2006 ANNUAL REPORT

Unaudited translation for convenience purposes only

MISSION STATEMENT

We offer our customers outstanding products and services, which allow them to operate a successful and profitable 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 EUR m	2006	2005	2004	2003	2002
Revenues	261.4	225.8	211.8	241.1	235.5
Domestic	92.4	92.7	93.3	111.9	99.6
Abroad	169.0	133.1	118.5	129.2	135.9
EBITDA	32.6	26.1	21.4	–1.0	5.5
EBIT	24.9	19.4	9.1	–15.7	–7.5
EBT	21.0	15.0	1.0	–23.9	–16.1
Net earnings	12.5	9.4	–3.2	–18.0	–14.1
Earnings					
per share EUR*	0.82	0.81	–0.42	–2.37	–1.85
Net cash flow	–5.3	65,8	18.1	0.0	8.4
Investments	13.9	12.3	7.2	4.2	10.8
Balance sheet total	208.8	182.5	170.1	206.7	224.4
Equity	61.7	49.3	4.0	7.2	25.5
Employees**	1,412	1,309	1,361	1,600	1,688

* 15.2m 2005: weighted average 11.653m ** on an annual average

HISTORY, STATUS QUO AND FUTURE OF WASHTEC

2007 ff: Sustainable Growth and Increase in Earnings

- Organic growth
  – Southern and Eastern Europe and USA
- Non-organic growth
  – Spain and further potential acquisitions
- Focus on positioning as full-service provider
- Further innovations
- Productivity gains
  – Global sourcing
  – Process optimization

2006: Start of Growth Phase

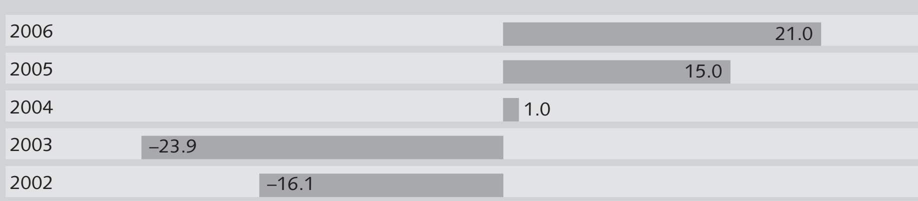
- Repositioning of the sales structures in Germany and eastern Europe
- Acquisition in the US and investment in sales structures in Italy
- Product portfolio revamped, higher level of innovation
- Rollout of SAP and reorganization of production

2005: Consolidation Phase

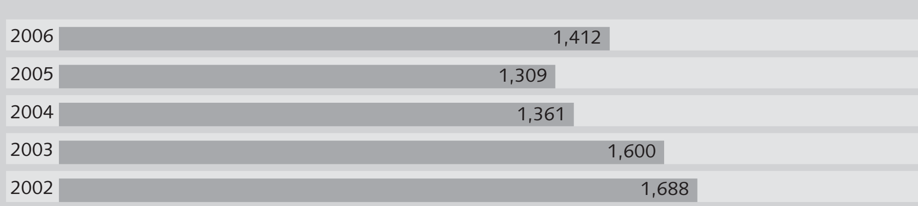
- Restructuring
  – Costs cut by > EUR 25m
  – Definition of further cost-saving potential
- Increased innovative drive
  – SoftCare portfolio completed
- Process reengineering
  – SAP introduction, plant restructuring and reorganization of roll-over car wash production at Augsburg, Germany

REVENUES, EARNINGS, EMPLOYEES

Revenues in EUR million



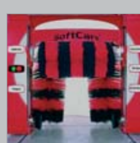
Earnings before taxes in EUR million



Average number of employees in the year

WASHTEC PRODUCT RANGE

Products (around 2/3 of sales)



Roll-over systems

Self-service wash systems

Water reclaim systems

Commercial wash systems

Wash conveyors

Service (around 1/3 of sales)

- Full service
- Call-out service
- Replacement parts

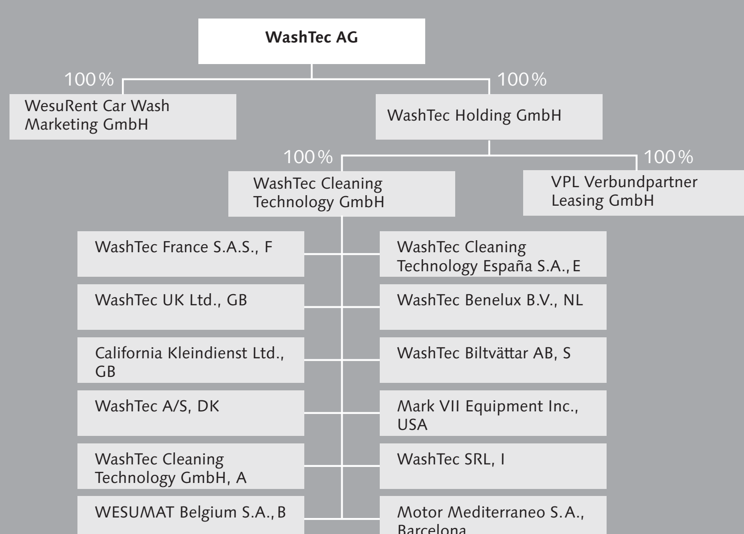
Facility management

- WesuRent Carwash Marketing

Financing

- VPL-Verbundpartner Leasing

CORPORATE STRUCTURE



As of February 2007

»AHEAD OF ITS TIME«

The WashTec Group is the leading provider of innovative solutions for car wash with some 30,000 washing systems installed worldwide.* As the only stock listed company with the largest installed machine basis by far, an area-wide proprietary sales and service network with subsidiaries in Europe and the US, as well as sales partners in around 60 countries, WashTec is by far the market leader. Our offering ranges from financing, development, production, delivery and installation of car wash systems, to the service and operation of complete wash system networks.

Our customers are globally acting mineral oil companies, small and medium-sized petrol stations, car dealers, independent operators of car wash systems, supermarket chains and hypermarkets. The product range comprises roll-over washing systems, car wash conveyors as well as commercial car wash facilities, self-service wash systems and water reclaim systems.

With our successful appearance at the *automechanika* trade fair in Frankfurt in September 2006, the WashTec Group underscored its position as the leading supplier of innovative vehicle washing solutions worldwide: We presented a total of 17 innovations at our more than 1,000 m² large booth. In this Annual Report, we would like to present to you the impressions from the fair and the innovations presented there – ranging from a completely new roll-over washing systems for the Basic segment to the 3D CarScan process, for which WashTec was awarded with the "Innovation Award". Moreover, we would like to introduce the national and international members of the WashTec family to you.

* roll-over washing systems, car wash conveyors, commercial car wash facilities and self-service wash systems

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Consolidated Financial Statements of WashTec

Additional Information

Thorsten Krüger
Spokesman of the management board

TO OUR SHAREHOLDERS

**Dear Shareholders, Business Partners,
Colleagues and Friends of our Company,**

2006 – a successful year for WashTec

2006 was an eventful and successful year for WashTec. The results underscore our strategy and show that after establishing ourselves as a profitable company again WashTec has further potential to exploit, particularly by means of global growth.

Focal points of 2006:
- *Acquisition and integration of Mark VII Equipment Inc., USA*
- *Investments in Southern Europe*
- *Presentation of 17 innovations at automechanika 2006*
- *Realization of efficiency-enhancing projects*

Revenues last year rose by 16% from EUR 225.8m to EUR 261.4m; over half of our revenues are now generated from our foreign business. Earnings before taxes (EBT) increased by 40.0% from EUR 15.0m to EUR 21.0m. EBIT margin also rose from 8.6% to 9.5%. We are very proud of this result, as it shows that we have made the right decision by focusing on establishing and expanding markets, developing our product range and boosting efficiency. The integration of Mark VII Equipment Inc. in the US, two acquisitions in southern Europe, our appearance at the *automechanika* trade fair, the further expansion and reorganization measures at our Augsburg location:
All items on our agenda for 2006, which we unveiled to you in our last Annual Report, have been implemented, providing a solid basis for the further development of the Company.

Preparing for further growth.

In North America, we took over Mark VII Equipment LLC at the beginning of 2006 and integrated the company into the WashTec Group in the course of last year, according to schedule. Production processes were reorganized and the company has started assembling the SoftWash roll-over system. Sales of the SoftWash have increased considerably. Overall, however, sales fell well short of our expectations. This was primarily due to a general reluctance to invest on the market.

We have made substantial progress in our endeavours to successfully enter the southern European markets. Activities in Italy were stepped up through the takeover of employees of a local manufacturer in May. Revenues in Italy are currently showing growth in the high double digits. The takeover of our exclusive sales partner in Spain at the beginning of 2007 gives us a presence in another focus market with our own sales and service organization. With the right products and an optimized market approach by our management we want to obtain a leading position on the Spanish market in the medium term.

Our growth strategy in eastern Europe is also proving to be increasingly successful, as is evidenced, among other things, by the substantial rise in the number of visitors from this region that attended the *automechanika* trade fair. Our local sales partners are ready and motivated to cooperate with us in order to develop their respective markets – as the positive development of this sales area shows. Our subsidiary in Vienna, which manages part of our eastern European activities, recorded a double-digit increase in revenues one year after its launch only.

Since 2006, WashTec has been a "Shell Category Captain" and, as a result, Shell partner for the car wash business in over 2,000 sites across Europe. This means that, for the first time, we are the central point of contact for petrol station operators for all car wash-related services from financing, machine delivery and maintenance, to booth cleaning, the supply and filling of chemicals and marketing support. This partnership allows us to expand our services offering and means that we are taking a key step towards vertical integration.

»Ahead of its time« – Winning the Innovation Award and presentation of NEW SoftWash at automechanika

Product and market initiatives. "Ahead of its time": WashTec's motto at *automechanika* trade fair, the world's most important trade fair for our sector in September, where WashTec unveiled 17 innovations.

The NEW SoftWash roll-over system complements our Basic segment product portfolio, meaning that it is particularly interesting for the southern and eastern European markets. It has been specially designed for locations with low requirements with respect to the number of washes and programme variety, and it is also extremely flexible with regard to machine equipment, meaning that it can meet higher demands, too. The new, robust "SoftLine Express" conveyor line, which is based on hydraulic components, or the newly developed MaxiWash Vario commercial car wash system are only two examples of the numerous new products presented in all of our product areas.

Our innovation and concept study, the "3D CarScan" procedure for car wash systems, attracted most attention at the trade fair: it registers the exact dimensions and shape of the bodywork of a vehicle. This method recognizes mountings and structures such as roof racks and spoilers, which can then be deliberately approached or avoided during the washing process. We were awarded with the 2006 Innovation Award from the trade fair for this particular innovation. The innovation award underscores our position as leading provider of innovative solutions for car wash systems and motivates us to continue on further focusing on innovative products in the future.

Increased efficiency:

- *Phase II of plant structure concept concluded*
- *SAP rollout*
- *European logistics concept*

Cost reductions and improved efficiency. We are starting out in 2007 with considerably more efficient production processes. The further reorganization of our Augsburg location has been completed, the new production hall for commercial car wash systems, conveyors and self-service technology is in place and has already been commissioned. Another important step towards simple, transparent processes at all production levels.

The group-wide implementation of SAP is continuing as planned. In Germany, further models were activated, while abroad preparations are being made for the group-wide roll-out. The objective is to achieve a uniform, integrated and future-oriented IT system landscape that will allow us to further boost our efficiency.

In the autumn of last year, WashTec concluded a three-year framework agreement with CEVA Logistics, then known as TNT Global Logistics. This new cooperation will involve gradually transferring the entire European replacement spare part logistics function to the new service provider. CEVA has started to deliver directly to customer locations from regional satellite warehouses abroad since the beginning of 2007. This will result in a reduction of overheads and working capital in the subsidiaries as well as improved supply capabilities.

We worked intensively on numerous other projects in 2006. In August, we negotiated improved financing conditions for the WashTec Group with our banking syndicate led by HVB. Both our freedom to act and the financing conditions have improved considerably.

Growth and improved efficiency led to once again improved results in 2006. We would like to take this opportunity to thank all of our employees and business partners who contributed to the successful year 2006. We would also like to thank you, our shareholders, for participating in the comprehensive placements in the first quarter of 2006. The free float of our shares increased considerably following the reallocation. This represents another key step towards our objective of being admitted to the SDAX.

As far as the future development of WashTec is concerned, we will follow our strategy of enhancing our market position in all of our markets. We want to support our customers in operating a successful and profitable car wash business. Following this aim, we will continue to develop innovative products and solutions. In 2007 we are aiming for moderate organic revenue growth with an EBIT margin of between 10% and 12% in a stable market environment. Growth and EBIT margin may be able to grow more strongly midterm.

We will be delighted if you will continue to support WashTec's further development.

Thorsten Krüger
Spokesman of the management board

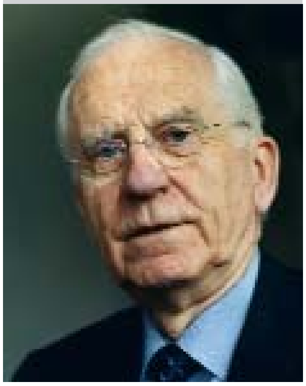
Christian Bernert
Member of the management board

Thorsten Krüger (Dipl.-Ing.), *1964
Spokesman of the management board
Sales, Service, Marketing and Development

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 procurement.

Christian Bernert (BBA/MBA), *1969
Finance, IT, Law, HR, Supply Chain

Christian Bernert began his professional career as an internal auditor at Henkel-Ecolab, before joining General Electric (GE). He held various positions worldwide for GE, being subsequently appointed Director of Finance for GE Energy Products in Germany. From 2002 to 2005, as the director of finance at WashTec, he played a significant part in restructuring the WashTec Group and has served as CEO of the US company since the acquisition of Mark VII Equipment Inc., USA in 2006. As of January 1, 2007 Christian Bernert was appointed as CFO of the WashTec Group.



Alexander von Engelhardt
Chairman of the supervisory board

REPORT OF THE SUPERVISORY BOARD

Dear Shareholders,
Ladies and Gentlemen,

The supervisory board gained detailed insight into all important business events and developments of the WashTec Group. All business which requires the approval of the supervisory board was reviewed, addressed with the management board, and decided.

In financial year 2006, the supervisory board was regularly informed about business developments and the position of the Group based on timely written and verbal reports by the management board. It also supervized the management activities of the company's management board. The management board reported to the supervisory board in writing about the course of business on a monthly basis. The management board also provided additional reports upon request. In line with its authorization, the supervisory board reviewed further company documents. Corporate planning and the company's strategy were reviewed in detail in meetings and deliberated with the management board. The supervisory board subsequently received a written account of the strategy and corporate planning adopted from the management board. The supervisory board gained a detailed insight into all key business events and developments in the WashTec Group. Transactions requiring the approval of the supervisory board were reviewed, addressed with the management board and resolved on. In financial year 2006, these included, in particular, the acquisitions and investments in the US, Italy and Spain, as well as the improved financing of the WashTec Group, the implementation of the European logistics concept and resolutions on further investments and disposals. Where required, reports on transactions which could affect the profitability or liquidity of the Company were also discussed in extraordinary meetings.

In financial year 2006, a total of eight ordinary and extraordinary meetings of the supervisory board took place, two of which were held as conference calls. At least one meeting was held per quarter. The meetings dealt in detail with current business developments, corporate planning, comparison of actual versus budgeted financials and the respective interim financial statements, the status of the risk management system and the improved financing of WashTec AG. Furthermore, the position of the WashTec Group vis-à-vis its competitors and its future strategic direction were discussed with the management board. The supervisory board dealt at length with the growth strategy of the WashTec Group and made a number of on-site visits to gain an insight into its major subsidiaries. The supervisory board also provided advice with respect to the assertion of claims by WashTec AG subsidiaries vis-à-vis former members of the executive bodies of these subsidiaries and agreed to the conclusion of proceedings by means of settlements on the basis of corresponding recommendations by the Company's legal advisors. Another topic at one of the meetings was the review of the efficiency of the supervisory board and evaluation of the revised questionnaires (see more information in the Corporate Governance Report). All members of the supervisory board attended all supervisory board meetings.

The supervisory board was deeply involved in the decision regarding acquisitions and investments in the USA, Spain and Italy.

The Chairman of the supervisory board also discussed the Company's position and its further development in various one-on-one talks with the management board outside of the meetings of the supervisory board. One member of the supervisory board is responsible for finance activities due to his special knowledge and experience in the application of accounting principles and internal control procedures. Another member's responsibility focuses on marketing and sales. Both of these members also maintained contact with the management board even outside of the meetings. All three supervisory board members then provided detailed reports of their one-on-one talks with the management board in a plenary session.

Corporate Governance

In the period under review, no conflicts of interest arose with respect to the supervisory board members. Cooperation within the supervisory board was characterized by efficiency and professional competence. A detailed report on corporate governance can be found later on in the Annual Report.

Members of the supervisory board worked together professionally and efficiently.

The supervisory board was reduced to three members back in 2004 – an appropriate number for the size of the Company. Supervisory board committees were no longer required as a result of this reduction. The bylaws of the management board and the supervisory board were revised and updated in financial year 2006 to reflect the provisions of the German Corporate Governance Code, current legal opinion and amendments to the Articles of Association.

The remuneration of the management board and supervisory board members is presented in more detail in the Corporate Governance Report, as well as in the notes to the consolidated financial statements on pages 30–35 and 128–129.

Change in the supervisory board and management board
Robert A. Osterrieth retired as of 31 December 2006, Jürgen Lauer appointed by the Court of Registry to become a member of the supervisory board. Christian Bernert appointed as company CFO effective 1 January 2007.

Changes to the Management Board and Supervisory Board

Jürgen Lauer, the Company's CFO, resigned at his own request with effect from 31 December 2006. The supervisory board has appointed Christian Bernert, Head of Finance for the WashTec Group since 2002 who was responsible for the integration of Mark VII Equipment Inc. in Arvada (USA), as a new management board member with effect from 1 January 2007 until 31 December 2009.

Robert A. Osterrieth, Deputy Chairman and financial expert on the supervisory board, has abandoned its brief according to § 8.5 of WashTec AG's Articles of Association effective as of 31 December 2006. The supervisory board sincerely thanks Mr. Osterrieth for his longterm and successful work.

Jürgen Lauer, CFO of the Company until 31 December 2006, was appointed as a new member of the supervisory board by means of a resolution by the registration court of Augsburg on 2 January 2007. He replaces Mr. Osterrieth as the supervisory board's financial expert. Michael Busch was elected as the new Deputy Chairman of the supervisory board.

Audit of the annual and consolidated financial statements

The annual financial statements of WashTec AG prepared by the management board, as well as the consolidated financial statements and combined management report of WashTec AG and the Group as at 31 December 2006 have been audited by Ernst & Young AG Wirtschaftsprüfungsgesellschaft, Munich, which was appointed as auditor of the annual and consolidated financial statements by the Annual General Meeting. Ernst & Young has issued an unqualified audit opinion in respect to these financial statements. Ernst & Young also audited the annual financial statements of the Company's major subsidiaries. The supervisory board commissioned the auditor to examine several key audit elements and also set the focus of the audit by the Company's auditors. The auditor reported directly to the supervisory board on its specific audit findings.

As part of the audit of WashTec AG's annual financial statements, the auditor also had to assess whether or not the management board had set up a monitoring system to enable the timely identification of potential risks jeopardising the Company's existence. With respect to the monitoring system, the auditor declared that the management board had taken the measures required in accordance with section 91 (2) of the German Public Companies Act (Aktiengesetz – AktG) and that these are suitable for identifying developments which may endanger the Company's continued existence in due time.

The audited annual financial statements of WashTec AG, the audited consolidated financial statements, the combined management report of WashTec AG and the Group as at 31 December 2006 and the management board's proposal on the use of the retained earnings were presented to all members of the supervisory board in a timely manner, so that the latter could carry out their own review. The audited annual financial statements, the combined management report and the management board's proposal on the use of the retained earnings were subject of the supervisory board meeting on 20 March 2007 adopting the accounts. The supervisory board has checked the information and comments made by the management board in the combined management report in accordance with section 315 IV HGB and has approved them. The management board also provided a report on the profitability of the Company during this meeting.

The auditor attended this meeting and reported to the supervisory board on the results and the key elements of its audit. All questions to the members of the supervisory board were fully answered. The supervisory board approved the result of the audit and examined 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 the retained earnings. This examination by the supervisory board did not result in any objections. The supervisory board approved the annual financial statements of WashTec AG and the consolidated financial statements, both prepared by the management board, in its meeting adopting the accounts. The annual financial statements of WashTec AG are thus approved. The supervisory board consented to the management board's proposal on the use of the retained earnings.

Explanation of the information contained in the combined management report on factors preventing a takeover

The members of the management board that are currently in office, as well as one former member, have a right, within the framework of their contracts of employment, to a special remuneration based on the market price performance of the Company's shares. The special remuneration will be calculated, and will fall due for payment following the publication of the consolidated financial statements for financial year 2008. In the event that a buyer acquires more than 50% of all shares in the Company before this point in time, the special remuneration will be calculated on the basis of an average price per share, or, in the event that the Company's shares are no longer traded on a public stock exchange at the time of calculation, based on the Company's profit and interest-bearing liabilities, and will fall due for payment after the acquisition has been made. The management board members can also terminate their contracts of employment by giving 12 months' notice, insofar as, and as soon as an industrial investor acquires more than 50% of the voting rights in the Company, either directly or indirectly. The allocation provisions set out in section 22 of the German Securities Trading Act (WpHG) apply accordingly.

Financial year 2006 was a successful year for WashTec AG and the entire group. After establishing a solid foundation in 2005, the Company's focus in 2006 was on the acqisitions and investments in the US, Italy and, at the beginning of 2007, in Spain. In future, the Company plans to forge ahead with its endeavours to position itself as a leading global provider of car wash solutions.

For WashTec AG, 2006 was a successful year, in which the foundation for sustainable growth was laid.

The supervisory board thanks all employees and the management board for their successful work.

Augsburg, March 2007

Alexander von Engelhardt
Chairman of the supervisory board

automechanika, Frankfurt

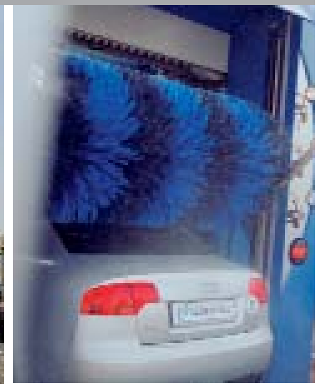
HIGHLIGHTS 2006

Q1

- Successful product and market campaigns; revenues up EUR 9.7 m to EUR 59.5 m compared with prior-year period
- Acquisition and on-schedule start of the integration of Mark VII Equipment Inc., USA: rationalisation measures identified and initiated
- Symposium in Augsburg for Russian petroleum companies
- Successful placement of 40% of WashTec AG shares at a wide selection of institutional investors; free float and liquidity considerably increased

Q2

- Earnings before tax (EBT) at EUR 6.0 m (2005: EUR 4.9 m, +22.4%)
- Concentrated efforts in sales activities in Italy and supplementation of WashTec Group's product range
- Start of assembly of the SoftWash roll-over car wash in Arvada, USA
- All resolutions at the Annual General Meeting adopted by a large majority


Q3

- Increase of revenues by EUR 29.2m to EUR 190.2m; earnings before tax (EBT) at EUR 13.2m (prior year: EUR 10.8m)
- Successful appearance at the *automechanika* trade fair: presentation of 17 innovations, Innovation Award for the 3D car scan; visitors from more than 50 countries
- Improved financing of WashTec credit lines with a banking syndicate led by HVB

Q4

- Change in the management board of WashTec AG: Jürgen Lauer, CFO, resigned on 31 December 2006, Christian Bernert appointed to board as of 1 January 2007
- Phase II of plant structure concept concluded on schedule: remaining production areas in Augsburg optimized
- Rollout of the NEW SoftWash roll-over car wash started in the basic segment
- Participation in Equity Forum: analyst conference, numerous one on ones, roadshows in London, Paris, Edinburgh and Zurich

Thorsten Krüger in an interview with a RTL journalist

STRATEGY

WashTec – Global Car Wash Solutions

Our strategy is based on three pillars:

- *Development and expansion of markets*
- *New products and expansion of the product portfolio*
- *Efficiency increase and process optimization*

Our aim is to continue to strengthen and build on our position as the market leader in the global car wash business. Our strategy remains based on three pillars: establishing and expanding markets, improving product design and developing our product range, and boost efficiency.

The main drivers for the car wash business are rising vehicle numbers and increased prosperity among the population. Vehicle sales and the number of vehicles are both likely to increase worldwide, according to a study conducted by the market research institute J.D. Power. This trend will be particularly pronounced on the emerging markets: Experts expect an increase of 6 to 7% per year on these markets, meaning that vehicle sales will almost double in 12 –15 years. In western Europe and North America, vehicle numbers are forecasted to increase by around 1–2% over the next few years in line with overall economic growth coming from a relatively high level.

Rising material and wage costs pose a constant challenge to WashTec. In the future, we will continue to focus on projects that allow us to compensate for increases in prices of raw materials and wages. Global sourcing and efficient processes within the company will play a key role in helping us to achieve this.

Europe – moderate growth

Regionally specific solutions for optimal market exploitation in the core markets

We are the clear market leader on our European core markets with market shares of over 40%. In order to allow us to grow further, we pursue – in addition to the introduction of new and innovative products and components – regionally specific strategies that allow us to offer the solutions required by our clients in all areas of the car wash business.

We want to grow further in southern and eastern Europe. Our investments in Italy and Spain have allowed us to establish ourselves there with our own sales and service network. In the medium term, we want to assume a leading position on these markets, which are also the domestic markets of two of our competitors. In eastern Europe, we plan to grow organically. We have the potential: important on these markets is that we forge ahead with the car wash business together with our local partners. This is what we are increasingly focusing our organization on.

In product terms we are well equipped for the southern and eastern European markets with the NEW SoftWash roll-over system that was introduced in 2006.

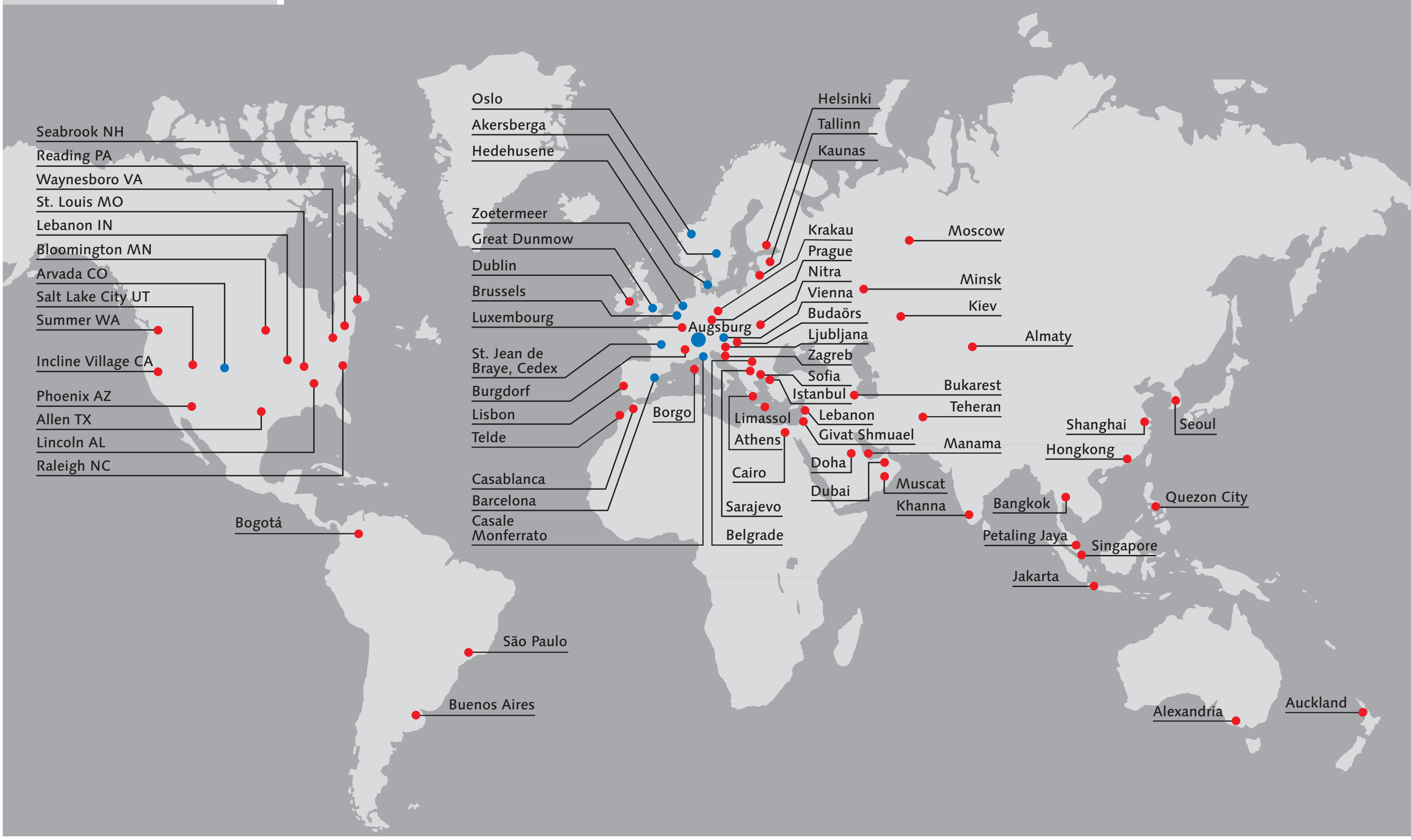
USA – growth phase to follow integration

Following the integration of Mark VII Equipment Inc., we want to exploit the attractive North American market. Although vehicle numbers in the US are virtually on a par with European levels, the number of car wash systems is lower. Studies expect the market for car wash systems to continue to grow.

We continue to work on the quality of our sales channels and services in order to allow us to participate more in the high volume of the US market and to gain market share. The existing dealer network will be further developed on the basis of a partnership model and we will examine the implementation of a direct sales and services approach at the same time. We will also continue to work on the realization of projects that are designed to boost efficiency; the reorganization of production in Arvada, which has been largely completed, is one example. The projects concluded in 2006 should lead to higher profitability in 2007.

USA: optimizing sales and service channels

As in Europe, our strategy in the US will also concentrate on rounding off our product portfolio in the future. Our complementary product offering combining Mark VII Equipment Inc. touch-free systems and WashTec SoftWash brush systems means that we are already in a position to meet all client requirements. There is further market potential for the development of new car wash systems designed especially for the US market.



- *Head office*
- *Subsidiaries*
- *Sales partners*

Mark VII is represented by another 17 distributors in the USA

Asia – medium to long-term growth potential

In Asia, market potential as a whole remains limited due to low wages, relatively low numbers of vehicles and the importance of manual washing. In the medium to long term, however, the entire region offers major growth potential as the number of new vehicles purchased is expected to soar. The main drivers for mechanical car wash systems will be capacity requirements and a growing awareness of environmental issues. Furthermore, this market offers a number of interesting possibilities with respect to procurement and production. Therefore we aim to establish local sourcing organizations and sales and services activities with products specifically designed for this market.

Future positioning as full-service provider

The car wash business
- *Financing*
- *Machines*
- *Service*
- *Marketing*
- *Chemicals*
- *Operation*

“The Worldwide Leading Partner in CarWash Business”– in the future, we want to take this challenge even more literally than we have done in the past: sustainable growth in stable markets with high market shares can be achieved by focusing on positioning ourselves as a full-service car wash provider. We want to be the first global point of contact for our clients with respect to all car wash-related matters, which means not only supplying them with the required hardware and assuming responsibility for maintenance, but also focusing on making our entire car wash expertize available to them – i.e. by offering a full range one-stop car wash service. Our offering as a full-service provider covers equipment, service, financing and management. The numerous activities around our core business area today are testimony of the fact that we are already on the right path to establish ourselves as a full-service provider.

Increase in efficiency and enterprise value

Share buy-back programme in order to be able to make flexible use of high cash flows in the future

We aim to compensate continued increases in raw materials prices and personnel expenses, together with more intense competition, by boosting efficiency and implementing cost-cutting measures. In addition to the measures already implemented to boost efficiency, e.g. with respect to production and logistics, the introduction of a uniform future-oriented IT system and a global procurement strategy, further projects are being defined and implemented on an ongoing basis, a process that will continue in the future. We believe that further potential is still waiting to be exploited with regard to streamlined processes and procedures, as well as with respect to the further development of our car wash system components.

We expect that successful business development and a stable earnings trend will help to further boost the enterprise value in the future. With the approval of a share buy-back programme at the 2007 Annual General Meeting, we want to create an opportunity to use our high cash flows to buy back own shares in the future.

In 2007 we are aiming for moderate organic revenue growth with an EBIT margin of between 10% and 12% in a stable market environment. Growth and EBIT margin may be able to grow more strongly mid-term.

Targets

Cost reduction and increase in effiency	Expansion of market leadership and establishment of new growth markets	New products and expansion of product spectrum
Sustainable improvement of cost structures ▪ Setting up a sourcing organization in Asia ▪ Group-wide future-oriented IT platform ▪ European logistics concept ▪ Other projects to increase efficiency and optimise processes	Europe ▪ Regionally specific strategies to tap into new growth fields Southern Europe ▪ Expansion of market share in focus markets Italy and Spain Eastern Europe ▪ Development of sales partnerships and expansion of key accounts	USA ▪ Extension of sales channels and service quality ▪ Broadening of the product portfolio in the field of car wash systems Solution Provider ▪ Selective enhancement of the product portfolio with regards to car washing

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.

- **All-in-one Solution**
  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.

- **Growth**
  WashTec aims for growth in 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 are committed to continuous improvement.

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

Thorsten Krüger
Spokesman of the management board

Christian Bernert
Member of the management board


SoftCare
WashTec

Sustainability as a value driver and competitive advantage

WashTec AG is committed to environmental protection through its sustainable business model. In mechanical car washes, water and other materials, including shampoo and oil, circulate in a closed system and are thus prevented from entering the ground water. Water reclaim systems help to significantly reduce the consumption of fresh water – to as little as 10 litres per wash compared with 150 litres per wash in systems that do not recycle water. WashTec offers mechanical, biological and chemical water reclaim systems for all car wash systems.

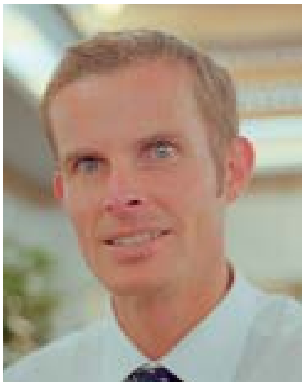
In Germany, our systems satisfy legal environmental regulations and, in using less fresh water, provide an environmentally-friendly alternative to manual car washes, which have been prohibited under German legislation. We are also encountering increasing regulation in markets with less stringent environmental standards or where water is scarcer. This will result in further potential for mechanical car washes and water reclaim systems. Environmental requirements are already becoming increasingly stringent in Northern Europe, and a ban on manual washing is also being discussed in other countries. In Scandinavia WashTec already was awarded with "White Swan" environmental prizes for particularly environmentally-friendly water reclaim systems and car wash systems.

We are assuming that the requirements in respect of water recycling and water recovery will continue to increase due to growing shortages of water resources. Thanks to our products we are ideally equipped to deal with these challenges.

Costin Poiana, Romania

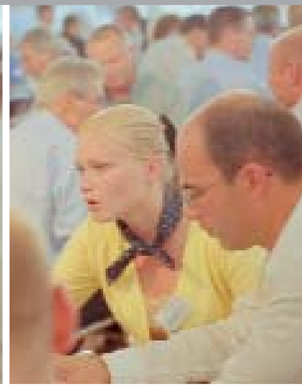
Arild Ingebretsen, Norway

Steve Jeffs, USA



Lars Sanstad, Norway

Rob Gabreels, Netherlands



Illona Kurova und Genady Udalov, Belarus

Mikael Lindholm, Finland

AquaX® water recycling system

Josef Schwab, Germany

Mikael Knofler, Denmark and Thomas Schindler, Germany

AHEAD OF ITS TIME

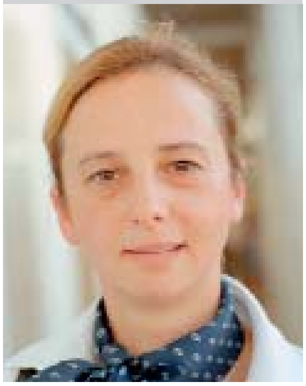
3D CarScan technology: The 3D CarScan technology developed by WashTec calculates the exact contours of a vehicle using a laser section process and then employs this data for the optimum control of washers and dryers.

The exact contours of the vehicle are shown three-dimensionally on a screen. The brushes then 'see' the exact lines, as well as exceptions representing superstructures.

Special body shapes and superstructures can then be individually treated and circled, making customary special wash programmes redundant to a great extent.

Our 3D CarScan technology was granted the Innovation Award at *automechanika*.

Herbert Schüller, Germany



Nikolina Babic, Croatia

John Dempsey, Ireland

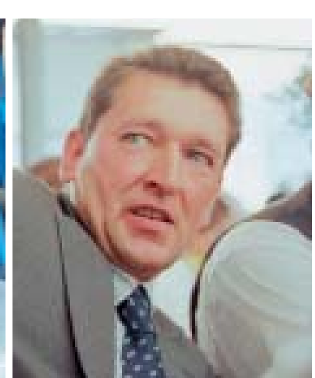
AHEAD OF ITS TIME

The **NEW SoftWash** was presented at *automechanika*. It is the newly developed roll-over system specially designed for customers with less need for a wide variety of programmes or a large number of washes. It will replace the SoftCare Bravo in the basic segment. Compact, adjustable, and inexpensive are the main attributes of the latest NEW SoftWash roll-over system.

With the NEW SoftWash, a machine in the lower price segment can now offer a variety of different designs. Within the scope of international roll-outs, use of the NEW SoftWash should be more intensive in southern and eastern Europe.

Ewald Plönich, Germany

Günther Kollmer, Germany



Manuel Springhorn, Germany

Christian Bernert
Member of the management board

WASHTEC'S SHARES

WashTec's shares in 2006

WashTec shares showed above average performance

The 2006 trading year once again came as a positive surprise, exceeding analysts' high expectations with gains on all German indices, an increase of more than 20% on the DAX 30 and 31% on the SDAX. The stock markets in other European countries and in the US also made substantial gains. Despite a slump on the DAX and the SDAX in May, both indices were able to make up for the temporary downturn in the second half of the year and closed the year at all-time highs.

Table of key data for WashTec shares

ISIN	DE0007507501
Number of shares	15.2m
Share capital	EUR 40m
Market segment	Prime Standard
Bloomberg/Reuters code	WSU/WSUG.DE

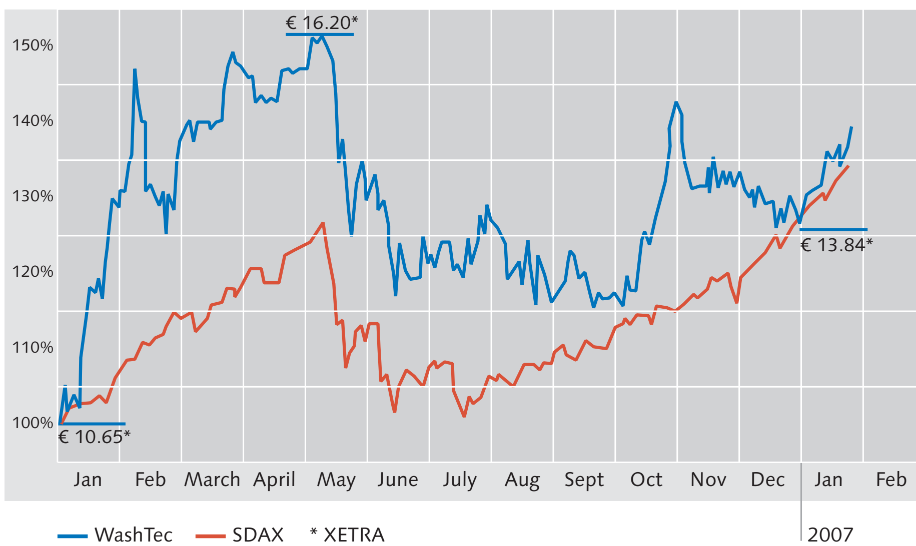
At the end of the last financial year, WashTec AG had issued 15,200,000 no-par value shares; the shares are listed on the Prime Standard.

WashTec share price performance in 2006

Performance for the full year at 30%

The shares of WashTec AG charted above-average performance from the beginning of the year, reaching EUR 16.20 (Xetra) in May. Following the overall slump in prices on the markets in May, the shares were, however, unable to keep pace with market developments in the second half and closed the year at EUR 13.84. This means that the share price performance for the year as a whole – measured on the basis of the opening price on the first trading day of the financial year (EUR 10.65) – amounts to 30%.

WashTec share price performance 2006 as against the SDAX (indexed)



Changing shareholder structure

Free float at start of 2006 significantly increased SDAX inclusion is targeted

There were fundamental changes to the shareholder structure in the course of the year under review: the reallocations increased the free float, in accordance with the definition provided by Deutsche Börse, to 100%.

On 14 February 2006, the shareholders Edelmar Vermögensverwaltung GmbH, Achernar Vermögensverwaltung GmbH and Augias Vermögensverwaltung GmbH disposed of their long-standing stakes in WashTec AG, which amounted to 37.3% in total, within the framework of a placement aimed at various institutional investors. Threadneedle Asset Management Limited reported that its share of the voting rights had exceeded the reporting threshold on 14 February 2006 and now stood at 11.1%.

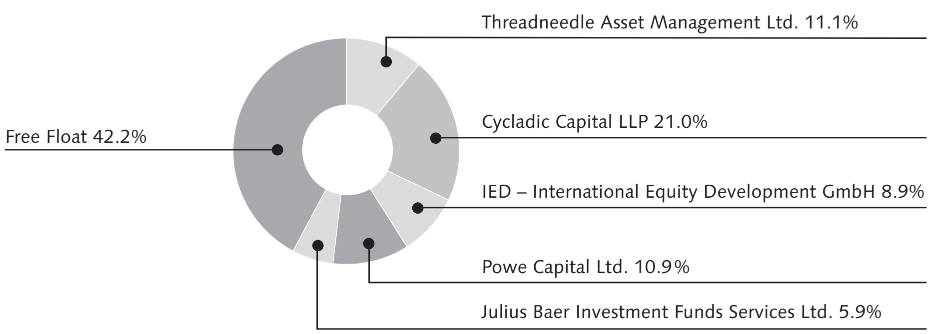
In November 2006, Powe Capital reported that its share of the voting rights had exceeded the 10% threshold and now stood at 10.9%.

In January 2007, Cycladic Capital announced that it was holding 21.0% of shares. Julius Baer announced in February 2007 that its share of voting rights amounted to 5.9%.

The increased free float and the related rise in market capitalisation means that Wash Tech AG already meets one of the criteria that apply to admission to the SDAX. The liquidity of the Company's shares also increased substantially following the placement in the first half of the year, although it declined again in the second half on the back of the share price slump, meaning that the Company did not meet all of the criteria, in terms of Deutsche Börse's ranking system, for entry to the SDAX at the end of the year. The Company's objective is to meet all criteria for admission to the SDAX in the medium term.

Free float according to definition of Deutsche Börse Stock Exchange amounts to 100%

Shareholder structure as at 09.02.07



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

Active investor relations

We once again stepped up our investor relations activities in 2006. In addition to comprehensive quarterly reports, the shareholders of WashTec AG were provided with information on all key events in a timely and ongoing manner in the form of numerous press releases and ad hoc disclosures.

The capital market's perception of WashTec has also improved considerably. Berenberg, Cazenove, HSBC Trinkaus & Burkhard, HVB Unicredit, MM Warburg and Merrill Lynch report on the Company on an ongoing basis.

We participated in the SRI conference organized by HSBC Trinkaus & Burkhard in Frankfurt in January 2006 and presented the Company to a whole host of sustainability investors at the conference. In May, the management board presented the Company at Commerzbank's Capital Goods Conference. In November 2006, we once again participated in Deutsche Börse's Equity Forum and presented both the Company and our strategy for the coming years in an analyst presentation and during several one-to-ones. 2006 was also characterized by several roadshows in Frankfurt, London, Amsterdam, Paris, Edinburgh, Milan, Vienna and Zurich. Furthermore, the *automechanika* trade fair, which took place in September, and a number of visits to our Company headquarters in Augsburg gave a whole number of investors an opportunity to gain a personal insight into our product portfolio.

The financial press and television also reported more often, and in more detail, on WashTec AG as in previous years due to the positive operational developments of the Company and due to the acquisition of Mark VII Equipment Inc., the results press conference, the Innovation Award and background discussions with the management board in financial year 2006. We will continue to work towards ensuring that WashTec and WashTec shares are constantly covered in the financial press.

improved perception of WashTec share: research coverage by Berenberg Bank, Cazenove, HSBC Trinkaus & Burkhardt, HypoVereinsbank, Merill Lynch and MM Warburg

Current data on WashTec shares and detailed information on the WashTec Group and its products can be found at www.washtec.de. All reports, press releases, presentations and further background information about the Company can be downloaded here.

Primary data of WashTec shares

		2006	2005	2004	2003
Annual closing price	EUR	13.84	10.85	3.10	1.26
Annual high	EUR	16.20	11.00	4.65	2.60
Annual low	EUR	10.65	3.10	1.26	0.80
Annual starting price	EUR	10.65	3.10	1.26	1.40
No. of shares on 31 Dec	in million	15.2	15.2	7.6	7.6
Market capitalisation on 31 Dec.	EUR million	210.37	164.9	23.6	9.6
Development over the year	%	30	350	146	–10
Earnings per share	EUR	0.82	0.81*	– 0.42**	– 2.37**

** Weighted average of shares issued 11.653 million*
*** Shares issued 7.6 million*

CORPORATE GOVERNANCE AT WASHTEC

Corporate Governance Report

WashTec AG meets almost all the recommendations of the German Corporate Governance Code. Deviations were disclosed in the Declaration of Compliance dated 13 December 2006.

The Management and supervisory boards of WashTec AG support the objectives of the German Corporate Governance Code, which encourages responsible, transparent corporate management and supervision aimed at a sustainable increase in shareholder value.

In the past financial year, the Management and supervisory boards paid close attention to the German Corporate Governance Code, in particular as a result of the new version of the Code dated 12 June 2006.

WashTec AG meets almost all of the recommendations of the German Corporate Governance Code as amended on 12 June 2006 (hereinafter "the Code"). Deviations from individual recommendations of the Code were disclosed in the Declaration of Compliance dated 13 December 2006 by the Management and supervisory boards. In the past financial year of 2006, WashTec AG further extended its application of the corporate governance principles in line with the new version of the Code.

After careful consideration, we decided not to implement all of the changes made to the German Corporate Governance Code in 2006. Instead, we will continue to consistently apply corporate governance where it suits the size, the type and the structure of our Company.

Corporate and management structure

Rules of procedure regarding the management board and supervisory board revised and updated in accordance with recommendations of the German Corporate Governance Code and the most current case law.

In 2006, the Company stepped up its sales and services activities with several acquisitions. In February 2006, WashTec took over Mark VII Equipment LLC, Arvada, Colorado, USA within the framework of an asset deal.

In Italy, the activities have been intensified by taking over seven employees of a local manufacturer and making additions to the product range in the area of wash conveyors, in May 2006. At the beginning of 2007, WashTec took over its exclusive sales partner in Spain, Motor Mediterraneo S. A., which has its registered office in Barcelona.

Otherwise, there were no changes to the organizational structure of the Company. The responsibilities of the management board and top-tier management remain unchanged.

The bylaws of the management board and the supervisory board were revised and updated accordingly to reflect the amendments to the Corporate Governance Code and current legal opinion.

The management board and the supervisory board cooperate closely in the interests of the Company. There were no conflicts of interest with respect to members of the management board or the supervisory board that required disclosure to the supervisory board. The provision of independent advice to, and the independent monitoring of the management board by the supervisory board remain guaranteed.

Shareholders and the Annual General Meeting

Internet presence as a forum for comprehensive information regarding the Annual General Meeting for national and international investors

To make it as easy as possible for shareholders to take part in the Annual General Meeting, WashTec AG offers its shareholders the opportunity to authorize a proxy bound by instructions and appointed by the Company before the Annual General Meeting.

In 2006, WashTec AG provided all of the documents that were relevant to the Annual General Meeting on the Internet in German and in English. This means that WashTec AG's homepage also offers a comprehensive information platform in relation to the Annual General Meeting– not just for national, but also for international investors. WashTec AG does not transmit the Annual General Meeting via the Internet. The corresponding suggestion of the Code under section 2.3.4 is not complied with owing to the related costs.

Management Board

Change in the management board as of 1 January 2007

The management board of WashTec AG, which consists of two members, is responsible for determining the principles of the Company's policy and for setting the Company's strategic focus with the approval of the supervisory board.

The management board member responsible for finances, IT, legal issues, human resources and supply chain, Mr. Jürgen Lauer, resigned from the Management Board at his own request with effect from the end of 2006. He was succeeded by Mr. Christian Bernert with effect from 1 January 2007.

Remuneration report

Annual General Meeting 2006 resolved not to individually disclose the remuneration of members of the management board for fiscal years 2006 and 2007

The 2006 Annual General Meeting resolved not to provide the information requested in section 285 sentence 1 no. 9a, sentences 5 to 9 and section 314 (1) no. 6a sentences 5 to 9 of the German Commercial Code (HGB), and, in particular, the information on the remuneration of the individual management board members for financial years 2006 and 2007.

The remuneration of the management board members established by the supervisory board takes into account the duties of the respective management board member, his personal performance and the performance of the management board as a whole. It also considers the economic position, success and future prospects of the Company and the Group with reference to the comparable environment. The supervisory board assesses the appropriateness and the structure of the remuneration system, as well as the remuneration of the management board as a whole and of the individual members, on an annual basis. The remuneration of the management board members is made up of a fixed salary and variable components. The members of the management board also receive a company car and a rental allowance. The variable remuneration components include annually payable components linked to business performance and components with a long-term incentive effect and risk elements. Expensive for theses current benefits total EUR 1.057k (comparable figure prior year: EUR 559k). An individually agreed phantom stock option plan was, and remains in place for the management board members holding office at the relevant point in time to represent the remuneration components with a long-term incentive effect and risk character. The terms and conditions of the phantom stock plans did not, and do not provide for any possibility of limitation for extraordinary, unforeseen developments.

This first virtual option plan expired on 31 December 2005. This plan provided for cash payments to the beneficiaries, based on the share price (share price minus EUR 1.00 multiplied by 525,000). The share price was calculated on the basis of the average Xetra price, at 5 p.m. in each case, for the 10 trading days following the publication of the annual financial statements as at 31 December 2005. In the event that the members of the management board resigned from their positions prematurely, they were only entitled to a pro rata payment. In order to compensate for dilution effects due to the capital increase, a second virtual stock option plan [share price minus EUR 5.00 (issue price of the capital increase) multiplied by 350,000] was set up for the members of the management board that were in office at the time on the basis of the same conditions with respect to share price calculation and payouts as the first plan. The management board members waived part of their share-baesd remuneration to the benefit of certain empoyees. The payments fell due in 2006.

The remaining amount of EUR 7,998k fell due for payment in April 2006. In order to present a consistent presentation of the Company's liquidity situation, partial payments were postponed until June, September and December. These partial amounts bore interest at a rate of 4% as a means of compensation.

Since the old schemes expired, a new virtual stock option plan is now in place for members of themanagement board that will run until December 31, 2008. The scheme provides for stock price-related cash payments to the beneficiaries (stock price minus the final price for the first scheme of EUR 15.43 multiplied by up to maximum 750,000). The share price is calculated as the average rate of XETRA at 17:00 hrs on each of the ten days trading following the publication of the separate financial statements as of December 31, 2008. Management board members who resign prematurely are only entitled to a payment in relation to the period served. According to the plan, the payments will fall due in 2009.

The provision as of 31 December 2006, calculated on the basis of the Black-Scholes Option Pricing Model, takes into account a share price of EUR 13.84, an average volatility over the last year of 33.18% and a risk-free interest rate of 4%. The information on the share price and volatility are based on publications by renowned German banks in each case. The provisions for phantom stock in financial 2006 totalled EUR 600k.

In 2007, the Company plans to resolve a new, »standard« stock option scheme designed for the management board members in exchange for waiving their rights arising from the existing virtual stock option plan. A corresponding resolution will be presented to the annual general meeting in May 2007.

Following the termination of their contracts of employment, the members of the management board are entitled to a remuneration corresponding to 50% of the short-term remuneration most recently paid to the member in question as a consideration for a covenant of non-competition. Furthermore, individual members of the management board were granted an entitlement to a redundancy payment corresponding to one fixed annual salary following termination of their contracts of employment in defined cases. None of these commitments were recognized in expenses in 2006.

Since 2003 no pensions are granted to members of the management board.

Supervisory Board

In line with the size of the Company, the supervisory board comprises three members that are each responsible for different business areas. The work of the supervisory board is characterized by efficiency and professional expertise. In light of the size of the supervisory board, no committees have been, or will be formed (sections 5.3.1 and 5.3.2 of the Code).

The entire supervisory board was re-elected by the Annual General Meeting in May 2007

Mr. Robert A. Osterrieth, financial expert and Deputy Chairman of the supervisory board, resigned from his position at the end of 2006 in accordance with section 8.5 of the Articles of Association of WashTec AG. Mr. Jürgen Lauer has been appointed as the third member of the supervisory board by the registration court of Augsburg and has assumed the resposibility as “financial expert” on the supervisory board.

Mr. Alexander von Engelhardt, Chairman of the supervisory board, will be resigning from his post at the end of the Annual General Meeting due to the fact that he has exceeded the age limit stipulated by the Company in accordance with the recommendations set out in section 5.4.1 of the German Corporate Governance Code.

Elections to appoint new members for all of the positions on the supervisory board will be conducted at the next Annual General Meeting on 22 May 2007.

The remuneration of the supervisory board is determined in Article 8.16 of the WashTec AG Articles of Association according to a resolution of the Annual General Meeting as of June 15, 2005. It consists of fixed and variable components. Simple fix remuneration for financial year 2006 amounted to EUR 10,000 and simple variable remnuneration to 33,600. In accordance with Article 8.16 of the WashTec AG Articles of Association, the supervisory board Chairman receives twice the amount of the fixed salary and variable components and the Deputy Chairman receives one and a half times the amount.

Supervisory board members	Fixed salary	Variable remuneration
	in EUR	in EUR
Alexander von Engelhardt (Chairman)	20,000	67,200
Robert A. Osterrieth (Deputy Chairman)	15,000	50,400
Michael Busch	10,000	33,600

The Company did not pay any remuneration or grant any benefits to the members of the supervisory board in financial year 2006 on the basis of personal achievements (section 5.4.7. of the Code).

The supervisory board further developed the methods first applied in 2004 for the evaluation of its own activities. The findings of this process were incorporated into the ongoing activities in 2006 (section 5.6 of the Code). This critical self-evaluation will also be continued over the next financial year.

The D&O (directors and officers' liability insurance) policy concluded for the members of the Supervisory and management boards does not provide for a deductible. The Supervisory and management boards have a self-evident duty to act responsibly. We do not believe that a deductible would increase the motivation and commitment of the Supervisory and management boards further. The premium for the D&O insurance policy attributable to the supervisory board is borne by the members of the supervisory board themselves.

Transparency

All managers have signed and committed to WashTec's Code of ethics.

The Company has set out the principles on which it acts in its strategic guidelines and in the WashTec Code of Ethics. All management employees throughout the group have acknowledged the Code of Ethics with their signature.

The Company continued to maintain an insider list, which was updated on an ongoing basis. All of the affected new staff members were added to the list and the respective employees were given information on the legal situation.

The Company publishes information on all directors´ dealings . There were no disclosures in 2006.

The shareholdings of the Supervisory and management board members are published both in the Annual Report and on the Internet at www.washtec.de (section 6.6 of the Code). No member of the Supervisory or management board currently holds shares in WashTec AG.

The "annual document" in accordance with section 10 of the German Securities Prospectus Act (10 WpPG) summarises all of the capital market law publications of WashTec AG over the past twelve months and makes them available to the public on the Company's website.

Accounting and auditing

Supervisory board consultations regarding the annual and consolidated financial statements for financial year 2006 took place in the presence of the auditor. The auditor also attended the supervisory board meeting in which the recommendations of the supervisory board were discussed and the financial statements were approved and adopted.

In financial year 2006, WashTec AG complied with all of the recommendations of the Code in respect of the publication periods for the consolidated financial statements and interim reports.

The Declaration of Compliance issued by the Management and supervisory boards of WashTec AG on 13 December 2006 can be found below. Corporate governance declarations that are no longer up to date will also remain accessible via the Company's homepage for a period of five years.

WashTec AG
Management board, supervisory board

WashTec AG, Augsburg
Declaration of Conformity pursuant to section 161
of the Public Limited Companies Act (AktG)

The Management and supervisory boards hereby declare that WashTec AG complied with the recommendations of the Commission of the German Corporate Governance Code (version dated 2 June 2005) from the period since the issue of their last declaration of conformity on 13 December 2005 until 24 July 2006, and has complied, and will continue to comply with the version of the Code dated 12 June 2006 since 25 July 2005. This was, and is subject to the following exceptions:

1. The D&O insurance policy taken out by the Company for the members of its management board and supervisory board did, and does not provide for a deductible (section 3.8 of the Code). The supervisory board premium for the D&O insurance policy is borne by the members of the supervisory board themselves.

2. As far as management board remuneration is concerned, virtual stock option plans were, and are available to the members of the management board as part of their contracts of employment on an individual basis. No limitation options have been, or are in place for extraordinary, unforeseen developments (section 4.2.3 of the Code).

3. The management board remuneration has not been broken down into its various components in the consolidated financial statements. Similarly, the individual remuneration paid to the management board members has not been disclosed (section 4.2.4 of the previous version of the Code). The Company has been exempted from the legal obligation to report this remuneration on an individual basis and providing a breakdown of the individual components as introduced by the management board Remuneration Disclosure Act (Gesetz über die Offenlegung der Vorstandsvergütung (VorstOG)) dated 3 August 2005 by means of a resolution by the Annual General Meeting held on 31 May 2006 for financial years 2006 and 2007, but until 30 May 2008 at the latest.

4. As the Company's supervisory board only comprised, and comprises three members, no committees have been, or will be formed (section 5.3.1 and 5.3.2 of the Code).

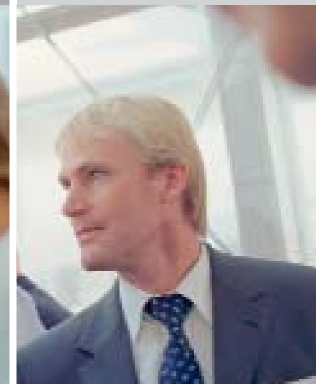
Augsburg, 13 December 2006

WashTec AG
Management board and supervisory board

Further information on the corporate governance of WashTec AG and the current and previous version of the Declaration of Compliance can be found at www.washtec.de.

Sergey Leukhin, Russia

Erik Müller and Wolfgang Dick, Germany



Bernhard Heinz, Germany

SoftLine Linear Conveyor components

Bob de Witt, USA

Adrian Usec, Romania

Guy Freeman, New Zealand

Mikael Knofler, Denmark and Craig Cambell, USA

AHEAD OF ITS TIME

Aquajet GT: In contrast to the situation in Europe, where roll-over systems almost exclusively employ brushes, in the US touch-free, high-pressure cleaning systems make up about 70% of the market. The Aquajet GT 300 presented at *automechanika* is a the basic segment touch-free roll-over system produced by Mark VII Equipment Inc., USA, the US subsidiary acquired at the beginning of 2006.

In addition, Mark VII Equipment Inc. assembles and distributes regular roll-over wash systems of the SoftWash brand in the USA.

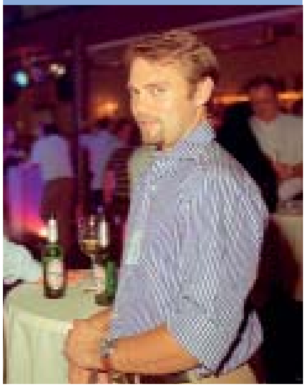
Roland Kreische, Germany

Dennis Bergin, Ireland

JR Park, Korea

Caba Gere, Slovenia

Steve Robinson, USA


Rudi Steiner, Finland


CK Lee, Korea


Kurt Zoss and Daniel Zulauf, Switzerland

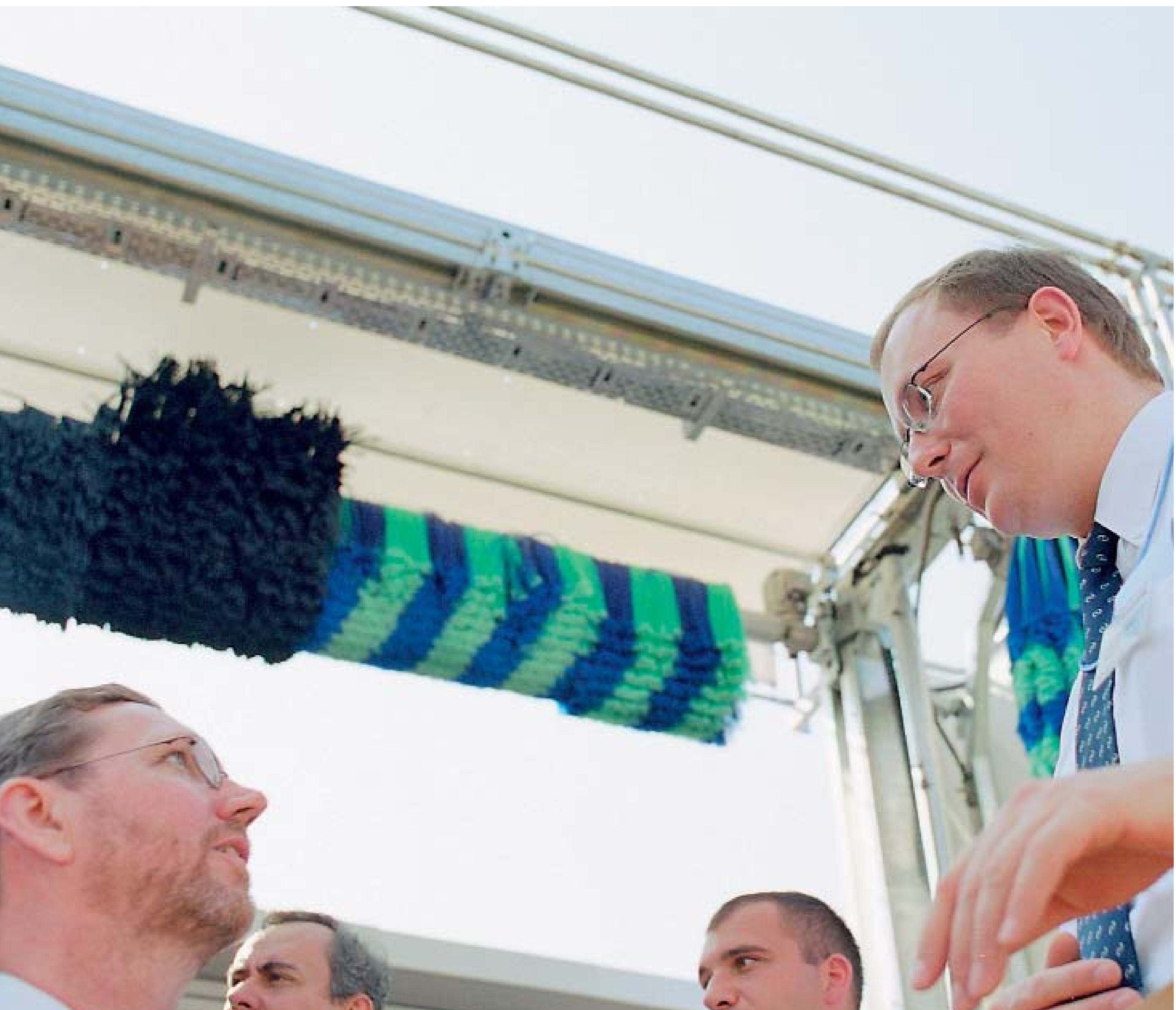
AHEAD OF ITS TIME

MaxiWash Vario, the new wash system for commercial vehicles presented at the *automechanika*, is the foundation of the new platform for the different requirements of customers such as shipping and logistics companies, public transportation services, or corporate fleets. It replaces the MaxiWash Intro in the basic segment and the MaxiWash Pro in the classic segment. Based on one standard platform, the system can be equipped with exactly the performance features suited to various truck types and superstructures.

It is therefore suitable both for professional suppliers in the medium to high range and in the low range regarding options needed and the number of washes.

Jochen Schraff, Germany

Nada Goldstein, Croatia

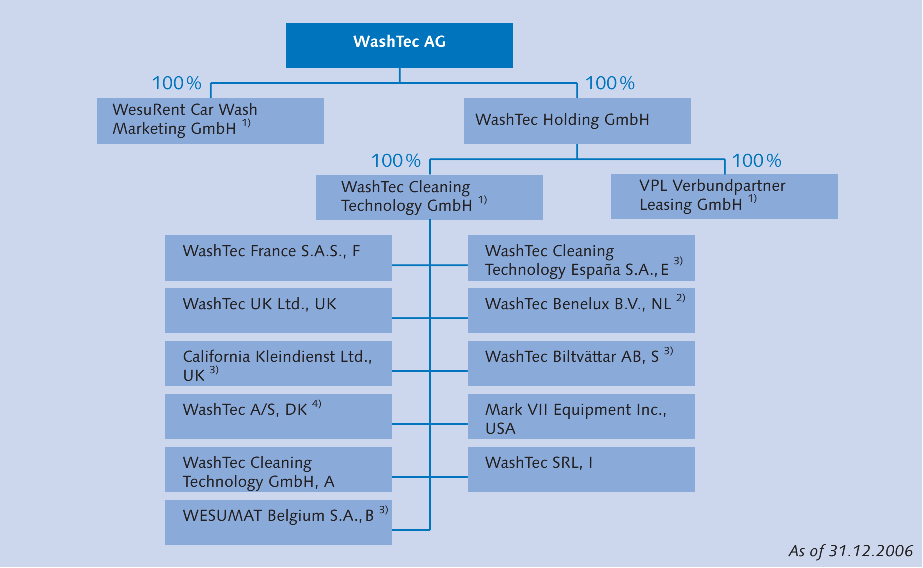


Thomas Schindler and Hans-Peter Popp, Germany

MANAGEMENT REPORT OF WASHTEC AG AND THE GROUP

1. Business and General Terms and Conditions

1.1 Organizational Structure of the WashTec Group



1) Controlling and profit and loss transfer agreement
2) Subgroup with California Kleindienst Administrative B.V., Zoetermeer, NL and WashTec Benelux N.V., Brussels, Belgium whose earnings are included in the financial statements of WashTec Benelux B.V., Zoetermeer, NL.
3) The company is currently inactive
4) Incl. offices in Norway

WashTec AG

As the Group's parent company, WashTec AG is responsible for strategic management and the continued development of all its subordinated companies.

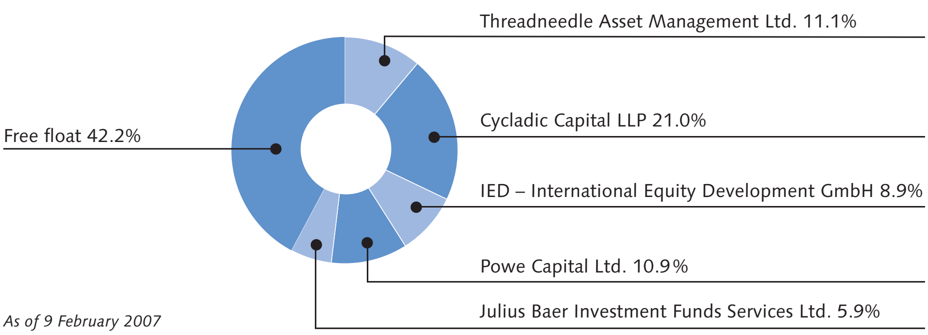
In accordance with the Company's articles of incorporation and in conjunction with the current rules of procedure of the management board, the latter comprises two members, one of whom has been appointed spokesman of the management board by the supervisory board. Pursuant to Art. 7.2 of the Company's articles of incorporation, the management board members are appointed and removed by the supervisory board.

In accordance with Art. 9.10 of the articles of incorporation of WashTec AG, the supervisory board is also authorized to make purely formal amendments to the articles of incorporation. All other amendments to the articles of incorporation require the approval of the annual general meeting in accordance with Art. 9.9.

The Company's subscribed capital amounts to EUR 40m and is divided into 15,200,000 no-par value bearer shares. It also has authorized capital of up to EUR 20m and contingent capital I and II; however, the prerequisites for a capital increase are no longer in place. The management board has no other authorizations allowing it to issue or buy back shares.

The Company's subscribed capital amounts to EUR 40m and is divided into 15,200,000 no-par value bearer shares. It also has authorized capital of up to EUR 20m.

The voting rights in the Company are currently held as follows:



As of 9 February 2007

As the Company does not have any operations of its own, its net assets, financial position and results of operations depend solely on the financial performance of its subsidiaries, which, in turn, will be dealt with in more detail below. 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 WashTec Holding GmbH and WesuRent Car Wash Marketing GmbH.

WashTec Holding GmbH

With the exception of WesuRent Car Wash Marketing GmbH, the WashTec Group's operating investments are held by WashTec Holding GmbH, Augsburg, Germany. Profit and loss transfer agreements are in place between WashTec Holding GmbH and VPL Verbundpartner Leasing GmbH/WashTec Cleaning Technology GmbH, but not between WashTec Holding GmbH and WashTec AG.

WashTec Cleaning Technology GmbH

The bulk of operations is carried out by WashTec Cleaning Technology GmbH, Augsburg, Germany. This is where the key products of the WashTec Group are developed, manufactured, sold and serviced. The subsidiaries and independent foreign sales partners are supplied and supported by this company which also contributes the largest portion of real net output, mainly from the final assembly of pre-fabricated components. The Company also has another production site in Recklinghausen, Germany, which manufactures control units.

The WashTec Group is represented by its own subsidiaries in all key European and North American markets

Foreign Subsidiaries
The WashTec Group is represented by its own subsidiaries in all key European and North American markets. Subsidiaries in the US, the UK, France, Belgium, Denmark/Norway, Austria, Italy and the Netherlands are responsible for selling and servicing WashTec products. Furthermore, the US subsidiary develops and produces car wash systems geared primarily toward the US market. The Company's subsidiary in Italy has been producing components for the SoftLine Express conveyor tunnel system since May 2006.

VPL Verbundpartner Leasing GmbH
VPL Verbundpartner Leasing GmbH offers tailored financing solutions to customers of the Wash Tec Group interested in purchasing Wash Tec products.

The activities of all of the abovementioned companies are summarized in the notes to the consolidated financial statements in the section on the Cleaning Technology division in Note 37.

WesuRent Car Wash Marketing GmbH
WesuRent Car Wash Marketing GmbH handles the financing and operation of wash systems on behalf of, and for the account of major clients, including mineral oil companies. The Company also offers numerous other services including profitability and site analyses. A profit and loss transfer agreement has been concluded between WashTec AG and WesuRent Car Wash Marketing GmbH. The activities of WesuRent are set out in the notes to the consolidated financial statements in the section on the Systems division in Note 37.

1.2. Product Range of the WashTec Group

The product range comprises roll-over wash systems, commercial car wash systems, self-service wash systems, and wash conveyors, as well as the respective peripheral devices and water reclaim systems. WashTec also offers comprehensive service packages for the entire product life of the products sold. Sale of roll-over wash systems and service operations are the major revenue drivers.

Products (approx. 2/3 of revenues)	■ Roll-over wash systems ■ Self-service wash systems ■ Commercial car wash systems ■ Wash conveyors ■ Water reclaim systems
Service (approx. 1/3 of revenues)	■ Full service ■ Call-out service ■ Replacement parts
Facility management	■ WesuRent Carwash Marketing
Financing schemes	■ VPL Verbundpartner Leasing

The product range is divided into three segments (Premium, Classic and Basic) in order to optimally cater to different customer requirements with respect to the number of washes and machine equipment.

The Company's aim is to offer high-performance and innovative products in all segments. In 2006, the product portfolio for roll-over car washes was expanded to include the NEW SoftWash in the Basic product segment, a product that will replace the SoftCare Bravo. Moreover, further innovations were unveiled at the *automechanika* trade fair, such as the MaxiWash Vario commercial car wash system, the SoftLine Express conveyor wash system and various other innovations at component level, such as the 3D car scan process.

New additions to the product portfolio:

- *SoftLine Express wash conveyor*
- *Roll-over wash system NEW SoftWash*
- *Commercial car wash system MaxiWash Vario*

The following shows an overview of the products offered by the WashTec Group.

	Application	Roll-over wash systems	Wash Conveyors	Commercial car wash systems
Premium	For a particularly high number of washes with high requirements in respect of the washing result, equipment and programme diversity	SoftCare Juno SoftCare Takt	Conveyor belt chain longer than 25m Softline Linear Softline Express	MaxiWash Express
Classic	For professional operators with a medium to high requirements in respect of options and number of washes (service providers such as car dealers)	SoftCare Pro SoftCare Evo	Conveyor belt chain 15m to 25m Softline Linear	MaxiWash Vario
Basic	Segment for locations with a lower number of washes and lower requirements in respect of options (service providers such as car dealers)	SoftCare Bravo NEW SoftWash	Conveyor belt chain shorter than 25m	MaxiWash Vario

The US subsidiary Mark VII Equipment Inc. offers a product portfolio that is aimed specifically at the US market and comprises the "Aqua Jet GT" touch-free high pressure roll-over car wash systems and the "SoftWash" roll-over wash systems, as well as wash conveyors and self-service wash systems.

1.3 Production and Logistics

Reorganization of all production areas completed in 2006

The WashTec Group produces most of its systems at its Augsburg site in Germany. Control units are manufactured at another small production site based in Recklinghausen, Germany. The final assembly of largely pre-fabricated components accounts for the lion's share of real net output. Following the comprehensive reorganization of roll-over wash system production as part of the consolidation of production facilities in Augsburg, the remaining production areas such as conveyor tunnel system and commercial vehicle production have been produced in a new facility at the Company's Augsburg site using new manufacturing methods since December 2006.

The subsidiary in Italy has been producing conveyor tunnel components for the SoftLine Express conveyor tunnel system since the middle of the year. The subsidiary Mark VII Equipment Inc., USA, produces systems mainly for the US market. Furthermore, some subsidiaries perform market-specific final assembly or adjustments, such as the assembly of single vehicle self service wash systems.

Long-term supply agreements have been concluded with suppliers of key components. To optimize inventory maintenance, the WashTec Group utilizes standard methods, including just-in-time delivery agreements and Kanban systems.

In the Group's supply chain organization, all organizational units – from order clarification (availability check of individual parts) to the procurement of parts and order flow in production to the delivery of the systems – are combined under the umbrella of one responsible unit.

European spare parts are delivered centrally from the warehouse of an external logistics services provider in Eppertshausen, near Aschaffenburg, Germany.

In 2006, inventories rose from EUR 29m to EUR 34m due to a substantial increase in sales. Inventories are expected to be further optimized with the realization of the Europe-wide spare parts logistics function.

The aims of our supply chain management are:

- Customer satisfaction due to product quality and "in time" delivery
- Rapid adaptation to changes in the market
- Optimized inventories with maximum supply capability
- Cost benefits through efficient flow of goods, production and delivery processes

1.4 Overall Economic Performance

The global economy developed positively overall in 2006, with business activity in Western Europe increasing over the previous year. In Eastern Europe and Asia, greater than proportional growth rates starting from a low level can continue to be posted.

The profitability of the car wash business operated by WashTec's customers hinges on the revenues generated by car washes.

The global economy developed positively overall in 2006, with business activity in western Europe increasing over the prior year. After getting off to a slow start, eastern Europe and Asia reported above-average growth rates.

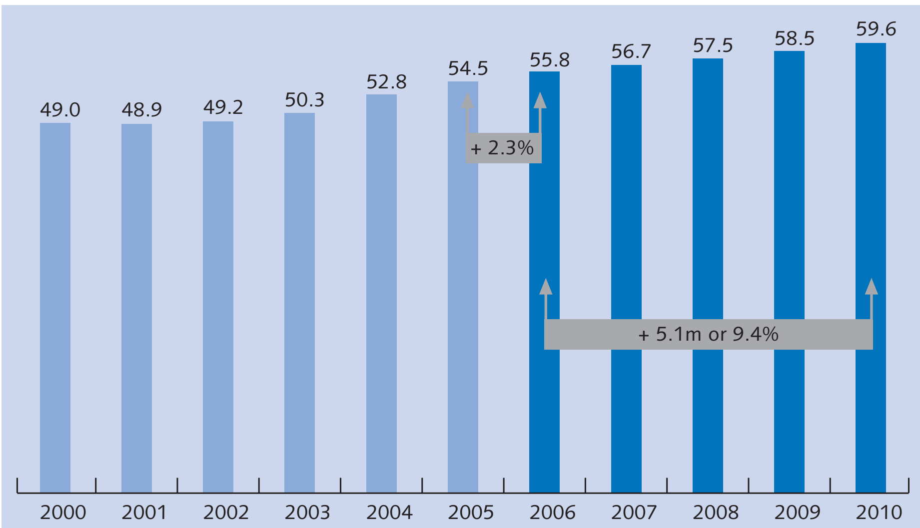
The economic climate, however, only had a limited influence on the investment behavior of WashTec's key accounts. The profitability of the car wash business operated by WashTec's customers hinges on the revenues generated by car washes. Furthermore, the investment budget volumes of mineral oil companies are a major revenue driver for WashTec. All in all, the investment behavior of the Company's customers has not changed considerably year on year. Wash figures in Germany remained stable despite an increase in petrol prices as against the prior year. The Company's key accounts generally placed orders within the framework of approved budgets depending on the age structure of the machines.

The number of new vehicle registrations is still showing moderate growth. Above-average growth rates are being recorded in eastern Europe and Asia.

Further global increase in the number of newly registered vehicles; above-average growth rates in Asia and eastern Europe

The economic climate was also positive in the US. The above-average increase in petrol prices prompted by the oil price hike, however, meant that the Company's customers on this market, which mainly comprise medium-sized companies, were reluctant to make new purchases.

Global passenger vehicle market in millions of vehicles



Source: B&D forecast

1.5 Legal Framework

Provisions regulating the consumption of fresh water and prohibiting washing by hand

The WashTec Group must adhere to the applicable statutes and provisions concerning business operations in all countries in which it operates. These include, in particular, provisions on technical safety and environmental protection, provisions concerning the reporting, registration, labeling and handling of chemicals, building provisions, labour law provisions, and industrial and occupational safety provisions. The most important currently relevant provisions under German law are summarized below:

In Germany, car wash systems may not be built and operated anywhere. Companies must comply with building planning law provisions, e.g. the construction and operation of a wash system is not permitted in residential areas. In mixed zoning, a wash system is only permitted if it does not conflict with neighboring interests. What is more, traffic and road safety regulations must also be observed (e.g. the wash system may not impair the safety of road traffic). In Germany, municipal charters prohibit washing on private property or streets.

In addition, compliance with environmental provisions plays a significant role. In this respect, environmental risks, in particular, should be avoided during the wash process. The cleaning of a car is normally performed using ph-neutral biodegradable cleaning agents. State legal provisions and provisions under the German Water Resources Act ["Wasserhaushaltsgesetz": WHG] set forth requirements for the discharge of waste water. In addition, each wash process poses the risk of petrol or oil discharge. Appendix 49 of the German Wastewater Regulation ["Abwasserverordnung": AbwV] states that "wastewater" from wash systems must be channeled into a circulatory system, e.g. by using water reclaim systems.

The operation of a car wash system in Germany is not permitted at all times. Restrictions can be imposed (and may vary from one German state to the next) due to the legislation governing operations on Sundays and public holidays in the individual federal states.

In other countries in which the WashTec Group sells its products, the regulatory provisions concerning car wash systems remain less stringent than in Germany. The enforcement of existing provisions or voluntary compliance with such provisions by the population differs depending on the relevant country or municipality.

The management board believes that provisions designed to regulate the consumption of fresh water and prohibit hand washing will become more of an issue at international level in the future.

1.6 Quality and Environmental Management

High-quality products provide the basis for technical market leadership. Quality, safety and environmental protection are key components of WashTec's corporate philosophy. Every WashTec employee is responsible for quality within the scope of his/her duties. Quality management guarantees compliance with the quality standards and strategic goals.

WashTec Processes

Integrated processes for increased efficiency and optimum market cultivation

Management processes	Strategic planning Operational planning	Leadership and development system Quality management
Innovation processes	Product management Product development	
Client processes	Delivery Sales	Supply chain Service
Support processes	Marketing IT systems Finance/financial accounting Strategic service	Maintenance Legal/investor relations Human resources Environment/occupational safety

WashTec offers biological, mechanical and chemical water reclaim systems for all of its systems to guarantee environmentally-friendly car washes. It has an extensive management system for quality, the environment, health and safety protection that is audited at regular intervals by the German Technical Control Board (TÜV). WashTec therefore meets the requirements of internationally recognized standards and is DIN ISO 9001, 14001 and SCC certified.

Management system ***Certification/standard***	**Contents**
Quality ***DIN ISO 9001:2000***	Guaranteeing processes from sales and engineering through to production and service. Quality is continually improved on a systematic basis by means of regular targeted analyses and preventative measures.
Environment ***DIN ISO 14001:2004***	Consideration of environmental aspects over the entire lifecycle of wash systems. Environmental protection achieved e.g. through selection of materials for wash systems, resource-saving production and methods and adoption of environmentally-friendly practices by employees.
Safety at work/ health protection ***SCC (Safety Certification Contractors)***	Creation of safe and ergonomic workstations. Including the implementation and monitoring of technical, organizational and personal protective measures focusing on service and assembly activities.

1.7 Market

Western Europe:
Stable replacement market

Eastern Europe:
Higher growth rates starting from a low level

US:
Moderate growth after decrease in 2006

Asia:
Medium to long-term market growth, starting from a low level

Although – with the exception of individual markets in Japan and South America – the WashTec Group markets its products globally via subsidiaries or sales partners, the Group generated approximately 90% of its total revenues in 2006 in Europe (including Germany). Europe therefore represents what is by far the single most important sales region for the WashTec Group. WashTec is represented in the core markets in western Europe and the US via its own subsidiaries and is present in a total of 60 countries through independent sales partners.

On the whole, the market for car wash systems in Europe is a stable replacement market. As a general rule, the replacement cycle for roll-over wash systems is between five and ten years. Growth in eastern Europe was above average, albeit having started at a low level.

Due to the hike in gas prices, the US market took a tumble in the first two quarters of 2006 before stabilizing in the remainder of the year. The Company assumes that it will recover and grow slightly starting from 2007. While almost all of the systems in operation in Europe are friction roll-over wash systems, around 70% of the systems sold in the US are touch-free high pressure roll-over wash systems. In addition to roll-over wash systems, wash conveyors account for a larger market share than in Europe.

	US	Europe
Roll-over wash systems installed	> 35,000	> 50,000
Sold units: high pressure roll-over wash systems	70%	0%
Sold units: friction roll-over wash systems	30%	100%
Number of cars and vans in m	255	260
Number of significant competitors	> 20	4
Market volume	↗	→

Source: WashTec estimate

The market for vehicle wash systems in Asia (excluding Japan) has so far been dominated by hand washing. However, the Company anticipates that the rising number of vehicles, growing per capita income and the uptake in investments in petrol station networks following the European example as well as the increasing environmental awareness will jump-start the market for vehicle wash systems in the medium term.

Customer Groups

The WashTec Group's customers are predominantly operators of wash systems that offer on-site car washing facilities to customers, and thus contribute significantly to these companies' earnings. These customers include global mineral oil companies, individual operators and operators of petrol station chains or car wash systems and supermarket chains. Other customer groups offer car washes as a free-of-charge service to their customers or wash their own cars in order to maintain the value of their vehicle fleet. These customer groups include car dealers and garages, forwarding agencies and transport operators.

Car wash as own business	Car wash as own service or to maintain own fleet
■ Mineral oil companies ■ Operators of chains and petrol stations ■ Supermarkets ■ Independent operators	■ Forwarding agencies ■ Car rental companies ■ Car dealers

In the passenger car segment for roll-over wash systems, WashTec's main customers are international mineral oil companies. Other key customers include other petrol stations, car dealers, supermarket chains and hypermarkets.

Competition

The European market for car wash systems is characterized by a small number of providers. According to its own surveys, WashTec is the market leader and has an installed base of more than 20,000 systems in Europe. In terms of revenues and the installed base, the Company's key competitors – who, nevertheless, are significantly smaller than WashTec – are Otto Christ AG (Germany), Ceccato SPA (Italy) and Istobal SA (Spain). In 2003 and 2004, WashTec's market share fell slightly as a result of the active streamlining of the product portfolio which was implemented as part of the restructuring program. The Company is confident that it has increased its market share in 2005 and 2006.

In comparison to Europe, the US market is highly fragmented and characterized by a large number of smaller providers. The largest competitor in the friction system segment is Ryko, while the main source of competition in the touch-free cleaning system segment is PDQ. According to WashTec's surveys, Mark VII Equipment Inc. ranks third on the US market.

The Asian market has to date been strongly fragmented and dominated by small, local providers. Nevertheless, the local producers dominant in Japan and Korea are also operating at national level.

Key market drivers

Key market drivers:
- *Increase in the number of newly registered cars*
- *High profitability of the "car wash" business*
- *More stringent requirements and implementation of environmental regulations*

- **Increase of per capita income and increase in the number of newly registered cars**
  The number of newly registered cars continues to climb worldwide; above-average growth rates are being recorded in eastern Europe and Asia in particular. The ratio of private cars to car wash systems in southern Europe is still well above the European average. These factors could – depending on overall economic developments and a shift in consumer behavior towards increasingly automated car washes – provide new stimulus for the car wash business.

- **High profitability of the "car wash" business for the system operators**
  Investments in new systems quickly pay for themselves in some cases, depending on the location.

- **More stringent requirements and implementation of environmental regulations**
  The importance of water as a limited and expensive resource, together with environmental awareness, is increasing in southern and eastern Europe, as well as in the US and in Asia, too. Closed circuit circulation systems for manual car washing and the considerable reduction in water consumption thanks to water reclaim systems are the main drivers behind the installation of car wash systems.

Significant Factors Impacting WashTec's Future Position as Market Leader

Basis for our market leadership:
- *Sales structure with key account management*
- *Product range and development competence*
- *Installed machine base and broad coverage of the service network*

- **Sales Structure With Key Account Management**
  A sales structure that is specifically tailored to the needs of key accounts with a central key account organization for major customers and the Company's own sales and service companies in core markets guarantee that international framework agreements can be implemented in line with customer requirements.

- **Product Range and Development Competence**
  WashTec sees itself as an innovation leader. Thanks to its centralized research and development center, WashTec is able to respond to customer requests rapidly and flexibly. The product families marketed by WashTec are by far the most up-to-date machine generations on the market.

- **Installed Machine Base and Broad Coverage of the Service Network**
  The high installed base backed up by the broad coverage of the Company's own service network are key factors in WashTec's future success on western Europe's – primarily replacement driven – markets. With around 20,000 installed roll-over wash systems across its core markets in Europe and over 30,000 installed car wash systems worldwide (roll-over wash systems, wash conveyors, commercial car wash systems), WashTec has by far the largest installed machine base. In addition, with approximately 500 of its own service technicians in Europe, WashTec also clearly operates the largest European service network.

1.8 The Company's Management Systems

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

- Extended monthly management board meetings with regional division heads
- Regular international informational meetings with all responsible parties of the operating companies
- Strategic and annual planning, including investment planning, production and capacity planning
- Regular reporting and forecasting, ongoing market analysis

Key Figures for the Planning and Management of the Company

- Analysis of gross profit margin
- Regular analysis of operating results
- Working capital, in particular receivables and inventories
- Equity ratio and leverage
- Cash flow ratios, cash flows from operating activities

1.9 Research and Development

Aim to achieve innovation leadership confirmed with Innovation Award 2006

WashTec sees itself as an innovation leader and was awarded the *automechanika* Innovation Award in 2006 for its innovative "3D CarScan process" in 2006. The research and development activities of the WashTec Group are intended to enhance the existing product offering, develop new wash systems and swiftly and efficiently cater to the individual design and program requirements of customers. As the technology for car wash systems is relatively mature, research initiatives, also at component level, focus in particular on shorter lead times, varnish-saving treatment, the adaptation of wash systems to suit the ever-growing types of car shapes and the high availability of systems as well as on meeting customer demand for more user-friendly car washes. Specific customer requests are documented during customer workshops for the development of new wash technologies. The optimization of production methods is expected to result in improved product quality and a reduction in production costs.

Development projects are adopted by a strategic product committee with representatives from product management, procurement, sales, production and service and monitored over the course of the entire project. A technical product committee comprising experts from Germany and abroad is responsible for developing new technological solutions and concepts.

Examples of WashTec's Research and Development Initiatives

- The patented double roll-over wash system SoftCare Juno, currently the fastest wash system on the market.
- The varnish-saving wash material SofTecs®, which – unlike conventional polyethylene brushes – leaves no marks on the car.
- Control units for the operation of wash systems developed and produced in-house.
- 3D CarScan, the first system to fully register the shape of a vehicle.

3D CarScan: Winner of the Innovation Award 2006

WashTec cooperates with various institutions and universities in southern Germany in the areas of research and development.

WashTec places high priority on the protection of its own innovations through the use of patents. The WashTec Group has more than 50 active, i.e. awarded or registered inventions/patent families. These inventions are split into over 300 individual patents or national registrations. The WashTec Group's patent strategy is aimed primarily at effectively safeguarding innovations which lend the Company a unique position. WashTec has a central research and development unit in Augsburg with around 40 employees.

In 2006, the capitalized development costs of the Group for the new generation of roll-over wash systems amounted to EUR 1.0m (prior year: EUR 0.2m).

1.10 Employees

As at 31 December 2006, the number of employees had risen as a result of the Company's acquisitions and the related strengthening of its sales and service organization by 195 to total 1,451. The employee statistics for 2006 include 154 employees of Mark VII Equipment Inc., US for the first time.

Increase in employee numbers due largely to acquisitions

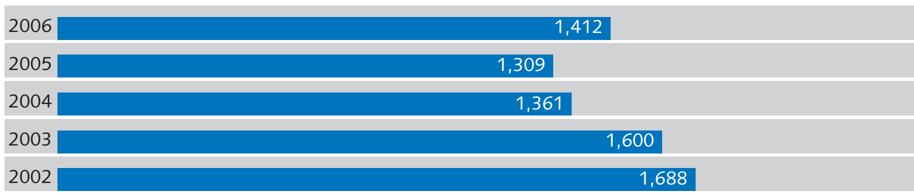
Number of Employees By Function As of the Balance Sheet Date

	Dec 31 2006	Dec 31 2005	Change
Sales and service	816	721	95
Production, technology and development	475	371	104
Finance and administration	160	164	–4
Total	**1,451**	**1,256**	**195**

Personnel expenses in the period under review totaled EUR 85.5m (previous year: EUR 80.0m).

All executive employees have contracts with fixed and variable remuneration components. The variable remuneration components are linked to the achievement of Group targets, as well as individually agreed targets.

Annual Average Number of Employees



Report on Management Board Remuneration

With 93.3%, the 2006 annual general meeting resolved not to supply the information required in Sec. 285 Sentence 1 No. 9a Sentences 5 to 9 and Sec. 314 (1) No. 6a Sentences 5 to 9 of the German Commercial Code ["Handelsgesetzbuch": HGB], and, in particular, the information on the remuneration of individual members of the management board for fiscal years 2006 and 2007. A detailed presentation of remuneration can be found in the notes to the consolidated financial statements in the Section on Executive Bodies.

The remuneration paid to the management board members, which is set by the supervisory board, takes into account the duties of the respective management board member, his/her personal performance, and the overall performance of the management board. It also considers the economic position, success and future prospects of the Company and the Group with reference to the comparable environment. The supervisory board assesses the appropriateness, and the structure of the remuneration system, as well as the remuneration of both the management board as a whole and the individual management board members on an annual basis. The remuneration of the management board members is made up of a fixed salary and variable components. Furthermore, the management board members are provided with a company car and a housing allowance. The variable remuneration components include annually payable components linked to business performance and components with a long-term incentive effect and risk elements. These short-term employee benefits amounted to EUR 1,057k (comparable figure prior year: EUR 559k). As far as the remuneration with a long-term incentive effect and risk elements is concerned, individually agreed virtual stock option plans (phantom stocks) were, and continue to be in place for the management board members holding office at the relevant point in time. The terms and conditions of the virtual stock plans did, and do not provide for any possibility of limitation for extraordinary, unforeseen developments.

The first virtual stock option plan ran until December 31, 2005. The scheme provided for stock price-related cash payments to the beneficiaries (share price less EUR 1.00 multiplied by 525,000). The stock price was calculated as the average Xetra price at 5 p.m. in each case, for the ten trading days following the publication of the financial statements as of December 31, 2005. Management board members who resigned prematurely were only entitled to a payment in relation to the period served. To counter the dilution resulting from the capital increase, a second virtual stock option plan (stock price less EUR 5.00 [issue price of capital increase] multiplied by 350,000) was established for members of the management board in office at that time based on the same conditions, with respect to stock price calculation and payment terms, as for the first scheme. The payments fell due in 2006.

The remaining amount of EUR 7,998k fell due for payment in April 2006. In order to present a consistent presentation of the Company's liquidity situation, partial payments were postponed until June, September and December. These partial amounts bore interest at a rate of 4% as a means of compensation. In the previous year, a provision amounting to EUR 5,353k was formed for this share-based programme.

Since the old schemes expired, a new virtual stock option plan is now in place for the members of the management board that will run until December 31, 2008. The scheme provides for stock price-related cash payments to the beneficiaries (stock price minus the final price for the first scheme of EUR 15.43 multiplied by up to maximum 750,000). The share price is calculated as the average rate of XETRA at 17:00 hrs on each of the ten days trading following the publication of the separate financial statements as of December 31, 2008.

Management board members who resign prematurely are only entitled to a payment in relation to the period served. According to the plan, the payments will fall due in 2009.

The provision as of December 31, 2006, which is calculated using the Black-Scholes option pricing model, is based on a stock price of EUR 13.84, an average volatility over the last year of 33.18% and a risk-free interest rate of 4%. The information on the stock price and volatility is based on the publications of reputable German banks in each case. The provisions for phantom stock in fiscal year 2006 amounted to EUR 600k.

In 2007, the Company plans to transfer the existing virtual stock option scheme to a "standard" option scheme for the members of the management board in office

In 2007, the Company plans to resolve a new, »standard« stock option scheme designed for the management board members in exchange for waiving their rights arising from the existing virtual stock option plan. A corresponding resolution will be presented to the annual general meeting in May 2007.

Following the termination of their contracts of employment, the members of the management board are entitled to a remuneration corresponding to 50% of the short-term benefits most recently paid to the member in question as a consideration for the exercise of a covenant of non-competition. Furthermore, individual members of the management board were granted an entitlement to a severance payment corresponding to one fixed annual salary following termination of their contracts of employment.

Since 2003 no pensions are granted to members of the management board.

2. Results of Operations

2.1 Key Projects of the WashTec Group in 2006

The EBIT margin for the year as a whole stood at 9.5%.

- *Acquisition and integration of Mark VII Equipment Inc., USA*
- *Italy: Strengthening of sales and service activities*
- *Austria/eastern Europe: cultivation of eastern European growth market*
- *Innovations Revamping of the product portfolio continues*
- *Restructuring of production facilities – phase II*
- *Expanded financing*
- *Logistics concept*

In fiscal year 2006, the Company concentrated on both process optimization and the establishment of a focus on dynamic growth.

- **Acquisition and integration of Mark VII Equipment Inc., USA**
  At the beginning of the year, WashTec took over Mark VII Equipment Inc. This company develops and manufactures touch-free roll-over wash systems for the US market and was a sales partner for WashTec's roll-over wash systems in the US prior to the takeover. The integration involved relocating the assembly of the SoftWash roll-over wash systems to Arvada, as well as reorganizing and restructuring production. The existing sales and service channels were also analyzed.

- **Italy**
  In Italy, the Company further strengthened its sales and service activities. The subsidiary has been producing components for the SoftLine Express conveyor tunnel system since May.

- **Austria/Eastern Europe**
  The subsidiary in Austria generated double-digit revenue growth in the first year after it started up its own operations. Events such as a symposium for Russian mineral oil companies and the introduction of "eastern European" days for eastern European sales partners laid the foundation for future growth in this region.

- **Innovations**
  At the world's largest industry trade fair, *automechanika*, held in September, the Company presented 17 innovations and further rejuvenated its product portfolio.

- **Restructuring of Production Facilities – Phase II**
  Following the reorganization of gantry car wash system production, the Company also reorganized production in other areas and combined these activities in a new facility in 2006.

- **Expanded Financing**
  In the course of expanding its financing facilities, the Company was able to improve the framework agreement with the banking consortium led by HVB. This grants the Company more room for maneuver while at the same time improving conditions. The expansion of financing gives the Company the possibility to finance future acquisitions from existing credit facilities.

- **Logistics Concept**
  The Company concluded a multi-year framework agreement on the European handling of spare parts logistics with TNT Logistics (now CEVA), which has been in place since the third quarter of 2006. The performance of the agreement entails direct, on-site deliveries to clients/service technicians, progressively on a Europe-wide basis, too. The realization of the concept is designed to improve deliverability and reduce inventories.

2.2 Situation of the Company and Development of its Business

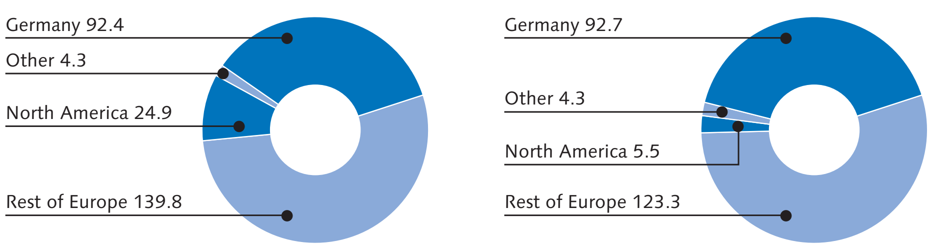
At EUR 261.4m, the WashTec Group's revenues were up by 15.8% on the prior year (EUR 225.8m). EUR 23.1m (consolidated) of this revenue growth is the result of the acquisition in the US, while the rest is due primarily to the sustained positive development of the roll-over car wash systems segment following the additions to the SoftCare family. The conveyor wash area, too, improved as against the prior year. Revenues in the service organization were also up on 2005.

At EUR 261.4m, the WashTec Group's revenues were up by 15.8% on the prior year (EUR 225.8m).

Sales in EUR m

In Germany, revenues amounted to EUR 92.4m, down slightly on the prior year. The EUR 16.5m increase in revenues in the rest of Europe was due to the sustained positive business development in the core markets in the Company's own sales and service organizations and the expansion of activities in eastern Europe.

Sales by Region in EUR m



Total 2006: EUR 261.4m

Total 2005: EUR 225.8m

Revenues at Mark VII Equipment Inc., USA, (stand alone) totaled EUR 24.9m, down by EUR 6.8m on the prior year. The drop in revenues at Mark VII Equipment Inc. is primarily the result of weak business in the first two quarters of fiscal year 2006, with the considerable hike in petrol prices in the US leading to a decline in purchasing activities among the Company's customers, in particular medium-sized companies. In comparison to the prior year, it should be noted that the revenues of Mark VII Equipment Inc. (stand alone) were not included in the revenues of the WashTec Group prior to the acquisition at the beginning of 2006. The revenues for North America in fiscal year 2005 include the revenues of the subsidiary SSI Corp., Canada, which was closed at the end of the year, and the deliveries made by WashTec to Mark VII Equipment Inc. as an exclusive sales partner.

In 2006, the Cleaning Technology division generated revenues of EUR 260.0m (prior year: EUR 222.5m); revenues in the Systems division remained stable at EUR 3.7m (prior year: EUR 3.6m). As the WashTec Group generates most of its revenues in the Cleaning Technology division, the following information does not include the Systems division unless stated otherwise.

As of the balance sheet date of December 31, 2006, the WashTec Group's order intake volume (incl. Mark VII Equipment Inc.) was up on the prior year.

Earnings Before Interest and Taxes (EBIT)

The EBIT margin for the year as a whole increased to 9.5% (prior year: 8.6%).

Increase in the EBIT margin from 8.6% to 9.5%

Earnings before interest and taxes (EBIT) increased as against the prior year to EUR 24.9m (2005: EUR 19.4m). This is mainly the result of an increase in earnings in the Cleaning Technology division (unconsolidated) from EUR 18.9m in the prior year to EUR 25.4m in 2006. EBIT in the Systems division remained stable at EUR 0.7m (prior year: EUR 0.6m).

Factors influencing the cost of materials ratio mainly included the modified product and regional mix. Mark VII Equipment Inc. has a sales structure that includes independent sales partners, which is why it generates a lower gross margin. In 2006, these factors meant that the cost of materials ratio (as a percentage of revenues) improved from 40.3% to 44.2%. Procurement and design-to-cost projects largely compensated for the increased material costs in 2006. In 2007, too, the cost of materials ratio is expected to remain largely stable due to the realization of projects to compensate for increasing commodities prices.

Increase in the cost of materials ratio mainly due to modified product and regional mix

Personnel expenses increased from EUR 80.0m to EUR 85.5m. The increase is largely attributable to the acquisition in the US.

Personnel expenses for 2006 contain variable remuneration components for members of the management board totaling EUR 4.6m (prior year: EUR 5.7m) as a result of the positive stock price development ("phantom stock remuneration", see Notes "The Company's Executive Bodies" and the report on management board remuneration in the Corporate Governance report).

Social security contributions amounted to EUR 12.2m (2005: EUR 11.9m). As far as expenses for old-age pensions are concerned, an adjustment to the provisions for phased retirement reduced expenses to EUR 0.5m (prior year: EUR 2.2m). Personnel expenses as a percentage of revenues fell from 35.4% to 32.7%.

In 2007, personnel expenses are expected to decrease as a result of the planned transfer of the existing virtual stock option scheme to a "standard" scheme. The takeover of sales partners, e.g. the takeover of Motor Mediterraneo in Spain, will increase headcount. Personnel expenses are expected to rise due to the anticipated collective wage increase owing to the increase in headcount.

Other operating expenses increased to EUR 37.7m as a result of one-time expenses for the *automechanika* trade fair, which takes place every two years, and resulting from the consolidation of Mark VII Equipment Inc., USA (2005: EUR 31.9m) (see Note 31 for a breakdown). In 2007, other operating expenses are not expected to contain any material one-time expenses.

Amortization and depreciation increased slightly to EUR 7.7m (prior year: EUR 6.7m). Impairment losses of EUR 0.6m were required due to a change in the use of land and buildings (2005: EUR 0.5m).

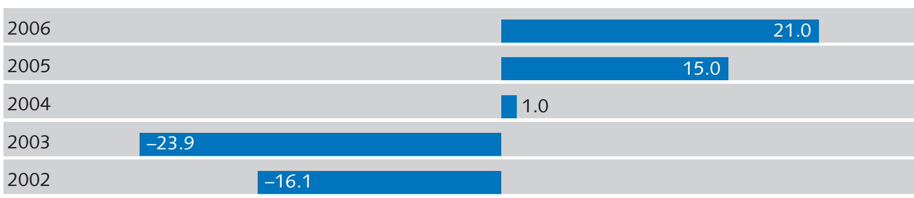
The negative financial result was reduced from EUR 4.4m to EUR 3.9m due to the changed conditions as a result of the expanded financing situation despite the increase in drawings due to the acquisition of Mark VII Equipment Inc.

Earnings Before Taxes in EUR m (EBT) und Consolidated Profit

After the deduction of the financial result, earnings before taxes (EBT) amounted to EUR 21.0m (2005: EUR 15.0m). The taxes totaling EUR 8.5m comprise the use of deferred taxes and ongoing tax expenses (prior year: EUR 5.6m). This produces a profit for the period of EUR 12.5m (2005: EUR 9.4m). Earnings per share improved from EUR 0.81 (2005: based on 11.653m shares) to EUR 0.82 (basis of 15.2m shares, prior year, based on 15.2m shares EUR 0.62).

Earnings Before Taxes in EUR m

Increase in EBT from EUR 15.0m to EUR 21.0m



Income taxes relate to deferred taxes due to losses carried forward at German companies and cash taxes. The deferred taxes are calculated at a tax rate of 39.2% (prior year: 40%). The remaining taxes relate to subsidiaries abroad/tax payments based on minimum taxation in Germany.

Results of Operations

		2006	2005	Change
EBITDA	EUR m	**32.6**	26.1	6.5
EBIT	EUR m	**24.9**	19.4	5.5
EBT	EUR m	**21.0**	15.0	6.0
Net profit	EUR m	**12.5**	9.4	3.1
Earnings per share*	EUR	**0.82**	0.81	0.01

* based on 15.2 m shares in 2006, 11.7 m shares in 2005

A change in the tax rate following the implementation of the 2007 corporate tax reform could lead to the write-down of a portion of the losses carried forward, which would have a negative impact on the earnings per share for the fiscal year.

Adjusted Result (Consolidated Profit) in EUR m

		2006	2005
Consolidated profit including Mark VII Equipment Inc.	EUR m	**12.5**	9.4
Net loss for Mark VII Equipment Inc.	EUR m	**–0.5**	0
Adjusted result (profit) without Mark VII Equipment Inc.	EUR m	**13.0**	9.4

In 2006 as a whole, the Company's results of operations developed very well, with revenues increasing from EUR 225.8m to EUR 261.4m, while earnings increased from EUR 9.4m to EUR 12.5m (consolidated profit). The net profit ratio increased from 4.2% to 4.8%.

3. Net Assets and Financial Position

3.1. Net Assets

Increase in non-current assets due to the acquisition

Net assets and financial position		2006	2005	2004	2003	2002	2001
Non-current assets	€ m	100.0	78.5	75.1	81.6	94.0	99.6
Receivables, other assets	€ m	44.6	35.1	31.8	49.6	57.4	74.4
Inventories	€ m	34.0	29.0	30.2	37.2	39.3	42.0
Deferred tax assets	€ m	24.8	30.1	30.9	33.3	27.4	25.2
Cash and cash equivalents	€ m	3.0	6.9	0.8	3.8	4.9	3.8
Other	€ m	2.4	2.9	1.3	1.2	1.3	1.1
Equity	€ m	61.7	49.3	4.0	7.2	25.5	40.1
Provisions	€ m	31.3	38.7	34.4	34.4	19.8	16.6
Liabilities	€ m	108.9	88.4	127.1	162.6	178.0	189.3
Deferred income	€ m	6.9	6.4	4.6	2.5	1.0	0.1
Total assets	€ m	**208.8**	**182.5**	**170.1**	**206.7**	**224.3**	**246.1**

The total assets of the WashTec Group increased from EUR 182.5m to EUR 208.8m. This was attributable, in particular, to an increase in non-current assets due to the investments in the US and Italy, as well as investments relating to the construction of the new production facility within the framework of the restructuring of production facilities, the introduction of SAP and an increase in receivables as a result of business volume growth.

Non-current assets increased from EUR 78.5m to EUR 100.0m, mainly as a result of the acquisition of Mark VII Equipment Inc. Receivables and other assets increased from EUR 35.1m to EUR 44.6m mainly due to business volume growth; inventories rose from EUR 29.0m to EUR 34.0m. The implementation of the Europe-wide logistics concept is expected to optimize inventory levels.

Other non-current assets include other material assets of the WashTec Group such as goodwill of EUR 51.9m (prior year: EUR 36.0m).

As IFRS 3 and IAS 36 have not permitted the amortization of goodwill since 2005, management tests goodwill for impairment annually. On the basis of a conservative business forecast, no impairment requirement can be identified at present.

Deferred tax assets from loss carryforwards, which relate mainly to losses incurred by California Kleindienst before the merger with Wesumat in 2000 and restructuring expenditure in 2002 and 2003, will be used up within a period of less than five years on the basis of expected future earnings, despite the minimum taxation in Germany.

As of December 31, 2006, current assets amounted to EUR 83.0m, as against EUR 72.5m in the prior year.

Equity ratio 29.6%

Equity increased considerably due to the positive earnings development from EUR 49.3m to EUR 61.7m. With an equity ratio of 29.6%, WashTec has a solid capital structure.

WashTec AG's equity stood at EUR 134.1m (2005: EUR 133.6m). This results in an equity ratio of 97.0% (2005: 94.2%) of the balance sheet total.

Net bank debts as of December 31, 2006 totaled EUR 54.2m (prior year: EUR 44.2m).

The working capital loans were increased to EUR 96m in August 2006 due to the expanded financing situation. EUR 48.2m is disclosed under non-current liabilities as a result of the long-term syndicated loan. As of December 31, 2006, net bank debts (bank debts less bank balances) stood at EUR 54.2m, mainly owing to the acquisition in the USA (as of December 31, 2005: EUR 44.2m). Interest coverage (EBITDA/net interest expense) stood at 8.3 at the end of the year (prior year: 6.0).

Provisions fell from EUR 38.7m to EUR 31.3m. The main reason for this reduction is the usage of provisions for expired virtual stock option schemes, the corresponding payments for which were made in 2006. Provisions mainly comprise provisions for personnel, phased retirement, products and other operating expenses. A breakdown of provisions is set out under Note 22.

3.2 Financial Management

The main aim of financial management is to optimize the free cash flow in order to finance planned growth. The WashTec Group is financed via a long-term syndicated loan that was granted to WashTec Cleaning Technology GmbH. The Company's main liabilities are denominated in euros. The base interest rate of the new loans is variable and linked to the EURIBOR. To reduce the risk posed by a general increase in interest rates and to improve visibility, the variable interest rate was hedged by means of two interest rate swaps for more than 50% of the loans. Furthermore, exchange rate risks relating to the dollar area are hedged by a cash flow hedge.

At year-end, the Company had non-utilized earmarked credit lines of EUR 33.3m including cash and cash equivalents of EUR 3.0m (see Note 23 for further explanations).

At the annual general meeting in May 2007, the management board and the supervisory board plan to propose a stock repurchase program in order to utilize the expected future cash flows to repurchase own stock.

3.3 Cash Flow Statement

Cash inflows from operating activities amounted to EUR 21.5m (2005: EUR 25.5m). This is primarily attributable to the improvement in the operating result and changes in working capital.

The cash inflows from financing activities can be attributed to the long-term loans of EUR 12.3m raised to finance the acquisition of Mark VII Equipment Inc., as well as the contrasting effects of the repayment of subordinated loans (EUR 1.8m), the repayment of bank liabilities using current cash flow and cash outflows from finance leases.

Overall, this results in a net decrease in cash and cash equivalents of EUR 5.3m.

3.4 Investments

Investments totaled EUR 13.9m (excl. acquisitions; 2005: EUR 12.3m). The WashTec Group's investment activities focused on the development of new products and the reorganization of production facilities. Cash outflows from investing activities amounted to EUR 27.9m (2005: EUR 11.6m), with the acquisition of Mark VII Equipment Inc. accounting for EUR 17.0m.

Investments in EUR m

The investment program relating to the reorganization of operations in Germany and the US has been largely completed. In 2007, the Company plans to invest, in particular, in further expanding its sales and services organizations.

4. Supplementary Report

Takeover of Spanish sales partner in January 2007

On January 9, 2007, WashTec AG announced that it had acquired the shares in its exclusive sales partner Motor Mediterraneo S.A. in Spain.

Motor Mediterraneo S. A., which has its registered office in Barcelona and a branch in Madrid, had been the exclusive dealer of the WashTec Group in Spain since 1964. The owner-managed company markets, installs and maintains car wash systems with a workforce of over 30. Over the past few years, Motor Mediterraneo has generated revenues of around EUR 7m and has generated sustained, positive results.

Spain, which is reporting continued dynamic overall economic development, is one of the core markets for car wash systems in Europe. WashTec plans to participate in the market growth in Spain with its own sales and service organization and also aims to increase its market share.

The agreed purchase price is within the lower single-digit million euros (cash free – debt free). This acquisition will be financed by the WashTec Group's existing banking syndicate

5. Risk Report

Internal management and monitoring system for identifying risks at an early stage and implementing the necessary countermeasures in a timely manner

Within the scope of its international business activities, the WashTec Group is exposed to risks, which are inseparable from the Group's business activities. In order to manage these risks in a controlled manner, the main business processes are subject to an internal management and monitoring system that is designed to identify risks at an early stage and implement the necessary countermeasures in a timely manner. Due to the continual changes in conditions and requirements, risk identification is an ongoing process that is anchored firmly in our day-to-day work processes.

Risk Management

A multi-stage system for identifying and monitoring all risks to the Company's ability to continue as a going concern has been installed. The aim of this system is to identify risks posed by future events using a forecast and allow the necessary countermeasures to be taken in an appropriate manner as part of a structured approach.

Monitoring and Management System

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

- Extended management board meeting
- Information circle meeting
- Annual planning
- Forecast calculation
- Monthly and quarterly reporting
- Strategic product committee
- Investment planning
- Production and capacity planning
- Internal audit
- Debtor management
- Insurance policies
- Risk officer
- Purchasing and supplier management
- Personnel planning and development

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

Risks

Business Risks

The opportunities and risks relating to the WashTec Group as of the balance sheet date December 31, 2006 that could have a material influence on the further development of the Group are set out below. As against the prior year, there were no material changes to the risk structure. Ongoing cost optimization and the successful start-up of new sales and service activities are becoming increasingly important to successful business development.

Ongoing Cost Optimization
The continuation of the newly identified projects and the definition of new cost cutting measures are key requirements for the further success of the Company. It is only by continually optimizing its cost structures that the Company will be able to uphold its leading position in the market and maintain a production location capable of generating good results of operations in the high-wage German economy in the future. Ongoing and new projects are expected to result in ongoing improvements to the Company's cost structure. If all of these projects are realized in full, this could once again significantly enhance the WashTec Group's cost structures and earnings.

Establishment of New Sales and Service Organizations and Product Development
The establishment of new sales and service companies, the increasingly horizontal diversification and the development of new products can entail specific risks for WashTec. All of the Company's strategic investments, including investments relating to the establishment of its sales and service activities, are based on an analysis of market requirements and a corresponding investment analysis However, it cannot be ruled out that these analyses or the Company's investment analyses will subsequently prove to be incorrect or that the establishment of functions will not succeed as planned or on time.

The expansion of the sales organization via the acquisition of companies or parts of companies generally means that additional external capital has to be raised. An incorrect estimate or incorrect valuation of the target could have a negative impact on the Group's net assets, financial position and results of operations.

Risk relating to start-up losses due to the acquisition of sales partners

WashTec could also be exposed to risks in respect of start-up losses from the establishment of new companies or the takeover of sales partners (e.g. relating to personnel expenses, finance leases for new company and service cars, etc.).

A positive start-up and the successful integration of acquired sales and service organizations could result in an improvement to the WashTec Group's market position and earnings. The successful expansion of the product range combined with the introduction of new products and more intensive market penetration could prompt an expansion of the Company's market shares and an improvement in gross profits.

Risks From Operations
Market and economic changes resulting in lower demand can lead to a substantial decrease in revenues. Investment freezes by individual mineral oil companies or the listing of other suppliers as a result of a new tender of framework supplier agreements with mineral oil companies can also trigger significant reductions in revenues. The clearing of investment backlogs can subsequently give rise to positive non-recurring effects.

Risks from aggressive price competition in connection with declining demand can put pressure on margins in individual market segments.

Price increases from suppliers due to increased raw material prices (e.g. increased steel prices) can result in a rise in manufacturing costs, as well as a reduction in the gross profit margin. However, contrasting effects from projects designed to reduce purchase prices can eliminate the effects of price increases in some cases. A weak US dollar can also have a negative impact on the gross profit margin, as it has to be assumed that selling prices would have to be adjusted accordingly over the medium term.

WashTec AG has installed a systematic and intensive market tracking system. This means that countermeasures can be taken quickly in the event of negative economic development or fluctuations in the market. Risks to earnings from declining demand, or risks from falling prices are minimized through measures with respect to ongoing product enhancement, product range optimization, adjustment of purchase conditions, capacity adjustment options through the employment of temporary workers, as well as agreements for flexible seasonal working models based on annual working hours.

Financial Risks

Banking syndicate grants long-term loans and credit lines totaling up to EUR 96m

Within the scope of expanding the financing of the WashTec Group, the loans and credit lines made available by the banking syndicate were increased to EUR 96m in August 2006. The conditions of the syndicated loans limit the financial and operating leeway of the WashTec Group. 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 the breach of fundamental contractual obligations, the covenants provide for extraordinary notice of cancellation.

The base interest rate of the new loans is variable and linked to the EURIBOR. To reduce the risk posed by a general increase in interest rates and to improve visibility, the variable interest rate was hedged by means of interest rate swaps for more than 50% of the loans. However, should the general interest rate fall below the hedged rate, contrary to expectations, the WashTec Group will forego the opportunity of benefiting from an even lower interest burden. This was not the case as of December 31, 2006.

By expanding its global operations, WashTec is increasingly exposed to currency risks and currency interest risks. In order to avoid the risks arising from such operations, WashTec utilizes instruments such as currency swaps, hedges, and forwards, etc.

Currency risks relating to deliveries made outside the EU are limited through the use of forward contracts. WashTec aims to conclude its international agreements (tenders, dealer agreements) in euros. Furthermore, exchange rate risks for the dollar area are hedged using a cash flow hedge.

On a monthly basis, WashTec identifies all items which are subject to interest rate and currency risks, assesses the probability of occurrence of negative developments for the Company and takes any decisions required to avoid, reduce or transfer the corresponding interest and/or currency positions if required. Derivative financial instruments in the form of interest rate swaps to hedge interest rate risks from the syndicated loan, and a cross-currency swap were concluded in the fiscal year.

The interest rate swap hedges more than 50% of the interest rate risks from the syndicated loan and is measured at a fair value of EUR 722K as of December 31, 2006 (prior year: EUR 411K). It is reported under current assets/in equity, as it constitutes a hedging instrument in the form of a cash flow hedge.

The concluded cross-currency swap hedges the exchange rate risk from a loan denominated in USD.

Tax Risks

The WashTec Group has accounted for a fundamental part of its loss carryforwards in its German companies. After implementation of the planned corporate tax reform, the corporate tax rate is expected to sink from 25% to 15% and the trade tax rate from 5% to 3.5%, while the deductibility of interest expenses is expected to be limited to 30% of profit before interest. Changes in tax laws regarding the tax rate or the usability of loss carryforwards could lead to expenses arising from the revaluation of capitalized deferred tax assets and thus to negative effects on consolidated equity and earnings per share.

Takeover Risks

A takeover could alter the existing strategy of the WashTec Group.

Takeover Obstacles

Some of the WashTec Group's agreements provide for the option of termination for cause in the event of a change of control. A takeover could also result in management changes. The current members of the management board, and one former member have an entitlement to special remuneration, which is set out in their contracts of employment and is based on the performance of the Company's stock price on the stock exchange. The special remuneration is calculated and falls due for payment following the publication of the consolidated financial statements for fiscal year 2008. In the event that a buyer purchases more than 50% of the Company's stock prior to this point in time, the special remuneration shall be calculated on the basis of the average price per share or, in the event that the Company's shares are no longer traded on a public stock exchange at the time of calculation, on the profit and interest-bearing liabilities, and fall due for payment after the acquisition. Furthermore, the members of the management board can terminate their contracts of employment by giving 12 months' notice, insofar as, and as soon as an industrial investor acquires more than 50% of the voting rights in the Company, be it directly or indirectly. The allocation provisions set out in Sec. 22 WpHG ["Wertpapierhandelsgesetz": German Securities Trading Act] apply accordingly.

Supplier Risks

The following risks exist for input materials: supplier schedule risks, product availability risks, quality risks, and purchase price risks. The dependency on suppliers means that the Company requires a strict supplier and purchase management system. For this purpose, a clear system is in place to assess and employ only reliable and quality-bound suppliers.

Investment Risks

The Company provides comprehensive policies for the approval of investments and other expenditure. The policies define upper expense limits and specify the responsible individuals. Larger investments are summarized in an annual investment plan and approved by the supervisory board.

Quality and Process Risks

Quality and process risks can arise in connection with the introduction of new products to the market as well as the conversion of internal processes and the introduction of new IT systems. Furthermore, WashTec faces very high HSSE requirements (Health, Safety, Security, Environment). Major offences committed by individual employees could lead to the loss of large contracts and thus worsen the financial and earnings situation of the Company long-term. Certification and ongoing quality control ensure that all processes in the Company are continually monitored and documented.

Capacity Risks

A decline in demand usually leads to an adjustment in capacity. Using internal market tracking and ongoing production and capacity planning, WashTec aims to identify capacity risks as early as possible. The targeted employment of temporary workers and flexible seasonal working models based on annual working hours in combination with a low degree of vertical integration enables short-term capacity adjustments.

Risk Management

All operational risks are analyzed, discussed and documented on an ongoing basis by the management, the financial accounting department and the management board and are documented in monthly reports. Sales development and all expenditures, cash flows, employee development, and all substantial elements of current assets and the balance sheet are reported. A risk assessment in respect of current business and options for future transactions can be performed on the basis of these figures. The competitor situation and customers' needs are made transparent as a result of regular meetings and communications with customers during visits by sales and service personnel.

The management board is confident that the risks identified will not jeopardize the Company's ability to continue as a going concern.

6. Outlook

Economic Performance and the Market

The management board of WashTec AG expects a stable economic environment in 2007 and 2008. From today's perspective, the investment behavior of mineral oil companies, car dealers, and individual operators is not expected to change to any considerable degree. The replacement business will continue to dominate the core markets in western Europe. More dynamic market growth is expected in eastern Europe and further sustained, moderate market growth in the US. Asia is expected to gain in importance in the medium to long-term.

WashTec Company Development

Focus of future Company development:

- *Identification and realization of opportunities for sustainable growth.*
- *Strategic differentiation via innovative products and services.*
- *Increased efficiency and processes optimization*

The focus of future corporate development will be on the identification and realization of sustainable international growth, as well as strategic differentiation through innovative products and services. The Company will continue to initiate further measures to improve earnings and lower costs in order to be able to increase both revenues and earnings in the face of higher raw material and personnel costs as well as increasing competition.

Its product and market campaigns are being continued. The focus remains on markets in the US as well as in southern and eastern Europe. The Asian markets also offer further medium to long-term growth potential. Innovative products and an increased commitment to positioning the Company as a full service provider are designed to contribute to organic growth in the saturated markets in the medium term.

In southern Europe, the Company will be stepping up the activities of its new subsidiaries in Italy and Spain. In eastern Europe, the idea is to participate in market growth using offerings that are tailored to the needs of customers and sales partners and to gain market share. The Company expects that, in the medium to long term, the volume in eastern Europe will correspond to that currently seen in Germany.

Following the integration of Mark VII Equipment Inc., focus in the US lies on growth and the simultaneous increase of earnings. In 2007, the sales and service organization will be developed further in cooperation with our dealer network and projects will be launched to develop new products aimed specifically at the US market. The projects concluded in 2006 should lead to better earnings starting in 2007.

As far as efficiency and cost-cutting measures are concerned, various projects have been launched in all areas. Ongoing projects include the implementation of the European logistics concept and the establishment of a procurement organization in Asia, which WashTec wants to use to enter the market and participate in the above-average market growth that is expected in this region in the medium term via the sales organization.

Investment will remain focused on the international strengthening of the sales and service organization, as well as on investments in integrated systems in order to boost Group-wide efficiency.

The objective is a sustained increase in sales with an EBIT margin of 10% to 12%

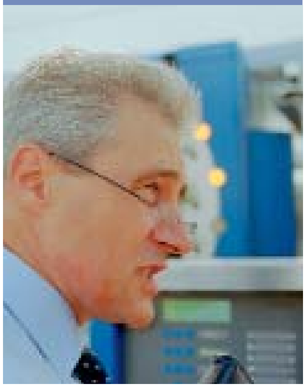
In fiscal year 2007, the Company is aiming for moderate organic revenue growth with an EBIT margin of between 10% and 12% in a stable market environment. Revenues are forecast to grow in the Cleaning Technology and the Systems divisions. Acquisitions and the establishment of new markets and products will create potential for further growth, but may also dampen the relative EBIT margin during the start-up phase. New markets and innovative products especially in eastern Europe and the US may lead to higher sales and earnings objective in the medium-term.

Growth and EBIT margin may be able to grow more strongly mid-term. New markets and innovative products, particularly in eastern Europe and the US, offer medium-term potential for higher revenues and earnings targets than in 2007.

The management board and the supervisory board intend to propose the approval of a stock repurchase program to the annual general meeting, as well as the transfer of the current virtual stock option scheme into a “standard” stock option scheme.

It remains the aim of the Company to be included in the SDAX.

The management board


Klaus Jans, Germany


John Hogan, Great Britain


John Hogan and Claudia Jochum, Germany

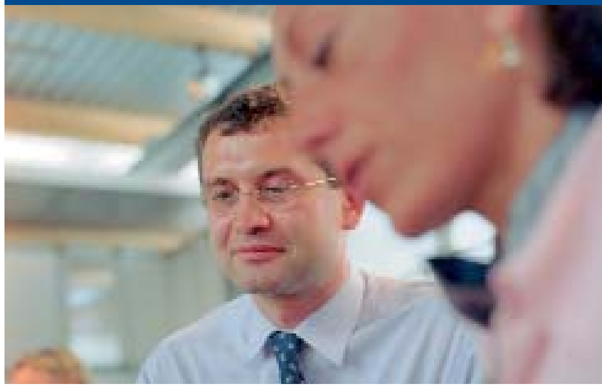
AHEAD OF ITS TIME

SoftCare Evo is the WashTec roll-over wash system for the lower classic segment. The machine is made more economic for professional operators by reducing the options to just the essentials. An upgrade to the Soft-Care Evo was presented at *automechanika* 2006. With the optional LED display, individualized text messages can be shown for the first time. The roll-over system can be expanded with the optional swinging ceiling jets and contour-following pressure jets and is therefore ideal for operators wishing to increase returns with attractive additional business.

It is particularly suitable for operators in the medium to high range regarding the options needed and the number of washes.

Helga Streza, Germany

Claudia Jochum, Germany

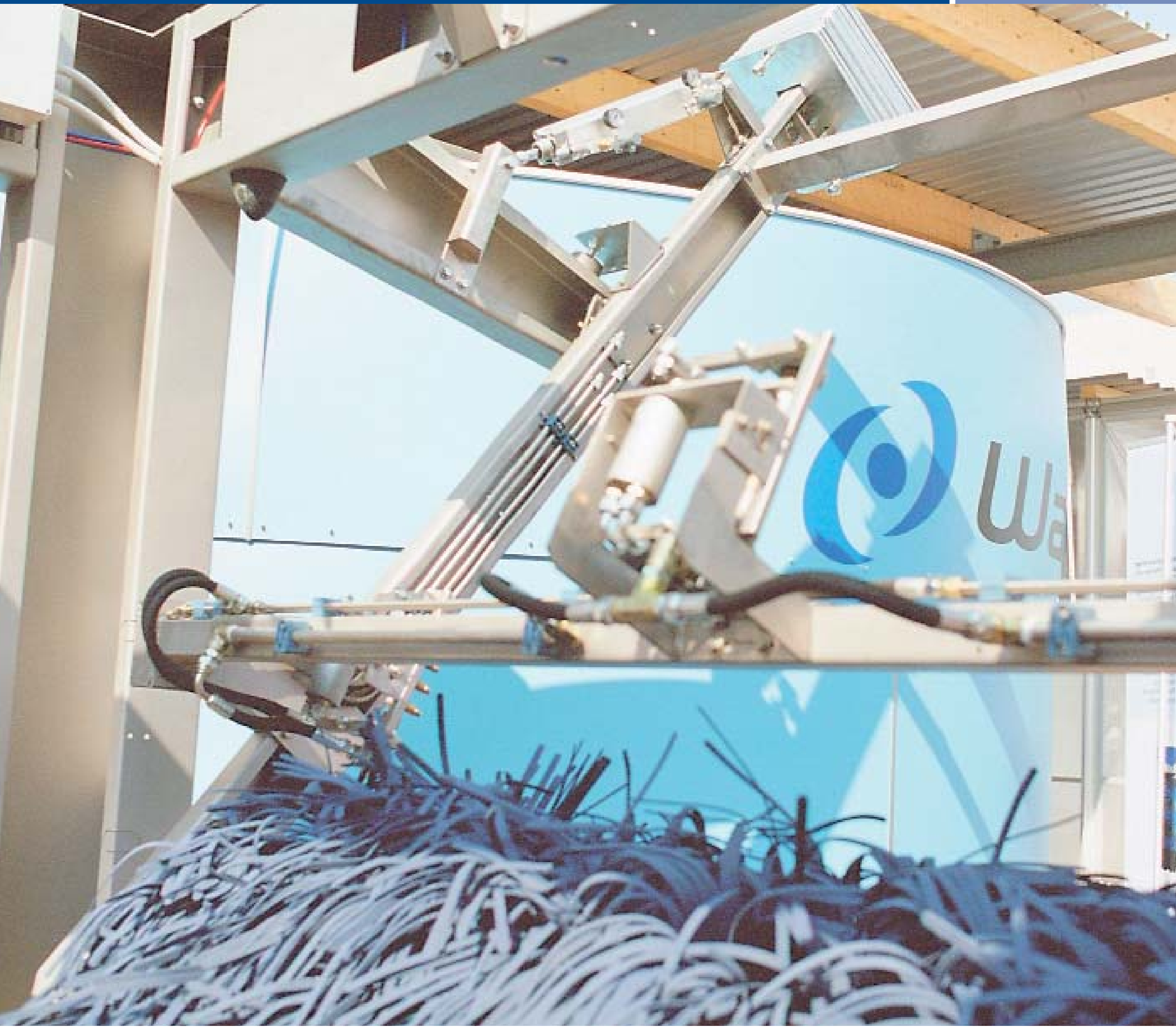


Waldemar Koziar, Czechia and Laly Castan, Germany

AHEAD OF ITS TIME

SoftLine Express: In the last few years, a premium segment has developed in the area of high-volume car wash plants washing up to well over 100 vehicles per hour.

The SoftLine Express rounds out the offerings of WashTec in this area. The modular system contains a complete aggregate programme in hydraulic technology and is specially aimed at operators with high-speed conveyor belts. The SoftLine Express reaches peak times of 150 vehicles per hour.



Harry Zöller, Germany

Wolfgang Dietsch, Germany

Gianluca Meschi, Italy

CONSOLIDATED FINANCIAL STATEMENTS OF WASHTEC AG

CONSOLIDATED INCOME STATEMENT

	Note	Jan. 1 to Dec. 31, 2006 EUR	Jan. 1 to Dec. 31, 2005 EUR
Revenues	27	**261,365,031**	**225,787,387**
Change in inventories of work in process		5,127,907	–1,356,860
Own work capitalized		635,884	172,802
Other operating income	28	4,898,725	4,857,617
Total		**272,027,547**	**229,460,946**
Cost of materials			
Cost of raw materials, consumables and supplies and of purchased merchandise		99,400,941	74,093,863
Cost of purchased services		16,202,560	16,906,673
	29	**115,603,501**	**91,000,536**
Personnel expenses			
Wages and salaries		72,714,963	65,775,075
Social security contributions		12,194,910	11,939,557
Retirement benefit costs		546,614	2,240,102
	30	**85,456,487**	**79,954,734**
Amortization, depreciation and impairment of intangible assets and property, plant and equipment		7,660,187	6,745,125
Other operating expenses	31	37,714,685	31,915,101
Other taxes		677,145	463,360
Total operating expenses		**247,112,005**	**210,078,856**
EBIT		**24,915,542**	**19,382,090**
Other interest and similar income		538,059	310,361
Interest and similar expenses		4,460,956	4,680,779
Financial result	32	**–3,922,897**	**–4,370,418**
Result from ordinary activities/EBT		**20,992,645**	**15,011,672**
Income taxes	33	–8,490,937	–5,588,245
Consolidated profit for the period		**12,501,708**	**9,423,427**
Average number of shares		**15,200,000**	**11,653,333**
Earnings per share (basic = diluted)	34	**0.82**	**0.81**

The notes to the consolidated statements form an integral part of the consolidated financial statements for fiscal year 2006

CONSOLIDATED BALANCE SHEET

Assets	Note	Dec. 31, 2006	Dec. 31, 2005
	Note	EUR	EUR
Non-current assets			
Intangible assets			
Patents, licenses and similar rights		8,975,318	5,127,139
– thereof acquired		5,904,815	2,487,120
– thereof internally generated		3,070,503	2,640,019
Goodwill		51,863,381	35,964,069
Prepayments		376,215	1,138,164
	7	**61,214,914**	**42,229,372**
Property, plant and equipment			
Land, land rights and buildings		22,793,146	22,146,299
Technical plant and machinery		4,503,835	2,935,329
Finance leases		6,857,275	6,528,879
Other plant, fixtures and fittings		3,802,592	2,834,644
Prepayments and assets under construction		513,505	1,758,648
	8	**38,470,353**	**36,203,799**
Financial assets			
Other loans		28,125	26,182
Prepayments on financial assets		144,404	0
	9	**172,529**	**26,182**
		99,857,796	**78.459,353**
Other assets	13	**32,000**	**70,000**
Deferred tax assets	11	**24,893,303**	**30,110,780**
Total non-current assets		**124,729,099**	**108,640,133**
Current assets			
Inventories			
Raw materials, consumables and supplies		15,052,080	14,131,700
Work in process		4,533,897	1,631,194
Finished goods		8,056,864	5,831,660
Merchandise		6,363,363	5,708,551
Prepayments		14,239	1,696,477
	12	**34,020,443**	**28,999,582**
Current receivables and other assets (due within one year)			
Trade receivables	14	41,842,221	33,387,802
Receivables from the tax office		523,698	269,801
Other assets	15	2,237,889	1,420,325
	13	**44,603,808**	**35,077,928**
Cash and bank balances		**3,045,395**	**6,908,601**
Prepaid expenses	16	1,326,630	1,507,588
Total current assets		**82,996,276**	**72,493,699**
Non current assets held for sale	10	**1,110,428**	**1,341,046**
Total assets		**208,835,803**	**182,474,878**

The notes to the consolidated statements form an integral part of the consolidated financial statements for fiscal year 2006

Equity and liabilities	Note	Dec. 31, 2006	Dec. 31, 2005
		EUR	EUR
Equity			
Subscribed capital	17	40,000,000	40,000,000
Capital reserves	18	44,337,746	44,337,746
Other reserves	19	124,123	178,696
Loss carryforward		–35,235,539	–44,658,966
Consolidated profit for the period		12,501,708	9,423,427
		61,728,038	**49,280,903**
Non-current liabilities			
Non-current liabilities			
Financial liabilities to banks and similar institutions	23	48,225,873	43,534,242
Other	25	5,049,037	5,987,497
		53,274,910	**49,521,739**
Non-current provisions			
Provisions for pensions		6,704,418	7,237,780
Other non-current provisions	20	6,769,481	8,910,193
	22	**13,473,899**	**16,147,973**
Total non-current liabilities		**66,748,809**	**65,669,712**
Current liabilities			
Current liabilities			
Convertible bonds	24	0	51,129
Financial liabilities to banks	23	9,024,417	7,588,219
Prepayments on orders	25	5,951,449	5,551,683
Trade payables	25	11,388,506	6,962,384
Other liabilities for taxes and levies	25	5,380,589	3,255,347
Other liabilities for social security	25	253,724	783,452
Other liabilities	25	23,634,499	14,460,564
		55,633,184	**38,652,778**
Current provisions			
Tax provisions	21	5,415,801	3,329,883
Other current provisions	22	12,380,907	19,179,642
		17,796,708	**22,509,525**
Deferred income	29	**6,929,064**	**6,361,960**
Total current liabilities		**80,358,956**	**67,524,263**
Total equity and liabilities		**208,835,803**	**182,474,878**

The notes to the consolidated statements form an integral part of the consolidated financial statements for fiscal year 2006

STATEMENT OF CHANGES IN CONSOLIDATED NON-CURRENT ASSETS FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2006

	Cost						
	Jan. 1, 2006	Exchange differences	Additions	Business combinations	Disposals	Reclassifica-tions	Dec. 31, 2006
	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k
Intangible assets							
Patents, licenses and similar rights	8,367	–103	3,983	1,006	0	685	**13,938**
– of which acquired	4,367	–103	3,009		0	685	**7,958**
– of which internally generated	4,000	0	974		0	0	**4,974**
Goodwill	58,699	–1,822	0	17,268	0	453	**74,598**
Prepayments	1,138	0	376	0	0	–1,138	**376**
	68,204	**–1,925**	**4,359**	**18,274**	**0**	**0**	**88,912**
Property, plant and equipment							
Land, land rights and buildings	39,855	15	2,786	109	87	–760	**41,918**
Technical plant and machinery	14,587	15	1,131	0	622	1,172	**16,283**
Other plant, fixtures and fittings	13,399	–56	2,017	675	2,147	–7	**13,881**
Finance leases	14,008	0	2,994	0	1,943	0	**15,059**
Prepayments	1,759	0	496	0	0	–1,741	**514**
	83,608	**–26**	**9,424**	**784**	**4,799**	**–1,336**	**87,655**
Non-current assets held for sale	**5,867**	**0**	**0**	**0**	**5,867**	**1,336**	**1,336**
Financial assets							
Equity investments	160	0	0	0	0	0	**160**
Other loans	26	0	5	0	3	0	**28**
Prepayments on financial assets	0	0	144	0	0	0	**144**
	186	**0**	**149**	**0**	**3**	**0**	**332**
Non-current assets	**157.865**	**–1,951**	**13,932**	**19,058**	**10,669**	**0**	**177,903**

The notes to the consolidated statements form an integral part of the consolidated financial statements for fiscal year 2006

Accumulated amortization, depreciation and impairment losses							Carrying amounts	
Jan. 1, 2006	Exchange differences	Additions	Extraordinary additions	Disposals	Reclassifications	Dec. 31, 2006	Dec. 31, 2006	Dec. 31, 2005
EUR k	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k
3,239	–12	1,736	0	0	0	**4,963**	**8,975**	5,128
1,879	–12	1,193		0	0	**3,060**	**5,904**	2,488
1,360	0	543		0	0	**1,903**	**3,071**	2,640
22,735	0	0	0	0	0	**22,735**	**51,863**	35,964
0	0	0	0	0	0	**0**	**376**	1,138
25,974	**–12**	**1,736**	**0**	**0**	**0**	**27,698**	**61,215**	**42,230**
17,709	16	1,045	586	–8	–239	**19,125**	**22,793**	22,146
11,652	12	677	0	565	3	**11,779**	**4,504**	2,935
10,564	2	1,331	0	1,829	10	**10,078**	**3,803**	2,835
7,479	0	2,285	0	1,562	0	**8,202**	**6,857**	6,529
0	0	0	0	0	0	**0**	**514**	1,759
47,404	**30**	**5,338**	**586**	**3,948**	**–226**	**49,184**	**38,470**	**36,204**
4,526		**0**	**0**	**4,526**	**226**	**226**	**1,110**	**1,341**
160	0	0	0	0	0	**160**	**0**	0
0	0	0	0	0	0	**0**	**28**	26
0	0	0	0	0	0	**0**	**144**	0
160	**0**	**0**	**0**	**0**	**0**	**160**	**172**	**26**
78,064	**18**	**7,074**	**586**	**8,474**	**0**	**77,108**	**110,591**	**79,801**

STATEMENT OF CHANGES IN CONSOLIDATED NON-CURRENT ASSETS FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2005

	Cost					
	Jan. 1, 2005	Exchange differences	Additions	Disposals	Reclassifica-tions	Dec. 31, 2005
	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k
Intangible assets						
Patents, licenses and similar rights	5,551	19	1,785	105	1,117	**8,367**
– of which acquired	1,698	19	1,612	79	1,117	**4,367**
– of which internally generated	3,853		173	26	0	**4,000**
Goodwill	61,561	0	0	2,862	0	**58,699**
Prepayments	1,562	0	695	0	–1,119	**1,138**
	68,674	**19**	**2,480**	**2,967**	**–2**	**68,204**
Property, plant and equipment						
Land, land rights and buildings	38,265	180	2,132	1,050	328	**39,855**
Technical plant and machinery	13,178	137	2,267	549	–446	**14,587**
Other plant, fixtures and fittings	12,274	137	1,873	1,550	665	**13,399**
Finance leases	14,487	–1	1,831	2,309	0	**14,008**
Prepayments	612	0	1,692	0	–545	**1,759**
	78,816	**453**	**9,795**	**5,458**	**2**	**83,608**
Non-current assets held for sale	**5,867**	**0**	**0**	**0**	**0**	**5,867**
Financial assets						
Equity investments	161	0	0	1	0	**160**
Other loans	11	0	15	0	0	**26**
Prepayments on financial assets	0	0	0	0	0	**0**
	172	**0**	**15**	**1**	**0**	**186**
Non-current assets	**153,529**	**472**	**12,290**	**8,126**	**0**	**157,865**

The notes to the consolidated statements form an integral part of the consolidated financial statements for fiscal year 2006

Accumulated amortization, depreciation and impairment losses							Carrying amounts	
Jan. 1, 2005	Exchange differences	Additions	Extraordinary additions	Disposals	Reclassifica-tions	Dec. 31, 2005	Dec. 31, 2005	Dec. 31, 2004
EUR k	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k
2,392	4	845	53	54	–1	3,239	5,128	3,159
1,537	4	335	53	49	–1	1,879	2,488	161
855		510		5	0	1,360	2,640	2,998
25,597	0	0	0	2,862	0	22,735	35,964	35,964
0	0	0	0	0	0	0	1,138	1,562
27,989	4	845	53	2,916	–1	25,974	42,230	40,685
17,216	28	974	0	528	19	17,709	22,146	21,049
11,596	41	714	319	435	–583	11,652	2,935	1,582
10,130	41	1,173	0	1,345	565	10,564	2,835	2,144
7,029	0	2,470	0	2,020	0	7,479	6,529	7,458
0	0	0	0	0	0	0	1,759	612
45,971	110	5,331	319	4,328	1	47,404	36,204	32,845
4,417		109	0	0	0	4,526	1,341	1,450
73	0	0	87	0	0	160	0	88
0	0	0	0	0	0	0	26	11
0	0	0	0	0	0	0	0	0
73	0	0	87	0	0	160	26	99
78,450	114	6,285	459	7,244	0	78,064	79,801	75,079

CONSOLIDATED CASH FLOW STATEMENT

	2006	2005
	EUR k	EUR k
EBIT	24,916	19,382
Interest and dividends received	538	310
Interest paid	–4,461	–4,681
Income taxes paid	–3,616	–3,579
Deconsolidation SSI	0	1,182
Cost of the capital increase	0	–1,774
Amortization, depreciation and impairment of non-current assets	7,660	6,745
Change in non-current provisions	–2,381	548
Gain/loss from disposals of non-current assets	–1,093	–481
Gross cash flow	**21,563**	**17,652**
Decrease/increase in inventories	–2,458	1,237
Decrease in trade receivables	–3,483	–4,949
Increase in trade payables	2,187	1,233
Change in other net working capital	3,657	10,327
Net cash from operating activities (net cash flow)	**21,465**	**25,499**
Cash paid for investments in non-current assets	–13,932	–12,286
Acquisition of Mark VII Equipment Inc.	–16,964	0
Cash received from disposals of non-current assets	2,996	727
Net cash used in investing activities	**–27,900**	**–11,559**
Correction of exchange rates effects	**–3**	**0**
Capital increase	0	38,018
Raising of long-term loans	4,692	50,739
Repayment of mezzanine loan	–1,836	–36,099
Repayment of non-current liabilities from finance leases	–1,705	–802
Net cash from financing activities	**1,151**	**51,856**
Net increase/decrease in cash and cash equivalents	**–5,287**	**65,796**
Cash and cash equivalents as of January 1, 2006	**–6,856**	**–58,940**
Cash and cash equivalents as of December 31, 2006	**–1,569**	**–6,856**
Bank balances	**3,045**	**6,909**
Current bank liabilities	**–1,476**	**–53**

See notes for further explanations to the consolidated cash flow statement.
The notes to the consolidated statements form an integral part of the consolidated financial statements for fiscal year 2006

STATEMENT OF RECOGNIZED INCOME AND EXPENSE

	2006	2005
	EUR k	EUR k
Changes in the fair value of financial instruments used for hedging purposes recognized under equity	276	411
Adjustment item for the currency translation of foreign subsidiaries and currency changes	250	–429
Exchange differences on net investments in subsidiaries	–602	0
Actuarial gains/losses from defined benefit obligations and similar obligations	293	–1,566
Deferred taxes on changes in value taken directly to equity	–272	462
Valuation gains/losses recognized directly in equity	**–55**	**–1,122**
Result after taxes	**12,502**	**9,423**
Total income and expense and valuation gains/losses recognized directly in equity	**12,447**	**8,301**

See notes for further explanations to the statement of recognized income and expense.
The notes to the consolidated statements form an integral part of the consolidated financial statements for fiscal year 2006

Notes to the Consolidated Financial Statements of WashTec AG (IFRSs) for Fiscal Year 2006

General

1. General Information on the Group

The consolidated financial statements of the WashTec Group for fiscal year 2006 are to be authorized for issue by the management board following the supervisory board meeting on March 20, 2007.

The ultimate parent company of the WashTec Group is WashTec AG which is entered in the commercial register in Augsburg under HRB No. 81.

The Company's registered office is at Argonstrasse 7, 86153 Augsburg, Germany. The Company's shares are publicly traded.

Unless otherwise indicated, the consolidated financial statements are presented in euros (EUR). Amounts are rounded to the nearest euro and shown in thousands of euros (EUR k).

The purpose of WashTec AG, as the ultimate parent company, is the acquisition, holding and sale of equity investments in other entities and the assumption of the function of the holding company for the WashTec Group.

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

2. Accounting

The consolidated financial statements of WashTec AG (as the ultimate parent company) have been prepared in accordance with the International Financial Reporting Standards (IFRSs) of the International Accounting Standards Board (IASB) in force at the balance sheet date, with due regard to the interpretations of the International Financial Reporting Interpretations Committee (IFRIC). The consolidated financial statements comply with EU Directive 1606/2002 dated July 19, 2002 and are also supplemented by additional explanations required by Sec. 315a HGB ["Handelsgesetzbuch": German Commercial Code] and the group management report.

The requirements of Sec. 315a HGB for the Company's exemption from its obligation to prepare consolidated financial statements in accordance with German commercial law were met.

3. Consolidated Group

The consolidated financial statements include the financial statements of WashTec AG and its subsidiaries as of December 31 of a given fiscal year. The financial statements of the subsidiaries are prepared as of the same balance sheet date as the statements for the parent company. Subsidiaries are fully consolidated from the date of acquisition, i.e. from the date on which the Group obtains control. Subsidiaries are deconsolidated as soon as the parent company ceases to exercise control.

In addition to the parent company, the consolidated financial statements of WashTec AG also contain the following group entities as of December 31, 2006:

Consolidated entities	Share in capital %	Equity/ capital deficit EUR k	Profit/loss EUR k
German entities			
WashTec Cleaning Technology GmbH, Augsburg [1]	100	29,846	0
WashTec Holding GmbH, Augsburg	100	54,919	19,545
WesuRent Car Wash Marketing GmbH, Augsburg [2]	100	51	0
VPL Verbundpartner Leasing GmbH, Augsburg [1]	100	62	0
Foreign entities			
WashTec France S.A.S., St. Jean de Braye, France	100	421	–575
Wesumat Belgium S.A., Ohain (Lasne), Belgium [5]	100	38	0
WashTec UK Ltd., Great Dunmow, UK	100	2,560	727
California Kleindienst Limited, Wokingham, UK [5]	100	0	0
WashTec A/S, Hedehusene, Denmark [4]	100	2,558	1,495
WashTec Cleaning Technology GmbH, Vienna, Austria	100	122	–282
WashTec Cleaning Technology España S.A., Madrid, Spain [5]	100	1	0
WashTec Benelux B.V., Zoetermeer, Netherlands [3]	100	3,632	285
WashTec Biltvättar AB, Helsingborg, Sweden [5]	100	178	0
Mark VII Equipment Inc., Arvada, US [6]	100	7,137	–454
WashTec SRL, Casale, Italy	100	–789	– 32

[1] Profit and loss absorption by WashTec Holding GmbH
[2] Profit and loss absorption by WashTec AG
[3] Subgroup with California Kleindienst Administrative B.V., Zoetermeer, NL, and WashTec Benelux N.V., Brussels, Belgium, whose results are disclosed by WashTec Benelux B.V., Zoetermeer, NL.
[4] Incl. offices in Norway
[5] The company is currently inactive
[6] Previously Wesumat Inc., Buffalo, USA

4. Methods of Consolidation

For the purposes of consolidation, the local financial statements of subsidiaries are adapted to conform to the accounting policies applied by the parent company. All intragroup balances, transactions, income, expenses and profits and losses from intragroup transactions that are recognized in the carrying amounts of assets are eliminated in full.

Capital Consolidation

Capital consolidation is performed in accordance with IFRS 3. Assets and liabilities are carried over at fair value when consolidated for the first time. Any difference between the cost of the acquired equity investments and the corresponding share in the acquired assets and liabilities is allocated by disclosing hidden reserves, if applicable. Any remaining debit differences are increased by deferred tax liabilities on the hidden reserves and reduced by deferred tax assets on acquired tax loss carryforwards. The remaining amount is recognized as goodwill.

Elimination of Intragroup Balances

Receivables and liabilities existing between the entities included in the consolidated financial statements have been eliminated.

Elimination of Intercompany Profits

Inventories were measured at cost in the consolidated financial statements. Intercompany profits of EUR 4,389k (prior year: EUR 3,056k) were eliminated in the consolidated financial statements. The attributable pro rata costs of product-related general administration were included in determining the maximum value of cost.

Consolidation of Income and Expenses

Revenues and other operating income from trade between consolidated entities were offset against the corresponding trade expenses in the consolidated income statement.

5. Currency Translation in Accordance With IAS 21

The consolidated financial statements are prepared in euros, the Company's functional currency and currency of presentation. Each entity within the Group determines its own functional currency. The individual items contained in the separate financial statements of the respective entity are measured using this functional currency. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency on each balance sheet date at the rate that applied on that date. All exchange differences are recognized in profit or loss, with the exception of exchange differences from foreign currency loans, insofar as the latter are used to hedge a net investment in a foreign operation. These differences are recognized directly in equity until the net investment is sold, deferred taxes are also recognized directly in equity. Non-monetary items measured at historical cost in a foreign currency are translated at the rate that applied on the date of the transaction. Non-monetary items measured at fair value in a foreign currency are translated at the rate that applied on the date the fair value was determined. Any goodwill relating to the acquisition of a foreign operation and any adjustments, based on the fair value, to the carrying amounts of assets and liabilities resulting from the acquisition of this foreign operation, are reported as assets and liabilities of the foreign operation and translated at the rate that applied on the balance sheet date.

The functional currency of the foreign operations is the respective local currency. The assets and liabilities of those subsidiaries that have a functional currency other than the euro are translated on the balance sheet date at the rate that applied on that date. The income and expenses of these subsidiaries are translated at the weighted average rate for the fiscal year in question. Any resulting translation differences are recognized directly in equity. When a foreign operation is sold, the cumulative amount recognized directly in equity for this foreign operation is released and recognized in profit or loss.

The reserve for exchange rate fluctuations of EUR 250k (prior year: –EUR 429k) is used to recognize differences arising from the translation of the financial statements of foreign subsidiaries. Furthermore, exchange rate effects of EUR 602k were reported for the first time in connection with the net investments in foreign subsidiaries.

The following exchange rates were used to translate the currencies of the countries that are not members of European monetary union:

in EUR	Average rate		Closing rate	
Currency	2006	2005	2006	2005
1 US dollar	0.79	0.81	0.76	0.84
1 pound sterling	1.47	1.46	1.48	1.45
100 Danish krone	13.41	13.42	13.42	13.41
100 Norwegian krone	12.44	12.50	12.17	12.52

6. Accounting Policies

Unless otherwise indicated below, the accounting policies applied remain largely unchanged as against the prior year. The separate financial statements of WashTec AG and its domestic and foreign subsidiaries are prepared in accordance with uniform accounting policies pursuant to IAS 27.

The Group's significant accounting policies are summarized below:

Intangible assets include purchased patents, technologies and licenses with useful lives of between five and eight years. All of these intangible assets are measured at cost less straight-line amortization.

In accordance with IAS 38 (Intangible Assets), **research costs** may not be capitalized and **development costs** only if precisely defined criteria are met.

Development costs are always capitalized if it is sufficiently probable that development activities will give rise to future economic benefits that will cover the development costs in addition to the ongoing costs. Furthermore, the development project and the product under development must fulfill all the criteria set out in IAS 38. The development costs incurred at WashTec relate exclusively to the development and enhancement of wash systems whose technical feasibility is ensured and whose market demand is substantiated by the sale of comparable products. These costs can therefore be capitalized by WashTec. As a rule, amortization is charged on a straight-line basis over eight years, provided that there are no indications of impairment.

Goodwill must be reported in accordance with IFRS 3 in conjunction with IAS 36. According to these standards, intangible assets with an indefinite useful life may no longer be amortized. Consequently, goodwill is subjected to an annual impairment test at cash-generating unit level in order to identify possible impairment losses. More frequent tests of goodwill impairment are performed where this is required.

Impairment is determined by calculating the recoverable amount of the cash-generating unit to which the goodwill relates. If the recoverable amount of the cash-generating unit is less than its carrying amount, an impairment loss is recognized.

To estimate the value in use in accordance with IAS 36, the expected future cash flows from the cash-generating unit are estimated and also measured using an appropriate discount rate to ascertain the present value of the cash flow in question.

Business combinations are recognized using the purchase method in accordance with IFRS 3. The identifiable assets, liabilities and contingent liabilities are recognized at the full amount of their fair values at the date of acquisition. Minority interests are consequently recorded in the amount of their share in the fair values of the assets and liabilities.

On first-time recognition, goodwill arising from a business combination is recognized at cost, which is measured as the excess of the cost of the business combination over the Group's interest in the fair values of the identifiable assets, liabilities and contingent liabilities acquired.

Property, plant and equipment, buildings and office equipment are measured at cost less accumulated depreciation. In addition to directly attributable costs, the cost of self-constructed assets also includes a proportionate share of materials and labor overheads and write-downs (IAS 16). Borrowing costs are not included in cost (IAS 23). Repair costs are expensed immediately. Depreciation is charged pro rata temporis on a straight-line basis over the useful life of the respective asset.

The carrying amounts of property, plant and equipment are tested for impairment whenever there is any indication that the carrying amount of an asset exceeds its recoverable amount. As a general rule, the recoverable amount is the value in use. If, especially due to the plant restructuring plan, the estimated value in use falls below the recoverable amount, the estimated recoverable amount less the expected cost of disposal is used.

In the **Systems division**, the machines produced by WashTec Cleaning Technology GmbH are sold to a leasing company and leased back by WesuRent which leases the machines on to customers in return for usage-based fees. The agreements between the leasing company and WesuRent are treated as finance leases in accordance with IAS 17, while the agreements between WesuRent and the customer are treated as operating leases, because WesuRent bears all of the material risks incident to economic ownership. The machines are thus recognized as assets by WesuRent and depreciated over a period of six to ten years. The lease liabilities are recognized at the present value of the lease payments. Other finance leases relate to vehicles of WashTec Cleaning Technology GmbH.

Financial assets relate to other loans and prepayments. Other loans are loans granted within the meaning of IAS 32. They are carried at amortized cost.

Non-current assets and operations are recognized **as non-current assets held for sale and discontinued operations** in accordance with IFRS 5 if the carrying amount of these items would be higher as a result of disposal rather than continued use. This requirement is only regarded as being fulfilled if disposal is deemed to be highly probable and the asset is available for immediate sale. Management must have approved the sale and the asset should be earmarked for sale within a year of the asset being designated as “available for sale". Measurement is performed using the lower of both values from the fair value less the cost of disposal or the carrying amount.

Inventories are measured at cost applying the moving average method or at the lower net realizable values on the reporting date. Cost (IAS 2) comprises all attributable costs, but does not include general and administrative expenses or costs to sell. Interest was not recognized as an asset (IAS 23). Slow-moving inventories were written down accordingly using a market value-oriented procedure.

Receivables and other assets are carried at nominal value less recognizable specific bad debt allowances. Bad debt allowances are charged on doubtful receivables. Receivables and other assets are written off if payment is not expected.

Financial instruments within the meaning of IAS 32 refer to all agreements that result in a financial asset at one entity and a financial liability or equity instrument at another entity being reported. The Company's financial assets mainly comprise cash and cash equivalents, trade receivables and derivative financial instruments with a positive market value. The Company's financial liabilities relate primarily to liabilities to banks, finance leases and trade payables.

Financial assets and liabilities are split into the following categories: financial assets, financial liabilities and receivables at fair value through profit or loss, held-to-maturity financial investments and available-for-sale financial assets. Classification depends on the respective purpose for which the financial instruments were purchased. Management determines the classification of financial instruments the first time they are reported and reviews the classification on each balance sheet date.

As a rule, financial instruments are carried at amortized cost, provided that there are no regulations to the contrary for individual financial assets and liabilities.

In accordance with IFRSs, derivative financial instruments are measured at their respective market value on the balance sheet date and are reported accordingly as current receivables or liabilities. In the year under review, derivative financial instruments were held in the form of interest rate swaps and cross-currency swaps. The positive value of these instruments was reported in current assets. The effectiveness of the hedging transaction against fluctuations in cash flows from the underlying is rated as high. The effectiveness of the hedging of cash flow fluctuations relating to the underlying is deemed to be high and is monitored on a regular basis. Hedging transactions in the WashTec Group that fulfill the stringent criteria for treatment as hedging arrangements are recognized as follows:

Hedging transactions are classified as cash flow hedges if they are used to hedge against the risk of fluctuations in cash flows that can be attributed to a recognized asset, a recognized liability or a risk associated with a forecast transaction and could impact the profit or loss for the period. The effective portion of the profit or loss from a hedging instrument is recognized directly in equity, while the ineffective portion is recognized in profit or loss. The amounts recorded in equity are recognized in the income statement in the period in which the hedged transaction influences the profit or loss for the period, e.g. the period in which the hedged financial income or expense is recognized or in which a forecast sale or purchase is performed. If the hedged transaction relates to the costs of a non-financial asset or a non-financial liability, the amounts recognized in equity are added to the original carrying amount of the non-financial asset or the non-financial liability. If the forecast transaction is no longer expected to be carried out, the amounts previously recognized in equity are recognized in the profit or loss for the period. If the hedging instrument expires or is sold, ends or is exercised without being replaced or without a hedging instrument being rolled over into another hedging instrument, or if the Group revokes the designation of a hedging instrument, the previously recognized amounts remain as separate items in equity until such time as the forecast transaction has been performed. If the transaction is no longer expected to be performed, the amount is recognized in profit or loss.

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

In accordance with IAS 19, all actuarial gains and losses were directly recognized in their full amount in equity. Further details are provided under point 23 below.

Deferred tax liabilities and other provisions are recognized if an obligation to a third-party as a result of a past event exists which is expected to result in an outflow of resources, and a reliable estimate can be made of the amount of the obligation.

Share-based payments (virtual stock options) are reported in accordance with IFRS 2.

Only the members of the management board received this type of variable remuneration (incentive payments). The agreements with the relevant members of the management board provide for cash payments and no payments in the form of equity instruments.

Costs arising as a result of cash settled transactions are measured using the Black Scholes model at fair value at the time they are first granted taking into account the terms of the contract under which the instruments were granted. This fair value is recorded in profit or loss and a corresponding provision is set up. The provision is revalued at each balance sheet date up to and including the settlement date. Any changes in fair value are recognized in profit or loss.

The provisions reported under **liabilities** include all recognizable risks and contingent liabilities in the amount of their expected occurrence in accordance with IAS 37. A provision is reported if the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources 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 of all of the expenditure required to settle a provision to be reimbursed, the reimbursement is recognized as a separate asset when, and only when, the reimbursement is virtually certain. In the income statement, the expense relating to the provision is presented net of the amount recognized for the reimbursement. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provisions due to the passage of time is recognized as borrowing cost. Liabilities are carried at amortized cost.

Interest-bearing loans are measured and recognized at amortized cost using the effective interest method in accordance with IAS 39.47.

On first-time recognition, loans are recorded at the fair value of the consideration received. Gains and losses are included in the profit or loss for the period if the liabilities are derecognized, as well as within the framework of amortization.

Borrowing costs are recognized directly as an expense in the period in which they were incurred in accordance with IAS 23.7.

Deferred income is recognized to ensure that income from servicing agreements is reported in the relevant accounting period.

The **actual income tax** tax for the current and prior periods is measured at the amount of the expected refund from or payment to the tax authorities. The calculation of this amount is based on the tax rates and tax legislation that applied on the balance sheet date.

Revenues, expenses and assets are reported net of **VAT** with the following exceptions:

- If the VAT incurred on the purchase of assets or services is not recoverable from the tax authorities, in which case the VAT is reported as part of the cost of the assets or as part of the expense.
- Receivables and liabilities are reported with VAT included.

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

In accordance with IAS 12, **deferred taxes** are charged on differences between carrying amounts of assets and liabilities in the IFRS financial statements and their tax base, on consolidation entries and on realizable loss carryforwards; deferred tax assets are only recognized to the extent that the related tax credits or reductions are likely to be realized. The Company thus recognizes the effects of deferred taxes in respect of temporary differences between the carrying amount of an asset or a liability in the IFRS balance sheet and the tax base of these assets and liabilities. It is assumed that these temporary differences will reverse and can be fully utilized in the future. If the expected future results of the Company mean that it is unlikely that the tax burden will be reduced, the deferred tax assets are written down accordingly. Deferred taxes are reported as a separate item in the financial statements.

Deferred taxes are determined on the basis of the tax rates expected to apply in the individual countries at the time of realization. The tax provisions valid or enacted as of the balance sheet date apply. The tax rate for deferred taxes applicable to German entities within the Group is 39.2% (prior year: 40%). The Company is subject to trade tax, corporate income tax and the solidarity surcharge.

Income is recognized once it is probable that economic benefits will flow to the Group and the amount of revenue can be measured reliably. Income is measured at the fair value of the consideration received. Reductions, discounts, taxes, and levies are not taken into account. Furthermore, the realization of income is subject to the fulfillment of the following criteria:

Revenues from **the sale of machines, accessories, goods and services** are recognized once the performance due has been rendered and the significant risks and rewards have been transferred to the owner. This is normally the case at the time of receipt, dispatch or collection. **Income** from full service contracts is realized when the service is rendered.

Revenues from the **Systems** division (rental income) are only realized when the respective car wash is performed, even if the wash system was first sold to an external leasing company, as this sale is treated as a sale and leaseback transaction.

Expenses and income relating to certain periods are only recognized if they relate to the fiscal year under review.

In **segment reporting**, information from the separate financial statements is presented by segment and region in accordance with IAS 14. Segment reporting is prepared for the Cleaning Technology (development, design, production, sales and servicing of automatic wash systems for vehicles) and the Systems division (system solutions for operating car wash systems). See Note 37 for detailed information on the segments and divisions.

Key Estimates and Assumptions

In some cases, it is necessary to apply estimate and assumption-sensitive accounting principles. These contain complex and subjective valuations, as well as estimates based on current knowledge that are, by their very nature, characterized by uncertainty and may be subject to change. Estimate and assumption-sensitive accounting principles may change over time and have an impact on the net assets, financial position and results of operations. Estimates relate primarily to the measurements of provisions and the realisability of deferred tax assets, as well as assumptions with respect to future cash flows and discount rates.

The Group tests **goodwill** for impairment at least once a year. This involves estimating the value in use of the cash-generating units to which the goodwill is allocated. In order to assess the value in use, the Company's management must estimate the expected future cash flows of the cash-generating unit and select an appropriate discount rate. More information can be found in the section on goodwill.

Deferred tax assets are reported for all unused tax loss carryforwards to the extent to which it is likely that taxable income will be available against which the loss carryforwards can actually be used. Management's estimates are based on the amount of taxable income and the time of occurrence.

Further details can be found in the information on deferred tax assets in the Notes.

The expenses for **pension** and phased retirement obligations are calculated on the basis of actuarial calculations. The actuarial valuation is based on assumptions relating to the discount rates, future wage and salary increases, mortality and future pension increases. Further details are provided in the information on pension provisions and other provisions for phased retirement.

Changes to Accounting Policies

The accounting policies applied correspond, as a rule, to those applied in the prior year with the following exceptions:

Hedge Accounting for Forecast Intragroup Transactions (published in April 2005)

This new regulation under IAS 39 allows the currency risk of an intragroup transaction which is extremely likely to occur in the future to be designated as the underlying for a cash flow hedge in the consolidated financial statements, provided that the transaction is denominated in a currency other than the functional currency of the entity that is executing the transaction in question and that the currency risk has an impact on the consolidated income statement. This situation arose for the first time in 2006, which is why the application of this change has no impact on the net assets, financial position and results of operations as of December 31, 2005.

The Group applied the amendments to **IAS 21 Currency Translation** for the first time on January 1, 2006. The amendments mean that all translation differences from a monetary item that is part of the Group's net investment in a foreign operation are reported as a separate equity component in the consolidated financial statements. This applies irrespective of the currency of the monetary item. The application of this standard had no impact on the net assets, financial position and results of operations as of December 31, 2006 and as of December 31, 2005.

In the year under review, a **change** was made to the **presentation** of accruals applying IAS 8. In the prior year, these were reported as provisions, while in the year under review they were allocated to other liabilities since this provides a more reliable picture of net assets, financial position and results of operations. The reallocation relates to accruals totaling EUR 6,861k (prior year: EUR 4,143k) resulting mainly from missing invoices for services already performed, as well as for credits to be granted in the Service division. Furthermore, a further change was made to the manner in which cash and cash equivalents are reported in the cash flow statement. In the prior year, these included current bank liabilities due within one year and bank balances. This relates to current bank liabilities in 2005 of EUR 7,588k. In the year under review, cash and cash equivalents only contain bank balances and current accounts due within three months, since this provides a more reliable picture of the Group's net assets, financial position and results of operations.

Notes to the Consolidated Balance Sheet

Non-Current Assets

The composition and development of non-current assets is set out in the attached statement of changes in consolidated non-current assets.

7. Intangible Assets

Carrying amounts in EUR k	2006	2005
Patents and technologies	2,948	546
Licenses	2,957	1,942
Development costs	3,071	2,640
Other prepayments, excl. goodwill	376	685
Total	**9,351**	**5,813**

Patents relate mainly to the technology acquired in 2006 for the production of hydraulic conveyor tunnel systems. The useful life of this technology was set at eight years, as with the Company's own patents.

Licenses relate mainly to the licenses for the SAP ERP system and the corresponding incidental acquisition costs. The useful life of the SAP licenses was set at seven years on a straight-line basis. These licenses will have been written off in full by December 31, 2012.

Intangible assets include capitalized development costs of EUR 3,071k (prior year: EUR 2,640k) for the new generation of roll-over wash systems. In the fiscal year, additions to capitalized development costs totaled EUR 974k (prior year: EUR 173k). Capitalized development costs have a useful life of eight years and are amortized on a straight-line basis over this period.

In addition, research and development costs of EUR 506k (prior year: EUR 282k) were incurred but were not capitalized, as the criteria for capitalization in accordance with IAS 38 were not met.

As of December 31, 2006, goodwill totaling EUR 51,863k (prior year: EUR 35,964k) broke down as follows and is attributable to the Cleaning Technology cash-generating unit:

Goodwill as of Dec. 31, 2006 in EUR k	Cost	Accumulated amortization Dec. 2006	Additions 2006	Accumulated exchange differences Dec. 2006	Carrying amount Dec. 2006
California-Kleindienst-Gruppe, Augsburg, Germany	43,644	10,910	0	0	32,734
VPL Verbundpartner Leasing GmbH, Augsburg, Germany	3,068	1,262	0	0	1,806
Ibing GmbH, Recklinghausen, Germany	4,061	3,543	0	0	518
Wesumat Benelux B.V., Netherlands	829	135	0	0	694
Wesumat France S.A., France	276	143	0	0	133
WashTec A/S, Denmark	314	235	0	0	79
WashTec France S.A.S., France	56	56	0	0	0
Wesumat Fahrzeugwaschanlagen GmbH, Augsburg, Germany	6,317	6,317	0	0	0
Wesumat Biltvättar AB, Sweden	134	134	0	0	0
Mark VII Equipment Inc., USA	453	0	17,268	–1,822	15,899
Total	**59,152**	**22,735**	**17,268**	**–1,822**	**51,863**

Goodwill was tested for impairment in the two cash-generating units, Cleaning Technology and Systems, in accordance with the value in use principle. Goodwill is tested for impairment on the basis of medium-term planning for the years 2007 to 20011 at group level.

An impairment loss is recognized if the present value of the future estimated cash flows is less than the net carrying amount of the cash-generating unit including goodwill. This was not the case in the fiscal year under review due to the positive development of the WashTec Group.

Medium-term planning is based on the following main assumptions, which have been established taking account of the long-standing experience of members of key management, as well as medium-term strategies for the individual markets. External market studies provided management with further information. The key assumptions are as follows:

- moderate increase in revenues
- cost increases of 2% to 3%
- wages and salary increases of around 2.5% p.a.
- cost reduction through reorganization and efficiency projects

Discounting was based on a weighted average cost of capital in the planning period of 4.88% to 5.35% (prior year: 4.60% to 5.00%) and long-term growth in the perpetual annuity of 0.5% (prior year: 0.5%).

The calculation of the WACC is based on a weighted borrowing interest rate of 5.2% and the weighted equity interest rate. The equity interest rate is based on a risk-free interest rate averaging 4% and a beta factor of 0.3.

8. Property, Plant and Equipment

The **land, land rights** and buildings are attributable to the following entities:

in EUR k	2006	2005
WashTec Cleaning Technology GmbH, Germany	21,197	20,991
WashTec UK Ltd., UK	358	422
WashTec Bilvask A/S, Denmark	322	343
WashTec France S.A.S., France	340	304
Mark VII Equipment Inc., USA	505	0
Other	71	86
Total	**22,793**	**22,146**

Land for WashTec Cleaning Technology GmbH includes land charges with a nominal value of EUR 31,649k (prior year: EUR 36,486k). Land for WashTec Bilvask A/S includes land charges with a nominal value of EUR 942k. Land charges fell as a result of the sale of properties in Schollkrippen.

Finance Leases

Carrying amounts in EUR k	2006	2005
Machinery – sale and leaseback	5.231	3.945
Finance leases, fixtures and fittings	1.626	2.584
Total	**6.857**	**6.529**

Property, plant and equipment includes finance leases (machinery and vehicles) which are attributable to the Group in accordance with IAS 17. These sale and leaseback agreements relating to machinery usually provide for a purchase option at the end of the term, as well as the option to extend the agreement. Price adjustments may not be made during the term of the agreement.

The sale and leaseback transactions were predominantly entered into by WesuRent Car Wash Marketing GmbH within the framework of its operator business. The machines produced by WashTec Cleaning Technology GmbH are sold to a leasing company and leased back by WesuRent Car Wash Marketing GmbH, which in turn leases them to customers, in particular large operator groups or mineral oil companies, within the scope of its operator model. As a rule, the leaseback agreements have a term of around six years while the agreements between WesuRent Car Wash Marketing GmbH and its customers have a term of around ten years. Rental income is calculated on the basis of washes performed. In 2006, income totaled EUR 3,727k (prior year: EUR 3,579k).

Finance leases, fittings and fixtures mainly relate to lease agreements for vehicles. These agreements have a term of between three and five years.

Depreciation on property, plant and equipment is charged using the following useful lives:

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

An impairment loss of EUR 586k (prior year: EUR 459k) was recognized in the Cleaning Technology division in 2006 as the impairment test produced a value in use of zero. This includes an amount of EUR 331k relating to the write-down of a building that can no longer be used in its current state due to restructuring within the framework of the plant restructuring plan and has to be demolished.

9. Financial Assets

Other loans receivables relate exclusively to deposits paid. Incidental acquisition costs of EUR 144k relate to the acquisition of Motor Mediterraneo S. A., which has its registered office in Barcelona, after the balance sheet date.

10. Non-Current Assets Held for Sale

The Company intends to sell land and buildings no longer used within the framework of the plant restructuring plan and the resulting merging of production locations.

The land and buildings in Schöllkrippen, Germany, which were reported as held for sale in the prior year, were sold in March and April 2006. This generated income of EUR 194k, which is reported under other income.

On October 19, 2006, a purchase agreement was concluded with the conveyance of land and buildings located at Argonstrasse in Augsburg, Germany. The agreement contains conditions precedent that are likely to have been fulfilled by the end of 2007. In accordance with IFRS 5, these items are reported separately in the balance sheet as non-current assets held for sale. The disposal price from the sale is expected to amount to EUR 1,650k. The carrying amount of the land and buildings amounted to EUR 1,110k as of December 31, 2006. Both properties were reported under the Cleaning Technology segment.

11. Deferred Tax Assets

The balance of deferred tax assets of EUR 24,839k (prior year: EUR 30,111k) chiefly results from deferred tax assets on useable tax loss carryforwards.

Total corporate income and trade tax loss carryforwards in Germany amount to EUR 63,202k (prior year: EUR 80,802k) and EUR 59,132k (prior year: EUR 78,271k), respectively, while tax loss carryforwards in other countries amount to EUR 8,620k (prior year: EUR 8,163k). Deferred tax assets are recognized for these amounts to the extent that the recoverability of tax loss carryforwards can be guaranteed with sufficient certainty. This resulted in the recognition of deferred tax assets on loss carryforwards totaling EUR 26,826k (prior year: EUR 31,736k), of which EUR 24,278k (prior year: EUR 29,406k) relates to Germany and EUR 2,548k (prior year: EUR 2,330k) to other countries.

On the basis of internal medium-term planning for the years 2007 to 2011, the recoverability of tax loss carryforwards can be guaranteed with sufficient certainty.

Deferred taxes are calculated in accordance with the liability method based on a tax rate of 39.2% (prior year: 40%). The tax rate fell as against the prior year due to a reduction in the rate of trade tax.

Deferred tax receivables developed as follows in the fiscal year:

in EUR k	Jan 1, 2006	Tax rate change	Change	Dec. 31, 2006
Tax loss carryforwards	31,736	–589	–4,321	26,826
Temp. differences between IFRS and tax base	2,085	–31	–882	1,172
Elimination of intercompany profits	1,521	–30	1,014	2,505
Pensions	746	–15	–157	574
Total	**36,088**	**–665**	**–4,346**	**31,077**

Deferred tax liabilities developed as follows in the financial year:

Temporary differences between IFRSs/HGB in EUR k	Jan 1, 2006	Tax rate change	Change	Dec. 31, 2006
Write-ups on land and buildings	–3,846	77	160	–3,609
Straight-line write-downs	–494	10	–53	–537
Leases	–121	2	101	–18
General bad debt allowance	–52	1	0	–51
Inventories	–244	5	–170	–409
Development costs	–1,056	21	–169	–1,204
Hedging transactions	–164	3	–393	–554
Other	0	0	144	144
Total	**–5,977**	**119**	**–380**	**–6,238**

Deferred tax receivables and liabilities are offset against each other where permitted and when tax receivables and liabilities relate to the same taxation authorities. The following amounts resulting from offsetting receivables and liabilities are shown in the consolidated financial statements:

in EUR k	2006	2005
Deferred tax receivables	31,077	36,088
Deferred tax liabilities	–6,238	–5,977
Total	**24,839**	**30,111**

Insofar as the recoverability of deferred tax assets does not appear to be sufficiently guaranteed, no deferred tax assets were formed. In the year under review, loss carryforwards totaling EUR 150k (prior year: EUR 136k) were not reported. This corresponds to deferred tax assets of EUR 49k (prior year: EUR 44k).

Deferred tax assets on tax loss carryforwards totaling EUR 270k (prior year: EUR 200k) were recognized for WashTec Cleaning Technology GmbH, Vienna, Austria, while EUR 980k was recognized for WashTec France, even though both entities generated a tax loss in the fiscal year. Both entities expect that the loss carryforwards will be utilized within the next five years, despite the conservative planning forecast.

12. Inventories

in EUR k	2006	2005
Raw materials, consumables and supplies, incl. merchandise	21,415	19,840
Work in progress	4,534	1,631
Finished goods and merchandise	8,057	5,832
Prepayments	14	1,697
Total	**34,020**	**29,000**

The increase in inventories is mainly the result of a high volume of work in process and finished goods at the end of the year.

Inventory allowances amounted to EUR 942k (prior year: EUR 433k) during the period under review. The carrying amount of the raw materials, consumables and supplies recognized at net realizable value and not at cost amounted to EUR 3,521k (prior year: EUR 3,202k).

13. Receivables and Other Assets

in EUR k	2006	2005
Current trade receivables (due within one year)	41,842	33,388
Current receivables from the tax office	524	270
Other current assets	2,238	1,420
Other non-current assets	32	70
Total	**44,636**	**35,148**
of which:		
Non-current	32	70
Current	44,604	35,078

Other non-current assets relate to a dealer loan. The loan bears interest at 3% and is expected to be repaid by 2008.

14. Current Trade Receivables

in EUR k	2006	2005
Gross value	44,611	36,886
Bad debt allowances	–2,769	–3,498
Net value	**41,842**	**33,388**

The increase in trade receivables results mainly from the increase in sales and the reduction in receivable write-downs due to better receivables management.

15. Other Current Assets

Other current assets totaling EUR 2,238k (prior year: EUR 1,420k) mainly relate to receivables from hedging transactions of EUR 1,414k (prior year: EUR 411k) and prepayments for travel expenses of EUR 216k (prior year: EUR 212k). The increase in other assets is largely the result of the newly concluded hedging instruments and an increase in the market value of existing hedging instruments.

Interest rate swaps and currency swaps are used to hedge interest rate and cross currency risks. The interest rate swaps hedge more than 50% of the interest rate risk attached to the syndicated loan. The fair value amounted to EUR 722k as of December 31, 2006 (prior year: EUR 411k) and is reported under current assets/equity, as it constitutes a hedging instrument in the form of a cash flow hedge. The interest rate of the loan is variable and depends on the development of the EURIBOR. As of December 31, 2006, EUR 36m was hedged by the replacement of the variable interest rate of the EURIBOR with a fixed interest rate of 2.46% and 3.77% p.a. The agreements end on December 31, 2008 and December 31, 2009; the cash flows from the interest rate swaps are expected to be spread over the term of the agreement.

The cross-currency swap concluded hedges the exchange rate risk from a loan denominated in USD of USD 10m. The loan will fall due on December 31, 2008. The market value of the cross-currency swap amounted to EUR 692k as of December 31, 2006.

The exchange rate losses resulting from the valuation of the loan receivable as of the balance sheet date were recognized in profit or loss in the period under review and offset in the same amount by the receivable from the cross-currency swap which was recognized in profit or loss. The remaining difference of EUR 89k was recognized directly in equity.

16. Prepaid Expenses

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

Equity

17. Subscribed capital

Statement of Changes in Equity in EUR k	Subscribed capital	Capital reserve	Accumul. loss	Other reserves	Exchange effects	Total
As of December 31, 2004	**20,000**	**27,384**	**–44,659**	**0**	**1,300**	**4,025**
Capital increase	20,000	18,019				38,019
Costs of capital increase		–1,774				–1,774
Income and expenses recognized directly in equity				–1,154	–429	–1,583
Taxes on transactions recognized directly in equity		709		462		1,171
Consolidated profit for the period			9,423			9,423
As of December 31, 2005	**40,000**	**44,338**	**–35,236**	**–692**	**871**	**49,281**
Earnings recognized directly in equity				569	–352	217
Taxes on transactions recognized directly in equity				–272		–272
Consolidated profit for the period			12,502			12,502
As of December 31, 2006	**40,000**	**44,338**	**–22,734**	**–997**	**1,121**	**61,728**

The subscribed capital of EUR 40,000,000 is divided into 15,200,000 shares and is fully paid in or paid by contributions in kind.

The number of shares outstanding did not change in the year under review and totals 15,200,000 shares.

	Dec 31, 2006	Dec. 31, 2005
Number of shares in thousands	15,200	15,200
Nominal value in EUR per share	2.63	2.63

Authorized Capital

Authorized Capital I: By resolution of the annual general shareholders' meeting of June 15, 2005, the management board was authorized, with the approval of the supervisory board, to increase the capital stock of the Company by issuing new no-par value bearer shares in exchange for cash or non-cash contributions on one or several occasions by up to a total of EUR 20,000,000.00 until June 15, 2010, and also to determine the substance of the share rights, the details of the capital increase and the terms of share issue, in particular the issue price.

In this respect, shareholders must be granted pre-emptive rights. The shares may be underwritten by one or several banks to be commissioned by the management board that shall be obliged to first offer these to the existing shareholders (indirect pre-emptive right). Subject to the approval of the supervisory board, the management board is also authorized however, to exclude the shareholders' pre-emptive rights in certain cases in accordance with Art. 5.1. of the articles of incorporation of WashTec AG. The management board has not made use of the authorizations yet.

Contingent Capital

Pursuant to Sec. 218 AktG ["Aktiengesetz": German Stock Corporation Act], the contingent capital of a stock corporation may increase in the same proportion as share capital when a capital increase is implemented from reserves.

Contingent Capital I: By resolution of the annual general shareholders' meeting on June 28, 2001, contingent capital I was increased by EUR 15,024 from EUR 511,292 to EUR 526,316 due to the capital increase implemented from reserves. The Company's registered share capital is thus conditionally increased by up to EUR 526,316, divided into 200,000 no-par shares each representing a nominal value of EUR 2.63. The contingent capital increase will be implemented only to the extent that the beneficiaries of convertible bonds – which were issued following the resolution of the annual general shareholders' meeting on October 17, 1997 – exercise their conversion rights and to the extent required for conversion in accordance with the terms and conditions for conversion.

At the end of the year, no convertible bonds were outstanding anymore. As a result, the conditions for an increase of the Contingent Capital I are no longer fulfilled.

Contingent Capital II: By resolution of the annual general shareholders' meeting on June 28, 2001, contingent capital II was increased by EUR 34,555 from EUR 1,175,971 to EUR 1,210,526 due to the capital increase implemented from reserves. The contingent capital II increase resolved at the extraordinary general shareholders' meeting on December 22, 1999 enables the Company to conditionally increase share capital by up to EUR 1,210,526 by issuing up to 460,000 no-par value bearer shares each representing EUR 2.63 of share capital. The contingent capital increase exclusively serves to grant option rights to members of the management board of the Company and members of the management of associated companies, as well as to employees (including executives) of the Company and of companies associated with the Company. The shareholders are not entitled to subscribe to the option rights. The contingent capital increase will only be implemented to the extent that the owners of the issued option rights make use of these rights. In fiscal years 2000 to 2004, the management board and the supervisory board issued 20,000 warrants to executives at a strike price of EUR 8.95 per share.

The option beneficiaries do not have to pay for the granting of the option rights. The option rights can only be exercised following expiry of a two-year vesting period staggered within a three-year period, and no later than September 18, 2005. The option beneficiaries had not made use of their exercise rights at the end of fiscal year 2005. The option rights have thus lapsed.

18. Capital Reserves

The capital reserve consists of the premium from the capital increases implemented. This relates in particular to the contribution made by California Kleindienst Holding GmbH to WashTec AG as of January 1, 2000 totaling EUR 18,019k – less EUR 1,774k capital increase costs – from the capital increase in August 2005, as well as an amount of EUR 709k relating to taxes on transactions recorded directly in equity.

19. Other Reserves

Other reserves comprise, in particular, the recognition of actuarial gains and losses relating to pension provisions, the recording of cash flow hedges and the presentation of currency changes.

The Group uses derivative financial instruments in the form of interest swaps and cross-currency swaps to hedge against interest rate and currency risks. As of December 31, 2006, the fair value of these swaps was reported as a current receivable. The amount to be reported directly in equity in accordance with IAS 39, taking into account deferred taxes, totaled EUR 276k (prior year: EUR 411k).

On December 16, 2004, the IASB published an amendment to IAS 19 Employee Benefits, which permits the immediate set off of actuarial gains and losses against equity. Actuarial gains of EUR 293k (prior year: actuarial losses EUR 1,566k) have been recognized under the application of the new regulation. Overall, actuarial losses of EUR 1,273k have been set off against equity.

20. Provisions for Pensions

Provisions mainly relate to WashTec Cleaning Technology GmbH, Augsburg, Germany, and have been recognized for obligations from future and current benefit entitlements to current and former employees and their survivors. According to the pension scheme retirement benefits (after reaching 63 years of age), early retirement and disability benefits are granted. Employees must have ten years' service with the Company to be entitled to benefits, with years of service only taken into account after the employee has reached the age of 30. The monthly retirement benefit is derived from a fixed amount multiplied by the number of pensionable years of service. In addition, individual contractual regulations apply. Provisions for defined benefit plans are measured in line with the projected unit credit method pursuant to IAS 19. The amount of the provision was computed using actuarial methods and a discount rate of 4.5% (prior year: 4.0%). Annual salary and cost of living increases continued to be measured at 1.5%. The "2005 G mortality tables" published by Klaus Heubeck were used as a biometrical basis of calculation. Staff turnover ratios were estimated according to age and sex.

The number of beneficiaries as of December 31, 2006 came to 213 employees (prior year: 213 employees).

The amounts disclosed in the balance sheet can be broken down as follows:

in EUR k	2006	2005
Present value of unfunded obligations	**6,704**	**7,238**

All actuarial losses have been set off against equity since fiscal year 2005.

Provisions for pensions developed as follows in fiscal years 2005 and 2006:

in EUR k	2006	2005
As of January 1	7,238	5,575
Disposals	–297	0
Pensions paid	–354	–349
Allocation	410	446
Actuarial losses	–293	1,566
As of December 31	**6,704**	**7,238**

The expense contained in the income statement from the allocation to the pension provision is broken down as follows:

in EUR k	2006	2005
Service cost in the fiscal year	53	33
Interest expense	357	413
Pension expenses	**410**	**446**

The amounts for the current and prior four reporting periods breakdown as follows:

in EUR k	2006	2005	2004	2003	2002
Performance-based obligation (present value)	6,704	7,238	5,575	5,546	5,487

The Group expects payments of EUR 354k in fiscal year 2007, plus the employer's contribution to social security.

21. Provisions for Taxes

The tax provisions of EUR 5,416k (prior year: EUR 3,330k) relate to income taxes.

22. Other Provisions

	Provisions						Total	
	Phased retirement	Guar-antees	Repur-chase ob-ligations	Restruct-uring	Virtual stock options	Other		
in EUR k	2006	2006	2006	2006	2006	2006	2006	2005
As of Jan. 1	4,909	5,265	6,069	3,123	6,331	2,393	28,090	22,334
Allocation	0	2,339	458	71	600	801	4,269	12,499
Utilization	–728	–1,072	–1,209	–1,219	–6,331	–1,364	–11,923	–5,594
Reversal	–858	–195	0	–156	0	–106	–1,315	–1,205
Exchange differences	0	–5	55	0	0	1	51	56
Expense from accrued interest and effects of changes in the discount factor	22						22	
As of Dec. 31	3,301	6,332	5,373	1,819	600	1,725	19,150	28,090
– current	787	6,332	1,719	1,819	0	1,725	12,382	
– non-current	2,515	0	3,654	0	600	0	6,769	
Provisions in 2005								
– current	828	5,265	1,239	3,123	6,331	2,393	19,179	
– non-current	4,081	0	4,830	0	0	0	8,911	

The provision for phased retirement was calculated in accordance with the recommendation of the Main Technical Committee of the German Institute of Public Auditors (IDW) (IDW AcP HFA 3) dated November 18, 1998. The calculation was based on an interest rate of 3.0% (prior year: 3.0%) and an annual salary increase of 2%.

The provision for guarantee obligations was formed based on experience from prior years. Furthermore, a provision was recognized as a liability for guarantee cases of which the Company was already aware.

There are provisions totaling EUR 1,819k for the restructuring measures designed to boost the Company's competitiveness as announced in 2006.

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

Further information on virtual stock options can be found in the section on the remuneration of the management board.

The other provisions of EUR 1,725k (prior year: EUR 2,393k) relate mainly to provisions for process risks (EUR 1,285k, prior year: EUR 1,202k), rent payments (EUR 47k, prior year: EUR 717k) and product liability (EUR 137k, prior year: EUR 135k).

23. Financial Liabilities to Banks

in EUR k	2006	2005
Current liabilities to banks	9,024	7,588
Non-current liabilities to banks	48,226	43,534
Total	**57,250**	**51,122**

An extended financing agreement increased the Company's credit line to EUR 96,000k. This agreement also improved the general framework of the loan agreement in favour of WashTec Cleaning Technology GmbH and extended the term until July 31, 2011. Among other things, the extension of the line contains EUR 15m that is to be used exclusively for future acquisitions by the Company.

The loan is repaid in annual installments of EUR 8m. The amount still outstanding at the end of the term falls due for payment immediately. A discount was calculated for the refinancing; this was deducted directly from liabilities in accordance with IAS 39. The amounts included in the interest expense for the amortization of the discount totals EUR 505k (prior year: EUR 254k).

The interest rate for the loan is variable and depends on the development of the EURIBOR and an interest margin linked to the operating performance of the Company. The interest margin can vary between 0.8% and 2.9% and is determined on a quarterly basis.

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. They are covered by the fair values of the assets pledged as collateral.

	2006	from July 2005	until June 2005
Weighted, effective average rate of interest:	5.2 %	5.6 %	7.1 %

24. Convertible Bonds

The convertible bond was redeemed in full in the year under review. At the end of the year, there was a payment obligation of EUR 30k resulting from the redemption.

25. Liabilities

in EUR k	2006	2005
Trade payables (due within one year)	11,388	6,962
Prepayments on orders (due within one year)	5,951	5,552
Liabilities for taxes and levies (due within one year)	5,381	3,255
Liabilities for social security (due within 1 year)	254	783
other liabilities (due within one year)	23,634	14,460
other liabilities (due in one to five years)	5,049	5,987
Total	**51,657**	**36,999**
thereof: current (due within one year)	46,608	31,012
thereof: non-current (due in more than one year)	5,049	5,987

In addition to wage taxes for December 2006, liabilities for taxes and levies mainly relate to unpaid VAT.

Other liabilities due within one year (EUR 23,634k, prior year: EUR 14,460k) and due within one and five years (EUR 5,049k, prior year: EUR 5,987k) include finance lease liabilities with the following present values:

in EUR k	Present value 2006	Nominal value 2006	Present value 2005	Nominal value 2005
Due within one year	1,899	2,168	2,145	2,258
Due within one to five years	5,049	5,452	4,161	4,604
Total	**6,948**	**7,620**	**6,306**	**6,862**

The lease liabilities mainly relate to the leasing of vehicles and wash systems in the Systems division.

The minimum lease payments for these finance lease liabilities amount to:

in EUR k	2006	2005
Lease payments due	**7,620**	**6,862**
thereof: within one year	2,168	2,258
thereof: in more than one year	5,452	4,604
Interest payments	**672**	**556**
Present value leases	**6,948**	**6,306**
thereof: within one year	1,899	2,145
thereof: in more than one year	5,049	4,161

In addition to current lease liabilities, **other liabilities due within one year** include debtors with credit balances of EUR 301k (prior year: EUR 513k), liabilities due to employees of EUR 8,867k (prior year: EUR 6,917k), liabilities for employer's liability insurance of EUR 588k (prior year: EUR 605k) and liabilities from variable components of purchase price payments totaling EUR 3,836k (prior year: EUR 0k). Furthermore, other liabilities contain accruals of EUR 6,861k (prior year: EUR 4,143k) resulting mainly from missing invoices for services already performed, as well as for credits to be granted in the Service division.

Other liabilities due within one to five years include the non-current portion of the finance lease liabilities (EUR 5,049k; prior year: EUR 4,161k).

26. Deferred Income

Deferred income of EUR 6,929k (prior year: EUR 6,362k) primarily relates to the recognition of revenues for concluded service agreements in the period to which they relate.

Notes to the Consolidated Income Statement

27. Revenues

Revenues of EUR 261,365k (prior year: EUR 225,787k) include EUR 184,452k (prior year: EUR 153,957k) from the sale of machinery and accessories, EUR 75,530k (prior year: EUR 68,525k) from service and replacement parts and EUR 3,727k (prior year: EUR 3,579k) from lease/rental income for wash systems. The agreements do not provide for any minimum lease payments and only provide for usage-based payments.

28. Other Operating Income

Other operating income of EUR 4,899k (prior year: EUR 4,858k) mainly comprises income from the reversal of provisions and bad debt allowances of EUR 2,280k (prior year: EUR 1,898k), income from the resale of leased vehicles and sales of property, plant and equipment of EUR 1,322k (prior year: EUR 676k), other income from leases of EUR 0k (prior year: EUR 693k) and exchange rate gains of EUR 11k (prior year: EUR 186k).

29. Cost of Materials

in EUR k	2006	2005
Cost of raw materials, consumables and supplies, and of purchased merchandise	99,401	74,094
Cost of purchased services	16,203	16,907
Total	**115,604**	**91,001**

30. Personnel Expenses

The personnel expenses for the year under review include expenses of EUR 4,558k for the virtual stock option schemes (prior year: EUR 5,746k).

Headcount developed as follows across the Group on an annual average basis:

Average headcount	2006	2005
Wage earners	769	792
Salaried employees	643	517
Total	**1,412**	**1,309**

Personnel expenses also include pension payments of EUR 0k (prior year: EUR 45k) to a pension fund for former members of the management board.

31. Other Operating Expenses

Other operating expenses are broken down as follows:

in EUR k	2006	2005
Vehicle costs	6,834	6,485
Travel expenses	3,679	2,709
Advertising and trade fair expenses	3,199	1,628
Maintenance/repairs	2,602	2,525
Legal and consulting fees	2,547	2,645
Temporary workers	2,386	2,018
Communication expenses	2,013	1,724
IT expenses	1,875	1,555
Rent/operating leases excl. vehicles	1,689	1,189
Training/further education expenses	1,032	499
Office supplies	1,025	676
Insurance	983	843
Operating leases – vehicles	801	0
Exchange rate effects	571	194
Fees, licenses and development costs	506	282
Allocation to bad debt allowances	437	2,247
Product liability	429	200
PR work	421	242
Expenses for own patents and property rights	311	228
Loss on asset disposals	229	196
Miscellaneous administrative expenses/other expenses	4,146	3,830
Total	**37,715**	**31,915**

The fees paid to auditors (Ernst & Young AG Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Munich, Germany) in fiscal year 2006, which are included in the income statement, are broken down as follows:

Auditors fees in EUR k	2006	2005
Auditing	210	207
Auditing of the consolidated financial statements	25	25
Other certification or assessment services	7	21
Total	**242**	**253**

32. Financial Result

in EUR k	2006	2005
Interest and similar income	538	310
Interest and similar expenses	–4,461	–4,680
Financial result	**–3,923**	**–4,370**

In addition to loan interest, interest and similar expenses contains the pro rata amortization of amounts of EUR 505k relating to bank fees paid in advance for the syndicated loan (prior year: EUR 254k). Further information is included in the section on liabilities to banks.

33. Income Taxes

This item relates to both current and deferred taxes.

The table below shows a reconciliation of the expected to the current tax expense disclosed. To calculate the anticipated tax expense, earnings before income taxes were multiplied by the group tax rate of 39.2% (prior year: 40%).

in EUR k	Assessment base 2006	Tax expense 2006	Assessment base 2005	Tax expense 2005
Expected income tax expense	20,993	8,229	15,012	6,005
Tax differences due to different foreign tax rates	0	–226	0	–92
Effects of the non-recognition of deferred tax assets	0	0	0	–671
Effect of the use of loss carryforwards from non-recognized deferred taxes	0	–97	0	0
Dividends	101	40	0	0
Non-deductible expenses for foreign equity investments	305	120	3,580	1,432
Capitalization of corporation tax (KSt) credit	0	–385	0	0
Non-deductible expenses in connection with write-ups on equity investments	0	0	132	54
Tax-neutral effect of deconsolidation of SSI	0	0	–3,344	–1,338
Non-deductible expenses	457	179	0	0
Non-deductible interest on permanent debt	1,812	239	1,467	193
Adjustment of group tax rate to 39.2%	0	545	0	0
Other	0	–153	10	4
Actual income tax expense	**23,668**	**8,491**	**16,857**	**5,587**

Tax expenses can be broken down as follows:

in EUR k	Tax expenses 2006	Tax expenses 2005
Deferred tax expenses	4,875	2,009
Actual tax expenses	3,616	3,579
Total	**8,491**	**5,588**

In addition, deferred taxes of -EUR 272k net (prior year: EUR 1,171k) were recognized directly in equity.

34. Earnings per Share

In accordance with IAS 33, earnings per share are calculated by dividing the consolidated profit after tax by the weighted average number of shares outstanding. The calculation is as follows:

Calculation of earnings per share	2006	2005
Consolidated net profit in EUR k	12,502	9,423
Weighted average of shares outstanding	15,200,000	11,653,333
Earnings per share	**0.82**	**0.81**

The virtual stock options issued are settled in cash and do not dilute earnings per share. As a result, the diluted earnings per share correspond to basic earnings per share.

Dividend per Share

No dividend distribution will be proposed to the annual general meeting on May 22, 2007 for the year under review.

35. Additional Notes to the Cash Flow Statement

The cash flow statement shows how cash and cash equivalents (cash, bank balances with a maturity of up to three months and bank overdrafts) of the WashTec Group developed in the fiscal year under review. Cash flows were classified by cash flows from operating activities, investing activities and financing activities in accordance with IAS 7.

For purposes of the consolidated cash flow statement, cash and cash equivalents as of December 31, 2006 break down as follows:

in EUR k	2006	2005
Bank balances and cash on hand	3,045	6,909
Bank overdrafts	–1,476	–53
Cash and cash equivalents	**1,569**	**6,856**
Bank balances	–1,476	–53
Current interest bearing credit lines	–7,548	–7,535
Current liabilities to banks	**–9,024**	**–7,588**

36. Contingent Liabilities and Other Financial Obligations

Contingent Liabilities

At the balance sheet date, the WashTec Group had contingent liabilities relating primarily to contract fulfillment obligations and potential expenses relating to the repurchase of machines totaling EUR 868k (prior year: EUR 750k).

Other Financial Obligations

As of the balance sheet date, the following obligations relate to operating leases; amounts stated are in thousands of euros, split up by maturity:

Year	Up to one year	One to five years	More than five years	Total
2006	3,653	5,615	0	9,148
2005	2,377	1,866	549	**4,792**

These leases mainly relate to leased customer service vehicles. The agreements have a term of between three and five years and generally contain clauses on renewal and purchase options, as well as escalation clauses.

Hedging Policy

The main financial instruments used by the Group – with the exception of derivative financial instruments – relate to bank loans and overdrafts, finance leases and trade payables. The main purpose of these financial instruments is to finance the Company's business activities. The Group has various financial assets, such as trade receivables, cash and cash equivalents and short-term deposits resulting directly from its business activities.

The Group also has derivative financial instruments. These mainly include interest rate swaps and cross-currency swaps.

The aim of these derivative financial instruments is to hedge against interest rate and currency risks resulting from the business activities of the Group and its financing sources.

In accordance with internal group guidelines, the Company does not trade in derivatives as a general rule.

The main risks to the Group arising from financial instruments cover interest rate-related cash flow risks and liquidity, currency and credit risks.

The Company's policy is to avoid/limit these risks insofar as possible. All hedging measures are coordinated/implemented centrally as a rule.

Currency and Interest Rate Risk

The risk of fluctuations in the market interest rates to which the Group is exposed relate mainly to its non-current financial liabilities with a variable interest rate.

Due to USD transactions relating to the subsidiary Mark VII Equipment Inc., changes in the USD/EUR exchange rate could have a material impact on the consolidated balance sheet.

On a monthly basis, WashTec identifies all items which are subject to interest and currency rate risk, assesses the probability of the occurrence of negative developments for the Company and makes any decisions required to avoid, reduce or transfer the corresponding interest and/or currency positions. Derivative financial instruments in the form of interest rate swaps to hedge interest rate risks from the syndicated loan and a cross-currency swap to hedge currency risks were concluded in the fiscal year.

Liquidity Risk
Ensuring that the WashTec entities are solvent at all times is a key business objective. Potential bottlenecks are identified and appropriate steps taken in good time thanks to the cash management systems in place. Unutilized credit lines ensure the supply of liquidity. The credit lines for the working capital financing extended by the banking syndicate of the WashTec Group are subject to the joint and several liability of WashTec Cleaning Technology GmbH, as borrower, in joint liability with WashTec Holding GmbH and WashTec AG. The WashTec Group is chiefly financed via WashTec Cleaning Technology GmbH which also has the largest financing requirement as the most important operating company.

Credit Risk
The theoretical maximum credit risk from primary financial instruments corresponds to the value of all receivables less the liabilities to the same debtors. WashTec endeavors to keep the del credere risk as low as possible. If the customer does not have a first-rate credit rating, order acceptance is subject to strict controls. For new customers, the Company requests evidence of credit standing or financing. We assume that the bad debt allowances are sufficient to cover the actual risk. There are no material credit risk concentrations within the group.

Financial Instruments
The following table shows the carrying amounts and fair values of all of the financial instruments reported in the consolidated financial statements:

in EUR k	Carrying amount 2006	Fair value 2006	Carrying amount 2005	Fair value 2006
Financial assets				
Cash and cash equivalents	3,045	3,045	6,908	6,908
Derivative financial instruments	1,414	1,414	411	411
Borrower's note loans	0	0	74	74
Financial liabilities				
Bank overdrafts	1,476	1,476	383	383
Liabilities from finance leases	6,948	6,948	6,306	6,306
Convertible bonds	0	0	51	51
Loans with variable interest rates	55,774	55,774	50,739	50,739

The fair value of derivative financial instruments and loans was calculated by discounting the expected future cash flows by applying standard market interest rates.

Risk of interest rate changes

in EUR k	Up to one year	One to two years	Two to three years	Four to five years	Total
Loans with variable interest rates	8,000	8,000	8,000	33,360	**57,360**
Overdrafts	1,476	0	0	0	**1,476**

The interest rate for variable liabilities is adjusted at intervals of less than one year.

Hedges

Cash Flow Hedges

The interest rate swaps hedge more than 50% of the interest rate risks from the syndicated loan. The hedge is classified as being highly effective. The fair value amounts to EUR 722k as of December 31, 2006 (prior year: EUR 411k) and is reported under current assets/equity, since it is a hedging instrument in the form of a cash flow hedge. The interest rate of the loan is variable and is linked to the EURIBOR. As of December 31, 2006, EUR 36m is covered by the exchange of the variable EURIBOR interest rate by a fixed rate of 2.46% and 3.77% p.a. The agreements shall end on December 31, 2008 and December 31, 2006, whereby the cash flows from the interest rate swaps are expected to be distributed over the term.

Hedging of a Net Investment in a Foreign Operation

The cross-currency swap concluded hedges the exchange rate risk of a loan granted in USD totaling USD 10m. The loan shall fall due on December 31, 2008. The market value of the cross-currency swap amounts to EUR 692k as of December 31, 2006. The exchange rate losses resulting from the valuation of the loan receivable as of the balance sheet date were recognized in profit or loss in the period under review and offset in the same amount by the receivable from the cross-currency swap recognized in profit or loss. The remaining difference of EUR 89k was recognized in equity.

37. Notes on Segment Reporting

Pursuant to IAS 14 Segment Reporting, some financial statement data must be presented by business division and geographical segment in accordance with the internal reporting structure. Segment reporting is designed to reflect the earnings power and prospects of individual activities of the Group.

The divisions cover the following activities:

The Cleaning Technology division comprises the development, design, production, sale and servicing of automatic wash systems for cars and commercial vehicles.

The Systems division offers system solutions for the operation of vehicle wash systems. Finished machines are sold to a leasing company and then leased back to be re-leased to customers, in particular major operator groups and mineral oil companies within the framework of their operating models. These agreements generally have a term of five to ten years.

The systems business is consolidated at WesuRent Car Wash Marketing GmbH, Augsburg, Germany. All other entities have been assigned to the Cleaning Technology division.

The business divisions of the WashTec Group operate worldwide and are divided into the following regions: Germany, rest of Europe, North America and rest of word (Other).

All segment data of the divisions are presented prior to consolidation based on internal practice. To reconcile the data to the consolidated figures, the intragroup items are eliminated in a separate column.

The transfer prices between the individual group entities are charged at arm's length. They take account of the specific market and economic conditions in the individual regions.

By Division

All extraordinary expenses and income are attributable to the Cleaning Technology division.

in EUR k	Cleaning Technology		Systems		Consolidation		Group	
	2006	2005	2006	2005	2006	2005	2006	2005
Revenues	259,982	222,482	3,727	3,579	–2,344	–274	261,365	225,787
Other income	4,852	4,853	47	5			4,899	4,858
EBIT	25,436	18,924	651	595	–1,172	–137	**24,916**	**19,382**
Income from interest and financial assets	538	310	0	0			538	310
Interest and similar expenses	–4,236	–4,495	–225	–186			–4,461	–4,681
Result from ordinary activities	20,566	14,603	426	409			**20,993**	**15,012**
Income taxes							–8,491	–5,588
Consolidated net profit							**12,502**	**9,423**
Equity	61,677	49,230	51	51	0	0	61,728	49,281
Liabilities	137,009	123,726	3,235	3,159	–65	–53	140,179	126,832
Non-current assets	96,568	75,153	3,290	3,306	0	0	99,858	78,459
Non-current assets held for sale	1,110	1,341	0	0	0	0	1,110	1,341
Current assets	82,666	72,298	307	386	–161	–287	82,812	72,397
Equity investments	9,828	6,915	2,462	320	0	0	12,290	7,235
Amortization, depreciation and write-downs	–6,423	–5,453	–1,237	–1,292	0	0	–7,660	–6,745
Non-cash expenses/income other than amortization, depreciation and write-downs	**–1,182**	**2,830**	**0**	**0**	**0**	**0**	**–1,182**	**2,830**

Consolidated revenues can be broken down by sales division as follows:

in EUR k	2006	2005
Cleaning Technology division		
New machines	169,625	145,803
Spare parts, service	75,530	68,525
Used machines	3,824	2,037
Chemicals	7,043	4,072
Accessories and miscellaneous	3,960	2,045
Total	**259,982**	**222,482**
Systems division		
Leasing of systems	3,727	3,579
Total	**3,727**	**3,579**
Consolidation	–2,344	–274
Total	**261,365**	**225,787**

By Region

Consolidated assets can be broken down by sales region as follows:

2006 in EUR k	Germany	Rest of Europe	North America	Group
Carrying amount of property, plant and equipment	33,364	3,609	1,498	38,471
Investments in property, plant and equipment	7,042	1,352	1,813	10,207
Carrying amount of intangible assets	43,673	1,034	16,508	61,215
Investments in intangible assets	4,307	53	18,274	23,087
Other asset items	61,879	39,873	7,399	109,390
Investments in other assets	149	0	0	149
Balance sheet total	**139,155**	**44,515**	**25,404**	**208,835**

2005 in EUR k	Germany	Rest of Europe	North America	Group
Carrying amount of property, plant and equipment	32,883	3,321	0	36,204
Investments in property, plant and equipment	8,111	1,684	0	9,795
Carrying amount of intangible assets	41,520	709	0	42,229
Investments in intangible assets	1,982	498	0	2,480
Other asset items	66,425	37,602	15	104,042
Investments in other assets	15	0	0	15
Balance sheet total	**140,828**	**41,632**	**15**	**182,475**

Consolidated revenues were generated in the following regions:

in EUR k	2006	2005	Change
Germany	92,390	92,748	–358
Rest of Europe	139,759	123,258	16,501
North America	24,925	5,484	19,441
Rest of world [1)]	4,291	4,297	–6
Total	**261,365**	**225,787**	**35,578**

[1)] Mainly Asia and Australia

Company Merger in 2006

With effect from January 1, 2006, the Company assumed all of the significant assets and liabilities of Mark VII, US. Mark VII Equipment Inc. is a leading US manufacturer of car wash systems. Its main products include touch-free high pressure washing systems that are developed and produced in Arvada, Colorado, USA.

The purchase price has since risen to approx. USD 23m. The sellers granted a purchase price payment deferral of USD 1.85m that will fall due for payment in 2007. The purchase price was paid out of the Company's reserves, as well as from borrowed funds.

The acquisition gave rise to around EUR 1,000k in incidental acquisition costs for due diligence and other transaction costs. Due diligence reviews were performed for all key areas, e.g. for legal, economic, IT and market risks.

The amounts for the assets and liabilities contained in the purchase price are set out below, in terms of market values and carrying amounts, in accordance with IFRS 3:

Mark VII Equipment Inc. in EUR k	Fair value	Carrying amounts
Trade receivables	4.850	4.933
Other assets	198	198
Inventories	2.644	3.003
Property, plant and equipment	784	438
Intangible assets	1.117	0
Trade payables	2.436	2.436
Provisions	4.135	2.029
Non-current liabilities	100	100
Accruals and deferrals	41	41

Goodwill totaling EUR 17.7m covers the fair value of the expected synergies.

The consolidated result includes a loss for the period of –EUR 454k and revenues of EUR 24,925k.

Events After the Balance Sheet Date and Before Approval of the Financial Statements

In an agreement dated December 12, 2006, the Company concluded the 100% takeover of shares in the Spanish company Motor Mediterraneo S.A. The agreement was concluded subject to a condition precedent. The Company obtained control of the latter at the beginning of January 2007 once the contractual obligations had been fulfilled.

Motor Mediterraneo S. A., which has its registered office in Barcelona and a branch in Madrid, had been the exclusive dealer of the WashTec Group in Spain since 1964. The owner-managed company markets, installs and maintains car wash systems with a workforce of over 30. Over the past few years, Motor Mediterraneo has generated revenues of around EUR 7m and has generated sustained, positive net results.

A purchase price of EUR 6.3m was agreed, whereby the Company assumed cash and cash equivalents totaling around EUR 3.7m.

The Company incurred EUR 145k in incidental acquisition costs for due diligence and other transaction costs, among other things, in connection with the acquisition. Due diligence reviews were performed in all areas, e.g. for legal, financial, IT and market risks.

The preliminary goodwill amounts to EUR 1m.

According to preliminary estimates, the following amounts for assets and liabilities are contained in the purchase price:

Motor Mediterraneo in EUR k	Carrying amount
Cash and cash equivalents	3.7
Trade receivables	2.4
Inventories	1.1
Goodwill	0.4
Trade payables	1.7
Other liabilities	0.1

At present, no fair value valuation is available for the assets and liabilities.

The Company's Executive Bodies

Management Board

Thorsten Krüger, Weissenhorn, Germany
Spokesman of the Management Board
Sales, Marketing, Strategic Service and Development

Jürgen Lauer, Weissenhorn, Germany
Finance, Personnel, IT, Law and Supply Chain
Mr. Lauer resigned from the Management Board of his own accord with effect from December 31, 2006 and assumed a position on the Supervisory Board.

Christian Bernert, Augsburg, Germany, assumed responsibility for Mr. Lauer's duties with effect from January 1, 2007.

Remuneration

The 2006 annual general meeting resolved, with a majority of 93.3%, not to supply the information required in Sec. 285 Sentence 1 No. 9a Sentences 5 to 9 and Section 314 (1) No. 6a Sentences 5 to 9 HGB, in particular, the information on the remuneration of individual members of the management board for fiscal years 2006 and 2007.

The remuneration paid to the management board members, which is set by the supervisory board, takes into account the duties of the respective management board member, his/her personal performance, and the overall performance of the management board. It also considers the economic position, success and future prospects of the Company and the Group with reference to the comparable environment. The supervisory board assesses the appropriateness, and the structure of the remuneration system, as well as the remuneration of both the management board as a whole and the individual management board members on an annual basis. The remuneration of the management board members is made up of a fixed salary and variable components. Furthermore, the management board members are provided with a company car and a housing allowance. The variable remuneration components include annually payable components linked to business performance and components with a long-term incentive effect and risk elements. Expenses for these short-term employee benefits total EUR 1,057k (comparable figure prior year: EUR 559k). As far as the remuneration with a long-term incentive effect and risk elements is concerned, individually agreed virtual stock option plans (phantom stocks) were, and continue to be in place for the management board members holding office at the relevant point in time. The terms and conditions of the virtual stock plans did, and do not provide for any possibility of limitation for extraordinary, unforeseen developments.

The first virtual stock option plan ran until December 31, 2005. The scheme provided for stock price-related cash payments to the beneficiaries (share price less EUR 1.00 multiplied by 525,000). The stock price was calculated as the average Xetra price at 5 p.m. in each case, for the ten trading days following the publication of the separate financial statements as of December 31, 2005. Management board members who resigned prematurely were only entitled to a payment in relation to the period served. To counter the dilution resulting from the capital increase in 2005, a second virtual stock option plan (stock price less EUR 5.00 [issue price of capital increase] multiplied by 350,000) was also established for members of the management board in office at that time based on the same conditions, with respect to stock price calculation and payment terms, as for the first scheme.

The management board members waived part of their share-based payments to the benefit of employees.

The remaining amount of EUR 7,998k fell due for payment in April 2006. In order to present a consistent presentation of the Company's liquidity situation, partial payments were postponed until June, September and December. These partial amounts bore interest at a rate of 4% as a means of compensation. In the prior year, a provision amounting to EUR 5,353k was recognized for this share-based scheme.

Since the old schemes expired, a new virtual stock option plan is now in place for the members of the management board that will run until December 31, 2008. The scheme provides for stock price-related cash payments to the beneficiaries (stock price minus the final price for the first scheme of EUR 15.43 multiplied by up to maximum 750,000). The share price is calculated as the average rate of XETRA at 17:00 hrs on each of the ten days trading following the publication of the separate financial statements as of December 31, 2008.

Management board members who resign prematurely are only entitled to a payment in relation to the period served. According to the plan, the payments will fall due in 2009.

The provision as December 31, 2006, which is calculated using the Black Scholes option pricing model, is based on a stock price of EUR 13.84, an average volatility over the last year of 33.18% and a risk-free interest rate of 4%. The information on the stock price and volatility is based on the publications of reputable German banks in each case. The provisions for phantom stock in fiscal year 2006 amounted to EUR 600k.

In 2007, the Company plans to resolve a new, "standard" stock option scheme designed for the management board members in exchange for weighing the rights arising from the existing virtual stock option plan. A corresponding resolution will be presented to the annual general meeting in May 2007.

Following the termination of their contracts of employment, the members of the management board are entitled to a remuneration corresponding to 50% of the short-term payments most recently paid to the member in question as a consideration for the exercise of a covenant of non-competition.

Furthermore, individual members of the management board were granted an entitlement to a severance payment corresponding to one fixed annual salary following termination of their contracts of employment. None of these commitments were recognized in profit or loss in 2006.

Since 2003 no pensions are granted to members of the management board.

Shares held by members of the management board	2006	2005
Thorsten Krüger	0	0
Jürgen Lauer (until December 31, 2006)	0	0
Christian Bernert (since January 1, 2007)	0	0

Related Party Transactions

Payments from consultant contrascts to members of the supervisory board amounted to EUR 0k (prior year: EUR 15k). At the balance sheet date, there were no consultant contracts with members of the supervisory board. One former member of the management board waived his pension claims vis-à-vis WashTec AG on the basis of a settlement agreement with the Company and also made cash payments totaling EUR 1,078k. In the fiscal year, the Company concluded a settlement agreement with a former member of the management board on an amount of EUR 55k for outstanding bonus payments; this amount was also paid out in the period under review.

A provision of EUR 978k recognized on a pro rata basis for share-based payments was recognized in 2005 for a former board member. This related to the same scheme as that for the existing management board members. In the year under review, EUR 1,430k was paid out in this connection.

In the year under review, Washtec Cleaning Technology GmbH acquired technology for a hydraulic conveyor tunnel system from an interim general manager of one of the WashTec Group's foreign entities for a price of up to EUR 2,000k upon fulfillment of certain contractually agreed earn-out clauses.

The terms and conditions of the transaction are arm's length.

Supervisory Board

Alexander von Engelhardt (Chairman)
Dipl.-Ing. and independent businessman, Kronberg, Germany
Supervisory board member at the following entities:
- Singulus Technologies AG, Kahl/Main, Germany (Chairman until June 23, 2006)
- Tarkett Sommer AG, Frankenthal, Germany (until December 31, 2006)

Robert A. Osterrieth (Deputy chairman until December 31, 2006)
Lic. oec. HSG and investment advisor, London (UK)
Director of German Venture Managers (2000) Limited, Hamilton, Bermuda
Supervisory board member at the following entity:
- Pari Capital AG, Munich, Germany

Michael Busch (Deputy chairman since January 1, 2007)
Independent management consultant and managing director of Cobe Consult GmbH, Berlin, Germany
Supervisory board member at the following companies:
- Rinol AG, Renningen, Germany (Chairman), Member until July 31, 2006
- Kampa AG, Minden, Germany (thereof Deputy Chairman until February 9, 2007)
- Hamatech AG, Sternenfels, Germany (Deputy Chairman since January 22, 2007)
- Sto AG, Stühlingen, Germany
- Schimmel Verwaltungsgesellschaft mbH, Brunswick, Germany (Chairman of the advisory board since January 1, 2007)
- J.N. Köbig GmbH, Mainz, Germany (Member of the advisory board)

Jürgen Lauer (since January 1, 2007)
General Manager of JüLa Beteiligungs GmbH

The remuneration of the supervisory board contains a variable component which is calculated on the basis of earnings per share in accordance with IAS 33. The total remuneration amounts to EUR 196k (prior year: EUR 193k).

Number of shares held by the supervisory board	2006	2005
Alexander von Engelhardt	0	0
Robert A. Osterrieth (until December 31, 2006)	0	0
Michael Busch	0	0
Jürgen Lauer (since January 1, 2007)	0	0

Declaration of Compliance With the Corporate Governance Code Pursuant to Sec. 161 AktG

WashTec AG has issued the declaration for 2006 pursuant to Sec. 161 AktG and made this available to the shareholders at www.WashTec.de.

The management board endorsed the consolidated financial statements on February 15, 2007 and immediately passed them on to the supervisory board for review.

The financial statements and the consolidated financial statements will be approved at the supervisory board meeting on March 20, 2007.

Augsburg, Germany, February 15, 2007

WashTec AG

Thorsten Krüger Christian Bernert

Audit Opinion

We have issued the following audit opinion on the consolidated financial statements, the annual financial statements – the audit of which we have reported on separately – and the combined management report for the Company and the Group:

"We have audited the annual financial statements, comprising the balance sheet, the income statement, and the notes to the financial statements, together with the bookeeping system, of WashTec AG, Augsburg, Germany, and the consolidated financial statements it prepared, comprising the balance sheet, the income statement, the notes to the consolidated financial statements, the cash flow statement and the statement of recognized income and expense, together with the combined management report for the Company and the Group for the fiscal year from January 1, 2006 to December 31, 2006. The maintenance of the books and records and the preparation of the annual financial statements in accordance with German commercial law and the preparation of the consolidated financial statements and the combined management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ["Handelsgesetzbuch": German Commercial Code] are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and on the consolidated financial statements and on the combined management report prepared by the Company based on our audit.

We conducted our audit of the annual and consolidated financial statements in accordance with Sec. 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 annual financial statements in accordance with [German] principles of proper accounting and in the consolidated financial statements in accordance with the applicable financial reporting framework and in the combined management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and 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 books and records, the annual and consolidated financial statements and the combined management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual and consolidated financial statements and the combined 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 annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with [German] principles of proper accounting, and the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The combined management report is consistent with the annual and consolidated financial statements, and as a whole provides a suitable view of the Company's and the Group's position and suitably presents the opportunities and risks relating to its future development."

Munich, Germany, March 19, 2007

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Broschulat	Schönhofer
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

FINANCIAL STATEMENTS OF WASTHEC AG (SHORT-FORM HGB)
BALANCE SHEET WASHTEC AG

Fixed assets	Dec. 31, 2006	Dec. 31, 2005	Change
	EUR k	EUR k	2005/2006
Non-current assets			
Intangible assets	0	0	0
Property, plant and equipment	18,381	4,645	13,736
Financial assets	124,674,653	124,674,653	0
	124,693,034	**124,679,298**	**1,374**
Current assets			
Receivables from affiliated companies	13,103,758	17,057,356	–3,953,598
Other assets	387,603	131,746	255,857
	13,491,361	17,189,102	–3,697,741
Prepaid expenses	**38,761**	**21,856**	**–21,856**
Total assets	**138,223,156**	**141,890,256**	**–3,667,100**

Equity and liabilities	Dec. 31, 2006	Dec. 31, 2005	Change
	EUR k	EUR k	2005/2006
Equity			
Subscribed capital	40,000,000	40,000,000	0
Capital reserve	89,089,761	89,089,761	0
Accumulated profit	5,021,366	4,540,100	481,266
	134,111,127	**133,629,861**	**481,266**
Accruals			
Accruals for pensions	0	223,740	–223,740
Accruals for taxes	122,710	123,110	–400
Other accruals	1,877,572	6,742,559	–4,864,987
	2,000,282	**7,089,409**	**–5,089,127**
Liabilities			
Bonds	0	51,129	–51,129
Liabilities to banks	0	1	–1
Trade payables	135,386	309,190	–164,804
Liabilities to affiliated companies	65,092	287,288	–222,196
Other liabilities	1,911,269	532,378	–1,378,891
	2,111,747	**1,170,986**	**940,761**
Total equity and liabilities	**138,223,156**	**141,890,256**	**–3,667,100**

INCOME STATEMENT OF WASHTEC AG

	Dec. 31, 2006	Dec. 31, 2005	Change
	EUR k	EUR k	2005/2006
Sales	5,457,734	6,067,730	–609,996
Other operating income	1,288,912	296,645	992,267
	6,746,646	**6,364,375**	382,271
Personnel expenses			
a) Wages and salaries	5,983,836	6.516,141	–532,305
b) Social security and other benefit costs	58,488	39,836	18,652
thereof for old-age pensions: EUR 25,557 (prior year: EUR 5,128)			
Amortization, depreciation and impairment of intangible assets and property, plant and equipment	4,483	3,045	1,438
Other operating expenses	1,257,559	2,747,876	–1,490,317
	–7,304,366	**–9,306,898**	**2,002,532**
	–557,720	**–2,942,523**	**2,384,803**
Income from profit and loss transfer agreements	651,235	594,814	56,421
Dividends distributed to affiliated companies	0	3,000,000	–3,000,000
Other interest and similar income	3,677	10,868	–7,191
Interest and similar expenses	–852	–1,023	171
	654,060	**3,604,659**	**–2,950,599**
EBIT	96,340	662,136	–565,796
Income taxes	–384,926	1,499	–386,425
Other taxes	0	0	0
	–384,926	**–1,499**	**–386,425**
Net income for the period	481,266	660,637	–179,371
Profit carryforward	4,540,100	3,879,463	660,637
Accumulated profit	**5,021,366**	**4,540,100**	**481,266**

Arthur Wessels, Netherlands

Miss Gupta, India

Alfred Zach, Austria

AHEAD OF ITS TIME

SoftCare® Juno: The patented SoftCare® Juno double roll-over wash system is currently the fastest wash system on the market and therefore covers the premium segment needing a great variety of programmes and a large number of washes but with limited space. With the optimised application of 4 washers and 6 dryers, the double system manages to handle up to 18 cars per hour and thus up to 50% more passes than other roll-over wash systems.

The SoftCare® Juno is the ideal solution for all operators with high customer frequency and a normal wash hall who want to maximise the returns of their wash business: top locations reach more than 1,200 washes per month.

Gerhard Stadler, Austria

Jan Olszewski, Poland

FURTHER INFORMATION

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Associated companies	see Subsidiaries
automechanika	World's largest trade fair for petrol stations and petrol station equipment providers. Held every two years in Frankfurt am Main, Germany
Cash flow	Cash balance from inflows and outflows of funds
Cash flow statement	Consideration of liquidity development/cash flows taking into account the source and application of funds during the financial year
Consolidation	Group financial statements prepared as if all the group companies were dependent sub-operations of a commercial unit. Accordingly, intra-group balances are eliminated
Corporate governance	Responsible corporate management and supervision geared towards generating a sustainable increase in corporate value
Current assets	Assets intended to be used for business operations on a short-term basis
DAX	German stock market index. Calculated on the basis of the weighted prices of 30 leading German shares
Deferred items	Transactions in the period under review that relate to a period after the balance sheet date
Deferred taxes	Timing differences between taxes calculated in the financial statements and their tax base intended to allow the reporting of the tax expense in accordance with commercial law
Designated sponsor	A bank that assumes management duties in respect of shares. It undertakes to set binding price limits for the purchase and sale of shares and thus facilitates continuous trade on the XETRA system of Deutsche Börse AG
DRSC	Abbreviation of "Deutsches Rechnungslegungs Standard Committee" e.V. National committee, which among other things pursues the development of recommendations (Standards) governing application of international accounting principles in accordance with the HGB
EBIT	Earnings before interest and taxes
EBITDA	Earnings before interest, taxes, depreciation and amortisation
EBT	Earnings before taxes
Equity	Funds made available to the company by the owners through contributions and/or deposits or from retained profits
External funding	Overall term for the provisions, liabilities and deferred income reported on the liabilities side of the balance sheet
Free float	Part of share capital in broadly dispersed ownership
General Standard	Stock market segment of Deutsche Börse AG for listed companies engaged in official trading. In existence since 1 January 2003, see also Prime Standard

Goodwill	Difference between the fair value and net worth of an acquired company
HGB	Abbreviation for *Handelsgesetzbuch* (German Commercial Code)
IAS/IFRS	International Accounting Standards. Internationally applicable standards issued by the International Standards Board (IASB) governing the external reporting of companies designed to achieve global harmonisation in accounting practices.
KonTraG	*Gesetz zur Kontrolle und Transparenz im Unternehmensbereich* (German Corporate Control and Transparency Act)
Letter of comfort	Formal commitment – e.g. from a parent company on behalf of a subsidiary – to a bank as loan collateral
Market capitalisation	The market price of a listed company. Calculated as the listed value of the share multiplied by the total number of shares
Net indebtedness	Balance of interest-bearing assets and liabilities (amounts due to banks and bills payable less current securities and cash and cash equivalents)
Non-current assets	Assets intended to be used for business operations on a permanent basis
PER	Abbreviation for “price-earnings ratio”. Important ratio used to assess the earnings power and development of a company compared to one or several other companies. It shows the relationship between the total gains and losses per individual share and the price of the share. The lower the PER, the better.
Prime Standard	The new Prime Standard segment for shares and share certificates with uniform follow-up obligations for listings – in addition to the General Standard with the statutory minimum requirements of the Official Market or Regulated Market – in existence since 1 January 2003. The Prime Standard is tailored for companies that also want to position themselves for international investors. They must meet high international transparency requirements in addition to those of the General Standard
R & D	Abbreviation for research and development
Return on equity	Ratio of net profit for the period to equity
Risk management	Systematic procedure to identify and evaluate potential risks, select and implement measures for countering risks
SDAX	SDAX is the prime index for 50 smaller businesses, “smallcaps”, which follows the values contained in the MDAX® in respect of order book sales and market capitalisation
Subsidiaries	All companies that are directly or indirectly subject to the control of a parent company as a result of a majority holding and/or common management
Xetra trading system	Electronic stock market trading system

FINANCIAL CALENDAR 2007

31 March 2007	Annual report 2006
22 May 2007	Annual General meeting, Augsburg
May 2007	Q1 report
August 2007	Q2 report
November 2007	Q3 report
12 to 14 November 2007	Analysts' conference German Equity Forum, Frankfurt

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