic technician [Mechatroniker], marketing communication business person [Kauffrau/-mann für Marketingkommunikation] and IT business person [Informatik-Kauffrau/-mann].

5. Employee satisfaction

The employees of WashTec are a key to our business success. The satisfaction of our employees in Germany, for example, is reflected in the low employee turnover and in the high average number of years of company service.
In Germany, an employee satisfaction analysis was carried out in 2006 as part of an employee survey done in cooperation with the Graduate School of Augsburg (Fachhochschule Augsburg). Based on the results of the survey, suitable programs such as the expansion of offered employee training were launched.

6. Health and safety

Through its regular training on work safety, the ergonomic design of its work stations and its medical wellness checks (e.g., in connection with the »WashTec Health Days« program, which is regularly offered in Germany), WashTec has a proven commitment to the health of its employees.

Moreover, under the SCC certification, WashTec has a very well developed employee safety system and health protection management system. WashTec service technicians are under a special obligation to learn and understand the issue of safety. The focus of regular training and certification programs are training sessions for conduct in and around gas stations in preparing and implementing work related to the commissioning, maintenance and servicing of equipment. All WashTec service technicians in Germany have participated in a WashTec-financed driver safety training program. The compliance with the safety provisions is routinely monitored in internal and external audits.

In connection with the reorganization of the production routines and investments in the production sites, special emphasis has also been placed on ergonomic processes and tools.

The number of occupational accidents at WashTec has continued to decline in the past years.

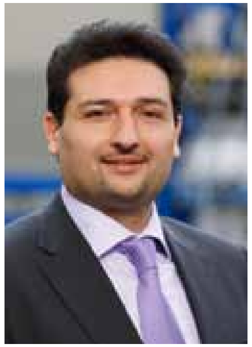
Social commitment – the Bunte Kreis

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, Bunte Kreis e.V., which was formed in Augsburg in 1991, supports handicapped and sick children as well as families in that situation in terms of psychiatry, social services, medicine and finance.

Since 1996, WashTec has continually supported the Bunte Kreis as one of the main sponsors by making both monetary and in-kind donations.

The WashTec Share



Houman Khorram,
Member of the
Management Board

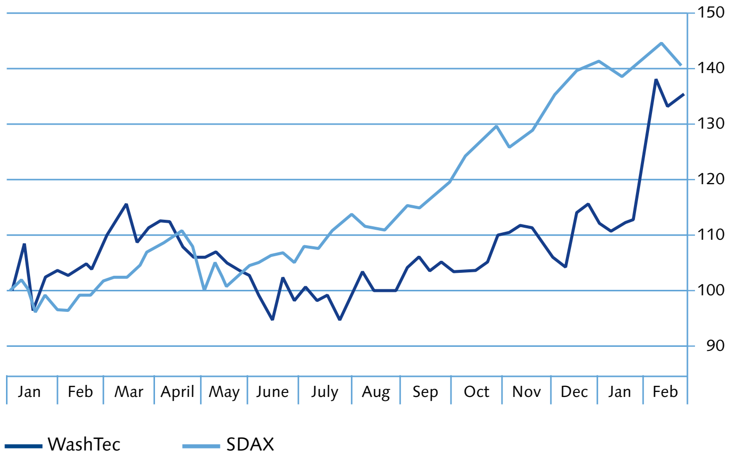
Volatile 2010 stock exchange year

The 2010 stock exchange year was marked by great volatility, costing investors quite a few nerves. On the one hand, the macroeconomic improvements did provide some very positive stimulus, yet on the other hand, the high sovereign debt of some key industrial nations continued to dampen the mood on the markets. After a weak start to the 2010 stock exchange year, most of the European stock exchanges recovered and enjoyed some significant advances by the end of the first quarter. The gains could not be held, however, as the second quarter saw a severe market decline which resulted in the markets tending to produce sideways volatility. Only in the second half of the year did optimism return and prevail, particularly in Germany. The leading German index – the DAX – reported a 15.7% increase in annual performance as of 31 December of the reporting year. The small-cap index – the so-called »SDAX« – profited even more from the economic recovery, rising 45.5%.

WashTec's share performance favorable, but impacted by difficult investment environment

WashTec's shares also performed well during the course of the 2010 stock exchange year, initially even outperforming the benchmark index, SDAX. Starting from an opening price of €7.61 at the beginning of the year, the share price rose in March 2010 to its highest level of €9.30. The share stagnated in the second half of the year closing at €9.14 by the end of December. Thus, share price performance over the entire year was +20.11% (SDAX: +45.45%). Following a strong fourth quarter and the publication of the preliminary figures for 2010, the share price improved considerably. As of February 28, 2011, the share was trading

Price development of WashTec shares in 2010/2011 compared to SDAX (indexed)



at €10.60. Counting from beginning of the new year the performance equals +16.5% thus outperforming the SDAX (+1.1%).

Dividend for 2010 increased significantly

Dividend for 2009: €0.12 per share, dividend also planned for 2010

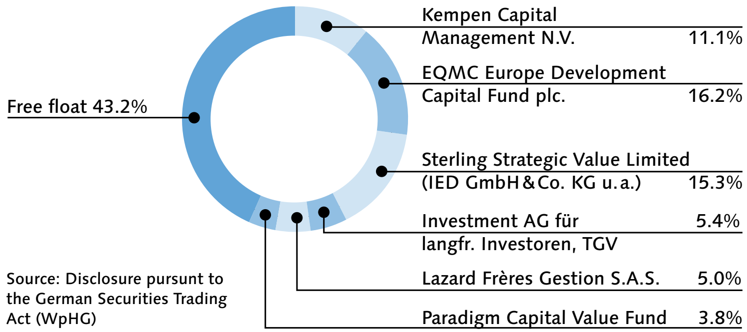
On the basis of the shareholder resolution dated May 5, 2010, the Company paid a dividend totaling approximately €1.7m (€0.12 per share) to its shareholders for fiscal year 2009. In the future, WashTec will position its share – more strongly than before – as value-oriented with an attractive return policy. WashTec's strategy furthermore includes to strengthen its market position worldwide and to generate a moderate growth in revenues while maintaining a conservative leverage below 1. Subject to these conditions, WashTec plans to constantly distribute around 40% of the annual net income. The proposal for the appropriation of the distributable profit to the annual general meeting for fiscal year 2010 – scheduled for May 05, 2011 – will include a dividend following this policy. Thus, the dividend for the last fiscal year should be much higher than the €0.12 paid for fiscal year 2009.

Shareholder structure hardly changed

The WashTec AG shares are listed on the Prime Standard segment, and the majority of those shares are held by institutional investors mostly from Anglo-Saxon regions and the rest of Europe.

Free float as defined by Deutsche Börse at 100%

Shareholder structure (as of February 24, 2011)



Source: Disclosure pursunt to the German Securities Trading Act (WpHG)

The strong focus of WashTec products on matters involving environmental protection and sustainability is also reflected in the stake held by shareholders who select their investments on the basis of clearly defined sustainability criteria.

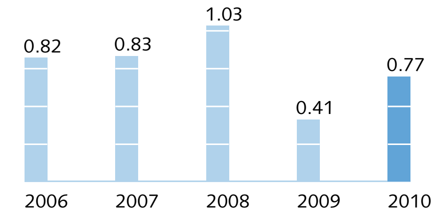
In 2010, there were only slight changes in the shareholder structure of WashTec. Sterling Strategic Value Ltd. reported exceeding the 15% reporting threshold. In addition, there are four other investors who hold at least 5% of the voting rights. 43.2% of the shares are held in free float. According to the definition used by Deutsche Börse, the free float is at 100%.

The market capitalization of WashTec AG as of December 31, 2010 was €127.8m based on an unchanged number of shares (13,976,970 shares). In order to be included in the SDAX in the mid-term, as is planned, WashTec AG would need to be among the top 110 in terms of both market capitalization criteria and trading volume criteria. Based on the market capitalization, WashTec already achieves this criterion, while it does not in terms of trading volume. Thus, the Company intends to significantly increase the interest in, and therefore the trade volume of, WashTec shares in fiscal year 2011 by engaging in enhanced investor relation activities.

Earnings per share rose significantly

In line with the favorable trend among all earnings ratios, earnings per share also increased very significantly from €0.41 in 2009 to now €0.77 per share. Thus, the Company is able to report a price earnings ratio of 11.9 based on a closing share price of €9.14.

Earnings per share in €



Investor relations work intensified

The active investor relations work was continued in 2010 and further intensified. In addition to the detailed quarterly reporting, the shareholders of WashTec AG were continually informed about important events at WashTec in a timely and consistent manner, with such information also posted on the Company's website. Like the 2008 annual report, the WashTec annual report for fiscal year 2009 was selected for inclusion in the »Deutsche Standards« as an exemplary annual report.

WashTec shares are covered by a number of independent analysts

WashTec's shares are covered by a number of independent analysts. HSBC Trinkaus & Burkhardt, UniCredit and MM Warburg regularly report on the Company. In fiscal year 2010, the management board continued to cultivate its contacts to shareholders and journalists as well as to the financial community and presented the Company at numerous road shows and in a number of individual discussions with institutional investors in the most important financial capitals of Europe. On the occasion of the Company's publications, a financial press conference as well as conference calls for analysts and investors were held. The WashTec Management Board also appeared at numerous analysts and investor conferences and in September 2010 attended a number of one-on-one talks in connection with the automechanika trade fair.

Key data on WashTec shares

		2010	2009	2008
Annual closing price*	€	9.14	7.61	5.89
Annual high*	€	9.30	8.20	12.00
Annual low*	€	7.30	4.90	5.30
Annual opening price	€	7.61	6.18	11.20
Number of shares as of Dec 31	million	14.0	14.0	15.2
Free float on Dec 31	%	43.2	48.3	41.4
Market capitalization as of Dec 31	€m	127.8	106.4	89.5
Development over the year	%	+20	+23	–47
(for comparison: SDAX)	%	+45	+25	–46
Earnings per share**	€	0.77	0.41	1.03
Dividend per share	€		0.12	0.00

* based on Xetra-closing prices
** weighted average number of outstanding shares; Dec 31, 2008: 14.9m, since Dec 31, 2009: 14.0m.

Additional information and contact:

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

In addition, all persons interested in the Company or the shares may contact the Investor Relations Department at WashTec AG:

Telephone: +49-(0)821-5584-0
Fax: +49-(0)821-5584-1135
Email: washtec@washtec.de

We look forward to our continuing dialogue with you!

Revenue development

Management Report WashTec AG and the Group 2010

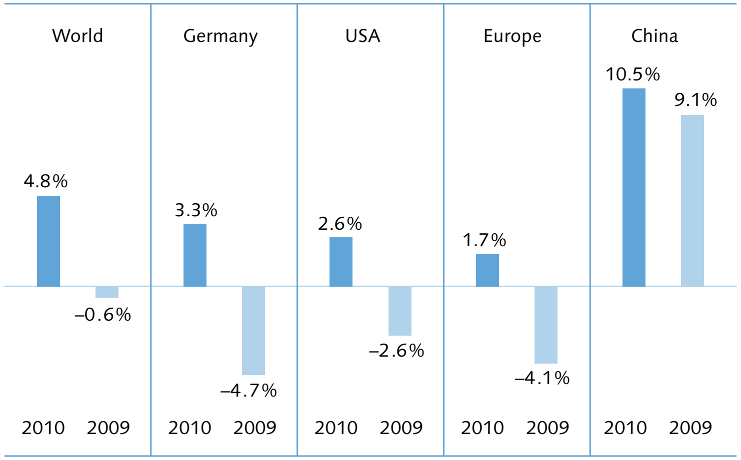
1. Business performance and background

1.1 Overall economic performance

Economy is slowly recovering, yet uncertainties remain

Even if the global economy is recovering from the financial and economic crisis – the International Monetary Fund is forecasting a 4.8% growth for the global economy in 2010 – its continued development is still greatly uncertain given the long-term consequences of this crisis. It is, above all, the industrialized countries that are still performing at a level significantly below their pre-crisis levels. Due to the high sovereign debt and risk aversion prevailing in the financial sector, credit also remains limited. To some extent, terms and conditions of financing are considerably more restrictive than they were prior to the onset of the financial and economic crisis, particularly with respect to loan documentation and security requirements. The global recovery is being driven primarily by the fast-growing emerging economies of Asia and South America (+7.1%). On the other hand, the industrialized world was only able to report a relatively moderate growth rate of 2.7%, whereby Europe is even lower at a mere 1.7% growth rate.

Development of the GDP 2010 compared to 2009



Source: International Monetary Fund (IMF), World Economic Outlook, October 2010, p. 2

The German Institute for Economic Research (Deutsches Institut für Wirtschaftsforschung or »DIW«) expects that the German economy will continue to grow in 2011 and 2012, but that the growth rates will be significantly lower than the growth rates in 2010 (Source: DIW Press Release dated January 4, 2011). The Institute for Economic Research (Institut für Wirtschaftsforschung or »IfW«) also expects a modest economic expansion both in the United States and in the European Union (Source: IfW Press Release dated December 16, 2010).

Impact on the car wash business

- *Wash conduct of end customers mostly stable*
- *Uncertainty about future economic development and limited available financing options led customers to delay investing in new car wash equipment*

Since the economic trends in general have had only a slight impact on the operation of car wash equipment, the wash conduct of the end customers overall remained mostly stable, even during the financial and economic crisis. Nevertheless, the general conditions, under which customers are able to secure financing to acquire a new wash system, have deteriorated significantly as a consequence of the financial and economic crisis. This new reality together with the uncertainty about future economic development have caused many customers to postpone their investments in new equipment or, in case of replacement investments, have lead to extended life cycles of the equipment.

In general, the wash equipment manufacturing sector is a very late-cycle industry, inasmuch as the industry's development does not coincide with the general macroeconomic trends.

The specific effects of the financial and economic crisis on the business of WashTec and on the business of the equipment operators vary tremendously from region to region and are described in more detail below.

1.2 Market for car wash equipment and strategy

WashTec share positioned as value-oriented with moderate growth

WashTec pursues a strategy of moderate revenue growth and the global expansion of its market position. The goal is to maintain a conservative leverage of less than 1. Subject to these conditions, WashTec will position its share more strongly than in prior years as value-oriented with an attractive return policy.

Customer groups

The WashTec Group's customers are predominately operators of petrol stations that offer to customers on-site washing facilities, with which they generate part of their earnings. These customers include multinational oil companies, individual operators and operators of chains of petrol stations/car washes and supermarkets. Other customer groups offer car washing as a complimentary service to their customers or wash their own vehicles in order to preserve the value of their vehicle pools. These customer groups include car dealerships and garages, forwarding agencies and transport companies.

Competition

In general, it may currently be observed that in regions and markets that were impacted especially hard by the financial and economic crisis, the intensity of competition has increased and individual competitors have encountered financial difficulties and have in some cases retreated from those markets due to these circumstances. Due to the general economic situation, it is possible that the market will continue to consolidate in the short- and mid-term.

Markets

The global market for car wash equipment is divided into a number of sub-markets, depending on the degree of development within the respective markets. The special features of these sub-markets are set forth in more detail below.

Northern and Western Europe

Market stabilization at a lower level; increasing intensity in competition

The number of vehicles has developed in a stable manner in Northern and Western Europe. In the Company's opinion, this trend will also not change significantly in the future. Except for those individual regions in Southern Europe contending with high unemployment, the wash behavior of the end customers has been very stable and predictable because such activity is dependent, for the most part, on weather. There has been a special trend in the car wash market in Great Britain. A portion of that market has regressed, moving from automated washes back to manual washes. This development has adversely impacted the local wash market and therefore all market participants quite significantly. It is expected that this market situation will change on a long-term basis only if there are legislative changes that seek to reduce the extent of environmental pollution caused by manual wash operations. No other markets have witnessed such regression to manual washes.

Change in customer structure has no influence on WashTec's business

The wash equipment market in Northern and Western Europe is by far the most developed car wash market in the world, with the highest proportion of installed car wash equipment, the most professional structure in terms of sales and service as well as the highest product quality. Major clients are multinational oil companies that operate car wash facilities in their petrol station networks either themselves or through lessee-operators. Other clients are independent customers such as supermarket chains, individual operators, logistics companies or car dealerships. A review of the various customer groups reveals that some large oil companies have split from the petrol station networks which have instead been taken over by new, in some cases local, operating chains.

Major competitors in Europe:
- *Otto Christ AG, Germany*
- *Ceccato SPA, Italy*
- *Istobal SA, Spain*

The competition is intense and is limited to only a few manufacturers that were able to successfully structure the consolidation in the last 20 years. The main European competitors are Otto Christ AG (Germany), Ceccato SPA (Italy) and Istobal SA (Spain). The most important markets are dominated by the direct sales networks of the manufacturers and a direct manufacturer-tied service business. A portion of the sales and service is performed through dealers. Given the great significance of a nationwide service structure, the barriers for new competitors to enter this market are very high. According to its own surveys, WashTec is the clear market leader in terms of market coverage and market share and has by far the best established direct sales and service network as well as by far the largest installed base of over 20,000 roll-over carwashes.

Prior to the financial and economic crisis, the market for car wash equipment was a stable replacement market that allowed all manufacturers and dealers in Northern and Western Europe to earn good results with low market growth. After what were some significant market declines in 2009, this market stabilized in 2010, but only at a lower level. The substantial market recovery, which the Company had initially expected, has not materialized. In Northern and Western Europe, a number of markets – in particular, Spain, Portugal, Italy and Great Britain – continued to be impacted by the consequences of the financial and economic crisis and have lost volume. The rest of the markets of Western Europe have partially slightly recovered.

In the Company's opinion, the financial and economic crisis has led to significant changes in the market for car wash equipment, the specific aspects of which may be identified as follows:

- Longer replacement cycles for car wash equipment, which are due to the longer service live, have resulted in a lower market volume;
- Great pressure on dealer management has produced changes in strategy among scores of dealers (sales, abandonment, insolvency, assortment dissemination, refocus);
- The earnings situation among some manufacturers has declined significantly.

It is not impossible that the market will settle in at its current lower level and that there might be other changes both for manufacturers and for dealers. The Company is also assuming that the market prices will continue to come under pressure. As in the past, WashTec is addressing this trend by innovations and professionally implementing cost-cutting and efficiency projects.

In recent years, WashTec has resolutely expanded the direct sales and service operation in Europe with the consent and assistance of the dealers and has added high-margin goods and services in the wash chemicals and operations business. All acquisitions that were made in this connection yielded returns on capital that were above Group level and showed favorable results, particularly during the financial and economic crisis.

In the future as well, WashTec will continue in Europe to pursue this strategy of mutually agreed acquisitions with respect to market coverage, service and sales structures. Such strategy will allow WashTec to further expand direct access to the customers and to effectively defend its market position in Europe. WashTec currently sees no strategic advantage in an active consolidation of the manufacturers.

Northern America

Further market decline in the United States was offset by gain in market share especially in Canada

The number of vehicles in Northern America has remained largely stable in the last few years. No significant changes are expected here in the future. The wash conduct of the end customers has also not changed significantly.

In the United States, most customers are independent, small or medium-size operators of petrol stations and individual operators of car wash equipment. As a result of the financial and economic crisis, the financing options of these customers have become considerably more difficult to use and remain very limited. On the one hand, this has led to longer operating life of the equipment and, on the other hand, caused a possible reduction in the number of installed machines, a fact ultimately reflected in the sales figures. By contrast, larger customers with a supra-regional scale are making investments to expand their petrol station networks and renew car wash equipment.

USA: Fragmented market with a large number of manufacturers and dealers – market decline by 40%–50%

In comparison to Europe, the car wash equipment market in Northern America is highly fragmented and is characterized by a number of manufacturers that work with different sales structures (dealers and direct sales). The percentage of sales carried out through dealers is considerably higher than in Europe. The leader in this market is Ryko Equipment Inc., a local manufacturer which works the market for the most part using its own sales and service teams. There are also manufacturers which have strictly dealer sales structures and those with mixed sales structures. European manufacturers without any local production have so far been unable to establish any noteworthy competitive position in the market. In terms of installed base and market share, WashTec occupies third place in Northern America. Further major competitors in the Northern American market are PDQ Manufacturing Inc., and SONNY'S Enterprises Inc.

Prior to the financial and economic crisis, the US market for car wash equipment grew continuously and allowed all manufacturers and dealers to achieve good results. In the Company's opinion, the financial and economic crisis has led to a significant decline and transformation of the market for car wash equipment, the specific aspects of which may be identified as follows:

- Significant extension of the replacement cycle for car wash equipment and the abandonment of locations have led to a market decline of 40%–50%;
- Great pressure on dealer margins has led to significant cuts in the dealership network (insolvency, sales, refocus);
- The earnings situation among manufacturers has declined significantly.

During this period of crisis , WashTec has

- to a large extent replaced non-competitive dealers through the establishment of a direct sales and service network;
- completed the product portfolio thereby becoming a complete supplier;
- continuously improved the efficiency and professionalism of the organization.

Based on this overall situation, the goals that were originally pursued with the acquisition of Mark VII could not yet be achieved. WashTec was, however, able to improve its market position and lay the cornerstone for continued growth through the gain in market share.

USA: Improvement of the market position by expanding the direct sales and service activities

WashTec is assuming that the market for car wash equipment in the United States will remain flat in the short-term. In the mid- to long-term, the Company expects a slow market recovery. WashTec's strategy provides that the activities launched during the financial and economic crisis will be continued and improved. These activities include:

- Gaining market share in the US and in Canada by expanding direct market access;
- Continued expansion of the direct sales and service network for large customers;
- Improved production capacity utilization through successful implementation of the large customer strategy in Canada;
- Increasing efficiency above all by exploiting the supply-chain resources in China.

Even if the markets do not recover, these actions should lead to a favorable result in 2011 and permanently improve competitiveness. In the future, WashTec will also attempt to further improve market coverage and its own service and sales structures in the United States. Thus, the direct access to customers and the market position can be expanded further. It is expected that in the mid-term, a consolidation process will take hold due to increased competitive pressures. The still difficult market environment could accelerate this trend and could offer WashTec other opportunities for expanding the direct sales and service network. Currently, WashTec also sees in this market no strategic advantage in an active consolidation of the manufacturers.

Canada: Additional market share gained after framework agreement was concluded with large oil company

The Canadian market proved to be relatively stable during the crisis. In the most recently completed fiscal year, WashTec succeeded in acquiring greater market share by concluding a framework agreement with a large oil company. In the second half of 2010, the growth in Canada was able to offset the market declines in the USA. In order to create the sales and service infrastructure needed to implement that framework agreement, the US subsidiary of WashTec executed a series of small acquisitions in Canada. The equipment for the Canadian market is produced at the headquarters in Denver, USA. WashTec is the only car wash equipment manufacturer in Canada that maintains a nationwide direct sales and service network. The customer structure in Canada, which is comparable to Europe, also offers an opportunity for gaining other major customers in this region.

Central and Eastern Europe

Short-term and mid-term market growth expected; growth potential for WashTec

The number of vehicles in Central and Eastern Europe has risen considerably. This trend is expected to continue in the coming years as well. Although the automated car wash still has only a small market share given the lower labor costs there, the share for automated car washes has constantly grown in the years through 2009. The sales and service structure in this region is based primarily on independent dealers. Only a few competitors have subsidiaries representing them in individual regions. The competitive situation in Central and Eastern Europe is largely similar to the structure prevailing in Northern and Western Europe.

Before the onset of the financial and economic crisis, WashTec was generating double digit growth figures in this region. The financial and economic crisis impacted some of the countries of Central and Eastern Europe strongly and caused customers to change their strategy and postpone their investments in new car wash equipment. The Company assumes that this market will in the future return to growth following the stabilization in 2010.

WashTec plans to continue strengthening the dealer network in Central and Eastern Europe in the future and to expand its presence as well as its direct access to major customers in individual regions by establishing and developing sales offices and by engaging in selected acquisitions.

Asia/Pacific

China: strong market growth expected in the mid- and long-term; large growth potential for WashTec

A significant part of this region is the Chinese market, which is witnessing very strong growth in the number of vehicles and has extraordinary growth potential. Based on the current, still relatively low labor costs there, the market for car washes is still dominated by manual washes. Since this approach can not completely serve the tremendous leap in demand for car washes, there will be a transition to automated car washes in the future.

First sites in China equipped with WashTec equipment under a pilot program

Until now, the competition in this market has been limited to a couple of Chinese and other Asian manufacturers with limited experience in the field of professional automated car washing. Since 2008, WashTec has had its own production and procurement site near Shanghai and has a sales partner for servicing major customers. At the end of 2010, the first sites were equipped with WashTec equipment as part of a pilot program for a local oil company.

WashTec's goal is to help actively develop the Chinese market as a pioneer, to adjust the product portfolio to meet the local needs and to build-up its own sales and service structure in key regions.

By continuing to expand the global supply chain and sourcing activities, the Company will also be leveraging the manufacturing and procurement advantages from this region for the entire product portfolio.

Australia: stabilization of business after takeover of the local dealer

The Australian market, in which WashTec has been directly doing business since April 2010, remained, for the most part, stable in 2010. Key American and European manufacturers are in direct competition here. After a defensive acquisition of an insolvent dealer, WashTec has become the only manufacturer with its own presence in this market. All other competitors conduct their business through independent dealers. By virtue of this acquisition, WashTec has secured equipment sales in the region and has guaranteed its customers the service for their equipment. After the dealer's insolvency triggered uncertainty among its customers, WashTec is expecting business in this market to stabilize.

In Japan and Korea, there are a number of dominant local manufacturers with a national focus. All of the European and the major US competitors have distributors in New Zealand.

Key market drivers

Economy: Rising per capita income and increase in the number of newly registered cars, labor costs

Rising per capita income and an increase in the number of newly registered cars are leading to a higher demand for automated car wash equipment. The number of registered cars had been continuously increasing until the worldwide financial and economic crisis began. Above-average growth rates were being recorded in Eastern Europe and Asia, in particular. After car sales figures had been declining due to the financial and economic crisis, the sales figures and the number of registered cars have since started to rise again around the world. These factors could give the car wash business some new momentum and elevate demand for car wash equipment (Sources: HSBC Global Research »The World in 2050« – January 2011; CAR University Duisburg-Essen – 2010; Data Monitor European Automotive Markets Database – 2010).

As labor costs increase and the need for car washing in some cases leaps dramatically in those regions which had previously relied on manual washers, those very regions will begin seeing a transition to automated car washing.

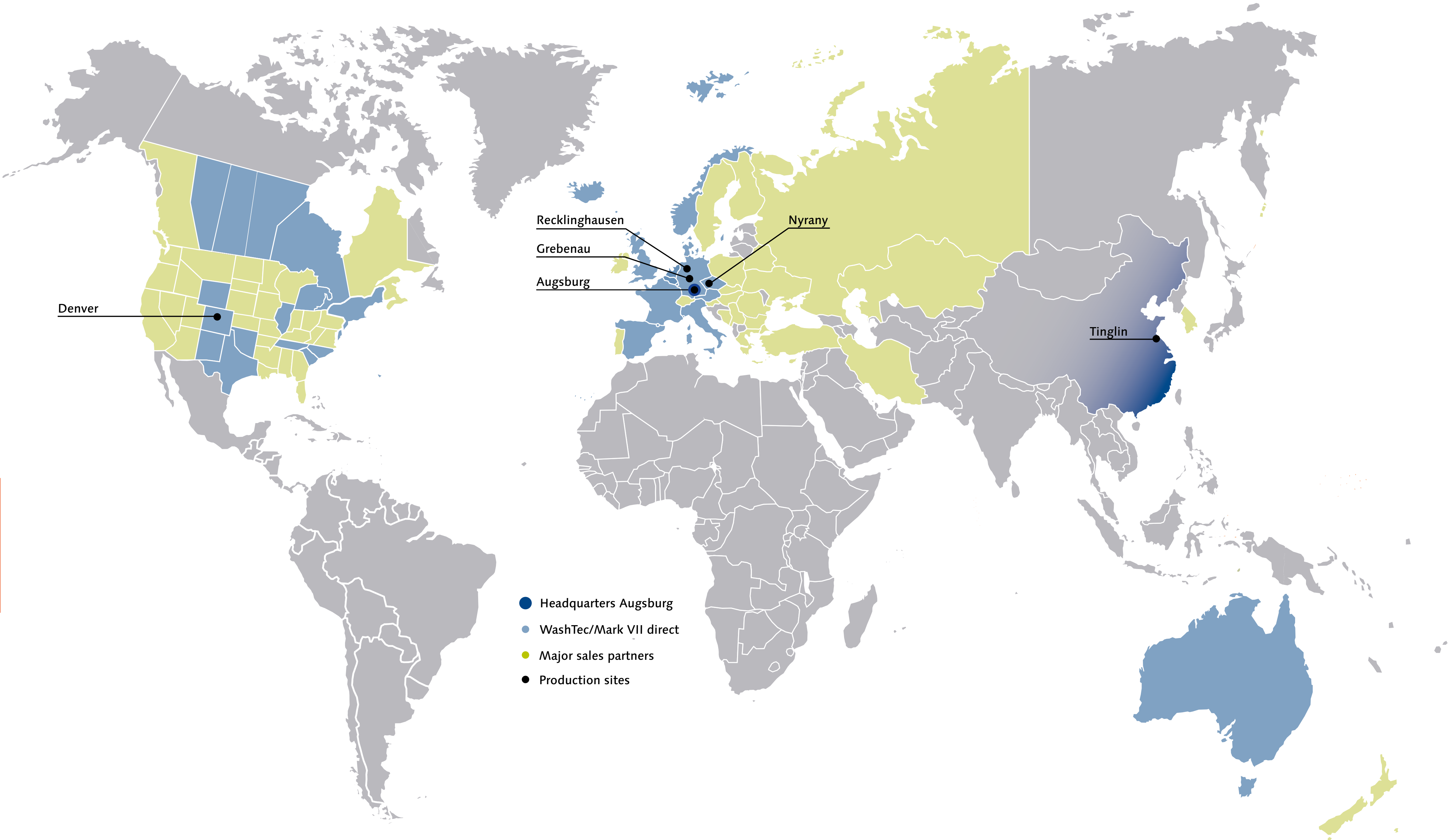
Technology/comfort: Increasing demands with respect to speed, comfort and quality of the wash

Compared to manual washing, automated car wash generally yields better wash quality and is less abrasive to car finish. Furthermore, the wash process in an automated car wash is far less time-consuming than manual washes. Rising demands with respect to wash results, combined with lower waiting and throughput times, will mean greater acceptance of automated car washing in the future.

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

Increasing importance of water as a resource and prohibitions on the hand-washing of cars drive automatic car washing

The importance of fresh water as a limited and precious resource as well as environmental awareness are increasing around the globe. Significant reduction in water usage and the need to avoid polluting groundwater with lubricants and wash-chemicals are the impetus for installing car wash equipment which include water reclaim systems.


Recklinghausen
Grebenau
Augsburg
Nyrany
Denver
Tinglin
Headquarters Augsburg
WashTec/Mark VII direct
Major sales partners
Production sites

1.3 Product range of the WashTec Group

Numerous offerings along the car wash value chain; most comprehensive product portfolio in the industry

The WashTec product range comprises all types of car wash equipment as well as the associated peripheral devices, wash chemicals and water reclaim systems. WashTec also offers comprehensive service packages covering the entire lifecycle of the products sold. The sale of roll-over wash equipment and the related service are the Company's major revenue drivers.

New and used equipment (€154.9m revenues)	■ Roll-over wash equipment ■ Self-service wash equipment ■ Commercial carwash equipment ■ Wash tunnels ■ Water reclaim systems
Spare parts and service (€86.5m revenues)	■ Full Service ■ Call-out Service ■ Spare parts
Chemicals (€18.0m revenues)	■ Wash-chemicals
Operations business and others (€9.0m revenues)	■ WashTec Carwash Operations ■ WashTec Financial Services

1.4 Production, sourcing and logistics

Component manufacturing in China and Czech Republic; Final assembly in Augsburg, Germany and Denver, USA

The WashTec Group currently produces its entire product range for Europe in Augsburg, Germany. Since 2009, individual components have been partially sourced or manufactured in China and the Czech Republic. Car wash equipment that is sold to the Northern American market is produced in Denver, USA.

The Company has two further, smaller production sites in Recklinghausen, Germany (control units) and in Grebenau, Germany (wash-chemicals).

WashTec has an international procurement and production chain, which consists of subsidiaries in China, the Czech Republic, the US and Germany. The final assembly of various pre-fabricated components and parts accounts for the majority of work performed at the production sites in Augsburg and Denver. WashTec uses modern production methods to produce all of its products. The Company is able to make capacity adjustments at its main production site in Augsburg by making use of its annual working time models and by increasing and decreasing the number of temporary workers.

The Company has concluded long-term supply agreements with the suppliers of key components. In the Group's supply chain organization, all organizational units – from order clarification to sourcing of parts and order flow in production, to delivery of the equipment – are combined under the umbrella of a single responsible unit. Sourcing of spare parts within Europe is performed centrally from the warehouses of external logistic service providers.

1.5 Legal framework

The WashTec Group must comply with the applicable laws and regulations in force in all of the countries in which it operates. These include, in particular, laws and regulations on technical safety and environmental protection, provisions related to chemicals (such as disclosures, registration, labeling and handling), building standards, labor law and regulations, and laws and standards governing industrial and occupational safety.

The Company believes that the increasing importance of fresh water as a resource will lead to laws and regulations on the consumption of fresh water and regulations on manual washing of cars will increase on an international level. In 2010, the Company was not made aware of any changes in the statutory environmental rules which could lead to a significant change in the market environment for car wash equipment.

1.6 Quality and environmental management

High-quality products provide the basis for WashTec's technological leadership on the market. Quality, safety and environmental protection are key components of WashTec's corporate philosophy. The Company has an extensive management system for quality, the environment, health and safety protection, which is audited at regular intervals by the German Technical Control Association (TÜV). WashTec thus meets the requirements of internationally recognized standards and is DIN ISO 9001, 14001 and SCC (Safety Certificate Contractors) certified.

WashTec offers water reclaim systems for all car wash equipment, which ensures environmentally-friendly car washes. In this way, the amount of fresh water used by a roll-over carwash can be reduced to 14–30 liters per wash.

The AUWA product program is superbly harmonized with all water reclaim systems and also supports in this way the retention of a high level of water quality. Thus, for example, all products under the AUWA »eco-line« are superbly bio-degradable, environmentally-friendly and non-abrasive.

The strong focus of WashTec products on matters involving environmental protection and sustainability is also reflected in the stake held by shareholders who select their investments on the basis of clearly defined criteria relating to the sustainability of the corporate group in question.

1.7 Research and development

WashTec is the leader in innovation; Presentation of various innovations in 2010 at the »automechanika« trade fair and the »Car Care World Expo«

WashTec is the leader in innovation and once again proved this in 2010.

Thus, in May of 2010, WashTec exhibited its new TurboJet XT carwash at the Car Care World Expo in Las Vegas. At the world's largest industry trade fair, »automechanika«, held in Frankfurt am Main in September 2010, WashTec exhibited more than 20 product innovations. For more information regarding this trade fair, please turn to pages 26–27 of this annual report.

The research and development activities of the WashTec Group are aimed at continuously enhancing the existing product offering through innovation and at catering to the individual design and program requirements of customers in a timely and effective way. The Company's research is directed particularly at preserving the natural resources, achieving shorter throughput times, car paint-friendly vehicle handling, adapting wash equipment to suit the ever-increasing number of car shapes and contours, high availability of the equipment and meeting customer demands for more user-friendly car washing. A technological product team, including experts from Germany and abroad, is responsible for developing new technological solutions and concepts. As a whole, more than 50 employees work in research and development at WashTec's headquarters in Augsburg.

The continuous improvement and further development of the products, specifically with respect to the improvement of the wash and drying results as well as the increase in the efficiency of the equipment with respect to the consumption of resources, secures a significant competitive advantage for WashTec.

WashTec attaches great importance to the protection of its innovations through the use of patents. The WashTec group is the holder of more than 700 patents. The core concept of the WashTec Group's patent strategy is to safeguard innovations that provide WashTec with unique selling points.

In 2010, the capitalized development costs of the Group totaled €1.5m (prior year: €0.7m). Add to that the costs which could not be capitalized totaling €0.4m (prior year €0.6m). The increase compared to the prior year is attributable above all to product developments in the United States and in connection with the automechanika trade fair.

Comparison of capitalized development cost/ development expenses

€m	2010	2009	2008
Capitalized costs	1.5	0.7	3.3
Expenses	0.4	0.6	0.4
Total costs	**1.9**	**1.3**	**3.7**

1.8 Employees

Number of employees increased to 1,639

Primarily as a result of the acquisitions made in Australia and Canada and the expansion of its own production sites in the Czech Republic and China, the number of employees rose by 86 to 1,639 from December 31, 2009 to December 31, 2010. After adjusting for the acquisitions and sourcing measures, the number of employees actually fell by 45.

The personnel expenses in 2010 totaled €92.8m (prior year: €89.9m). After adjusting for the effects of the acquisition and the sourcing measures, personnel expenses were reduced more than two million euros as a result of further dismissing 45 employees, even though there were wage scale increases amounting to approximately €1.0m.

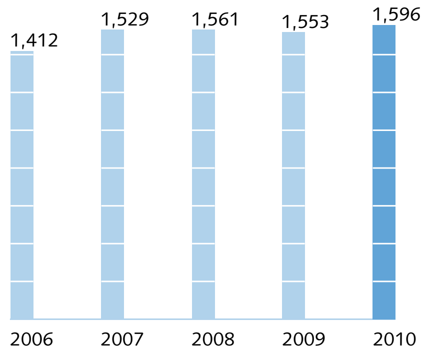
In Germany, the WashTec Group is subject to the collective wage agreements with the trade union, IG Metall. In January 2011, WashTec also implemented the Compensation Master Agreement (Entgelt-Rahmenabkommen or ERA). In 2007, the Company concluded a supplementary collective wage agreement with representatives of IG Metall, which provided for a gradual increase to 37 weekly work hours with no additional pay in return for a commitment to maintain jobs in Germany through 2010. This supplementary collective wage agreement expired at the end of 2010. Despite extensive negotiations between the Company and representatives of the Works Council and IG Metall, no agreement on the renewal of the existing, or conclusion of a new, supplementary collective wage agreement and on securing local employment could be reached.

WashTec's employees are a significant foundation of the Group's commercial success. The satisfaction of WashTec's employees, for example in Germany, is reflected in the low levels of employee turnover, which is 0.9% (prior year: 1.4%), as well as in the long average period of service, which is 17.0 years (prior year: 16.0 years). All executive employees have contracts with fixed and variable remuneration components. The variable remuneration components are linked to the achievement of Group operating targets and to individually agreed objectives.

Number of employees

	Dec 31, 2010	Dec 31, 2009	Change
Sales and Service	1,004	920	+84
Production, Technology and Development	480	476	+4
Finance and Administration	155	157	–2
Total	**1,639**	**1,553**	**+86**

Average number of employees by year



1.9 The Company's management systems

The main instruments used for the Company's monitoring and management system are the following:

- extended monthly management board meetings with division heads;
- regular international group management meetings with all of the heads of the operating companies;
- strategic and annual planning, including investment planning, production and capacity planning;
- regular reporting and forecasting, ongoing market analysis;
- regular revenue, sales, order backlog and market share analyses.

The main instruments used for the Company's planning and management system are the following figures and non-financial performance indicators:

Key figures for the Company's planning and management

- EBIT margin
- Operating results per business segment
- Working capital
- Equity ratio and leverage
- Cash flow

Key non-financial performance indicators

- Employee turnover and average period of service
- Customer satisfaction surveys and analyses

WashTec regularly carries out surveys by which the Company evaluates customer satisfaction with its products and services. The surveys have shown that the customers are persistently very satisfied with WashTec's performance.

Comparison figures covering multiple years showing employee turnover and average period of service are set forth in the section, »1.8 Employees«.

Multiple year comparison of key planning and management figures

	2010	2009	2008
EBIT margin in %	7.6	5.1	10.3
Equity ratio in %	43.5	42.8	39.0
Cash flow from operating activities in €m	29.1	20.7	33.0

1.10 Organizational structure of the WashTec Group

WashTec AG

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

Since WashTec AG does not have any operations of its own, its net assets, financial position and results of operation depend solely on the financial performance of its subsidiaries. As a result, the information set out below relates mainly to the Group. Information specific to WashTec AG is provided where required. The subsidiaries of WashTec AG are AUWA-Chemie GmbH, WashTec Holding GmbH and WashTec Car Wash Operations GmbH (formally Wesurent car wash marketing GmbH).

WashTec Holding GmbH

With the exception of AUWA-Chemie GmbH and WashTec Carwash Operations GmbH, the WashTec Group's operational interests are held by WashTec Holding GmbH, which is based in Augsburg, Germany. Profit and loss transfer agreements are in place between WashTec Holding GmbH and WashTec Financial Services GmbH as well as WashTec Cleaning Technology GmbH

WashTec Cleaning Technology GmbH

The bulk of operations is performed by WashTec Cleaning Technology GmbH, Augsburg, Germany

The bulk of operations is performed by WashTec Cleaning Technology GmbH, Augsburg, Germany. This is where the key 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 the operating company.

Foreign subsidiaries

The WashTec Group has its own subsidiaries in all of the key European, Northern American as well as Chinese and Australian markets. Subsidiaries in the US, Canada, Australia, Spain, the UK, France, Belgium, Denmark/Norway, Sweden, Austria, Italy and the Netherlands are responsible for selling and servicing WashTec products. Furthermore, the US subsidiary assembles car wash equipment geared primarily towards the Northern American market. The subsidiary in China serves mostly as a supplier of components and should also serve over the mid-term as a distribution platform for the Asian market. The Czech subsidiary manufactures customized components for final assembly in Augsburg.

WashTec Financial Services GmbH

WashTec Financial Services GmbH brokers for customers of the WashTec Group customized instruments for financing the acquisition of WashTec products. It receives a brokerage commission from the lenders involved in the financing deals; most of those lenders are commercial leasing entities.

AUWA-Chemie GmbH

AUWA-Chemie GmbH develops, manufactures and sells chemical products for car wash equipment using its own distribution organization within Germany and distribution partners throughout Europe. A profit and loss transfer agreement is in place between AUWA-Chemie GmbH and WashTec AG.

WashTec Carwash Operations GmbH

In June 2010, »Wesurent car wash marketing GmbH« changed its registered name to »WashTec Carwash Operations GmbH«. WashTec Carwash Operations 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 site analyses. A profit and loss transfer agreement is in place between WashTec AG and WashTec Carwash Operations GmbH.

The activities, revenues and earnings of AUWA-Chemie GmbH, of WashTec Financial Services GmbH and of WashTec Carwash Operations GmbH are described in the segment reporting section under the area »Others«.

1.11 Declaration on corporate management (including corporate governance report)

The principles of responsible and good management dictate the actions taken by the management and supervisory board of WashTec AG. This declaration represents the management board's report pursuant to sec. 289a (1) of the German Commercial Code [Handelsgesetzbuch or HGB] on its management of the Company. The management and supervisory boards hereby simultaneously file their report pursuant to section 3.10 of the German Corporate Governance Code (the »Code«) concerning the corporate governance of the Company.

The management and supervisory board of WashTec AG identify with the objectives of the Code, which encourage responsible, transparent corporate management and supervision aimed at achieving a sustainable increase in shareholder value.

In the fiscal year under review, the management and supervisory board once again gave their careful attention to satisfying the requirements of the Code, including, in particular, the new requirements in the Code as amended on May 26, 2010.

WashTec AG is implementing the recommendations of the Code in substantial respects

After careful consideration, WashTec AG has decided not to implement all of the recommendations of the Code. Instead, the Company will continue to systematically apply corporate governance where it suits the size, type and structure of WashTec. However, in substantial respects, the recommendations and suggestions of the Code, as amended on May 26, 2010, have been implemented.

Any deviations from individual recommendations of the Code were disclosed in the Declaration of Conformity, issued by the management and supervisory board on December 9, 2010, which is reproduced on pp. 55f.

The Declaration of Conformity is also published on WashTec's website under Investor Relations (www.washtec.de). Declarations on corporate governance that are no longer current will remain available from WashTec's website for a period of at least five years.

Corporate and managerial structure

Supervisory board

Efficiency and professional expertise characterize the work of the supervisory board.

The work of the supervisory board is characterized by efficiency and professional expertise. Each member of the supervisory board is responsible for particular areas within the framework of overall management responsibility, depending on his particular expertise. In addition to his role as the chairman of the supervisory board, Michael Busch is responsible for sales and marketing as well as organization, personnel, group intercompany projects, supply chain, product development and strategy. Jürgen Lauer assumes the role of the supervisory board's »Financial Expert« and is responsible for compliance. Massimo Pedrazzini, who joined the Board as Mr. Lacher's successor as of May 5, 2010, represents a major shareholder of WashTec on the supervisory board and is responsible for Investor Relations and acquisitions.

In the supervisory board's opinion, the composition of the supervisory board as a whole should be based on the Company's corporate purpose, the size of the Company, the composition of the staff and on the international business activity of WashTec. In accordance with its recommendation under sec. 5.4.1 of the Code, the supervisory board at its meeting on December 9, 2010 resolved to set the following specific objectives with respect to its composition, which include the following elements:

- at least one supervisory board position for persons, who embody the criteria for internationality in a particular way, such as by way of foreign citizenship or relevant overseas experience;
- at least one supervisory board position for persons, who are neither an advisor to, nor board member of, customers, suppliers, creditors or other business partners of the Company.

Taking into account the special situation at WashTec, the supervisory board believes that each aforementioned quota is reasonable.

The supervisory board already satisfies the aforementioned goals in its current composition and intends to factor in these elements during the next supervisory board election in 2012 or in the event a supervisory board member resigns before his or her term has ended. The same rule applies to proposals made in the event of a judicial appointment.

In selecting suitable candidates, the supervisory board shall also consider women if suitable qualifications and skills exist.

The supervisory board shall also comply with the age limit set forth in its internal rules of procedure, according to which no person should be nominated for membership on the supervisory board if he or she is more than 75 years of age.

The supervisory board oversees and advises the management board as it manages the Company's business. At regular intervals, the supervisory board holds discussions with respect to the Company's business development and planning as well as its strategy and the implementation thereof. The supervisory board reviews the Company's quarterly and semi-annual reports and approves WashTec AG's annual financial statements, as well as those of the Group. It monitors the Company's compliance with legal norms, regulations and internal corporate guidelines (compliance). Its scope of responsibilities further includes appointing the members of the management board as well as defining their areas of responsibilities. In addition, the supervisory board adopts resolutions on, and regularly reviews, the system of compensation 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 its approval.

The supervisory board is governed by internal rules of procedure, in particular pertaining to the notice and conduct of meetings, the adoption of resolutions and the manner in which conflicts of interest should be handled.

The supervisory board has adopted internal rules of procedure governing the work of the management board; in particular, these rules define the areas of responsibility for the members of the management board, set forth the matters that are reserved for decision by the full management board, the matters needing approval of the supervisory board and set quorums for management board resolutions.

The management and supervisory boards cooperate closely in the best interests of the Company. No conflicts of interest on the part of members of the management or supervisory board requiring disclosure to the supervisory board arose. 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, which consists of two members, is a corporate constitutive body of the Company and is required to act in the Company's best interests. The orientation pursued by the management board in the exercise of its responsibilities is directed toward a sustained increase in shareholder value. It is responsible for specifying the principles of the Company's corporate policies in cooperation with the supervisory board, and bears responsibility for the Company's strategic focus, for planning and setting the Company's budget, for allocating resources and performing oversight over department 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 compliance with these by all corporate group affiliates. It reports to the supervisory board at regular intervals and in a timely and comprehensive manner with respect to all questions of strategy and strategic implementation, planning, the Company's financial position and results of operations, compliance, as well as risk and risk management situation, which are of relevance to the Company and the Group.

As of September 1, 2010, Houman Khorram – who has been working for the WashTec Group since 2004 – assumed the position WashTec AG's CFO in succession to Christian Bernert. Christian Bernert decided on his own accord to resign from the Company in order to pursue a new professional opportunity. Mr. Khorram has assumed responsibility for Finance, General Services, Service Support and Business Development as well as Product Development. The Supply Chain area – together with Sales and Service – will be managed by Mr. Thorsten Krüger, CEO of WashTec AG. Mr. Krüger also acts as the Spokesman of the management board.

Reported securities transactions (»Directors' Dealings«)

Pursuant to sec. 15a of the German Securities Trading Act [Wertpapierhandelsgesetz or WpHG], members of the management and supervisory board have an obligation to disclose their purchase or sale of the securities of WashTec AG or financial instruments based thereon, to the extent the value of the purchase and sale transactions executed by that board member and persons closely related to him or her reaches or exceeds the sum of €5,000 during a single calendar year. No such transactions were reported to WashTec AG during the fiscal year under review.

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

Shareholdings of the management and supervisory boards

The former management board member Christian Bernert had held 33,794 shares of WashTec AG until his resignation on August 31, 2010. As of December 31, 2010, the CFO of WashTec AG, Houman Khorram, held 390 shares of WashTec AG, which he had already acquired prior to his appointment to the management board. In addition, as of December 31, 2010, Massimo Pedrazzini, who is a member of the WashTec AG supervisory board, held 2,251 shares of WashTec AG, which he had acquired prior to his election to the supervisory board. Mr. Pedrazzini is also Chairman of the Board of Directors of Sterling Strategic Value Limited. According to its notification dated 01 April 2010 this company held a share of 2,142,868 (15.33%) of the voting rights in WashTec AG as of 30 March 2010. The other management board and supervisory board members did not hold any shares in WashTec AG as of December 31, 2010.

Shareholders and annual general meeting

WashTec AG reports to its shareholders in the form of quarterly financial reports, which provide detailed information on business developments as well as the financial situation and results of operations of the Company. The Company's investor relations activities involve regular talks with analysts and institutional investors. In addition, when the Company's quarterly figures are published, the Company holds a conference call for analysts. In September of 2010, numerous one-on-one talks were held during the automechanika trade fair. WashTec AG also attends a number of analysts' conferences during the course of the year. In 2010, it sent representatives to, inter alia, the German Equity Forum (Deutsches Eigenkapitalforum) and the German Investment Conference.

The annual general meeting of shareholders of WashTec AG takes place in the first five months of the fiscal year, usually in May. The annual general meeting adopts resolutions, inter alia, on the appropriation of distributable profit, the ratification of the acts taken by the management and supervisory board, and the selection of the Company's auditors. Amendments to the Company's articles of association and the granting of authority to engage in measures effecting changes to the Company's capital are resolved exclusively by the annual general meeting of shareholders and are implemented by the management board. WashTec AG offers its shareholders prior to the annual general meeting the option of authorizing a proxy, who is appointed by the Company but bound by the instructions issued by the shareholder in question.

All documents relevant to the annual general meeting of shareholders are available for downloading from the Internet

In 2010, as in years past, WashTec AG made all of the documents relevant to its annual general meeting available on the Internet in German and in English. This means that WashTec AG's homepage offers a comprehensive information platform for both national and international investors with respect to its annual general meeting. WashTec AG does not broadcast its annual general meeting on the Internet and does not electronically transmit notices of such meetings.

Risk management

Dealing responsibly with commercial risks is one of the basic principles of good corporate governance. The management board has intra-group and company-specific reporting and management systems at its disposal which permit it to identify, evaluate and manage these risks. These systems are continuously developed and adapted to changes in the business and legal environment. The management board informs the supervisory board regularly as to existing risks and as to developments regarding such risks.

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 secs. 289 (5) and 315 (2) no. 5 of the German Commercial Code (HGB) on the internal monitoring and risk management system as it relates to accounting matters.

Compliance

Corporate Governance Guidelines

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 operation through financial reporting and by holding press conferences on its financial statements as well as through conference calls. WashTec also publishes press releases and ad-hoc disclosures. All notices and disclosures, the articles of association of WashTec AG, all of its Declarations of Conformity, its corporate governance report (as a part of the Annual Report) and further documents concerning corporate governance (e.g., the WashTec Code of Ethics) are available for download from the Investor Relations section at www.washtec.de.

Compliance organization has been established

WashTec has established a compliance organization, which is intended to ensure that all of the legal and regulatory requirements are observed. The management and supervisory board regard the compliance organization as a major element of the structure of management and control at WashTec. The detailed report on internal compliance within the Group is thus a regular part of the meetings of the supervisory board. In addition, a detailed compliance report is prepared each year.

All of the executive managers have acknowledged the Code of Ethics by their signature

The strategic guidelines and the WashTec 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 dealing with such matters 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, as well as the members of the management board. The members of the supervisory board observe these rules to the extent they are applicable to them. All of the executives and officers throughout the Group have acknowledged the Code of Ethics by their signature. This acknowledgement of the Code of Ethics is renewed regularly.

The list of insiders mandated under 15b WpHG is maintained and updated on a regular basis. The individuals recorded in the list of insiders are informed of their resulting duties.

Any transactions by executives and officers (so-called »Directors' Dealings«), which must be reported, are published (see p. 54). The individuals at WashTec, who are affected thereby, are also informed about their duties with respect to directors' dealings.

The shareholdings of management and supervisory board members are published both in the Company's Annual Report and on Investor Relations section of the Company's website at www.washtec.de, provided that the requirements of section 6.6 of the Code have been met. The »Annual Document«, within the meaning of sec. 10 of the German Securities Prospectus Act (WpPG), summarizes all of the publications of WashTec AG required under the securities laws and made over the past 12 months and makes them available to the public once a year on the Company's website.

The text below is the wording of the declaration of conformity required under sec. 161 of the German Stock Corporation Act (AktG) as it was issued by the management board and supervisory board on December 9, 2010 and published on the Investor Relations section of the Company's website at www.washtec.de.

»Declaration of Conformity under sec. 161 AktG

The management board and supervisory board hereby declare that WashTec AG complied with the recommendations of the Government Commission of the German Corporate Governance Code (version dated

18 June 2009) from the date on which they issued their last declaration of conformity on 9 December 2009 until 1 July 2010, and that since 2 July 2010, WashTec AG has complied and continues to comply with the version of the German Corporate Governance Code dated 26 May 2010. The following exceptions have applied and continue to apply:

- Since 1 July 2010, the D&O insurance policy taken out by the Company for the members of its management board and supervisory board provides for a deductible that is consistent with sec. 93 II of the German Stock Corporation Act and with section 3.8, para. 2 and 3 of the Code. Until June 30, 2010, the D&O insurance policy for the management board and supervisory board had not included a deductible (section 3.8, para. 2 and 3 of the Code) because in the opinion of the management board and supervisory board, the agreement of a deductible would not have further helped to promote responsible actions on the part of the members of the management board and supervisory board. The management board and supervisory board generally act in the interests of the Company – thereby taking into account the concerns of the shareholders, the Company's employees and the other groups affiliated with the Company (stakeholders) – in accordance with the applicable laws and the Corporate Governance Code. The supervisory board premium for the D&O insurance policy is borne by the members of the supervisory board themselves.
- Until 22 July 2009, stock option plans were a variable component of the management board remuneration scheme and had a multi-year basis of assessment. No possibilities for restricting extraordinary, unforeseen developments have been put in place (section 4.2.3, para. 3 of the Code). The stock option plans lapsed on July 22, 2009 without the conditions for exercising the options having been satisfied. Since that date, there are still variable components, but there is no more multi-year basis of assessment (section 4.2.3, para. 2 of the Code).
- Since January 1, 2010, the Company has, however, been following the recommendations under section 4.2.3 of the Code in terms of management board compensation. Until January 1, 2010, one management board contract had not provided for a general cap on severance payments (Severance Payment Cap), which was limited to a maximum of two years of annual remuneration, in the event that there was a premature ending of the management board engagement. In the event that there was a premature ending of the management board engagement due to a change of control, the relevant management board contract also did not provide for a limit of up to 150% of the Severance Payment Cap (section 4.2.3 of the Code).
- As the Company's supervisory board comprised and comprises only three members, no committees have been or will be formed (sections 5.3.1, 5.3.2, and 5.3.3 of the Code). The supervisory board does not view such action as necessary given the number of members, and it specifically believes that when there are only three members, the creation of committees would make the work of the body unnecessarily difficult.
- The supervisory board decided to set the qualities of internationality and independence as specific goals in its composition. Because the supervisory board of the Company comprised and comprises only three members and because of the Company's specific situation, no specific goals for the composition of the supervisory board were or have been set, however, which provide for a reasonable participation of women (section 5.4.1 of the Code). The supervisory board believes that it is adequate and reasonable, given the number of board members it has, to take the aforementioned goals, which are based on qualities and skills as well as on internationality and independence, into account when making a preferential selection of suitable candidates and to also consider women if the suitable qualifications and skills exist.

Augsburg, December 9, 2010

WashTec AG
Management Board and Supervisory Board

Further information about corporate governance is available in the 2009 Annual Report pages 35 et seq. as well as in the annual reports of prior years and may be downloaded from www.washtec.de.«

Remuneration report

Remuneration of the management board

The remuneration of the WashTec AG management board as well as the structure of that remuneration are set by the supervisory board and regularly reviewed by it. In conformity with the Corporate Governance Code, the remuneration system is, as a whole, structured in such a way as to take account of the duties of the respective management board member, his personal performance, and the performance of the management board as a whole, as well as the Company's economic situation, success and perspectives for the future.

The remuneration of the members of the management board comports with the statutory requirements of the German Stock Corporation Act as well as, to a substantial extent, with the recommendations and suggestions contained in the Code. The remuneration system was last discussed by the supervisory board at its meeting of December 9, 2010 and adopted by resolution, including the major elements of remuneration (section 4.2.2, para. 1 of the Code). The overall remuneration of the members of the management board is made up of monetary and non-monetary as well as fixed and variable components, and in general, it directly aims at the sustained development of the Company. All of the components of remuneration are structured in such a way that each of them is reasonable both by itself and in the aggregate, and that they do not encourage the taking of unreasonable risks.

Fixed salary

The members of the management board were paid a fixed non-performance related salary amounting to €661,638 in total in 2010 (prior year: €644,999). The fixed remuneration of the management board members also includes benefits in-kind consisting, in particular, of the provision of company cars, insurance coverage and reimbursement for the costs of a second residence. The fixed elements of remuneration ensure that the management board members receive basic compensation permitting them, as they go about discharging their duties, to act in accordance with the well-understood best interests of the Company and with the due diligence of a prudent businessman, without becoming dependent on purely short-term objectives for success.

Short-term variable remuneration – performance related components

The variable remuneration components include annually payable, recurring components linked to business performance. They track the earnings per share (»EPS«) after taxes, as determined pursuant to IFRS, above a base amount set by the supervisory board. By setting a challenging threshold for achieving variable compensation on the basis of actual earnings per share, WashTec grants its management board members a variable component of compensation which takes account of both favorable and unfavorable developments (section 4.2.3, para. 2 of the Code).

The entire short-term remuneration paid to the management board during the 2010 fiscal year is set forth below.

EPS in €	Base amount	Multiplier
Thorsten Krüger	0.60	4,000
Christian Bernert (through Aug 31, 2010)	0.60	3,000
Houman Khorram (since Sep 1, 2010)	0.60	3,000

	2010	2010	2009	2009
Remuneration in €k	Fixed	Variable	Fixed	Variable
Thorsten Krüger	445	68	429	0
Christian Bernert (through Aug 31, 2010)	141	34	216	0
Houman Khorram (since Sep 1, 2010)	76	17	–	–
Total	**662**	**119**	**645**	**0**

Components with long-term incentive

Until July 22, 2009, stock option plans were available for directors as a component of variable remuneration calculated over a period of multiple years. These stock option plans did not provide any limitation opportunities in the event of extraordinary, unforeseen developments (section 4.2.3, para. 3 of the Code). The stock option plans expired on July 22, 2009 without the preconditions for exercising the options having been met. Since that time, there have been no components of variable remuneration that are calculated over a period of multiple years (4.2.3, para. 2 of the Code).

	Option holdings Jan 1, 10	Option holdings Dec 31, 10	Expense in €k 2010	Expense in €k 2009
Thorsten Krüger	0	0	0	285
Christian Bernert (through Aug 31, 2010)	0	0	0	61
Houman Khorram (since Sep 1, 2010)	0	0	0	–
Total	**0**	**0**	**0**	346

Benefits following termination of employment

Pensions and pension commitments

In the realm of retirement pensions, agreements have been put in place to provide special benefits to the members of the management board in the form of contribution-oriented pension commitments, under which the annual contribution does not total more than one-third of the director's annual fixed remuneration. No defined-benefit obligations have been made.

If the beneficiary dies during the term of the management board agreement, then his wife will have a right to claim the full amount of the fixed salary for up to six months thereafter.

Contribution-oriented pension commitments in €k	2010	2009
Thorsten Krüger	71	56
Christian Bernert (through Aug 31, 2010)	21	0
Houman Khorram (since Sep 1, 2010)	0	–
Total	**92**	**56**

Other benefits in connection with the termination of employment

The contracts currently in place with both members of the management board provide for remuneration, which is equal to 50% of the last short-term remuneration drawn by them and which serves as consideration for securing the enforceability of a contractually agreed prohibition on competition following termination of their employment relationship.

Both management board employment contracts provide for any general cap on financial settlements (severance cap) limiting payments to a maximum of two annual salaries in the event of premature termination of the director's office. Likewise, in the case of premature termination of a board member's term of office due to a change of control, the relevant management board employment contract limits such payments to a maximum of 150% of the severance cap (section 4.2.3 of the Code).

Miscellaneous

The members of the management board do not receive any loans or other indemnities from the Company.

Supervisory board remuneration

The remuneration of the supervisory board is specified in sec. 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 €10,000. In addition, each member of the supervisory board receives performance-based remuneration of €800 for each cent that the consolidated results determined in accordance with IFRS exceed the amount of €0.50 per share. The basic fixed and variable remuneration for an ordinary member of the supervisory board is limited to a maximum of €100,000. In accordance with sec. 8.16 of the Articles of Association of WashTec AG, the supervisory board chairman receives twice the amount of the fixed salary and variable components, while the deputy chairman receives one-and-one-half that amount. The Company has not paid any remuneration or granted any benefits to the members of the supervisory board during the 2010 fiscal year for services rendered personally by them (section 5.4.6 of the Code).

2010 in €k	Fixed	Variable	Total
Michael Busch	20	43	63
Jürgen Lauer	15	32	47
Roland Lacher (through May 5, 2010)	3	7	10
Massimo Pedrazzini (since May 5, 2010)	7	15	22
Total	**45**	**97**	**142**

2009 in €k	Fixed	Variable	Total
Michael Busch	20	0	20
Jürgen Lauer	15	0	15
Roland Lacher	10	0	10
Total	**45**	**0**	**45**

1.12 Disclosures in accordance with secs. 289 (4) and 315 (4) HGB – Explanatory Report by the management board

The following text includes the disclosures in accordance with secs. 289 (4) and 315 (4) HGB.

Sec. 315 (4) no. 1 HGB »Subscribed capital«

The Company's subscribed capital totals €40,000,000 and is divided into 13,976,970 no-par value bearer shares, with each share granting the same rights, in particular the same voting rights. There are no different classes of shares. The management board is not aware of any restrictions affecting the voting rights or the transfer of shares. There are no shares carrying special rights granting their holders power of control.

Sec. 315 (4) no. 2 HGB »Restrictions regarding voting rights or transfer«

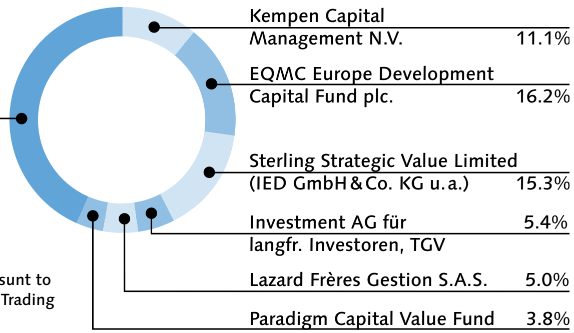
In accordance with sec. 71 b AktG, the Company has no rights pertaining to any treasury shares it acquires. In all other respects, each share has one vote. To the management board's knowledge, there are no restrictions on voting rights or restrictions pertaining to the transfer of shares.

Sec. 315 (4) no. 3 HGB »Direct or indirect capital participations«

To the knowledge of the management board, approx. 43% of the Company's shares are in free float. Companies that hold either direct or indirect equity stakes exceeding 10% of the voting rights are EQMC Europe Development Capital Fund plc (16.2%), Sterling Strategic Value Limited (15.3%) and Kempen Capital Management N.V. (11.1%).

The Company's voting rights are currently distributed as follows (sec. 315 (4) no. 3 HGB):

Shareholder structure (as of February 24, 2011)



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

Sec. 315 (4) no. 4 HGB »Bearers of shares with special rights«

There are no bearers of shares with special rights granting the power of control.

Sec. 315 (4) no. 5 HGB »Control of voting rights, where employees hold a share in the company's capital«

No employees hold a share in the Company's capital.

Sec. 315 (4) no. 6 HGB
»Appointment and dismissal of management board members and amendments to the Articles of Association«
The appointment and dismissal of members of the management board is based on secs. 84 and 85 AktG as well as on sec. 7 of the Articles of Association of the Company. Pursuant to sec. 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 Articles of Association and with the current internal rules of procedure of the management board, the latter currently comprises two members, one of whom has been appointed spokesman by the supervisory board. The Articles of Association do not set out any special requirements with respect to the appointment and dismissal of one or all of the members of the management board. The supervisory board is responsible for appointments and dismissals. The supervisory board appoints members of the management board for a maximum term of five years. Members may be reappointed to the management board or have their term of office extended for a maximum of five years in each case.

Amendments to the Articles of Association are made pursuant to secs. 179 and 133 AktG and secs. 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 majority requirement to the extent allowed by law. The supervisory board is authorized to make only formal amendments to the Articles of Association.

Sec. 315 (4) no. 7 HGB »Powers of the management board to issue and buy back shares«
Authorized capital (sec. 5.1 of the Articles of Association of WashTec AG)
Pursuant to a resolution adopted by the annual general meeting of shareholders held on May 5, 2010, the management board was authorized, with the consent of the supervisory board, to increase on one or more occasions the Company's registered share capital by up to a total of €12,000,000 on or before May 4, 2013 by issuing new no-par value bearer shares in exchange for cash or non-cash contributions, although credited against the aforementioned authorized amount at the time the new shares are issued will be the pro rata amount of the registered share capital that is attributable to those no par-value bearer shares, on which the conversion rights or duties or the option rights or duties exist, which were granted during the period of this authorization based on the authorizing shareholder resolution adopted on May 5, 2010 under agenda item 9; if the foregoing conversion rights or duties or option rights or duties no longer exist because they had been exercised as of the time the new shares are issued, then the shares issued thereunder must be taken into account. In this respect, the shareholders must generally be granted pre-emptive rights, unless otherwise provided. The new shares may also be underwritten by one or more banks, which are commissioned by the management board and then subject to an obligation to offer these shares to the shareholders for subscription (indirect preemptive right). However, the management board is also authorized (subject to the approval of the supervisory board) to exclude shareholders' pre-emptive rights in certain cases as set out in sec. 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 react rapidly and flexibly to growth opportunities and opportunities that arise on the capital markets.

Contingent capital (sec. 5.2 of the Articles of Association of WashTec AG)
Pursuant to a resolution adopted by the annual general meeting of shareholders held on May 5, 2010, the Company's registered share capital was conditionally increased by up to €12,000,000, divided into up to 4,193,091 no-par bearer shares (Contingent Capital I), although credited against this pro rata amount of the registered share capital will be the amount by which the registered share capital is increased on the basis of § 5.1 of the Articles of Association (Authorized Capital); any

such credit will be made when the applicable resolution for increasing capital is adopted. 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 their conversion or option rights under warrant-linked or convertible bonds, participation rights or participating bonds (or a combination of such instruments), which are issued in exchange for cash capital contributions and are issued or guaranteed on or before May 4, 2013 by the Company or by a downstream group enterprise of the Company based on the authorization granted to the management board by the annual general meeting on May 5, 2010, make use of their option or conversion rights or, 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 – 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 authorization 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

Pursuant to a resolution by the annual general meeting of shareholders on May 5, 2010, the management board was authorized to acquire, on or before May 4, 2013, 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 €40,000,000 of registered share capital. The total treasury shares, which are acquired under this authorization and the other treasury shares, which are held by the Company or attributable to the Company in accordance with sections 71d et seq. of the German Stock Corporation Act (AktG), may at no time exceed 10% of the respective registered share capital. The management board can opt to acquire these shares on the stock exchange, by means of a public purchase offer to all shareholders or by means of a public invitation to submit sale offers directed at all shareholders. The exact terms and conditions for the purchase are set forth in the invitation to WashTec AG's ordinary annual general meeting of the shareholders in 2010.

Sec. 315 (4) nos. 8 and 9 HGB »Material contracts which are subject to a change of control provision in connection with a takeover offer«

Individual contracts concluded by the WashTec Group (e.g. loan agreements) provide for the option of extraordinary termination in the event of a change of control.

Furthermore, the management staff itself may change in the event of a takeover. The current members of the management board may terminate their employment contracts by giving 12 months' notice or within 6 months following a change of control, upon 3 months' notice, insofar and as soon as a shareholder acquires, either directly or indirectly, more than 50% of the voting rights in the Company. The members of the management board have been contractually granted a severance payment package consisting of two year's fixed salary plus ancillary expenses in the case of a termination of their employment contracts following a change of control. The attribution rules under sec. 22 WpHG apply accordingly. The terms described reflect current legislation and are similar to those in place for similar, listed companies. They are not intended to impede any takeover attempts.

2. Results of operation, net assets and financial position

2.1 Results of operation

Revenues and earnings improve significantly despite difficult market environment

- Revenues increase to €268.4m
- EBIT +55% to €20.3m, EBIT margin reaches 7.6%
- Equity ratio climbs to 43.5%, net finance debt was lowered to €26.6m
- Net cash flow at €29.1m

2.1.1 Key WashTec group projects in 2010

Acquisitions in Australia, Canada and Scandinavia

- **Acquisitions**

In the course of 2010, WashTec AG made a number of regional acquisitions thereby solidifying its position as market leader and creating the basis for future growth.

Australia

On April 1, 2010, »WashTec Australia Pty Ltd«, the newly formed Australian subsidiary of WashTec Cleaning Technology GmbH, purchased substantially all of the assets of its former Australian dealer. The investment in the Australian market serves the purpose of securing WashTec equipment sales in that area, guaranteeing equipment availability for its customers and solidifying relations with the major customers.

Canada

On April 20, 2010, WashTec's US subsidiary, Mark VII Equipment Inc., formed its own subsidiary (WTMVII Cleaning Technologies Canada Inc.). The assets of numerous sales and service organizations were acquired in various Canadian provinces during the remaining part of 2010. These acquisitions allow WashTec to expand its market share in Canada, implement the framework agreement with Shell which has been in place in the region since 2010, and offer customers high value services on a nationwide basis. WashTec is the only supplier in the market which maintains an almost nationwide network of direct sales and service and can supply the market with products from its American production site in a timely manner.

Scandinavia

On October 4, 2010, WashTec acquired, as of January 1, 2011, the substantial assets of the product development department and sales department of Adekema, one of the leading chemical suppliers in Scandinavia. These assets include seven employees, the customer base, the product formulas and the direct sales platform. In order to exploit economies of scale and the existing logistics network, WashTec transferred the production as well as the logistics management for the Scandinavian market for car wash chemicals to the Flügger Group as part of a strategic cooperative venture. The Flügger Group produces and sells high-end paints, wallpaper and tools, employees over 1,400 staff members and has 272 shops in Scandinavia and other European countries.

Given the special climate conditions in Scandinavia, the Scandinavian market for car wash chemicals requires special chemical products that satisfy the specific needs for car washing in that region. In addition, the geography there necessitates a comprehensive logistics network.

- **Innovations**

Once again in 2010, WashTec was able to validate its position as the innovation leader in the car wash industry through numerous product innovations and improvements.

Northern America

Thus, for example, WashTec was able in 2010 to complement its product portfolio in Northern America. The new car wash facility, TurboJet XT, was exhibited for the first time at the Car Care World Expo in Las

Vegas in May. This unique product uses the »Turbo Technology« of Mark VII and therefore offers a more enhanced cleaning impact while consuming less water and therefore generates lower operating costs relative to comparable equipment. In developing the equipment, the experience from the research group at Mark VII was successfully combined with the technology know-how from Europe, thereby creating a product which is well ahead of the competition's standards.

Europe

»Exceeding expectations«: This was the motto under which WashTec exhibited its entire range of products including more than 20 product innovations to a large international audience at the world's largest industry trade fair, automechanika, which was held in Frankfurt am Main from September 14 through September 19, 2010. The innovations included the new basic roll-over carwash known as »Easy Wash«, which is particularly well-suited for sites with fewer washes (such as car dealers) or the completely revised car wash tunnel known as »SoftLine²«, which has a number of new details and a new design. The wash chemicals subsidiary, AUWA, presented amongst others »ShineTecs«, a car polish which, when used regularly, smoothes out micro-scratches in the vehicle enamel and ensures more gleam. All innovations found a lot of approval with our visitors.

Efficiency

Materials procurement

WashTec Cleaning Technology s.r.o., which had been formed in the Czech Republic in early 2009, was built out further during the course of the year. As part of insourcing, an increasing number of customer-specific components have since been supplied from this location for final assembly in Augsburg. The procurement of components from Asia also increased. Our Chinese location serves here as a bridge head.

Optimization of sales and production structures

By initiating additional efficiency measures with respect to the sales structure in Germany and by further outsourcing the production of individual components in our plant in the Czech Republic, it was possible to substantially reduce the number of employees in these areas.

Basic equipment for the Chinese market

In 2010, we developed our product »PandaWash«, which was specifically tailored to the needs of the Asian market and is slated for a launch as an entry model in that market. The first test machines were already commissioned.

Optimizing IT system landscape

In 2010, WashTec continued to simplify and optimize the IT landscape in its international subsidiaries.

2.1.2 Company situation and development of its business

The following examines the WashTec Group's business developments. WashTec AG is not itself an operating entity and earns income exclusively from dividends paid by WashTec Holding as well as from profit transfers made by WashTec Carwash Operations GmbH and AUWA-Chemie GmbH. Thus, the following discussion relates primarily to the Group. To the extent necessary, any discussion about AG will be dealt with separately.

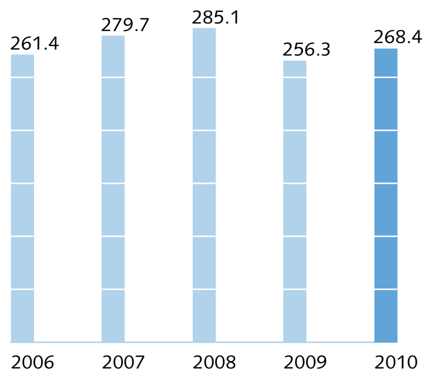
Revenue development

4.7% revenue increase to €268.4m

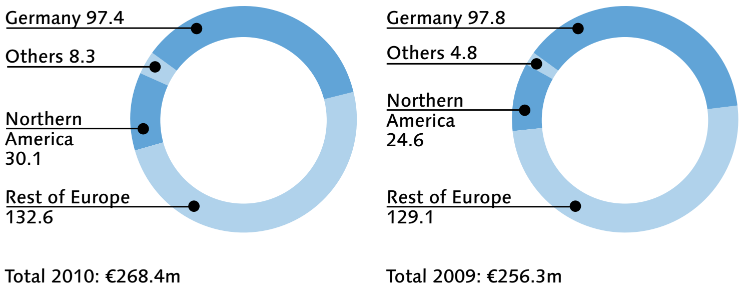
The WashTec Group's revenues totaled €268.4m and were therefore €12.1m or 4.7% higher than last year's figure of €256.3m. In the fourth quarter of 2010, revenues increased by €8.2m or 11.7% over the same period of the prior year (revenues Q4 2010: €78.1m; revenues Q4 2009: €69.9m).

The revenue growth was based for the most part on the acquisitions that were carried out during the course of 2010. After adjusting for the acquisition effects, revenues were €256.5m and thus only slightly higher than the prior year.

Revenues over multiple years (in €m)



Revenues by regions (in €m)



Development in the Northern and Western European markets lagged behind the Company's expectations

In general, the developments in the Northern and Western European markets lagged behind the Company's expectations. The market for car wash equipment remained overall relatively stable here, yet the hoped-for market recovery never materialized.

Due specifically to the expansion of the market position in Canada, revenues in Northern America developed favorably, whereas revenues in the United States once again fell.

The Central and Eastern European markets found stability at a lower level.

In the Asia/Pacific region, revenues in Australia likewise stabilized after the local dealer there entered insolvency and the Group began its own business operations.

In Germany, revenues were €97.4m and therefore slightly below last year's figure of €97.8m. This may be attributed specifically to declining service revenues as a consequence of a very harsh winter, which included large amounts of snow and low temperatures in January and February and in some cases led to temporary closings of wash facilities. In general, the market in Germany nevertheless did remain stable during the financial and economic crisis because the revenues here are dependent primarily on the investment cycles of the oil companies. WashTec's market share remains unchanged here at a very high level.

In the Rest of Europe in the recently completed fiscal year, the financial and economic crisis continued to impact the markets of Southern Europe and Great Britain, whereas the market in the rest of Western Europe remained relatively stable. In Scandinavian countries, there was even a slight market recovery reported. Due mainly to the additional market share gained in Southern Europe, revenues totaled €132.6m, and were therefore almost 3% higher than the prior year (prior year: €129.1m).

The revenues in the United States continued to decline because the market for car wash equipment is still suffering from the consequences of the financial and economic crisis. Due to the limited financing opportunities and the uncertain economic outlook, investments in new equipment continue to be postponed. In Canada, on the other hand, the Company's successful market penetration is reflected in the revenue figures. Thus, revenues in Northern America increased overall compared to the prior year from €24.6m to €30.1m. In US dollar terms, the regional revenues equaled USD 39.8m (prior year: USD 34.3m).

Revenues in the region »Rest of the World« rose from €4.8m to €8.3m primarily as a result of the acquisition in Australia.

Revenues by segments

in €m	2010	2009
»DACH« area	104.0	104.1
»CEE« area	8.7	8.4
»RoW« area	149.9	138.7
»Others«	12.2	11.6
Consolidation	–6.4	–6.5
Group	**268.4**	**256.3**

Revenues in the **»DACH« area** [Germany (D), Austria (A), Switzerland (CH)] as of December 31, 2010, equaled €104.0m and were therefore on prior year's level (€104.1m).

Revenues in Central and Eastern Europe **(»CEE« area)** rose slightly from last year and equaled €8.7m at the end of 2010 (prior year: €8.4m).

Revenues in the other countries **(»RoW« area)** rose by €11.2m to €149.9m (prior year €138.7m), specifically as a result of the acquisitions and gain in market share.

The revenues and results of AUWA-Chemie GmbH, WashTec Financial Services GmbH and WashTec Carwash Operations GmbH are presented in the segment reporting under the **»Others« area**. Revenues there rose by €0.6m to €12.2m (prior year: €11.6m).

Revenues by products

Revenues in all product groups higher than prior year

in €m	2010	2009
New equipment and used equipment	154.9	149.0
Spare parts, service	86.5	82.9
Chemicals	18.0	16.3
Operations business and others	9.0	8.1
Total	**268.4**	**256.3**

WashTec was able to generate revenues above the prior year's level for all product groups in 2010. Thus, for example, new equipment and used equipment revenues rose by 4% from €149.0m to €154.9m.

The continued profitable wash business can be seen in the revenue increase in the areas of services and chemicals. The revenues from services climbed by €3.6m to €86.5m (prior year: €82.9m), and revenues from wash chemicals equaled €18.0m and were therefore €1.7m higher than the prior year (prior year: €16.3m).

Revenues from the operations business and others rose to €9.0m because of new sites (prior year: €8.1m).

Order backlog as of December 31, 2010 significantly higher than prior year (due mostly to acquisitions)

The Company is currently reporting a significantly higher order backlog compared to the prior year. The increase for the most part can be attributed to the acquisitions and new market entries. The equipment order backlog for 2011 (after adjusting for the acquisitions) is only slightly higher than the prior year and therefore meets the Company's own expectations. Since WashTec's orders are generally put through within six to ten weeks, the existing order backlog is not an indication of how the entire 2011 fiscal year will develop.

WashTec AG's revenues (as defined under the HGB) rose by €0.5m to €1.5m (prior year: €1.0m).

Improved efficiency leads to rise in earnings

Results of operation

in €m	2010	2009	Change
EBITDA	29.9	22.2	+34.7%
EBIT	20.3	13.1	+55.0%
Adjusted EBIT	20.3	14.8	+37.2%
EBT	18.6	10.5	+77.1%

Expense items

The **gross margin** increased from €146.9m to €159.0m due to cost savings, which are attributable to the international sourcing activities (specifically in the Czech Republic and China). The **gross margin ratio** was significantly improved from 57.3% to 59.2% by virtue of these measures.

After adjusting for effects of acquisitions and sourcing activities, personnel expenses were reduced by more than two million euro.

Personnel expenses rose from €89.9m in 2009 to €92.8m in 2010 due to scaled wage increases and the increase in the number of employees. After adjusting for the acquisition effects and the sourcing activities and despite scaled wage increases of approximately €1.0m, personnel expenses were reduced by more than two million euro through an additional dismissal of 45 employees. **The personnel expense ratio** (as a percentage of revenues) declined from 35.1% to 34.6%. Personnel expenses (as defined under the HGB) of WashTec AG equaled €1.1m (prior year: €1.3m) and resulted primarily from the remuneration of the management board, which is explained in the remuneration report, and the Investor Relations and Legal departments.

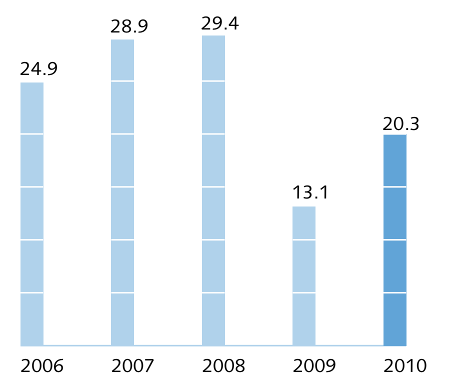
The item **other operating expenses** (including other taxes) totaled €43.1m and was €5.0m higher than the prior year (€38.1m) due above all to the activities in the Czech Republic and China as well as in Australia and Canada. These expenses include €1.2m in trade fair costs related to the automechanika trade fair which is held every two years. After adjusting for the effects from the acquisitions and sourcing activities, the other operating expenses increased only slightly despite price increases (e.g. in fuels). The €0.2m increase in WashTec AG's other operating expenses (as defined under the HGB) to €1.1m (prior year: €0.9m) resulted mostly from the performance-related variable supervisory board remuneration and an increase in legal and consulting costs.

EBITDA

Earnings before interest, taxes, depreciation and amortization (EBITDA) rose to €29.9m and was therefore 34.7% higher than the prior year (€22.2m).

Depreciation and amortization rose to €9.6m due to investments made in the prior year (prior year: €9.2m).

EBIT over multiple years (in €m)



EBIT

EBIT roughly 55% higher at €20.3m

The earnings before interest and taxes (EBIT) increased by 55% to €20.3m (prior year: €13.1m), and the EBIT margin equaled 7.6% (prior year: 5.1%). The favorable earnings effect of the international sourcing activities – as previously communicated – declined slightly in the second half of 2010 because the first measures had already been implemented by mid-2009 and had already improved results since the third quarter of the prior year.

EBIT by segments

in €m	2010	2009
»DACH« area	10.2	3.4
»CEE« area	1.2	1.5
»RoW« area	8.5	8.6
»Others« area	2.0	2.0
Consolidation	–1.6	–2.4
Group	**20.3**	**13.1**

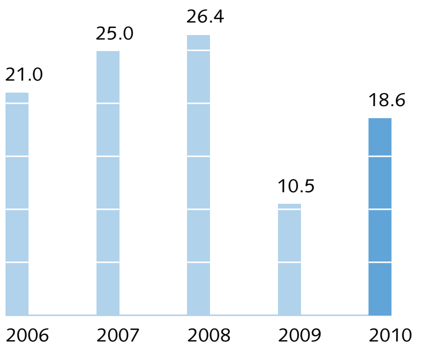
Non-recurring effects

Positive and negative non-recurring effects in the amount of €0.9m each

In 2010, the Company booked a total of € –0.9m in non-recurring effects in connection with acquisitions (€ –0.3m) and severance payments (€ –0.6m). These charges are offset by non-recurring effects from exchange rate adjustments in the amount of € +0.9m. In the prior year, there had been non-recurring effects in the amount of €1.7m for write-downs of receivables and restructuring costs. Since positive and negative non-recurring effects cancelled each other out in 2010, the adjusted EBIT matches the non-adjusted EBIT. In the prior year, the adjusted EBIT was €14.8m, and the adjusted EBIT margin was 5.8%.

Net financial expense was further reduced from €2.6m to €1.8m because of lower credit line utilization.

EBT over multiple years (in €m)



Earnings before taxes (EBT) equaled €18.6m (prior year: €10.5m).

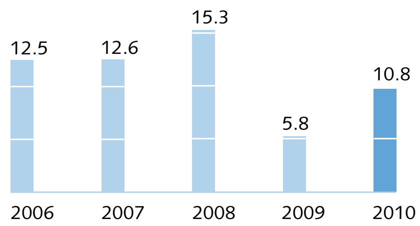
Taxes equaling €7.8m (prior year: €4.8m) consist of the use of deferred tax credits and current tax expenses. The tax rate fell from 45.7% to 41.9%.

Loss carry-forwards are held mainly by German companies and were applied in part in 2010. These deferred taxes are calculated at a tax rate of 30.7% (prior year: 30.7%). The other tax expenses or income relate to foreign subsidiaries or to tax payments based on minimum taxation in Germany.

Increase in consolidated net income by €5.0m to €10.8m

Consolidated net income after taxes rose by €5.0m to €10.8m (prior year: €5.8m). The **earnings per share** (diluted = undiluted) increased to €0.77 (prior year: €0.41) on the basis of the unchanged number of shares of approximately 14.0m. The annual profit of WashTec AG rose from €0.1m to €0.4m.

Annual net income over multiple years (in €m)



2.2 Net assets and financial position

2.2.1 Net assets

		2010	2009	2008
Non-current assets	€m	110.0	108.3	108.5
Receivables and other assets	€m	45.9	37.3	42.7
Inventories	€m	37.4	32.5	34.6
Deferred tax assets	€m	7.0	7.6	10.0
Cash and cash equivalents	€m	15.3	13.8	6.4
Other	€m	1.5	0.4	0.6
Equity	€m	94.4	85.6	79.1
Provisions (incl. income taxes)	€m	22.3	21.0	24.4
Liabilities	€m	85.6	83.7	92.8
of which trade payables	€m	9.5	3.4	8.8
Deferred revenue	€m	10.2	9.6	6.5
Deferred tax liabilities	€m	4.6	0.0	0.0
Balance sheet total	**€m**	**217.1**	**199.9**	**202.8**

Increase in balance sheet total to €217.1m

The **balance sheet total** for the WashTec Group rose from €199.9m to €217.1m.

WashTec Group's **non-current assets** include goodwill totaling €58.2m (prior year: €57.2m) which is subject to annual impairment testing by management. The impairment test of capitalized goodwill is based on a mid-term forecast for the period 2011 through 2013 at the group level. In accordance with IAS 36, there is presently no need for an impairment write-down. Non-current assets also include other items such as »real properties and buildings« (€19.7m), »technical equipment and machines« and »financial leases« (€18.6m), and »intangible assets (excluding goodwill)« (€9.9m). The non-current assets of WashTec AG mainly consist of shares held in affiliated companies totaling €128.0m (prior year: €128.0m) (as defined under the HGB). Management also subjects the shares held in affiliated companies to an annual impairment test. No need for any write-down can be currently identified.

As of the balance sheet date, **receivables and other assets** increased primarily as a result of acquisitions from €37.3m to €45.9m.

Inventories rose from €32.5m to €37.4m due to the expansion and commencement of the Group's activities in the Czech Republic, China, Australia and Canada.

Deferred tax assets, which are attributable primarily to losses sustained in Germany between 2002 and 2003, declined from €7.6m to €7.0m.

As of the balance sheet date, **cash and cash equivalents** rose from €13.8m to €15.3m due to payments received.

Equity ratio is 43.5%

As a result of the favorable earnings trend, **equity** climbed from €85.6m to €94.4m. Based on the income and expenses directly recognized in equity capital under IFRS (see statement of change of equity capital), the change in equity capital does not coincide with the results for the period. The equity ratio is 43.5% (prior year: 42.8%). In WashTec AG, the equity capital as defined under the HGB was €135.6m (prior year: €136.8m). This yields an equity ratio of 99.1% (prior year: 92.4%).

Net bank debt (long-term and short-term bank debt less bank credit balances) was €17.4m and therefore significantly below the prior year (€26.9m).

Net finance debt (net bank debt plus long-term and short-term finance leasing debt) was €26.6m and therefore €10.4m below the prior year (€37.0m).

Trade payables rose as of the balance sheet date from €3.4m to €9.5m.

The **gearing** – defined as the quotient of the net financial debt to equity capital – was reduced from 0.43 to 0.28.

Provisions (incl. income tax liabilities) consist primarily of provisions for personnel, phased retirement obligations, warranties and buy back obligations. As of the balance sheet date, they equaled €22.3m (prior year: €21.0m).

Total interest coverage (EBITDA/net interest expense) was 16.6 (prior year: 8.5) as of the end of the year. The **EBITDA Multiple** (net finance debt/EBITDA) as of the end of the year was 0.9 (prior year: 1.7). Further information in connection with the net assets and financial position is described under section 1.9 »The Company's management systems«.

2.2.2 Financial position

2.2.2.1 Principles and goals of financial management

The financing is carried out through a long-term syndicated loan, which was granted to WashTec Cleaning Technology GmbH and is due for repayment in July 2011. The negotiations regarding follow-up financing already began back in the third quarter of 2010. Since that time, a financial institution has been engaged to put together a financing syndicate and a letter of engagement has been signed. Based on the negotiations to date, the Company is assuming that the refinancing will be completed on or before June 2011.

As part of the centralized financial management, the companies within the WashTec Group are financed through WashTec Cleaning Technology GmbH. The Company's main liabilities are denominated in euro and US dollar. The base interest rate of the loans concluded in 2006 is variable and linked to EURIBOR and LIBOR. To reduce the risk posed by a general increase in interest rates and to improve planning certainty, the variable interest rate is hedged through the use of interest rate swaps.

As of December 31, 2010, the Group had a credit line totaling €54.2m. The credit line is used for financing future operations and meeting obligations. At year end, €16.6m of the credit line was not being utilized. The subsidiary WashTec Carwash Operations GmbH finances its equipment investments using sale and leaseback transactions.

2.2.2.2 Cash flow statement

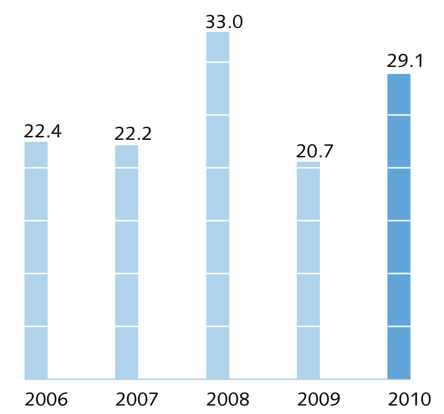
Cash inflow from operating activities (net cash flow) rose to €29.1m (prior year: €20.7m) due to improved results.

Net cash flow increased to €29.1m

The **net current assets** (trade receivables plus inventory minus trade payables) rose from €64.3m to €68.2m. As in the prior year, the ratio of net current assets to revenues was 0.25.

Cash outflow from investing activities due to product developments, replacement investments and the commencement of activities in Australia and Canada equaled €10.0m in fiscal year 2010 (prior year: €5.2m).

Net cash flow in €m



Free cash flow (net cash flow less cash outflow from investing activities) equaled €19.1m (prior year: €15.5m).

Cash outflow from financing activities was €15.5m (prior year: €8.6m). Cash outflow in 2010 included dividend payments, interest payments, the repayment of loans as well as payment of the long-term liability under a finance lease.

Cash and cash equivalents as of the balance sheet date increasd by €1.5m to €15.3m as of December 31, 2010. The Company was at all times able to discharge its payment obligations.

2.2.2.3 Investments and write-downs

Focus of investments in 2010:
- *New product developments*
- *Replacement investments*
- *Commencement of Group activities in Australia and Canada*

As already mentioned in section 2.2.2.2, the focus of investments was on new product developments, replacement investments and the commencement of the Group's own activities in Australia and Canada. In 2009, the Company had invested specifically in supply chain activities in the Czech Republic and China, in IT systems and in the development of a new generation of roll-over washing equipment in the United States.

The scheduled write-down of assets was done on the basis of the statutory requirements and the accounting principles set by WashTec. As a rule, the assets are amortized or depreciated on a straight-line basis over their ordinary useful life. The assets are subject to an impairment test as of the end of the fiscal year.

To the extent goodwill was capitalized, it is not amortized on a scheduled basis. Management does, however, subject capitalized goodwill to an annual impairment test. The basis for this test is the mid-term budget 2011 through 2013 at the Group level.

3. Supplementary report

No significant events impacting the condition of the Group and the Company occurred after the balance sheet date.

4. Opportunities and risk management

In connection with its international business activities, the WashTec Group is exposed to opportunities and risks that are linked to its business. In order to manage risks in a controlled manner, the Company's main business processes are subject to an internal management and monitoring system that is designed to identify risks at an early stage and to implement the necessary countermeasures in a timely manner.

In the opinion of the management board, the installed system for the early detection of risks permits the Company to reasonably identify all significant risks relating to its ability to continue as a going concern.

Risk management

Multi-stage system for identifying and monitoring risks

WashTec has instituted a multi-stage system for identifying and monitoring all risks that threaten the Company's ability to continue as a going concern. The aim of this system is to identify risks, which are posed by future events, by using short- and mid-term forecasts (24 months), and to take the appropriate steps for launching suitable countermeasures as part of a structured approach.

All business risks are matched against the Company processes, analyzed and quantified. Risk management is carried out by defining and launching suitable counter measures. The evaluation of any risk is made using uniform criteria. Using risk assessment surveys, any and all identified risks are routinely reported by and queried from the divisional heads. These assessments focus on the maximum potential damage, the likelihood of occurrence and the effectiveness of any counter measures.

At the end of this review, the so-called net risk or actual risk potential is isolated. By adding together all individual risk potentials, the total risk situation for the Group is presented. This, in turn, allows for segmentation according to specific risks in individual business divisions and according to more universal risks at Group level. The risk management system regularly monitors the status of the implementation. The risk monitoring yielded no risks that threatened the existence of the Group.

Monitoring and management system

The following additional tools are utilized for the monitoring and management system:

- Extended management board meetings
- Management meetings
- Annual planning
- Ongoing forecast calculations
- Monthly and quarterly reporting
- Strategic and Technical Product Committee
- Strategic marketing group
- Investment planning
- Production and capacity planning
- Internal audits
- Debtor management
- Insurance policies
- Risk officer
- Compliance officer
- Purchasing and supply management
- Personal planning and development
- Committee systems and procedures

These arrangements and tools form the basis for the existing risk management system.

Internal control system for the accounting process (IKR)

The IKR covers the principles, procedures and actions for ensuring the effectiveness and economic feasibility of the accounting, the propriety of the accounting and the compliance with the applicable legal requirements. The objective of WashTec's IKR is to ensure that reliability of financial reporting and the published annual financial statements is secured. Group-wide guidelines for accounting and measurement are intended to ensure conformity and consistency of the accounting in the WashTec Group. New provisions and changes to existing rules regarding accounting are examined in a timely manner with respect to their impact on the WashTec Group. WashTec has an extensively standardized structure for weekly, monthly and quarterly reporting, which reflects the applicable policies in a both timely and updated manner. The financial statements of the Group companies are analyzed internally in the Group on a monthly basis using Group-wide budgeting and reporting tools. During the integration of newly acquired companies, the Company examines whether the IKR of the acquired company matches the standards of the WashTec Group.

All procedures and companies are evaluated according to their potential and previously identified risks and reviewed by the Internal Audit Department, which reports directly to the management board. These reviews are carried out continuously throughout the entire year. Within the business divisions themselves, the control measures are regularly performed, usually by the Controlling Department. The tools and instruments used here are described below.

There were no changes made in the internal control system between the balance sheet date and the day on which the management report was prepared.

Report on opportunities and risks

As of the balance sheet date (December 31, 2010), the following opportunities and risks persist, that could have a material effect on the WashTec Group's further development. A risk is the description of an event which has the possibility of having adverse effects. A possible favorable effect of a risk is referred to as opportunity. The risk is causally linked to a peril. There were no material changes to the risk structure compared to the prior year. Ongoing cost optimization and the successful start-up of new sales and service activities are gaining in significance for successful future business development.

Financial and economic crisis

Risks

The effects of the global financial and economic crisis are still to some extent adversely impacting the investment behavior of individual customer groups, whose financing opportunities are limited. The crisis is affecting, above all, individual customers such as independent operators or car dealers as well as individual sub-markets like the United States, Spain or Great Britain, countries that are greatly impacted by the crisis. A continuation of the crisis and the ensuing financing difficulties could lead to elevated competition and price pressures among equipment suppliers. Thus, it could become more difficult to meet certain financial ratios such as the EBITDA multiple.

Opportunities

The financial and economic crisis could also provide WashTec with an opportunity to expand its innovation and market leadership as a consequence of increasing consolidation pressure. As it has been noted, some individual competitors in regions and markets particularly impacted by the crisis have encountered financing difficulties and have retreated from individual markets due to the situation there.

Climate and environmental influences

Risks

Climate changes, increasing congestions on roads, high fuel costs and bans on inner-city driving together with road tolls and greater environmental awareness could result in fewer vehicles on the road in an effort to protect the environment. Such a trend could diminish car wash activity and, accordingly, reduce investments made in car wash equipment. Likewise, laws and regulations, such as the ban on the operation of car wash facilities on Sundays and public holidays, could have an adverse effect on wash behavior.

Opportunities

The fact that fresh water as a resource is becoming scarcer and more costly could result in an increase in automatic 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 car wash equipments without water reclaim systems. If the stricter legislation being enacted in various countries becomes more widespread, then the demand for car wash systems with water reclaim equipment could rise. Likewise, laws and regulations, such as the prohibition of manual washing of vehicles, could have a positive effect on the demand for car wash equipment.

Establishment of new sales and service organizations and product development

Risks

The establishment of new sales and service companies, the increasing horizontal diversification and the development of new products could produce specific risks for WashTec. All of the Company's investments are based on an analysis of the market needs and a corresponding investment analysis. It cannot be ruled out, however, that these analyses or the Company's investment analyses will later prove to be incorrect or incapable of implementation. An expansion of the organization through the acquisition of companies and company business units generally requires the Company to raise additional outside capital. A false assessment or incorrect valuation of the target could have an adverse effect on the Group's net assets, financial position and results of operation. Moreover, WashTec could be exposed to risks in connection with start-up losses in establishing new sales and servicing organizations or in connection with acquiring sales partners (e.g., in relation to personnel costs and other operating costs for the new infrastructure). Moreover, the integration of new companies into the Group may turn out to be more time consuming and expensive that planned and tie-up human resources.

Opportunities
A favorable start-up and successful integration of any acquired sales and service organizations could improve the WashTec Group's market position and earnings. The successful expansion of the product range, combined with the launch of new products and more extensive market penetration, could increase the Company's market share and improve its profits.

Customer, competition and market risks

Risks
A freeze on investments by individual multinational oil companies or the listing of other suppliers due to new tender agreements with multinational oil companies could lead to a decline in revenues for WashTec.

Risks from aggressive price competition resulting from declining demand could put pressure on margins in individual 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 mitigated partially by using measures related to ongoing product enhancement, product range optimization, modifications to purchasing terms and conditions as well as capacity adjustments.

As a consequence of the shortage and increasing costs of fossil fuels and the technical advancement and proliferation of electric vehicles, the use of petrol stations in its current form could decline. Nevertheless, it is presently unclear which utility concept for the electrical vehicles will emerge as the prevailing concept (e.g. electrical charging / battery swap at petrol stations; electrical 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 petrol stations in the next 5 to 10 years. In WashTec's view, a changed use in the petrol stations would not influence the number of washes, but merely the location of the washes. The Company is carefully following this development and will, if needed, react to any changes in a timely manner.

Opportunities
The financial and economic crisis provides WashTec with the opportunity to expand its dominant market position. The solid structure of the Company offers opportunities to invest in products and markets and to exploit the weakened position of one or more competitors. An increase in the market share of the installed carwash base could have positive one-time effects. The increasingly global purchasing activities could mean that further efficiency potential could be realized with respect to the procurement and production of individual components in the future.

Investment risks

Decisions to make investments require, among other things, the making of assumptions and estimates about future developments and trends. This entails the risk that such assumptions or estimates will not materialize as planned or that wrong investments will be made. Wrong investments would encumber the net assets, financial position and results of operation of the WashTec Group due to interest owed on any committed capital, non-scheduled write-downs, etc. In order to reasonably manage such risk, the Company has a detailed policy for approving investments and other expenditures. The policy defines upper thresholds and identify the groups of persons authorized to make certain expenditures. Larger investments or capital expenditures are summarized in the annual investment plan, submitted to the management board and then approved by the supervisory board. WashTec plans to support the signature rule for maintaining the so-called »4-eyes-principle« (second set of eyes principle) through the implemented workflow system. Strategic decisions are taken only after there have been detailed discussions on the management board, within the extended manager group and with the supervisory board.

Innovation Risks

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

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

Competitor innovations as well as the development of new substitute innovations in sectors outside of the car wash business, such as the development of car paint designed to repel dirt particles with a »lotus effect«, may permanently impact the demand for WashTec products. WashTec's R&D department is constantly monitoring new developments in car paints. We currently do not anticipate any sustained impact on the car wash business in the short- or mid-term.

Opportunities
WashTec Group's research and development activities are aimed at further developing the existing product range, developing new car wash equipment and quickly and efficiently meeting the individual requirements of customers with respect to facility designs and programs. WashTec's innovations have already received numerous awards at industry trade fairs and were then successfully launched on the market. The new wash equipment developed on the basis of ongoing research and development activities does not only meet the needs of the Company's existing customers, but also helps to acquire new customers.

Quality and process 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. Furthermore, WashTec is required to meet very high HSE requirements (health, safety, environment). Reckless violations by individual employees could mean that WashTec loses major contracts, prompting a deterioration of the Company's net assets, financial position and results of operation over the long-term. Certification and ongoing quality control ensure that all processes in the Company are regularly monitored and documented.

Supplier risks

Input materials are subject to the following risks: Supplier scheduling risks, product availability risks, quality risks and purchase price risks. Dependency on suppliers means that the Company requires a strict supplier and procurement management system. A clear system is in place for this purpose, allowing WashTec to assess suppliers and employ only those that are reliable and quality-bound.

Capacity risks

A decline in demand usually leads to capacity adjustments in the processing workflow. By using internal market tracking and ongoing production capacity planning, WashTec aims to identify capacity risks as early as possible. The targeted use of temporary staff and flexible seasonal working models or short-time work facilitates partial short-term capacity adjustments.

Takeover risks

The Company faces a risk of takeover if its stock market valuation fails to sufficiently reflect the Company's long-term intrinsic value based on discounted cash flow calculations or EBITDA multiples performed by independent research analysts.

A takeover could change the WashTec Group's existing strategy and could, in some cases, result in the forfeiture of loss carry-forwards. Some of the WashTec Group's agreements (e.g., loan agreements) stipulate a termination for cause option in the event there is a change in control. A takeover could also result in management changes.

Financial Risks

A banking syndicate has made available – in major parts – loans and credit lines amounting to €54.2m until July 2011. The terms and conditions under the syndicated loans limit the financial and operating flexibility of the WashTec Group. Thus, for example, during the term of the loan, the WashTec Group must comply with certain financial covenants. If certain events described in the credit agreement should occur (such as a change of control) or a breach of a material contractual obligation (such as a breach of the financial covenants), then the agreement may be terminated for good cause. The base interest rate on the loans is variable and is linked to EURIBOR and LIBOR as well as the Company's actual degree of indebtedness. A further aggravation of the financial and economic crisis might 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 negotiations regarding follow-up financing already began back in the third quarter of 2010. Since that time, a financial institution has been engaged to put together a financing syndicate and a letter of engagement has been signed. Based on the negotiations to date, the Company is assuming that the refinancing will be completed on or before June 2011.

Exchange rate risks

A fluctuating exchange rate between the euro and US dollar has only a small impact on the consolidated balance sheet and/or the earnings of the WashTec Group since most of the US business activities are financed with working capital credit lines denominated in the US currency. Operational risks resulting from other individual transactions in foreign currencies are immaterial for the Group due to their low volume or are already described under the section »Financial Risks«.

Liquidity risks

One of the key business objectives is to ensure that WashTec companies are solvent at all times. Using the implemented cash management system – for example, an annualized rolling group liquidity plan executed each month – the Company is able to identify potential bottlenecks in a timely manner and to ensure that appropriate steps are taken. Unutilized credit lines ensure the supply of liquidity.

There is a potential liquidity risk when there might not be adequate cash to discharge the financial obligations as they fall due.

Credit risks

The Group enters into transactions with creditworthy third parties only. In order to keep the del credere risk as low as possible – if the customer does not have a first-rate credit rating – order acceptances are subject to controls. For new regional customers, the Company requests evidence of credit standing or financing. It is assumed that the bad debt allowances are sufficient to cover the actual risk. There are no material credit risk concentrations within the Group.

Tax risks

The WashTec Group has recognized loss carry-forwards in the German companies. Further changes in tax legislation, which relate to the tax rate or the extent to which loss carry-forwards can be used, could result in expenses arising from the revaluation of capitalized deferred tax assets and have an adverse effect on consolidated equity and/or earnings per share. The loss carry-forwards in Germany will presumably be used up in less than five years.

Overview of corporate risks

Identified risks are assessed with respect to the likelihood of their occurrence and their potential financial impact. In order to depict the aggregated likelihood for the various risk categories, the following table uses three categories: »high«, »medium« and »low«.

Identified risks are evaluated with respect to the likelihood of occurrence and financial impact

	Likelihood of occurrence	Possible financial impact
Financial and economic crisis	low	medium
Climate and environmental influences	medium	medium
Establishment of new sales and service organizations/product development	medium	medium
Customer, competition and market risks	low	low
Investment risks	low	low
Innovation risks	low	low
Quality and process risks	medium	medium
Supplier risks	low	low
Capacity risks	medium	medium
Takeover risks	medium	medium
Financial risks	low	medium
Exchange rate risks	medium	low
Liquidity risks	low	medium
Credit risks	medium	medium
Tax risks	low	medium

5. Outlook

Economy and market

Car wash business remains profitable at most locations

According to estimates made by the International Monetary Fund (IMF), global economic growth will cool somewhat in 2011 and is projected to be 4.2%. This growth will be driven primarily by the so-called »emerging markets«. In general, this development remains plagued by great uncertainty due to the long-term consequences of the financial and economic crisis. Above all, the industrialized nations are still significantly below their pre-crisis levels. Their economic output should expand by only 2.2% in the new calendar year based on the IMF's estimates, and Europe is expected to muster a mere 1.5% growth rate. Due to the high sovereign debt and continuing uncertainty in the financial sector, credit will remain very limited. This trend will continue to restrict, above all, small operator chains and single operators in their purchase of wash equipment. Even our major customers have reacted to the situation by launching structural changes and cost-cutting programs. Thankfully, the car wash business remains profitable at most locations.

WashTec business development

No material market changes expected in 2011

WashTec is expecting a stable development of the markets in 2011 and a related intensification of competition. Due to its good market position, the Company is nevertheless anticipating higher revenues in 2011 than in 2010. Combined with the measures implemented to improve efficiency and cost structures, this will continue to produce better earnings compared to 2010.

The international expansion of the sales and service network, the most recent product innovations in Europe and the United States as well as the continuing measures to reduce costs and improve efficiency underscore and solidify WashTec's position as the market leader in the car wash industry, thereby offering a solid basis for additional positive development.

Financial management

WashTec will continue to focus on optimizing working capital and on effective financial management. The negotiations concerning the follow-up financing for the syndicated loan expiring in July 2011 already began back in the third quarter of 2010. Since that time, a financial institution has been engaged to put together a financing syndicate, and a letter of engagement has been signed. Based on the negotiations to date, the Company is assuming that the refinancing will be completed on or before June 2011.

Investments and acquisitions

The current market environment offers WashTec an opportunity to strengthen its position on the market by engaging in moderate acquisitions and/or investments. WashTec will continue to exploit opportunities to improve its competitive position, provided that certain requirements are met. Thus, for example, acquisitions must deliver returns on capital which are higher than the respective return on capital for the Group. With the exception of Mark VII, this outcome had been achieved for all prior acquisitions to date. Acquisitions should serve either to expand the customer base (e.g. Canada), protect a market position (e.g. Australia) or extend the range of products and services (e.g. AUWA).

For 2011, additional investments specifically in the area of improving efficiency and direct market access are planned, but larger acquisitions are not.

Employees

Expanding the international production sites as well as the sales and service network could lead to an increasing headcount in certain regions.

Research & Development

WashTec will continue to take the actions necessary to expand its advantages as innovation leader. In this respect, research is directed at preserving the natural resources, achieving shorter throughput times, better and more car paint-friendly handling of vehicles and meeting customer demands.

Return policy

In the future, WashTec will position its share more strongly than in prior years as value-oriented with an attractive dividend policy. Another element of WashTec's strategy is to expand its market position globally and to achieve moderate revenue growth while maintaining a conservative leverage ratio. WashTec defines a conservative leverage ratio as a ratio of EBITDA to net bank debt + finance leases of less than one (1). Under these conditions, WashTec intends to constantly distribute around 40% of the annual net income to the shareholders in the form of dividend payments and/or share buy backs.

Outlook

As part of the change within the Group's internal controls, the Company plans to convert the segment reporting to the regions »Core Europe«, »Emerging Europe«, »Northern America« and »Asia/Pacific« as of the report on the first quarter of 2011. The »Core Europe« region will include activities of the WashTec Group within Northern and Western Europe. This region thereby encompasses the previous »DACH« area as well as the European portion of the »RoW« and »Others« areas. The »Emerging Europe« region will cover the area previously known as »CEE«, whereas the region »Northern America« will cover the activities in the United States and Canada, which are currently reported under the »RoW« area. The »Asia/Pacific« region reflects primarily the business development of the Australian subsidiary and the future development of China.

For 2011, a small increase in revenues is expected in »Core Europe« and therefore in the current »DACH« area and in the countries of Northern Europe and Western Europe that are attributable to the »RoW« area. In Northern America, which is likewise included in the »RoW« area, WashTec is expecting – despite the still difficult market environment for car wash equipment – a significant rise in revenues and earnings due to the improved market position, specifically in Canada.

- *Lower growth in »Core Europe«*
- *»Emerging Europe« has short- and mid-term growth potential*
- *China has mid- and long-term growth potential*

In the region entitled »Emerging Europe«, which belongs to the »CEE« area, WashTec is expecting that the positive trend in both revenues and earnings will continue in 2011. In the remaining »RoW« area countries that are attributable to the »Asia/Pacific« region, the Company likewise expects a significant growth in revenues due to the acquisition effects in Australia. The development of the chemicals and operations business (»Others« area) will be determined primarily by the positive revenue effects from the acquisition of Adekema. This effect will be included under the future reporting structure in the region known as »Core Europe«.

WashTec is seeking to increase revenues and to reach an EBIT margin of 8%–9% for 2011

For 2011 as a whole, efforts are being made to achieve above-average revenue increases at Group level and to improve EBIT margin to 8%–9%.

Without any substantial market recovery in Europe, the EBIT margin is expected to be between 8% and 10% for 2012 and beyond in the face of slight revenue increases. The Company continues to believe its previous forecast that in the event the markets recover – which the Company does currently not expect – a mid- and long-term growth in revenues of 4% to 7% is possible in Europe and that an EBIT margin of over 12% can be achieved. This mid-term planning was mainly based on the following assumptions, which are derived from the long-standing experience of management as well as from mid-term strategies for the individual markets:

- average increase in revenues of 3% and 10% per annum;
- cost increases of 2%–3%;
- wage and salary cost increases of approx. 2%–4% per annum.

As it has previously done in the past as part of its expansion policy, WashTec will selectively search for external growth opportunities. This should serve to improve the regional presence of the Group, expand the value chain into high margin activities and enhance the Group's total return on capital. From today's perspective, the financial resources required for this activity can be financed from the Company's own cash flow.

Augsburg, February 24, 2011

Thorsten Krüger
Spokesman of the
Management Board

Houman Khorram
Member of the
Management Board


WashTec
WashTec

Consolidated Financial Statements of WashTec AG

Consolidated Income Statement

	Notes	Jan 1 to Dec 31, 2010 €	Jan 1 to Dec 31, 2009 €
Revenue	7	268,414,149	256,332,774
Other operating income	8	5,281,047	2,730,869
Capitalized development costs		1,481,375	623,730
Change in inventories of work in progress		–138,080	–842,210
Total		**275,038,491**	**258,845,163**
Cost of materials			
Cost of raw materials, consumables and supplies and of purchased material		88,645,065	90,266,472
Cost of purchased services		20,607,302	18,354,009
		109,252,367	**108,620,481**
Personnel expenses	9	92,784,554	89,893,244
Amortization, deprecation and impairment of tangible and intangible assets		9,565,236	9,177,616
Other operation expenses	10	42,355,126	37,361,636
Other taxes		741,804	729,851
Total operating expenses		**254,699,087**	**245,782,828**
EBIT		**20,339,404**	**13,062,335**
Other interest and similar income		109,354	94,991
Interest and similar expenses		1,868,496	2,651,549
Financial result	11	**–1,759,142**	**–2,556,558**
Result from ordinary activities/EBT		**18,580,262**	**10,505,777**
Income taxes	12	–7,803,765	–4,749,755
Consolidated profit for the period		**10,776,497**	**5,756,022**
Profit carried forward		**10,912,570**	**5,156,548**
Dividend payout		–1,677,236	0
Consolidated accumulated profit		**20,011,831**	**10,912,570**
Average number of shares		**13,976,970**	**13,976,970**
Earnings per share (basic = diluted)	13	**0.77**	**0.41**

See notes for further explanations to the Consolidated Income Statement. The notes to the Consolidated Statement form an integral part of the Consolidated Financial Statements for fiscal year 2010. Rounding differences may occur.

Statement of Comprehensive Income

	2010	2009
	€k	€k
Results after taxes	**10,776**	**5,756**
Changes in the fair value of financial instruments used for hedging purposes recognized under equity	–491	506
Adjustment item for the currency translation of foreign subsidiaris and currency changes	323	360
Exchange differences on net investments in subsidiaries	–124	–243
Actuarial gains/losses from defined benefit obligations and similar obligations	–288	–408
Deferred taxes on changes in value taken directly to equity	282	44
Valuation gains/losses recognized directly in equity	**–298**	**259**
Total income and expense and valuation in gains/losses recognized directly in equity	**10,478**	**6,015**

See notes for further explanations to the Statement of Comprehensive Income. The notes to the Consolidated Statement form an integral part of the Consolidated Financial Statements for fiscal year 2010. Rounding differences may occur.

Consolidated Balance Sheet – Assets

	Notes	Dec 31, 2010	Dec 31, 2009
		€	€
Non-current assets			
Property, plant and equipment	15	41,920,722	41,400,152
Goodwill	16	58,192,039	57,151,866
Intangible assets	16	9,862,248	9,739,410
Trade receivables	20	387,967	0
Tax receivables	19	252,817	288,222
Other assets	21	39,793	24,784
Deferred tax assets	17	7,015,377	7,564,371
Total non-current assets		**117,670,963**	**116,168,805**
Current assets			
Inventories	18	37,378,273	32,536,505
Trade receivables	20	39,934,929	35,126,716
Tax receivables	19	1,210,691	70,283
Other assets	21	5,584,162	2,206,379
Cash and bank balances	22	15,304,363	13,802,341
Total current assets		**99,412,418**	**83,742,224**
Total assets		**217,083,381**	**199,911,029**

See notes for further explanations to the Consolidated Balance Sheet. The notes to the Consolidated Statement form an integral part of the Consolidated Financial Statements for fiscal year 2010. Rounding differences may occur.

Consolidated Balance Sheet – Equity and Liabilities

	Notes	Dec 31, 2010 €	Dec 31, 2009 €
Equity			
Subscribed Capital	23	40,000,000	40,000,000
Contingent capital	23	*12,000,000*	*2,105,264*
Capital reserves	24	36,463,441	36,463,441
Other reserves and exchange rate effects	26	–2,116,221	–1,818,274
Profit carryforward		9,235,334	5,156,548
Consolidated profit for the period		10,776,497	5,756,022
		94,359,051	**85,557,737**
Non-current liabilities			
Interest-bearing loans	29	276,582	33,804,469
Finance leasing liabilities	30	6,617,302	7,704,417
Provisions for pensions	27	7,013,238	6,649,022
Trade payables	31	47,000	0
Other non-current provisions	28	3,693,291	3,004,227
Other nun-current liabilities	31	1,540,501	1,597,198
Deferred Income	32	698,988	824,640
Deferred tax liabilities	17	4,551,105	0
Total non-current liabilities		**24,438,007**	**53,583,973**
Current liabilities			
Interest-bearing loans	29	32,427,648	6,855,698
Finance leasing liabilities	30	2,560,143	2,423,541
Prepayments on orders	31	7,968,064	8,219,316
Trade payables	31	9,478,523	3,357,764
Other liabilities for taxes and levies	31	3,321,152	3,333,019
Other liabilities for social security	31	815,887	982,751
Tax provisions		1,711,785	358,672
Other current liabilities	31	20,631,733	15,495,908
Other current provisions	28	9,884,854	10,933,157
Deferred Income	32	9,486,534	8,809,493
Total current liabilities		**98,286,323**	**60,769,319**
Total equity and liabilities		**217,083,381**	**199,911,029**

See notes for further explanations to the Consolidated Balance Sheet. The notes to the Consolidated Statement form an integral part of the Consolidated Financial Statements for fiscal year 2010. Rounding differences may occur.

Consolidated Cash Flow Statement

	Notes	2010 €k	2009 €k
EBT		**18,580**	**10,506**
Adjustments to reconcile profit before tax to net cash flows			
Amortization, depreciation and impairment of non-current assets		9,565	9,178
Gain/loss from disposals of non-current assets		–182	–8
Share-based payments expense		0	431
Other gains/losses		2,483	4,155
Interest income		–109	–95
Interest expense		1,868	2,651
Movements in provisions		–922	–21
Changes in net working capital:			
Increase/decrease in trade receivables		–3,996	4,071
Increase/decrease in inventories		–2,810	2,124
Increase/decrease in trade payables		5,484	–5,551
Changes in other net working capital		1,424	–927
Income tax paid		–2,273	–5,863
Net cash flows from operating activities		**29,112**	**20,651**
Purchase of property, plant and equipment (without finance leasing)		–7,472	–5,425
Proceeds from sale of property, plant and equipment		606	234
Acquisition of a subsidiary, net of cash acquired		–3,173	0
Net cash flows from operating activities		**–10,039**	**–5,191**
Raising of long-term loans		372	4,045
Repayment of non-current liabilities to banks		–10,039	–8,381
Dividend payout		–1,677	0
Interest received		106	95
Interest paid		–1,572	–2,323
Repayment of non-current liabilities from finance leases		–2,727	–2,034
Net cash flows used in financing activities		**–15,537**	**–8,598**
Net increase/decrease in cash and cash equivalents		**3,536**	**6,862**
Net foreign exchange difference		**–2,113**	**624**
Cash and cash equivalents at 1 January		**13,732**	**6,246**
Cash and cash equivalents at 31 December	22	**15,155**	**13,732**
Cash and cash equivalents		**15,304**	**13,802**
Current bank liabilities		**–149**	**–70**

See notes for further explanations to the Consolidated Cash Flow Statement. The notes to the Consolidated Statement form an integral part of the Consolidated Financial Statements for fiscal year 2010. Rounding differences may occur.

Statement of Changes in Consolidated Equity

€k	Subscribed capital Note 23	Capital reserve Note 24	Treasury shares Note 25	Other reserves Note 26	Exchange rate effects Note 26	Loss carried forward	Total
As of January 1, 2009	**40,000**	**45,497**	**–9,464**	**–1,265**	**–813**	**5,156**	**79,111**
Income and expenses recognized directly in equity				–144	360		216
Taxes on transactions recognized directly in equity				44			44
Share-based payment		431					431
Purchase of treasury shares		–9,464	9,464				0
Consolidated profit for the period						5,756	5,756
As of December 31, 2009	**40,000**	**36,464**	**0**	**–1,365**	**–453**	**10,912**	**85,558**
As of January 1, 2010	**40,000**	**36,464**	**0**	**–1,365**	**–453**	**10,912**	**85,558**
Income and expenses recognized directly in equity				–903	323		–580
Taxes on transactions recognized directly in equity				282			282
Dividend						–1,677	–1,677
Consolidated profit for the period						10,776	10,776
As of December 31, 2010	**40,000**	**36,464**	**0**	**–1,986**	**–130**	**20,011**	**94,359**

See notes for further explanations to the Statement of Changes in Consolidated Equity. The notes to the consolidated statement form an integral part of the consolidated financial statements for fiscal year 2010. Rounding differences may occur.

Notes to the Consolidated Financial Statements of Washtec AG (IFRS) for Fiscal Year 2010

General

1. General information on the Group

The consolidated financial statements of the WashTec Group for the fiscal year from January 1 through December 31, 2010 were prepared on February 24, 2011 and made available to the supervisory board for review. They are expected to be approved at the supervisory board meeting on March 21, 2011 and released for publication by the management board thereafter. The consolidated financial statements and Group management report are available for viewing on the online version of the Bundesanzeiger [German Federal Gazette] and the electronic company register and may be 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 in Augsburg under registration no. HRB 81.

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

The Company's shares are publicly traded.

The purpose of the WashTec Group comprise the development, manufacture, sale and servicing of carwash products, as well as leasing, and all services and financing solutions, which are related thereto and are required in order to operate carwash equipment.

2. Accounting underlying 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 and with the applicable interpretations (IFRIC). They comply with the accounting standards applicable in the European Union for fiscal year 2010 and are also supplemented by additional information required by sec. 315a HGB [»Handelsgesetzbuch«; German Commercial Code] and the Group management report.

The requirements under sec. 315a HGB for exempting the Company from having to prepare consolidated financial statements in accordance with German commercial law have been met.

The consolidated financial statements are generally prepared on a historical cost basis, except with respect to derivative financial instruments, which are measured at fair value. The consolidated financial statements are presented in euro and, unless otherwise indicated, all figures are rounded to the nearest thousand (€k).

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 the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies.

Subsidiaries are fully consolidated as of the date of acquisition; i.e. from the date on which the Group acquires control. Control will be deemed to exist from the date on which WashTec AG has the possibility of directly or indirectly determining business and financial policy. Subsidiaries will no longer be consolidated once the parent no longer has the control.

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

The newly formed subsidiary, WashTec Australia Pty Ltd., Sydney, Australia, has been included in the group of consolidated companies since March of 2010, and the newly formed subsidiary, WTMVII Cleaning Technologies Canada Inc., Grimsby, Ontario, Canada, has been included in the WashTec Group's consolidated accounts since April 2010. The former inactive Swedish company, WashTec Biltvättar AB, served as the purchasing vehicle for acquiring the substantial assets of Adekema. Thus, it has also been included again in the business activities and was renamed WashTec Nordics AB.

In addition to the parent company, the consolidated financial statements of WashTec AG also contain the following group entities as of December 31, 2010:

Consolidated entities	Share in capital %	Equity capital at Dec 31, 2010 in €k	Profit/loss for 2010 in €k
German entities			
WashTec Cleaning Technology GmbH, Augsburg[1]	100	29,846	0
WashTec Holding GmbH, Augsburg	100	118,972	18,699
WashTec Carwash Operations GmbH, Augsburg[2] (former: Wesurent carwash marketing GmbH, Augsburg)	100	51	0
WashTec Financial Services GmbH, Augsburg[1]	100	62	0
AUWA-Chemie GmbH, Augsburg[2]	100	537	0
Foreign entities			
WashTec France S.A.S., St. Jean de Braye, France	100	1,381	32
Mark VII Equipment Inc., Arvada, USA	100	1,118	–628
WashTec S.r.l., Casale, Italy[7]	100	–15	–116
WashTec UK Ltd., Great Dunmow, United Kingdom	100	2.350	355
California Kleindienst Limited, Wokingham, United Kingdom[5]	100	0	0
WashTec A/S, Hedehusene, Denmark[4]	100	2,891	–287
WashTec Cleaning Technology GmbH, Vienna, Austria	100	714	–51
WashTec Spain S.A., Madrid, Spain	100	366	–515
WashTec Car Cleaning Equipment (Shanghai) Co. Ltd., Shanghai, China	100	107	38
WashTec Cleaning Technology s.r.o., Nyrany, Czech Republic	100	2,067	372
WTMVII Cleaning Technologies Canada Inc., Grimsby, Ontario, Canada	100	233	–141
WashTec Australia Pty Ltd., Sydney, Australia[7]	100	–580	–1,075
WashTec Cleaning Technology España S.A., Bilbao, Spain[5]	100	1	0
WashTec Benelux B.V., Zoetermeer, Netherlands[3]	100	1,728	9
WashTec Nordics AB, Bollebygd, Sweden (former: WashTec Biltvättar AB, Helsingborg, Sweden)	100	322	101

1) Profit/loss assumption by WashTec Holding GmbH
2) Profit/loss assumption by WashTec AG
3) Subgroup with Benelux Carwash Management B.V., Zoetermeer, NL, Washtec Benelux Administratie B.V., Zoetemeer, NL and WashTec Benelux N.V., Brussels, Belgium, whose results are reported in WashTec Benelux B.V., Zoetemeer, NL
4) Including permanent establishments in Norway
5) Company is currently inactive
6) Indirect ownership interest through Mark VII Equipment Inc., Arvada, USA
7) According to its balance sheet, the company is not over-indebted within the meaning of the law

4. Significant accounting judgments, estimates and assumptions

In certain cases, estimates and accounting assumptions may be required. These estimates and assumptions include complex and subjective assessments and estimates that are based on the current knowledge of facts which, by their very nature, are marked by uncertainty and could be subject to change. Estimates and accounting assumptions can change over time and could affect the presentation of the net assets, financial position and results of operation. The estimates relate primarily to the definition of economic useful lives, the measurement of provisions and the potential use of deferred tax assets as well as assumptions about future cash flows and discount rates. The uncertainty connected with these assumptions and estimates could result in outcomes that may require material future adjustments to the carrying value of the affected asset or liability.

4.1 Significant estimates and assumptions

Impairment of non-financial assets

The Group evaluates non-financial assets on each reporting date to determine whether there are any indications of impairment. Goodwill and other intangible assets with indefinite useful lives are tested for impairment at least once annually and when certain indications exist. Other non-financial assets are tested for impairment when there are indications that the carrying values may not be recoverable.

The discounted cash flow method is used to value the sales price of non-financial assets (less the applicable selling costs). To this end, the future cash flows and interest rate trends are estimated using business and market information, and a suitable discount rate is selected in order to calculate the present value of those cash flows. For further details, please see Note 5.2.

Deferred tax assets

Deferred tax assets are recognized to the extent that it is probable that taxable income will be available. Management judgment is required to determine the amount of the taxable income and the anticipated timing of its receipt. For further details, please see Note 17 related to deferred taxes.

Pension and other post-employment benefits as well as phased retirement benefits
The costs under the pension and phased retirement commitments are determined using actuarial calculations. The actuarial valuation involves making assumptions about discount rates, future wage and salary hikes, mortality rates and future yield increases. Due to the long term nature of these plans, such estimates are subject to considerable uncertainty. Further details are provided in the sections on pension provisions and other provisions for phased retirement.

4.2 Significant accounting judgments

Development costs
Development costs are capitalized in accordance with the accounting policies presented in Note 5.2. The first capitalization of costs is based on management's conviction that there is technological and economical feasibility, usually when a product development project has reached a defined milestone under an established project management model.

Buy-back obligations (Buyback-contracts)
The WashTec Group sells some of its wash systems to major customers through leasing companies. Under these arrangements, the WashTec Group guarantees that, if necessary, it will repurchase wash systems at the end of the lease term for a residual purchase price, to which the parties agreed in advance.

In order to calculate the provision, an estimate is made about the likelihood of whether the system will need to be repurchased at the end of the lease term.

The WashTec Group realizes income at the time that the sale is closed with the leasing company since the economic use and the applicable opportunities and risks pass to the purchaser at that time.

5. General accounting policies

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

5.1 Amendments to the accounting policies

In fiscal year 2010, the Group applied the following new and revised IFRS Standards and Interpretations.

- IAS 39 — Amendments to IAS 39 – Financial Instruments: Recognition and Measurement – Eligible Hedged Items
- IFRS 1 — Amendments to IFRS 1 – Additional Exceptions for First-tme Adoptors (revised November 2008)
- IFRS 1 — First-Time Adoption of the IFRS
- IFRS 2 — Amendments to IFRS 2 – Share-based Payments with Cash-Settled Transactions in the Group
- IFRS 3 — IFRS 3 – Business Combinations and IAS 27 – Consolidated and Separate Financial Statements under IFRS (revised January 2008)
- IFRIC 12 — Service Concession Arrangements
- IFRIC 15 — Agreements for the Construction of Real Estate
- IFRIC 16 — Hedges of Net Investment in Foreign Operations
- IFRIC 17 — Distribution of Non-Cash Assets to Owners
- IFRIC 18 — Transfers of Assets from Customers
- IFRS — Amendments to IFRS 2009

The facts addressed by IAS 39, IFRS 1, IFRS 2, IFRIC 12, IFRIC 15, IFRIC 17 and IFRIC 18 are currently not relevant to the WashTec Group.

IFRS 3 – Business combinations (revised)
The revised IFRS 3 – Business Combinations was published by the IASB in January 2008 and was adopted for the first time in those fiscal years which began on or after July 1, 2009. In connection with IFRS 3, IAS 27 – Consolidated and Separate Financial Statements – was amended. The first-time adoption during the fiscal year means that the acquisition costs incurred in connection with corporate acquisitions must be recognized as an expense. With respect to possible adjustments to the acquisition costs based on future events (contingent consideration), which must be recognized as a liability at the acquisition date, adjustments to goodwill will no longer be available in the subsequent measurement. The revisions to IFRS 3 has also resulted in more information being disclosed in the notes.

Moreover, IASB and the IFRIC enacted additional Standards, Interpretations and Amendments listed below, but these did not yet have to be applied in fiscal year 2010 or they have not yet been recognized by the European Union. As of December 31, 2010, the WashTec Group had not applied these Standards earlier than required. The first-time adoption of the Standards is planned for the date on which they are recognized and enacted by the EU.

- IAS 24 — Amendments to IAS 24 – Related Party Disclosures
- IAS 32 — Amendments to IAS 32 – Classification of Rights Issues

- IFRS 1 Amendments to IFRS 1 – Limited Exemption from Comparative IFRS Disclosures for First-time Adopters
- IFRS 9 Financial Instruments: Classification and Measurement
- IFRIC 14 Amendments to IFRIC 14 – Prepayments of Minimum Funding Requirements
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
- IFRS Amendments to IFRS 2010

The facts addressed by IFRS 1, IAS 24, IAS 32, IFRIC 14 and IFRIC 19 are currently not relevant to the WashTec Group. The WashTec Group cannot at present definitively determine what effects the first-time application of IFRS 9 will have.

Amendments to the IFRS in 2010

On May 6, 2010, the IASB published the third annual collective project for making small amendments to the IFRS, the so-called »Improvements to IFRSs«. A majority of amendments must be applied for the first time retroactively to the reporting periods beginning on or after January 1, 2011. Entities may elect to apply these revised Standards earlier than required. This will not have any material effects on the WashTec Group's net assets, financial position and results of operation.

5.2 Accounting policies in the Group

Foreign currency translation

The consolidated financial statements are presented in euro, which is the Group's functional and reporting currency. Each entity within the Group determines its own functional currency, and the items included in the separate financial statements of each entity are measured using that functional currency. Monetary assets and liabilities denominated in foreign currencies are converted at the functional currency exchange rate on the balance sheet date. All exchange differences are recognized in the income statement with the exception of exchange differences from net investments in a foreign operation and from foreign currency loans that provide a hedge against a net investment in a foreign operation. These are recognized directly in equity until the disposal of the net investment, at which time they are recognized as income or an expense in the relevant period. Deferred taxes charges and credits attributable to exchange differences on those borrowings are also recorded directly under equity. Non-monetary items, which are measured at historical cost in a foreign currency, are translated using the exchange rates applicable on the dates of the initial transactions. Non-monetary items, which are measured at fair value in a foreign currency, are translated using the exchange rates on the date when the fair value is appraised. Any goodwill arising from the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising from the acquisition are recognized as assets and liabilities of the foreign operation and translated as of the closing rate.

The functional currency of the foreign operations is the respective local currency.

The assets and liabilities of foreign operations are translated into euros at the rate of exchange applicable on the balance sheet date and their income statements are translated at the weighted average exchange rates for the year.

The exchange differences from the currency translation are recognized directly as a separate item under equity. On disposal of a foreign operation, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized as a gain or loss.

Property, plant and equipment

Property, plant and equipment are recognized at cost less accumulated scheduled depreciation and accumulated impairment losses. Such costs include the cost of replacing part of the plant and equipment when that cost is incurred, if the recognition criteria are met. The costs of manufacturing internally generated equipment will include not only directly attributable costs but also pro rated costs of materials and overhead as well as depreciation (IAS 16). Interest will be collected only to the extent a qualifying asset exists. All other repair and maintenance costs are recognized on the income statement as they are incurred. These assets are depreciated on a straight-line basis over their estimate useful life pro rata temporis.

The following assets will generally be depreciated on the basis of the useful lives set forth in the schedule below:

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

An item of property, plant and equipment will be derecognized upon its disposal or when no future economic benefits are expected from its use or disposal.

Any gain or loss arising from the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) will be included in the income statement for the period in which the asset is derecognized. At the end of each fiscal year, an asset's residual value, useful life and method of depreciation shall be reviewed and, if necessary, adjusted.

Business combination and goodwill

The acquisition method is used to account for business combinations.

For this purpose, the acquisition costs must be determined. The acquisition costs include the fair value of the transferred assets, the issued equity instruments and the assumed liabilities on the date of the acquisition. All acquisition-related costs are expensed.

Goodwill is initially measured at the cost of acquisition being the excess of the acquisition cost of the business combination over the Group's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

After first-time recognition, goodwill is measured as the acquisition cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in connection with a business combination is, beginning on the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Intangible assets

Intangible assets include acquired patents, technologies and capitalized development costs and licenses.

The scheduled amortization of intangible assets is carried out using mostly the following useful lives:

Intangible assets	Useful Life
Acquired patents and technologies	8 years
Licences and software	3 to 8 years
Capitalised development costs	6 to 8 years

Acquired intangible assets

Intangible assets, which are not acquired in connection with a business combination, are measured at cost when first recognized. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated 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 held assets with only finite useful lives.

Intangible assets with finite useful lives are amortized over the useful economic life. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each fiscal year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimatest.

Gains or losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss in the period when the asset is derecognized.

Research and development costs

Research costs are expensed in the period in which they are incurred. Development expenditures on any given project include directly attributable costs (mostly personnel expenses) as well as a share of the overhead costs. These costs will be recognized as an intangible asset when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditures incurred during the assets development.

Following initial recognition of the development expenditures as an asset, the cost model will be applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of the expected future benefits. During the development phase in which the period of use is indefinite, the asset is tested for impairment annually.

Impairment of non-financial assets
The Group assesses on each reporting date whether there is any indication that an asset could be impaired. If any such indication exist or if annual impairment testing for an asset is required, then the Group will estimate the asset's recoverable value. An asset's recoverable value is the higher of an asset's or cash-generating unit's fair value less selling costs and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable value, the asset is considered impaired and is written down to its recoverable value. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market expectations of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

Except for goodwill, an assessment is made on assets as of each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group will estimate the recoverable value. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable value since the last impairment loss was recognized. If this is the case, then the carrying value of the asset is increased to its recoverable value. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss for the period in question.

The following criteria are also applied in assessing impairment of specific assets:

Goodwill
The Group assesses, as of each reporting date, whether there are any indications that goodwill is impaired. Goodwill is tested for impairment at least once annually and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable value of the cash-generating units, to which the goodwill relates. The cash generating units at the WashTec Group correspond with the segments defined pursuant to IFRS. They are divided between the sales territories of »DACH« (Germany [D], Austria [A], Switzerland [CH]), »CEE« (Central and Eastern Europe), »RoW« (Rest of World) and »Others« (other operating units).

Where the recoverable value of the cash-generating units is less than their carrying value, then an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods. The Group performs its annual impairment test of goodwill after completing the budgeting process.

Financial assets
In general, financial assets within the meaning of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

All purchases and sales of financial assets made at arm's length are recognized on the trade date, which is the date that the Group commits to the purchase or sale of the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

In the fiscal year, the Group held financial assets only from the category »loans and receivables« in the form of receivables and »assets measured at fair market value through profit and loss«.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. After initial recognition, loans and receivables are carried at amortized cost using the effective interest method less any allowance for impairment. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired.

Fair value
The fair value of investments, which are actively traded in organized financial markets, is determined by reference to quoted market bid prices at the close of business on the balance sheet date. On investments, for which there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions between willing and informed independent business partners, referencing the current market value of another instrument which is substantially the same, conducting a discounted cash flow analysis or deploying other valuation models.

Amortised cost
Held-to-maturity investments and loans and receivables are measured at amortized cost. This is computed using the effective interest method less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

Impairment of financial assets

The Group assesses as of each balance sheet date whether a financial asset or group of financial assets is impaired.

Assets carried at amortized cost

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, then the amount of the loss is measured as the difference between the asset's carrying value and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted by the financial asset's original effective interest rate (i.e., the effective yield computed at initial recognition). The carrying value of the asset is reduced through the use of an allowance account. The amount of the loss shall be recognized in profit or loss.

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, then the previously recognized impairment loss shall be reversed, to the extent that the carrying value of the asset does not exceed its amortized cost as of the reversal date. Any subsequent reversal of an impairment loss is recognized in profit or loss.

Financial liabilities

Financial liabilities within the meaning of IAS 39 are either financial liabilities held at fair value and reported in the income statement, or financial liabilities measured at their amortized costs.

In the fiscal year, the Group had merely financial liabilities attributable to the category, measured at amortized cost.

Interest-bearing loans and borrowings

All loans and borrowings are initially recognized at fair value less directly attributable transaction costs, and are not designated as at fair value through profit or loss. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method.

Derecognition of financial assets and financial liabilities

Financial assets

A financial asset (or a portion of a financial asset or a portion of a group of similar financial assets) will be derecognized, if the contractual right to draw the cash flow from a financial asset expires.

Financial liabilities

A financial liability will be derecognized, if the obligation which forms the basis of the liability is performed, terminated or expires.

If an existing financial liability is replaced by another financial liability issued by the same lender with substantively different contractual terms and conditions or if the terms and conditions of an existing liability are materially changed, then any such replacement or such change will be treated as a derecognition of the original liability and a recognition of a new liability. The difference between the respective carrying values will be recorded as income or an expense.

Financial instruments and hedging

Original financial instruments

The primary financial instruments used by the Group – with the exception of derivative instruments – include cash and cash equivalents, trade receivables, bank loans, trade payables and financial lease contracts. The main purpose for using these financial instruments is to finance the Group's business activities.

Cash and cash equivalents

Cash and short term deposits shown in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less.

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Derivative financial instruments and hedging

The Group uses derivative financial instruments such as interest rate swaps to hedge its risks associated with interest rate fluctuations. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is concluded and are later re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives during the year that do not qualify for hedge accounting are taken directly to profit or loss.

The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an un-recognized firm commitment;
- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment; or
- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, as well as the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Cash flow hedges
The effective portion of the gain or loss on a hedging instrument is recognized directly under equity capital, while the ineffective portion is recognized immediately in profit or loss. Amounts recorded under equity capital are transferred to profit or loss in the period in which the hedged transaction affects profit or loss, such as when the hedged financial income or financial expenses are recognized or when a forecasted sale occurs.

If the forecasted transaction or firm commitment is no longer expected to occur, amounts previously recognized in equity capital are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, then the amounts previously recognized in equity capital will remain recorded under equity capital until the forecasted transaction or firm commitment occurs.

Hedges of a net investment in a foreign operation (net investment hedge)
Hedges of a net investment in a foreign operation are accounted for similarly to a cash flow hedge.

The effective portion of the gain or loss on a hedging instrument used – together with any results from a foreign currency translation of a hedged investment – is recognized directly under equity capital, while the gain or loss attributable to the ineffective portion is recognized immediately in profit or loss.

Only after the disposal (sale or liquidation) of the foreign operation will the changes in the hedging instrument's value as accumulated in the equity capital account together with the conversion results on the underlying transaction be recycled into profit or loss.

Inventories

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

Inventories are accounted for as follows:
- Raw materials: cost of acquisition based on the weighted average cost method
- Finished goods and work in progress: cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs

Provisions

A provision is recognized only when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset if the reimbursement is virtually certain. If the time value of money from discounting is material, provisions are discounted using a current pre-tax rate that reflects, where required, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost. The reversal of provisions is generally recognised under the items of the income statement in which the provisions were created.

Provisions for pensions

Provisions for pensions are determined according to the projected unit credit method (IAS 19). This method takes into account the pensions known and expectancies earned as of the balance sheet date as well as the increases in salaries and pensions expected in the future.

In accordance with IAS 19, the actuarial gains and losses were recognized outside of profit or loss immediately and in full. For further details, please see Note 27.

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 to current and former employees and their survivors. The pension plan provides for retirement benefits (upon reaching the age of 63), early retirement and disability 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 the 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.

Provisions for phased retirement agreements

Phased retirement agreements are based primarily on the so-called »block model«. Under these arrangements, there are two types of obligations which, using actuarial principles, are measured at their cash value and then recognized separately from one another: the first type of obligation relates to the accumulated outstanding performance amount, which is recognized pro rata temporis over the term of any active or work phase. The accumulated outstanding performance amount is based on the difference between the compensation earned by the employee prior to the phased retirement agreement (including the employer's share of the social security contributions) and the compensation for the part-time employment (including the employer's share of the social security contributions, but not including the top-up contributions). The second type of obligation relates to the employer's obligation to pay the top-up contributions plus an additional amount towards the statutory pension insurance and is recognized directly and in full once the obligation arises.

Deferred income

The deferred income item serves to ensure that income from servicing agreements and guaranty extensions is recognized in the relevant accounting period.

Leases

Equipment (machines) produced by WashTec is sold to a leasing company and then leased back by the WashTec Group in order to make it available to its own customers, above all large operator groups or oil companies, as part of the operator model, in return for usage-based fees. The agreements between the leasing company and WashTec are treated as finance leases pursuant to IAS 17 because WashTec bears substantially all the economic risks incidental to ownership. Other finance leases relate to vehicles.

As a rule, lease-back contracts have a term of approximately 5–7 years, whereas the contracts 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 lease-back contracts that are related to machines/equipment generally include a purchase option at the end of the term as well as an option to extend the contract. Price adjustments during the term of the lease are prohibited.

If the WashTec Group is the finance lessee, then the leased property is capitalized at the inception of the lease. The lease is recognized at the fair value of the leased property or, if lower, at the present cash value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in profit or loss.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term. Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term.

Taxes

Current income tax
Actual tax refund claims and tax liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The estimates are based on the tax rates and tax laws applicable as of the balance sheet date.

Actual taxes relating to items, which are recorded directly in equity capital, are recognized under the equity capital accounts of the balance sheet and not in the Company's income statement.

Deferred taxes

Deferred taxes are recognized using the liability method on temporary differences between the assets and liabilities recognized on the balance sheet and their carrying amounts for financial (tax) reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where a deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, and
- where a deferred tax liability arises from taxable temporary differences associated with investments in subsidiaries, if the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry-forward of unused tax credits and unused tax losses to the extent that it is probable that the taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized with the following exceptions:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, and
- where deferred tax assets arise from deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, and it is probable that the temporary differences will not reverse in the foreseeable future and that there will be an insufficient amount of taxable profit against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed on each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed on each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured using the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that apply as of the balance sheet date. Future changes in tax rates must be taken into account on the balance sheet date, if tangible enactment conditions are met as part of a legislative process. Deferred taxes relating to items, which are recorded directly in equity capital, are recognized under the equity capital accounts of the Company's balance sheet and not in its income statement.

Deferred tax assets and deferred tax liabilities are offset against each other, if the Group has a legally enforceable right to offset its actual tax refund claims against its actual tax liabilities and these relate to the income taxes of the same taxable entity and are assessed by the same tax authority.

Value added tax

Revenues, expenses and assets are recognized net of value added tax (VAT) amounts, with the following exceptions:

- if the VAT incurred on a purchase of assets or services is not recoverable by the tax authority, then the VAT will be recognized as part of the cost of the asset or as part of the expense item.
- receivables and liabilities are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the tax authority is included as part of receivables or liabilities in the balance sheet.

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. Revenue must be measured at the fair value of the consideration received. Rebates, cash discounts, VAT and other charges are not taken into account. In addition, revenue may only be recognized if the following recognition criteria are met:

Revenues from the sale of machines, accessories, goods and services are recognized once the performance due has been rendered or the significant risks and rewards of ownership have passed to the buyer. This is normally the case when finished goods or merchandise are delivered, sent or collected.

Revenues from servicing agreements are recognized once the performance has been rendered.

Revenues from the operations business are not recognized until the respective carwash is performed, even if the wash system was first sold to an external leasing company, inasmuch as this sale is treated as a »sale and leaseback transaction« in accordance with IAS 17.

Interest income is recognized as the interest accrues (using the effective interest method, i.e. the rate that discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

Earnings per share

In accordance with IAS 33, earnings per share are calculated by dividing the after-tax consolidated profit by the weighted average number of shares outstanding.

Undiluted earnings per share are calculated by dividing the net profit for the year attributable to the ordinary shareholders of the parent company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share are calculated by dividing the net profit attributable to the ordinary shareholders of the parent company by the weighted average number of ordinary shares outstanding during the year, plus the weighted average number of ordinary shares, which would be issued if all dilutive potential ordinary shares were in fact converted into ordinary shares.

Segment reporting

According to IFRS 8, the »management approach« is used as the basis for identifying reportable, operating segments. Under this approach, the external segment reporting is carried out on the basis of the internal group organizational management structure as well as the internal reports submitted to the entity's »chief operating decision maker«. IFRS 8 requires that the entity provide a report about the financial and described information on its reportable segments. Where the aggregation criteria are met, operating segments will be aggregated into reportable segments.

At the WashTec Group, the segmentation under the management report is done according to sales territories.

In this regard, the sales organization is divided into the geographic areas of Germany, Austria, and Switzerland (the »DACH« area), Central and Eastern Europe (the »CEE« area) and the rest of the world (the »RoW« area), and the supporting entities are grouped together under »Others« (other operating units). This category includes the legally independent entities of WashTec Carwash Operations GmbH, WashTec Financial Services GmbH and AUWA-Chemie GmbH, which support the areas in developing the markets for WashTec products and services.

The individual segments are managed on the basis of the operating results achieved. The segment results consist of income and expenses directly attributable to the reporting segment and to the apportioned income or expenses generated from inter-divisional functions. The sum of the reportable segments equals the consolidated result (after consolidation).

A geographical segment is a distinguishable component of an enterprise, which offers or provides products or services within a particular economic environment and which is subject to the risks and returns that are different from those of components operating in other economic environments.

The business divisions of the WashTec Group operate worldwide and are divided into the following regions: Domestic, Rest of Europe, North America and Rest of World (Others). The Group's geographical segments are based on the location of the Group's assets. Sales to the outside customers, who are identified in geographical segments, are assigned to the individual segments based on the customer's geographical location.

Segment assets and segment liabilities include the assets and liabilities, which are used by one segment for its own operations. Where possible, the balance sheet items are allocated directly to the segment assets and segment liabilities. If a direct allocation is not possible, then the allocation will be done on the basis of a apportionment key.

Transfer prices between the individual Group entities are charged on an arm's length basis. They take into account specific market and economic conditions of the individual regions.

6. Business combinations

Business combinations in 2010

On March 19, 2010, WashTec Australia Pty. Ltd. was formed as an Australian subsidiary of WashTec Cleaning Technology GmbH (which retained 100% of the voting interest) in order to commence direct sales and servicing activities in Australia.

On April 1, 2010, WashTec Australia Pty Ltd. entered into a purchase agreement to buy the substantial assets of the former Australian dealer. The investment in the Australian market serves the purpose of securing WashTec equipment sales, guaranteeing equipment availability WashTec's customers and solidifying the relationship with the major customers.

On April 20, 2010, a new wholly-owned subsidiary was formed in Canada under the name WTMVII Cleaning Technologies Canada Inc. and was set up as the subsidiary of Mark VII Equipment Inc., USA. WashTec has thereby commenced direct sales and servicing activities in Canada.

During the course of 2010, WTMVII Cleaning Technologies Canada Inc. acquired the assets of numerous sales and service organizations. These acquisitions allowed WashTec to further expand its market share in Canada, implement the framework agreement with Shell which had been in place in this region since 2010, and offer customers high-end service on a nationwide basis.

These acquisitions are summarized below.

The agreed purchase price for the corporate acquisition was €2.1m. The purchase agreements contain a hold-back clause enforceable against the seller. Due diligence examinations were carried out that focused primarily on the economic risks. In connection with the acquisitions, due diligence-related acquisition costs and transaction expenses totaling €237k have been incurred to date and these costs were recognized in the income statement.

The following table shows the carrying values and the fair market value of the acquired assets and liabilities of the aforementioned companies as of the acquisition closing date.

in €m	Fair Value	Carrying Value
Trade receivables	1.7	2.1
Inventories	1.3	2.4
Non current assets	1.0	0.9
Trade payables	0.6	0.5
Liabilities and provisions	1.3	0.6

It is expected that the gross value (in the amount of €2.1m) of the acquired trade receivables includes €0.4m in claims that cannot be collected.

The consolidated net income as of December 31, 2010 includes a result totaling €–1,215k as well as revenues of €10,204. Had the business combinations been consummated as of the beginning of the year, then the Group revenues would have increased by approximately €4.6m to approx. €273.0m and the net consolidated income after taxes would have been lowered by €0.6m to approx. €10.2m.

On October 4, 2010, WashTec acquired, as of January 1, 2011, the substantial assets of the product development and sales departments of Adekema, one of the leading suppliers of chemicals in Scandinavia. In order to exploit the economies of scale in the existing logistics network, WashTec transferred the production as well as the logistics management for the Scandinavian market for car wash chemicals to the Flügger Group as part of a strategic cooperative venture.

By virtue of the acquisition of Adekema and the more extensive cooperation with Flügger, WashTec will be able to meet the needs of the Scandinavian market even better and service its customers with the best possible car wash chemicals.

The agreed purchase price for the corporate acquisition was €2.1m. The purchase agreements contain a hold-back clause enforceable against the seller. Due diligence examinations were carried out that focused primarily on the economic risks. In connection with the acquisitions, due diligence-related acquisition costs and transaction expenses totaling €69k have been incurred to date and these costs were recognized in the income statement.

The following table shows the carrying values and the preliminary fair market value of the acquired assets of the aforementioned companies as of the acquisition closing date, which are amortized over a period of 5 to 8 years.

in €m	Fair Value	Carrying Value
Intangible assets	2.1	2.1

7. Notes on segment reporting

By segment

in €k	Area ROW 2010	Area DACH 2010	Area CEE 2010	Area Others 2010	Consolidation 2010	Group 2010
Revenues	**149,880**	**104,033**	**8,740**	**12,222**	**–6,461**	**268,414**
with third parties	149,450	101,360	8,738	9,809	–943	268,414
with other divisions	430	2,673	2	2,413	–5,518	0
EBIT	**8,537**	**10,236**	**1,191**	**2,015**	**–1,640**	**20,339**
Other interest and similar income						109
Interest and similar expenses						–1,868
Result from ordinary activities						**18,580**
Income taxes						–7,804
Consolidated net profit						**10,776**
Liabilities	41,465	28,912	1,771	2,555	–251	74,452
Assets	119,512	53,910	4,765	15,259	–251	193,195
Investments in property, plant and equipment	4,821	2,013	176	2,908	0	9,918
Scheduled amortization, depreciation and impairment losses	–4,909	–2,799	–223	–1,634	0	–9,565

in €k	Area ROW 2009	Area DACH 2009	Area CEE 2009	Area Others 2009	Consolidation 2009	Group 2009
Revenues	**138,716**	**104,064**	**8,421**	**11,584**	**–6,451**	**256,333**
with third parties	138,093	102,962	8,421	9,840	–2,984	256,333
with other divisions	622	1,101	0	1,744	–3,467	0
EBIT	**8,580**	**3,360**	**1,507**	**1,957**	**–2,342**	**13,062**
Other interest and similar income						95
Interest and similar expenses						–2,651
Result from ordinary activities						**10,506**
Income taxes						–4,750
Consolidated net profit						**5,756**
Liabilities	33,009	26,675	1,523	1,895	–120	62,982
Assets	103,410	55,806	4,902	14,123	–120	178,121
Investments in property, plant and equipment	3,435	2,742	170	3,513	0	9,860
Scheduled amortization, depreciation and impairment losses	–4,187	–3,207	–224	–1,560	0	–9,178

Reconciliation of segment assets and liabilities

in €k	2010	2009
Segment assets	**193,220**	**178,121**
Deferred tax assets	7,015	7,564
Tax receivables	1,464	359
Cash and cash equivalents	15,304	13,802
Non-current assets held for sale	80	65
Consolidated balance sheet total	**217,083**	**199,911**

in €k	2010	2009
Segment liabilities	**74,390**	**62,982**
Deferred tax liabilities	4,551	0
Income tax liabilities	1,712	359
Non-current interest-bearing loans	277	33,804
Current interest-bearing loans	32,428	6,856
Finance lease liabilities	9,177	10,128
Derivative financial instruments	189	224
Consolidated debt capital	**122,724**	**114,353**
Equity capital	94,359	85,558
Consolidated balance sheet total	**217,083**	**199,911**

The consolidated revenues can be broken down according to the following products:

in €m	2010	2009	Change
New machines and used machines	154.9	149.0	5.9
Spare parts, services	86.5	82.9	3.6
Chemicals	18.0	16.3	1.7
Rent, accessories and miscellaneous	9.0	8.1	0.9
Total	**268.4**	**256.3**	**12.1**

The consolidated revenues were generated in the following regions:

in €m	2010	2009	Change
Germany	97.4	97.8	–0.4
Rest of Europe	132.6	129.1	3.5
of which France	*37.1*	*34.7*	*2.3*
Northern America	30.1	24.6	5.5
Rest of World[1]	8.3	4.8	3.5
Total	**268.4**	**256.3**	**12.1**

[1] primarily Asia and Australia

By region

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

2010 €k	Germany	Rest of Europe	Northern America	Rest of World	Group
Carrying value of property, plant and equipment	32,089	8,041	1,171	620	41,921
Investments in property, plant and equipment	3,529	2,568	531	651	7,279
Carrying value of intangible assets	48,464	1,199	18,280	111	68,054
Investments in intangible assets	1,795	63	672	109	2,639

2009 €k	Germany	Rest of Europe	Northern America	Rest of World	Group
Carrying value of property, plant and equipment	32,521	7,614	1,139	126	41,400
Investments in property, plant and equipment	4,232	3,485	348	143	8,208
Carrying value of intangible assets	48,857	1,214	16,819	1	66,891
Investments in intangible assets	942	42	654	1	1,639

The Group has no assets in the other countries because it does not have its own sales organizations in those areas. Any revenues earned from other countries are generated through exports to independent dealers.

Notes to the consolidated income statement

8. Other operating income

Other operating income totaled €5,281k (prior year: €2,731k) and consisted primarily of income from exchange rate differentials in the amount of €2,357k (prior year: €1,238k), income from the sale of scrap in the amount of €684 (prior year: €307k) and income from the sale of acquired vehicles and from the sale of other property, plant and equipment totaling €228k (prior year: €70k).

9. Personnel expenses

Personnel expenses consist of the following:

in €k	2010	2009
Wages and salaries	77,745	74,597
Social security contributions	7,532	7,364
Pension and phased-retirement costs	1,686	2,226
Expenses for employer share of statutory and voluntary pension insurance (contribution-oriented)	5,822	5,276
Expenses of share-based payments	0	431
Total	**92,785**	**89,893**

On July 23, 2007, 767,000 options were granted to the management board and the first level of management at a strike price of €15.34. Since the aforementioned share price increase was not reached, the options expired worthless in fiscal year 2009. The expense in 2010 totaled €0k (prior year: €431k).

The average number of staff members, according to their job functions, may be shown as follows:

Average number of employees	Dec 31, 2010	Dec 31, 2009	Change
Sales and servicing	968	928	40
Production, technology and development	473	471	2
Finance and administration	155	154	1
Total	**1,596**	**1,553**	**43**

10. Other operating expenses

Other operating expenses may be itemized as follows:

in €k	2010	2009
Vehicle costs	8,086	7,216
Travel expenses	4,294	3,551
Advertising and trade fair costs	3,049	2,158
Maintenance/repairs	2,879	2,407
Rent/operating leases excluding vehicles	2,846	2,591
Legal and consulting fees	2,316	1,730
Communication costs	2,211	2,077
Operating leases – vehicles	2,078	1,951
Temporary workers	2,061	1,542
IT expenses	2,025	2,137
Exchange rate effects	1,153	1,022
Allocations to bad dept allowances on receivables	1,072	1,116
Insurance	906	825
Training/continuing education costs	637	648
Office supplies	609	589
Product liability	492	465
Expenses for own patents and intellectual property rights	435	353
Fees, licences and research costs	399	640
Bank charges	269	193
PR work	242	261
Loss on disposals of non-current assets	46	62
Miscellaneous administrative expenses/other expenses	4,250	3,828
Total	**42,355**	**37,362**

Auditors' fees

The following fees were incurred to the auditors (PricewaterhouseCoopers AG, Wirtschaftsprüfungsgesellschaft, Munich, Germany) in the reporting year for services rendered:

in €k	2010	2009
Annual accounts auditing	235	237
Other confirmations	48	83
Tax advisory services	0	4
Other services	20	30
Total	**303**	**354**

11. Financial result

in €k	2010	2009
Other interest and similar income	109	95
Financial income	**109**	**95**
Interest-bearing loans	847	1,244
Interest rate swaps	280	709
Expenses from finance leases	561	528
Expenses from borrowing costs and similar expenses	180	171
Financial costs	**1,868**	**2,652**
Financial result	**–1,759**	**–2,557**

Of the interest income and interest expense, a total of €918 (prior year: €–1,320k) must be apportioned to the categories, »Loans and receivables« (LaR) and »Financial liabilities measured at amortized cost« (FLAC).

12. Income taxes

This item relates to both current and deferred taxes.

The table below shows a reconciliation of the expected and actual tax expenses reported. To calculate the anticipated tax expense, earnings before income taxes were multiplied by the Group tax rate of 30.7% (prior year: 30.7%). The effective tax rate of the WashTec Group equaled 42.0% (prior year: 45.2%).

in €k	2010	2009
Expected income tax expense	5,705	3,225
Tax differences due to different tax rates	–51	37
Non-deductible expenses	240	465
Minimum taxation	187	0
Dividends	34	0
Withholding tax	35	27
Write-down of deferred tax assets from loss carryforwards	154	84
Effects of the non-recognition of deferred tax assets	1,109	610
Capitalisation of corporate income tax credits	–5	–6
Other	396	307
Actual income tax expenses	**7,804**	**4,750**

Tax expenses consist of the following:

in €k	2010	2009
Deferred tax expenses	5,319	2,680
Actual tax expenses	2,485	2,070
Total income taxes	**7,804**	**4,750**

The income taxes paid (see Consolidated Cash Flow Statement) totaled €2,273k (prior year: €5,863k). The payments for prior years in the amount of €198k (prior year: €3,398k) are included in this amount.

13. Earnings per share

Calculation of undiluted earnings per share for 2010 and 2009

in €k or number of shares	2010	2009
Consolidated profit	10,776	5,756
Weighted average of outstanding number of shares	13,976,970	13,976,970
Earnings per share (undiluted = diluted)	**€0.77**	**€0.41**

The management board will recommend to the supervisory board for the annual general meeting of shareholders on May 5, 2011 that a dividend in the amount of 40% of the profit for the year will be paid for fiscal year 2010.

14. Non-recurring effects

In 2010, one-time charges in connection with acquisitions (€332k) and settlement payments (€584k) totaling €916 were booked. On the other hand, the Group reported positive non-recurring effects from exchange translation in the amount of €955k. These are divided between the items cost of materials (€518k), other operating income (€955k), personal expenses (€–584k) and other operating expenses (€–850k).

In the prior year, there were total non-recurring effects of €1,753k for bad debt allowances (€700k) as well as restructuring costs (€1,053k). These effects are included in the income statement under other operating expenses (€700k) and personnel expenses (€1,053k).

Notes to the consolidated balance sheet

15. Property, plant and equipment

Property, plant and equipment developed as follows:

in €k	Land, land rights and buildings	Technical equipment and machines	Other equipment fittings and fixtures	Finance leasing	Prepayments and construction in progress	Total
Costs						
January 1, 2009	**40,065**	**16,798**	**13,960**	**18,109**	**83**	**89,015**
Additions	408	2,058	1,324	4,405	12	8,207
Additions from company acquisitions	0	0	0	0	0	0
Disposals	39	825	520	4,399	0	5,783
Reclassifications	444	2,680	–525	–2,613	–63	–77
Currency translation effects	29	28	34	0	0	91
December 31, 2009	**40,907**	**20,739**	**14,273**	**15,502**	**32**	**91,453**
Additions	188	3,118	1,601	1,473	89	6,469
Additions from company acquisitions	0	70	667	73	0	810
Disposals	0	1,820	863	230	70	2,983
Reclassifications	0	753	–177	–567	–9	0
Currency translation effects	121	196	118	8	0	443
December 31, 2010	**41,216**	**23,056**	**15,619**	**16,259**	**42**	**96,192**
Amortization, depriciation and impairment losses						
January 1, 2009	**18,374**	**10,661**	**10,679**	**9,498**	**0**	**49,212**
Amortization/depreciation for the year	1,432	1,318	1,465	2,149	0	6,364
Impairment losses	28	809	424	4,227	0	5,488
Reclassifications	142	2,504	–223	–2,504	0	–81
Currency translation effects	24	–2	24	0	0	46
31, Dezember 2009	**19,944**	**13,672**	**11,521**	**4,916**	**0**	**50,053**
Amortization/depreciation for the year	1,473	1,664	1,477	2,225	0	6,839
Disposals	0	1,805	574	216	0	2,595
Reclassifications	0	548	–173	–375	0	0
Currency translation effects	69	65	–161	1	0	–26
December 31, 2010	**21,486**	**14,144**	**12,090**	**6,551**	**0**	**54,271**
Carrying value						
December 31, 2010	**19,730**	**8,912**	**3,529**	**9,708**	**42**	**41,921**
December 31, 2009	**20,963**	**7,067**	**2,752**	**10,586**	**32**	**41,400**
January 1, 2009	**21,691**	**6,137**	**3,281**	**8,611**	**83**	**39,803**

Finance leases

Carrying value in €k	2010	2009
Washing equipment, sale and leaseback	9,595	10,589
Finance leasing, fixtures and fittings	113	84
Total	**9,708**	**10,673**

Finance leases, fittings and fixtures relate mainly to vehicle leases. These agreements generally have a term of between 3–5 years.

As of the reporting date, there are no material contractual obligations such as an obligation to purchase plant, property and equipment or intangible assets.

16. Intangible assets

in €k	Patents, licenses and similar rights: internally generated	Patents, licenses and similar rights: Acquired	Patents, licenses and similar rights: Total	Goodwill	Prepayments and constructions in process	Total
Costs						
January 1, 2009	**9,404**	**9,844**	**19,248**	**80,301**	**1,048**	**100,597**
Additions	668	966	1,634	14	5	1,653
Additions from company acquisitions	0	0	0	0	0	0
Disposals	100	15	115	12	41	168
Reclassifications	–429	1,512	1,083	0	–1,006	77
Currency translation effects	–14	–99	–113	–451	0	–564
December 31, 2009	**9,529**	**12,208**	**21,737**	**79,852**	**6**	**101,595**
Additions	564	220	784	0	1,691	2,475
Additions from company acquisitions	0	156	156	8	0	164
Disposals	0	37	37	0	0	37
Reclassifications	0	4	4	0	–4	0
Currency translation effects	186	120	306	1,037	0	1,343
December 31, 2010	**10,279**	**12,671**	**22,950**	**80,897**	**1,693**	**105,540**
Amortization and impairment losses						
January 1, 2009	**3,344**	**5,857**	**9,201**	**22,688**	**0**	**31,889**
Amortization for the year	1,057	1,757	2,814	0	0	2,814
Disposals	44	14	58	0	0	58
Reclassifications	–14	95	81	0	0	81
Currency translation effects	–1	–33	–34	12	0	–22
December 31, 2009	**4,342**	**7,662**	**12,004**	**22,700**	**0**	**34,704**
Amortization for the year	1,194	1,533	2,727	0	0	2,727
Disposals	0	38	38	0	0	38
Reclassifications	0	0	0	0	0	0
Currency translation effects	10	78	88	5	0	93
December 31, 2010	**5,546**	**9,235**	**14,781**	**22,705**	**0**	**37,486**
Carrying value						
December 31, 2010	**4,732**	**3,437**	**8,169**	**58,192**	**1,693**	**68,054**
December 31, 2009	**5,187**	**4,546**	**9,733**	**57,152**	**6**	**66,891**
January 1, 2009	**6,060**	**3,987**	**10,047**	**57,613**	**1,048**	**68,708**

Carrying values in €k	2010	2009
Patents and technologies	989	1,170
Licences and software	2,448	3,376
Development costs	4,732	5,187
Miscellaneous, prepayment, excluding goodwill	1,693	6
Total	**9,862**	**9,739**

Patents relate mainly to the technology acquired in 2006 for the production of hydraulic conveyor tunnel systems.

Licenses relate to the licenses for the SAP ERP-System and related incidental acquisition costs.

The intangible assets include capitalized development costs for new generations of rollover wash systems in the amount of a carrying value of €4,732k (prior year: €5,187k).

The addition of prepayments and construction in progress resulted as far as possible from capitalized development costs. These developments are currently not yet completed and were therefore subject to impairment test as of the end of the year, which did not necessitate an impairment allowance.

Also incurred were research and development costs of €399k (prior year: €640k), which were not capitalized since the criteria of the capitalization under IAS 38 was not met.

Goodwill

The total goodwill has a carrying value of €58,192k (prior year: €57,152k) and, pursuant to IFRS 8, is attributed to the operating segments of the »DACH« area (Germany, Austria, Switzerland) in the amount of €16,379k (prior year: €16,379k), the »CEE« area (Central and Eastern Europe) in the amount of €747k (prior year: €746k), the »RoW« area (Rest of World) in the amount of €36,086k (prior year: €35,046k) and »Others« area (other operating units) in the amount of €4,980k (prior year: €4,980k).

The impairment test for goodwill is routinely carried out for the operating segments on the basis of the useful life calculation.

According to the approach described under section 5.2, the impairment test for goodwill is based on the Group's medium-term forecast for 2011 through 2015.

Medium-term planning was based on the following assumptions, which are derived from the long-standing experience of management as well as from medium-term strategies for the individual markets. More extensive information was available to management in the form of outside market studies. The key assumptions are as follows:

- average increase in revenues of 3 and 10% per annum
- cost increases of 2–3%
- wage and salary cost increases of approx. 2–4% per annum

For discounting purposes, an interest rate of 7.03% (prior year: 6.72%) and a long-term growth rate under a perpetual annuity of 0.5% (prior year: 0.5%) was used as a basis.

The discount rate calculation is derived from a weighted borrowing rate of 4.60% (prior year: 5.03%) and a weighted equity rate. The equity rate is based on a risk-free rate of return averaging 3.40% (prior year: 4.25%) as well as a beta factor of 1.07 (prior year: 1.13).

In the reporting year there has been no need to apply any impairment, according to the corporate planning of the WashTec Group. Even with a 10-percentage-point higher discount rate and a 5-percentage-point lower gross margin, there is still no need for a write-down.

17. Deferred taxes

The Group is reporting deferred tax assets in the amount of €7,015k (prior year €7,564k) as well as deferred tax liabilities in the amount of €4,551k (prior year: €0). These items resulted from deferred tax claims on expected recoverable tax loss carry-forwards and from timing differences that were calculated according to the so-called »liability method«.

The loss carry-forwards were recognized as deferred tax assets, to the extent that the recoverability of the loss carry forwards could be assured with sufficient certainty on the basis of the internal mid-term planning (2011 through 2015).

To the extent that there is uncertainty about whether the loss carry-forwards can be offset against future taxable income, such loss carry-forwards were not recognized as deferred tax assets. Accordingly, loss carry-forwards in the amount of €17,335k (prior year: €12,886k) were not recognized. This corresponds to non-capitalized tax assets in the amount of €5,717k (prior year: €4,247k).

Most of the loss carry forwards have no time restrictions with regard to their utilization. Only €112,607k in loss carry-forwards are restricted. Of this amount, €2,169k will lapse between 2011 through 2020 and €10,438k will lapse between 2021 through 2031, if they cannot be utilized.

The deferred tax receivables and tax liabilities are apportioned according to the following balance sheet items and loss carry-forwards.

in €k	Deferred tax receivables		Deferred tax liabilities	
	2010	2009	2010	2009
Tax loss carryforwards	4,358	8,056	0	0
Property, plant and equipment	135	140	–5,147	–5,393
Intangible assets	91	0	–2,759	–2,177
Inventories	1,667	1,233	–474	–384
Trade receivables	24	78	–1,293	–49
Provisions	1,574	1,410	–11	0
Other liabilities	232	461	–27	0
Finance lease liabilities	2,457	2,642	0	0
Deferred income	1,727	1,167	0	0
Miscellaneous	30	378	–118	0
Total	**12,295**	**15,566**	**–9,829**	**–8,003**
of which non-current	7,245	10,325	–8,166	–7,391
of which current	5,050	5,241	–1,663	–612

During the reporting year, €282k (prior year: €44k) in deferred taxes were booked directly under equity capital. The net balance of the deferred taxes recorded under equity capital therefore equals €886k (prior year: €604k).

The following table shows the income and expenses as well as the tax liability incurred thereon for the changes in value recorded directly under equity capital:

in €k	2010			2009		
	before Income tax	Income tax	after Income tax	before Income tax	Income tax	after Income tax
Adjustment item for the currency translation of foreign subsidiaries and currency changes	323	–	323	360	–	360
Exchange differences on net investments in subsidiaries	–123	40	–85	–243	74	–169
Changes in the fair value of financial instruments	–491	153	–339	506	–155	351
Changes of acrurial gains and losses	–288	90	–198	–408	125	–283
Changes in value recorded directly under equity capital	–582	282	–299	215	44	259

Upon off-setting receivables and liabilities, the following amounts are shown in the consolidated annual financial statements:

in €k	2010	2009
Deferred tax receivables	12,295	15,566
Deferred tax liabilities	–9,829	–8,003
Total	**2,466**	**7,564**

18. Inventories

in €k	2010	2009
Raw materials, consumables and supplies, including merchandise	24,272	20,147
Work in progress	6,072	5,139
Finished goods and merchandise	7,022	7,247
Prepayments	12	4
Total	**37,378**	**32,537**

During the reporting year, the addition to the inventory allowances equaled €820k (prior year: €1,387k).

19. Tax receivables

in €k	2010	2009
Non-current tax receivables	253	288
Current tax receivables	1,211	71
Total	**1,464**	**359**

The non-current tax receivables involved primarily the discounted claims against the tax authorities based on corporate income tax credits. The current tax receivables resulted primarily from prepayments of corporate income tax, which are off-set by the trade tax liabilities totaling €1.6m.

20. Trade receivables

in €k	2010	2009
Current trade receivables	39,935	35,127
Non-current trade receivables	388	0
Total	**40,323**	**35,127**

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 the receivable is classified as uncollectible, then the related impaired asset is de-recognized.

As of December 31, 2010, bad debt allowances were charged on trade receivables in the nominal amount of €3,277k (prior year: €3,005k). The bad debt allowance account developed as follows:

in €k	2010	2009
As of January 1	3,005	2,119
Allocations recognised as expense	1,001	1,482
Utilization	–294	–187
Reversal	–349	–265
Income from derecognised receivables	–104	–138
Currency translation effects	18	–6
As of December 31	**3,277**	**3,005**

The ageing analysis of the overdue trade receivables, on which no bad debt allowances have been charged, may be shown as follows as of December 31:

in €k	2010	2009
Receivables, neither overdue nor written down	30,496	25,395
Overdue receivables, not written down, of which		
less than 30 days	5,646	6,135
30–120 days	3,136	2,483
120–365 days	960	1,038
more than 365 days	0	48
Total	**9,742**	**9,704**
Receivables written down	3,362	3,033

General bad debt allowances were made for receivables, according to the age structure. In addition, receivables, which are unlikely to be recovered and for which legal steps have been instituted, may be subject to individual bad debt allowances.

With respect to receivables, for which no bad debt allowance has been charged and which are not in default, there were no indications, as of the balance sheet date, that the debtors will not meet their payment obligations.

21. Other assets

in €k	2010	2009
Non-current other assets	40	25
Current other assets	5,584	2,206
Total	**5,624**	**2,231**
of which prepaid expenses	802	889

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

The change in other current assets consists primarily of the corporate acquisition of Adekema (€2,231k) and the addition of the Australian subsidiary (€448k).

22. Cash and cash equivalents

in €k	2010	2009
Cash and cash equivalents	**15,304**	13,802

Credit balances held at banks earn interest at variable interest rates based on daily bank account rates. Cash has a fair value of €15,304k (prior year: €13,802k).

The cash flow statement shows how cash and cash equivalents (cash on hand, bank balances with maturity of up to 3 months, and overdraft accounts) held by the WashTec Group changed in the fiscal year. Cash flows were classified in accordance with IAS 7 as follows: cash flow from operating activities, cash flow from investing activities and cash flow from financing activities.

For purposes of the consolidated cash flow statement, cash and cash equivalents comprised the following as of December 31:

in €k	2010	2009
Bank balances and cash on hand	15,304	13,802
Overdraft account	–149	–70
Cash and cash equivalents	**15,155**	13,732

For explanations regarding interest-bearing loans, see Note 29.

Equity capital

23. Subscribed capital

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

As of December 31, 2010, the average weighted number of shares issued and outstanding was 13,976,970 (prior year: 13,976,970 shares).

	2010	2009
Ordinary shares in units k	13,977	13,977
Nominal value of ordinary shares in €	2.86	2.86

The annual general meeting of shareholders of WashTec AG resolved on May 5, 2010 to pay out a dividend totaling €1,677,236.40 from the accumulated profit for fiscal year 2009 which equaled €5,999,032 and to carry forward €4,321,795.60. The payout constitutes a dividend of €0.12 for each no-par share entitled to a dividend. The profit/loss carried forward is thereby lowered by €1,677,236.40.

Authorized capital

Pursuant to a resolution adopted by the general meeting of shareholders held on May 10, 2010, the authorized capital created by resolution dated June 15, 2005 was rescinded and new authorized capital was created as follows:

The management board was authorized, with the consent of the supervisory board, to increase on one or more occasions the Company's registered share capital by up to a total of €12,000,000 on or before May 4, 2013 by issuing new no-par value bearer shares in exchange for cash and/or non-cash contributions, although credited against the aforementioned authorized amount at the time the new shares are issued will be the pro rata amount of the registered share capital that is attributable to those no par-value bearer shares, on which the conversion rights or duties or the option rights or duties exist, which were granted on the basis of the shareholder resolution adopted on May 5, 2010. If the aforementioned conversion rights or duties or option rights or duties no longer exist because they had been exercised by the time the new shares were issued, then the shares issued under those rights must be taken into account.

In this respect, the shareholders must be granted preemptive rights. The new shares may also be underwritten by one or more banks, which are commissioned by the management board and then subject to an obligation to offer these shares to the shareholders for subscription (indirect preemptive right).

However, the management board is also authorized (subject to the approval of the supervisory board) to exclude shareholders' pre-emptive rights in certain cases as set out in sec. 5.1 of the Articles of Association of WashTec AG. The management board has not made use of these authorizations to date.

Contingent capital

Pursuant to sec. 218 of the German Stock Corporation Act (AktG), the contingent capital of a stock corporation may be increased in the same proportion as that portion of the registered share capital, which is increased from the corporation's own capital reserves.

The previous Contingent Capital I was rendered void because the issued stock options expired on July 22, 2009 with the strike price conditions having been met.

Pursuant to a shareholder resolution dated May 5, 2010, a new contingent capital account was created as follows:

Contingent Capital I: The registered share capital was conditionally increased by up to €12,000,000, divided into up to 4,193,091 no-par bearer shares (Contingent Capital I), although credited against this pro rata amount of the registered share capital will be the amount by which the registered share capital is increased on the basis of sec. 5.1 of the Articles of Association (Authorized Capital); any such credit will be made when the applicable resolution for increasing capital is adopted. 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 their conversion or option rights under warrant-linked or convertible bonds, participation rights or participating bonds (or a combination of such instruments), which are issued in exchange for cash capital contributions and are issued or guaranteed on or before May 4, 2013 by the Company or by a downstream group enterprise of the Company based on the authorization granted to the management board by the annual general meeting on May 5, 2010, make use of their option or conversion rights or, 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 – 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 authorization 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.

24. Capital reserves

The capital reserve resulted from contributions made by California Kleindienst Holding GmbH to WashTec AG as of January 1, 2000, in the amount of €26,828k and in the amount of €18,019k from the premium paid in connection with the capital increase of August 2005 (less €1,774k in costs related to the capital increase).

25. Treasury shares

Pursuant to a resolution adopted at the general meeting of shareholders on May 5, 2010, the Company is authorized on or before May 4, 2013 to purchase up to 10% of the current registered share capital of €40,000,000 (corresponds to up to 1,398,601 treasury shares) for purposes other than trading. The authorization expiring on November 6, 2010 was thereby rescinded.

The repurchased shares could be used, inter alia, in connection with the direct or indirect purchase of companies, company divisions or equity interests in companies or in connection with a merger with other companies. The shares may also be used to service any options, which are granted under a stock option plan to members of the managing directorship of companies affiliated with the Company or to employees of the Company or enterprises related to the Company.

The Company reserves the right to cancel all or part of the repurchased shares.

26. Other reserves and currency effects

The other reserves item consists of, above all, the recognition of actuarial gains and losses relating to pension provisions as well as the recordation of financial instruments used as hedging devices:

in €k	Dec 31, 2010	Dec 31, 2009
Recorded changes in the fair value of financial intruments used for hedging purposes	–1,246	–755
Exchange differences from net investments in subsidiaries	–759	–635
Actuarial gains/losses from defined benefit pension commitments and similar obligations	–867	–579
Deferred taxes on value changes recognized directly in equity capital	886	604
Other reserves	**–1,986**	**–1,365**
Currency effects	–130	–453
Total	**–2,116**	**–1,818**

27. Provisions for pensions

The amount of the provision was computed using actuarial methods at a discount rate of 5.0% (prior year: 5.5%). As in the previous year, the annual salary and cost-of-living increases continue to be measured at a rate of 1.5%. The anticipated return from reimbursement claims due to the existing liability insurance policies amounts to 4.5% (prior year: 4.5%). The »2005 G mortality tables«, published by Prof. Klaus Heubeck, were used as the biometrical basis of calculation. Staff turnover ratios were estimated according to age and sex.

The number of beneficiaries as of December 31, 2010, equaled 240 employees (prior year: 228 employees).

The amounts reported on the balance sheet break down as follows:

in €k	2010	2009	2008	2007	2006
Present value of defined benefit obligations (cash value)	7,013	6,649	6,200	6,633	6,704

Expenses for experience-based adjustments were included in the actuarial gains and losses and totaled €21k (prior year: €30k).

Since fiscal year 2005, all actuarial gains and losses are off-set against equity capital. In the recently completed fiscal year, the actuarial gains and losses equaled €288k. Actuarial gains and losses booked directly against equity capital as of December 31, 2010 totaled €–864k (prior year: €–579k).

In fiscal years 2009 and 2010, the cash value of the pension obligations developed as follows:

in €k	2010	2009
As of January 1	6,649	6,200
Pensions paid	–415	–442
Service cost in the reporting period	157	90
Interest expense	332	347
Actuarial gains and losses	290	454
As of December 31	**7,013**	**6,649**

The claims held against the relief fund and the employer's liability insurance policies taken out in order to cover the lives of the qualifying employees have an indemnity or reimbursement quality. The development of the so-called »reimbursement rights« in 2009 and 2010 can be shown in the following table:

in €k	2010	2009
Fair value of reimbursement claims January 1	390	346
Expected return	15	15
Employer contributions	0	0
Benefits paid	–18	–18
Actuarial gains and losses	–2	47
Fair value of reimbursement claims as of December 31	**385**	**390**

The reimbursement claims reported in the balance sheet are as follows:

in €k	2010	2009
Cash value of reimbursement claims	**385**	**390**

The costs from making allocations to the pension reserve, which are recorded under personnel expenses in the income statement, consist of the following:

in €k	2010	2009
Service cost in the reporting period	155	90
Interest expense	332	347
Anticipated income from the reimbursement claim	–15	–15
Pension expenses	**472**	**422**

The actual income for the reimbursement claims for 2010 totaled €13k.

The Group is expecting payments of €400k, plus the employer's share of social security for fiscal year 2011.

28. Other provisions

in €k	Phased retirement 2010	Warranty 2010	Repurchase obligations 2010	Restruc-turing 2010	Other 2010	Total 2010	Total 2009
As of January 1	2,782	5,144	3,240	1,459	1,313	13,937	13,729
Additions from business combinations	0	90	0	0	601	691	0
Addition	505	3,395	507	920	857	6,184	5,827
Utilisation	–1,152	–2,331	–1,088	–263	–695	–5,529	–5,059
Reversal	0	–1,275	–29	–322	–222	–1,848	–630
Exchange differences	0	49	17	0	76	142	70
As of December 31	**2,135**	**5,072**	**2,647**	**1,794**	**1,930**	**13,579**	**13,937**
current	951	4,836	524	1,794	1,779	9,885	–
non-current	1,184	236	2,123	0	151	3,693	–
Provisions in 2009							
current	1,043	5,026	2,162	1,459	1,243	–	10,933
non-current	1,739	118	1,078	0	70	–	3,004

The provision for phased retirement was calculated in accordance with IAS 19 »Employee Benefits«. The calculation was based on an interest rate of 4.00% (prior year: 4.50%) and an annual salary increase of 1.50% (prior year: 2.00%).

The provision for warranty obligations is recognized based on past experiences. The assumptions used as a basis for calculating the provision of warranties were founded on current sales levels and on the currently available information about repairs and returns for the sold products during the warranty period. It is expected that these costs will be incurred during the warranty period after the balance sheet date.

The provision for restructuring equaled €1,794k (prior year: €1,459k) and included mostly personnel measures.

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

The other provisions totaling €1,930k (prior year: €1,313k) relate, above all, to provisions made for litigation risks in the amount of €779k (prior year: €718k) and product liability in the amount of €171k (prior year: €128k).

As of the balance sheet date, the WashTec Group believes its contingent liabilities totaled €701k (prior year: €761k) and consisted primarily of contractual performance obligations and potential expenses in connection with repurchasing machinery, and believes that the likelihood that these claims will be enforced is less than 50%.

29. Interest-bearing loans

in €k	2010	2009
Current interest-bearing loans	32,428	6,856
Non-current interest bearing loans	277	33,804
Total interest-bearing loans	**32,705**	**40,660**

The main part of the credit facility has a term expiring at the end of July 2011. In December 2010, a financial institution was engaged to put together a financing syndicate. Binding financing commitments of the banks have since been submitted. These are subject only to credit documentation acceptance and a possible margin adjustment. On the basis of the current negotiations, the Group is assuming that the refinancing will be successfully completed in June 2011. The credit facility is reported as a current liability under accounting policies simply because it cannot be assumed that the loan will be repaid, but will instead be swapped for another form of financing arrangement.

As of December 31, 2010, the Group had a credit line totaling €54.2m (prior year: €62.9m). The credit line consists of a variable interest-bearing (adjustable rate) loan and a working capital facility. The working capital facility consists of several overdraft facilities and a revolving credit line, which is also used to issue guarantees (aval). As of December 31, 2010, €4.9m (prior year: €4.1m) of the facility had been utilized for guarantees. The non-utilized portion of the credit facility, which may be used for future operations and for fulfilling obligations, totaled €16.6m (prior year: €17.6m) as of the balance sheet date).

The syndicated credit facility agreement will expire at the end of July 2011. The amount still outstanding at the end of the term will be due in full. Regular loan repayments will no longer be provided after that point in time. The scheduled repayments for 2010 and 2009 are currently each €7.1m. A special repayment totaling €2.9 was also made in the reporting year.

The interest rates for the interest-bearing loan and for the utilized amount of the revolving credit line are variable/adjustable and are linked to the EURIBOR or the US-LIBOR and to an interest margin, which in turn is tied to the operating performance of the Company. The interest margin ranges between 0.8% and 2.9% and is computed on a quarterly bases.

The costs for extended aval guarantees are based on the interest margin, less a discount of 0.3%. The overdraft facility bears interest according to the applicable conditions of the relevant banks at the time it is drawn down. In the reporting year, the interest rates range between 1.44% and 3.75%.

In connection with structuring the finance, a discount was calculated using the effective interest method in accordance with IAS 39. The amounts included under interest expense for the amortization of the discount equaled €276k (prior year: €328k).

Key assets of the German companies of the WashTec Group, including receivables, inventories and trademark rights, were assigned or pledged as collateral to secure the working capital facilities granted.

The following table presents the carrying values of the assets that have been used as collateral. These assets have been fully collateralized. In the event of a late payment (if applicable, after the expiration of an applicable cure period), the banks will be entitled to seize and sell the collateral.

	2010	2009
Collateral provided in €k	Carrying value	Carrying value
Trademarks, patents, licenses	427	590
Land and building	18,222	19,149
Inventory	20,164	19,176
Trade receivables	7,341	8,935

	2010	2009
Weighted, effective average interest rate	4.88%	5.42%

30. Lease liabilities

Finance leases

The Group has concluded finance leases and lease-purchase agreements primarily for wash equipment in connection with the operator model.

The minimum lease payments for these finance lease liabilities equal:

Lease payment due (in €k)	< 1 year	1 – 5 years	> 5 years	Total
Minimum lease payment 2010	3,012	6,999	206	10,217
Interest expense for lease liability existing on the respective balance sheet date	452	584	4	1,040
Cash value of minimum lease payment 2010	2,560	6,415	202	9,177

Lease payment due (in €k)	< 1 year	1 – 5 years	> 5 years	Total
Minimum lease payment 2009	2,959	8,245	555	11,759
Interest expense for lease liability existing on the respective balance sheet date	535	1,076	20	1,631
Cash value of minimum lease payment 2009	2,424	7,169	535	10,127

Operating Lease

The obligations owed under the operating leases as of the balance sheet date are shown below in thousands of euro (€k) and classified according to their maturities:

Year	< 1 year	1–5 years	> 5 years	Total
2010	10,172	16,304	203	26,679
2009	7,811	18,513	244	26,568

These leases relate primarily to service vehicles, which are replaced with new lease contracts at the end of the term.

31. Liabilities

in €k	2010	2009
Trade payables	9,526	3,358
Prepayments on orders	7,968	8,219
Liabilities for taxes and charges	3,321	3,333
Liabilities in connection with social security	816	983
Other liabilities	22,172	17,093
Total	**43,803**	**32,986**
of which current (due < 1 year)	42,215	31,389
of which non-current (due > 1 year)	1,588	1,597

Trade payables and liabilities for taxes and charges and for social security are generally due within 90 days.

The liabilities for taxes and charges relate primarily to unpaid value added tax.

Other liabilities due within one year include debtors with credit balances of €1,052 (prior year: €541k), liabilities to employees for such benefits as vacation, overtime work, travel expenses, etc. in the amount of €10,108k (prior year: €8,065k), and liabilities owed to employer's liability insurers totaling €213k (prior year: €263k). Other liabilities also include accruals for miscellaneous debts totaling €6,976k (prior year: €6,057k), which resulted from missing invoices on services already performed, as well as for credits to be granted in the Service division.

32. Deferred income

Deferred income totaling €10,186k (prior year: €9,634k) related primarily to the recognition of revenues for servicing contracts in the periods to which they relate.

33. Financial risk management objectives and methods

The main risks arising from the Group's financial instruments involve interest-based cash flow, as well as liquidity, currency and credit risks.

It is the Company's policy to avoid or mitigate these risks as far as possible. All hedging measures are largely coordinated and implemented centrally. For example, on a regular basis, WashTec identifies all items which are subject to interest and foreign 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. Furthermore, WashTec prepares a monthly rolling consolidated liquidity plan on an annual basis which facilitates the timely management of the current and future liquidity situation.

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

Interest rate risk

Derivative financial instruments and hedging relationships
The Company has derivative financial instruments, which were designed to act as hedging instruments. Their purpose is to hedge against interest rate and market risks, which result from the Group's business activities and its financing sources.

In accordance with internal Group policy, derivatives are generally not traded.

During the reporting year, derivative financial instruments were held for hedging purposes in the form of interest swaps. Pursuant to IFRS, derivative financial instruments will be measured at fair value as of the balance sheet date and will be recognized as assets, if their fair value is positive, and as liabilities, if their fair value is negative. The positive value of financial instruments is recognized under current assets, the negative value is recognized under current liabilities.

At the inception of the hedge, both the hedging relationship and the Group's risk management objectives and strategies for arranging the hedge are formally stipulated and documented. The documentation contains the designation of the hedging instrument, the underlying or secured transaction and the nature of the hedged risks, and a description as to how the Company assesses the hedging instrument's effectiveness in offsetting the risk exposure. These types of hedging relationships are considered highly effective in off-setting exposures to changes in the fair value or the cash flow and such effectiveness is constantly reviewed.

Cash flow hedge

As of December 31, 2010, there were two interest rate swaps, which qualify as hedging instruments and which served to hedge the exposure to fluctuations under the loan's variable, EURIBOR-linked interest rates. Under the swap contracts, the entity pays fixed interest on the loan amount and in return receives a floating-rate interest on the same principal. This swap is intended to hedge the underlying obligation. The contractually agreed interest rates of the swap amounted to 2.12%, and the variable interest rate is linked to EURIBOR. The agreements expire on December 31, 2012, although the cash flow from the interest rate swaps is expected to be distributed throughout the term of the agreement. The fair value of the interest rate swaps as of December 31, 2010, equaled €–189k (prior year €–224k) and is reported under other current liabilities (prior year: current liabilities).

The hedging relationship is considered to be highly effective. The effective portion of the hedging relationship is recorded under equity capital and other reserves. As of December 31, 2010, the amount reported equaled €–490k (prior year: €506k), also factoring in deferred taxes. The amounts, which are accumulated under equity capital, are transferred to the income statement (financial result) in the fiscal years in which the underlying transaction is recognized. In the fiscal year, this amount equaled €–280k (prior year: €–709k).

The following table shows the contractually stipulated due dates for the payments; i.e. when the transaction underlying the hedge is booked as income or expense:

Commencement	End	Nominal values in €k as of Dec 31, 2010	Reference interest rate
January 1, 2010	Dec 31, 2012	6,531	1-month Euribor
January 4, 2010	Dec 31, 2012	6,531	1-month Euribor

The following table shows the sensitivity of the consolidated profit or loss before taxes (due to the effects of the floating interest loan but subject to any existing interest rate hedges) to a reasonable possible change in interest rates. All other variables remain constant. Significant effects on the consolidated equity capital do not exist.

2010 EURIBOR				
Increase/decrease in basis points	10	15	–10	–15
Effects on profit/loss before taxes in €k	–19	–28	19	28

2009 EURIBOR				
Increase/decrease in basis points	10	15	–10	–15
Effects on profit/loss before taxes in €k	–22	–33	22	33

Currency risk

Due to the US dollar transactions relating to the subsidiary, Mark VII Equipment Inc., changes in the USD/EUR exchange rate could have a material effect on the consolidated balance sheet. The available US dollar credit line is drawn down in an effort to hedge against this currency risk.

Net investments in foreign operations

The Group is holding non-current loan receivables against its subsidiary, Mark VII. Net investments in foreign operations was increased by USD 10m to USD 20m effective July 1, 2010, and the conversion effects are recognized under equity capital.

Hedge of a net investment of a foreign operations

A USD-denominated loan in the amount of USD20m (market value: €15.0m), which is classified as a net investment in a foreign operation, will be hedged by another loan in the same amount and the same currency. The requirements of IAS 39 regarding hedge accounting are met so that the exchange rate fluctuations beginning on July 1, 2008, are recognized in equity capital.

Operating risks, which arise from additional individual transactions in a foreign currency, were considered insignificant for the Group given their low volume.

The following table shows the sensitivity of the consolidated profit and losses before taxes (based on the change in the fair values of monetary assets and liabilities) and the consolidated equity capital of the Group (due to hedge of net investments) to a reasonable possible change in the EUR/USD exchange rate. All other variables remain constant.

2010	Rate trend USD	5%	–5%
	Effects on profit/loss before tax €k	75	–75
	Effects on equity capital in €k	–374	374
2009	Rate trend USD	5%	–5%
	Effects on profit/loss before tax €k	200	–202
	Effects on equity capital in €k	0	0

Liquidity risk

Ensuring that the WashTec entities are solvent at all times is a key corporate business objective. Thanks to the cash management system in place, which includes such features as a rolling consolidated liquidity planning on an annualized basis, reasonable steps are taken to identify possible bottlenecks in a timely and transparent manner. Non-utilized credit lines also ensure the supply of liquidity. The working capital facilities were granted by the syndicate banks of the WashTec Group subject to the joint and several liability of WashTec Cleaning Technology GmbH, as the borrower, and the joint liability of other Group companies. For additional details, please see Note 29 concerning interest-bearing loans. The WashTec Group is financed primarily via WashTec Cleaning Technology GmbH, which also has the largest funding requirements, being the Group's most important operating company.

The following table shows all the contractually stipulated payments and repayments of interest and principal on financial liabilities recognized on the balance sheet as of December 31, 2010. The non-discounted cash flows for the next few fiscal years are stated.

The table includes all instruments, which were on the books as of December 31, 2010, and for which payments have already been agreed. Amounts in foreign currency were translated at the closing rates. The variable interest payments under the financial instruments, above all from the loan, were calculated using the anticipated interest rates. Financial liabilities, which are repayable at any time are always included in the earliest repayment category. The disclosures are made on the basis of the contractual, non-discounted payments.

in €k	Carrying value 2010	Cash flows 2011	Cash flows 2012–2014	Cash flows 2015 et seq.
Interest-bearing loans*	32,704	34,129	104	276
Liabilities from finance leases	9,177	2,560	5,740	877
Trade payables	9,526	9,526	0	0
Other financial liabilities	11,451	11,357	64	30
Derivative financial liabilities	189	110	12	0

in €k	Carrying value 2009	Cash flows 2010	Cash flows 2011–2013	Cash flows 2014 et seq.
Interest-bearing loans	40,660	7,798	34,360	286
Liabilities from finance leases	10,128	2,959	6,860	1,941
Trade payables	3,358	3,358	0	0
Other financial liabilities	6,845	6,845	0	0
Derivative financial liabilities	224	237	28	0

* *The interest-bearing loan is reported as current under the applicable accounting principles because the current loan agreement is expiring. Since a bank syndicate has committed to the refinancing, management is assuming that the loan will not be repaid but simply swapped for another financing arrangement.*

Credit risks

The Group trades with creditworthy third parties only. In order to keep the del credere risk as low as possible, if the customer does not have a first-rate credit rating, then orders are subject to strict controls. For new regional customers, the customer requests evidence of credit standing with financing. We assume that the bad debt allowances are sufficient to cover the actual risks.

There are no significant concentrations of credit risks in the Group. A concentration of the credit risk will be assumed, if a single customer or an oil company makes up more than 10% of the revenues. This was not the case in fiscal year 2010.

With respect to credit risk arising from the other financial assets of the Group, such as cash and cash equivalents and other financial assets, the maximum credit risk in the event of a default by a counterparty is the carrying amount of these instruments.

Capital management

The Group's capital management activities are primarily aimed at maintaining a high credit rating and a good equity ratio in order to support its operations and maximize its shareholder value. The Group manages its capital structure and makes adjustments in response to the changes in economic conditions. The Group monitors capital using appropriate financial covenants.

It also uses a debt-to-equity ratio, which corresponds to the ratio of net financial liabilities to an operating result as defined in the agreement underlying the interest-bearing loan. Under this definition, the debt-to-equity ratio may not exceed 2.0 as of December 31, 2010. Net financial liabilities comprise interest-bearing loans and liabilities for finance lease less cash.

WashTec's equity capital as of December 31, 2010, must also total at least €71m.

All covenants have been met as of the balance sheet date.

34. Financial instruments – additional information

The following table, which is derived from the relevant balance sheet items, shows the connection between the classification and the carrying values of the financial instruments.

Carrying values, valuation approaches and fair value measurement categories:

in €k	Measurement-category under IAS 39	Carrying value Dec 31, 2010	Balance sheet valuation under IAS 39			Balance sheet valuation under IAS 17	Fair value Dec 31, 2010
			Amortized cost	Fair Value in equity	Fair Value through profit and loss		
Assets							
Cash and cash equivalents	LaR	15,304	15,304	–	–	–	15,304
Trade receivables	LaR	40,323	40,323	–	–	–	40,323
Other financial assets	LaR	507	507	–	–	–	507
Liabilities							
Trade payables	FLAC	9,526	9,526	–	–	–	9,526
Interest-bearing loans	FLAC	32,704	32,704	–	–	–	32,704
Other financial liabilities	FLAC	11,452	11,452	–	–	–	11,452
Finance lease liabilities	n.a.	9,177	–	–	–	9,177	9,177
Derivatives financial liabilities		189	–	189	–	–	189
Derivatives with hedge relationship	n.a.	189	–	189	–	–	189
Aggregated presentation per IAS 39 measurement categories							
Loans and receivables (LAR)		56,112	56,112	–	–		
Financial liabilities measured at amortized cost (FLAC)		53,682	53,682	–	–		

in €k	Measurement-category under IAS 39	Carrying value Dec 31, 2009	Balance sheet valuation under IAS 39			Balance sheet valuation under IAS 17	Fair value Dec 31, 2009
			Amortized cost	Fair Value in equity	Fair Value through profit and loss		
Assets							
Cash and cash equivalents	LaR	13,802	13,802	–	–	–	13,802
Trade receivables	LaR	35,127	35,127	–	–	–	35,127
Other financial assets	LaR	204	204	–	–	–	204
Liabilities							
Trade payables	FLAC	3,358	3,358	–	–	–	3,358
Interest-bearing loans	FLAC	40,660	40,660	–	–	–	40,660
Other financial liabilities	FLAC	6,845	6,845	–	–	–	6,845
Finance lease liabilities	n.a.	10,128	–	–	–	10,128	10,128
Derivatives financial liabilities		224	–	224	–	–	224
Derivatives with hedge relationship	n.a.	224	–	224	–	–	224
Aggregated presentation per IAS 39 measurement categories							
Loans and receivables (LAR)		49,127	49,127	–	–		
Financial liabilities measured at amortized cost (FLAC)		50,863	50,863	–	–		

Due to their short terms, the fair values of trade receivables, trade payables and cash and cash equivalents match their carrying values. The fair value of the derivatives, liabilities from finance leasing and loans has been calculated by discounting the expected future cash flows at the current market interest rates.

The following table shows the net gains and losses from financial instruments according to the categories under IAS 39:

Net results in €k	2010	2009
Loans and receivables	–333	–845
Financial liabilities valued at atmortised cost	–1,596	–476

The net results are attributable primarily to foreign currency evaluation and allowances (loans and receivables), interest expense as well as foreign currency evaluation (financial liabilities measured at amortized costs).

The following table shows how the financial instruments that are measured at fair value are classified. The level of hierarchy reflects the degree of marketability.

Disclosure fair value hierarchy

in €k	Fair value 2010		
	Level 1	Level 2	Level 3
Derivative financial instruments	–	189	–

in €k	Fair value 2009		
	Level 1	Level 2	Level 3
Derivative financial instruments	–	224	–

Other Notes

35. Compliance statement pursuant to sec. 161 AktG

WashTec AG has issued the statement required under sec. 161 AktG for fiscal year 2010 and has made the statement available to its shareholders at www.washtec.de.

The management board approved the consolidated financial statements on February 24, 2011 and has forwarded them directly to the supervisory board for review.

The separate financial statements and the consolidated financial statements are expected to be approved at the supervisory board meeting on March 21, 2011.

36. Information about the Company's governing bodies

Management board

Thorsten Krüger, (Dipl.-Ing.), Weißenhorn
Spokesman of the Management Board
Sales, Service, Supply Chain and Marketing

Houman Khorram, (Dipl.-Ing. and Dipl.-Wirtsch.-Ing.), Gröbenzell
(beginning September 1, 2010)
Finance, General Services, Service Support and Business Development as well as Product Development

Christian Bernert, (BBA/MBA), Augsburg
(through August 31, 2010)
Finance, Personnel, IT, Legal Affairs and Supply Chain, Service Support and Investor Relations

Supervisory board

Michael Busch, (Dipl.-Kfm.), (Chairman)
Independent business consultant and managing director of Cobe Consult GmbH, Berlin, Germany
Advisory board member of the following company

- factorP Partnerschaft engineering & consulting group, Frankfurt am Main, Germany (since October 1, 2010)

Jürgen Lauer, (Dipl.-Betriebswirt/MBA), (Deputy Chairman)
Managing director of JüLa Beteiligungs GmbH, Weißenhorn, Germany
Member of the advisory board/supervisory board of the following companies:

- Medica Medizintechnik GmbH, Hochdorf, Germany (member of the advisory board)
- Pulsion AG, Munich, Germany (Deputy Chairman)
- Singulus Technologies AG, Kahl am Main, Germany (member of the supervisory board through March 30, 2010)

Massimo Pedrazzini (member since May 5, 2010)
Attorney at Law, Massagno, Switzerland
Memberships on similar foreign and domestic governing bodies of business enterprises:

- Fidinam Group Holding SA, Lugano, Switzerland (President of the board of directors)
- Sterling Strategic Value Ltd., Tortola, British Virgin Islands (President of the board of directors)
- Fondazione Fidinam, Lugano, Switzerland (member of the foundation board)
- Katadyn Produkte AG, Wallisellen, Switzerland (member of the board of directors)
- Pestalozzi Stiftung, Zurich, Switzerland (member of the foundation board)
- Precicast Bilbao SA, Bilbao, Spain (member of the board of directors)
- Rex Articoli Tecnici SA, Mendrisio, Switzerland (member of the board of directors)
- Teleplan International NV, Zoetermeer, the Netherlands (member of the supervisory board until January 28, 2011)

Roland Lacher, (Dipl.-Ing.), (Board Member through May 5, 2010)
Independent businessman (Kaufmann), Gelnhausen-Meerholz, Germany
Member of the supervisory board of the following companies:

- Singulus Technologies AG, Kahl am Main, Germany (Chairman of the supervisory board since April 1, 2010)

37. Information about related party transactions

In fiscal year 2010, the WashTec Group was impacted by the disclosure obligation under IAS 24 solely with respect to business transactions with members of the management board and supervisory board as well as with former members of the management board. The terms and conditions of the transactions reflected arms-length transactions.

For a detailed description of the management board remuneration and supervisory board remuneration, reference is made to the remuneration report in the management report, which is incorporated by reference into the Notes.

Management board

Remuneration paid to the entire management board in the fiscal year was €781k. In the prior year the remuneration was €645k plus the expenses arising from the stock option program for the management board that expired in fiscal 2009 in the amount of €346k.

Shares held by the management board members developed as follows:

Shares held by members of the management board (pcs.)	2010	2009
Thorsten Krüger	0	0
Houman Khorram	390	0
Christian Bernert (through August 31, 2010)	33,794	33,794
Resigned Christian Bernert	–33,794	0
Total as of Dec 31	**390**	**33,794**

Supervisory board

Remuneration paid to the entire supervisory board in the fiscal year was €142k (prior year: €45k).

Shares held by members of the supervisory board developed as follows:

Shares held by members of the supervisory board (pcs.)	2010	2009
Michael Busch	0	0
Jürgen Lauer	0	0
Massimo Pedrazzini (since May 5, 2010)*	2,251	0
Roland Lacher (until May 5, 2010)	0	0

Former members of the management board

The remuneration for a management board member who resigned during the fiscal year is €175k.

There were also pension obligations owed to a former management board member and his survivors in the amount of €161k (prior year: €161k), which are covered by a relief fund.

* Mr. Pedrazzini is also Chairman of the Board of Directors of Sterling Strategic Value Limited. According to its notification dated 01 April 2010 this company held a share of 2,142,868 (15.33%) of the voting rights in WashTec AG as of 30 March 2010.

38. Notes after the balance sheet date

No significant events occurred after the balance sheet date.

Augsburg, February 24, 2011

WashTec AG

Thorsten Krüger
Spokesman of the
Management Board

Houman Khorram
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 principal opportunities and risks associated with the expected development of the group.«

Augsburg, February 24, 2011

Thorsten Krüger Spokesman of the Management Board	Houman Khorram Member of the Management Board

Auditor's Report

We have audited the consolidated financial statements prepared by the WashTec AG, comprising the income statement, statement of comprehensive income, balance sheet, cash flow statement, statement of changes in equity and the notes to the consolidated financial statements, together with the group management report of WashTec AG, which is combined with the management report of the company for the business year from 1 January to 31 December 2010. The preparation of the consolidated financial statements and the group management report in accordance with the IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB (»Handelsgesetzbuch«: German Commercial Code) is the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

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

Our audit has not led to any reservations.

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

Munich, 25 February 2011

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Petra Justenhoven Wirtschaftsprüferin	ppa. Holger Graßnick Wirtschaftsprüfer

Financial Statements of WashTec AG – Balance Sheet (HGB)

Assets	Dec 31, 2010	Dec 31, 2009
	€	€
A. Non current-assets		
I. Intangible assets		
concessions, industrial property rights and comparable rights and assets as well as licenses pertaining to such rights and assets, software	0	135
II. Property, plant and equipment		
Fixture and fittings	10,211	13,500
III. Financial Assets		
Shares in associated companies	128,029,510	128,029,510
	128,039,721	**128,043,145**
B. Current assets		
I. Receivables and other assets		
1. Receivables from associated companies	8,472,908	19,751,117
2. Other assets	303,856	338,032
thereof more than one year €252,818		
	8,776,764	**20,089,149**
II. Cash	233	246
	233	**246**
C. Prepaid expenses	**23,833**	**20,833**
Total assets	**136,840,552**	**148,153,373**

Equity and liabilities	Dec 31, 2010	Dec 31, 2009
	€	€
A. Equity		
I. Subscribed capital	**40,000,000**	**40,000,000**
Contingent capital	*12,000,000*	*2,105,264*
II. Capital reserve	**90,844,958**	**90,844,958**
III. Retained Earnings	**4,759,216**	**5,999,032**
	135,604,175	**136,843,990**
B. Provisions		
1. Provisions for taxes	2,072	2,368
2. Other provisions	563,975	263,141
	566,048	**265,509**
C. Liabilities		
1. Trade liabilities	101,663	0
2. Liabilities to associated companies	0	9,848,889
3. Other liabilities	568,666	1,194,985
thereof from taxes €480,655 (prior year: €1,104,057)		
thereof for social security €21,912 (prior year: €24,928)		
	670,329	**11,043,874**
Total equity and liabilities	**136,840,552**	**148,153,373**

Financial Statements of WashTec AG – Income Statement (HGB)

	Dec 31, 2010	Dec 31, 2009
	€	€
Revenues	1,517,689	999,525
Other operating income	28,228	80,676
	1,545,917	**1,080,201**
Personal expenses		
a) Wages and salaries	964,728	1,210,032
b) Social security, pension and other benefit costs	133,223	116,306
thereof for old-age pensions €95,609 (prior year: €74,540)		
	1,097,951	**1,326,338**
Amortization, depreciation and impairment of intangible assets and property, plant and equipment	4,390	5,366
Other operating expenses	1,086,876	866,506
	–2,189,217	**–2,198,210**
	–643,300	**–1,118,009**
Income from profit and loss transfer agreement	1,004,714	1,220,137
Other interest and similar income	200,772	211,083
thereof from affiliated companies €183,854 (prior year: €188,291)		
Interest and similar income	–124,763	–202,069
thereof from affiliated companies €124,763 (prior year: €202,069)		
	1,080,723	**1,229,151**
EBIT	437,421	111,142
Income taxes	0	23,940
Profit for the year	437,421	135,082
Profit carried forward	5,999,032	5,863,950
Withdrawal from Retained Earnings	–1,677,236	0
Liquidation of reserves	0	7,081,344
Expenses for the cancellation of treasury shares	0	–7,081,344
Retained Earnings	**4,759,216**	**5,999,032**

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Distributors

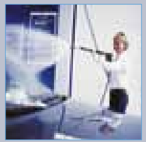
An up-to-date overview of our international sales partners can be found online at www.washtec.de.

WashTec product range

Products (approx. 2/3 of revenues)

Roll-over
systems

Wash
tunnels

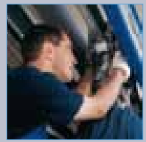


Self-service
wash systems

Commercial
wash systems

Water reclaim
systems

Services (approx. 1/3 of revenues)



Service
- Full service
- Call-out service
- Spare parts

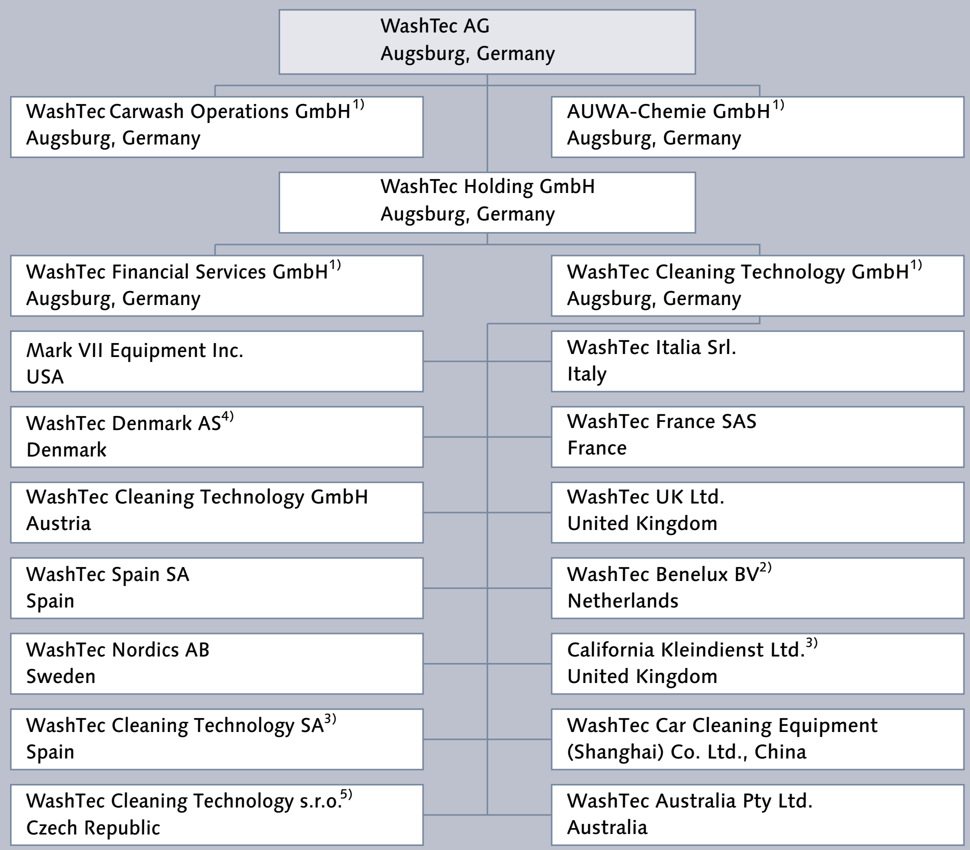
Wash chemicals

Remote
Management

Operations Business
- WashTec Carwash Operations

Financing
- WashTec Financial Services

Corporate structure



1) Controlling and profit and loss transfer agreement
2) Subgroup with Benelux Carwash Management B.V., Zoetermeer, Netherlands, WashTec Benelux Admistrative B.V. Zoetermeer, Netherlands and WashTec Benelux N.V., Brussels, Belgium, whose results are disclosed by WashTec Benelux B.V, Zoetermeer, Netherlands
3) The company is currently inactive
4) Incl. offices in Norway.
5) WashTec Cleaning Technology GmbH 90%, WashTec Holding GmbH 10%

Financial Calendar

Annual Report 2010	March 24, 2011
Q1 Report 2011	May 04, 2011
Annual General Meeting	May 05, 2011, Augsburg
Q2 Report 2011	August 05, 2011
Q3 Report 2011	November 04, 2011
Equity Forum, Analysts' Conference	November 21–23, 2011, Frankfurt am Main

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