2007 ANNUAL REPORT

Unaudited translation for convenience purposes only

WashTec

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.

WashTec Aims 2010:
Revenues €310m to €340m
EBIT margin 12 to 14%

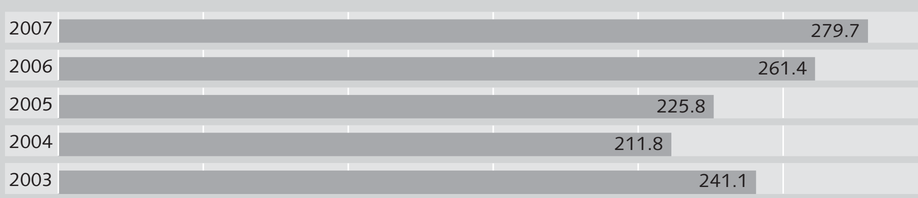
GROUP LEVEL KPIS

In €m	**2007**	2006	2005	2004	2003
Revenues	**279.7**	261.4	225.8	211.8	241.1
Domestic	**94.1**	92.4	92.7	90.2	111.9
Abroad	**185.6**	169.0	133.1	121.6	129.2
EBITDA	**36.0**	32.6	26.1	21.4	–1.0
EBIT	**28.9**	24.9	19.4	9.1	–15.7
EBT	**25.0**	21.0	15.0	1.0	–23.9
Net earnings	**12.6**	12.5	9.4	–3.2	–18.0
Earnings per share €*	**0.83**	0.82	0.81	–0.42	–2.37
Net cash flow	**21.6**	22.4	23.7	18.1	0.0
Investments					
(excl. finance lease)	**5.8**	10.9	10.5	4.1	2.9
Balance sheet total	**211.3**	208.8	182.5	170.1	206.7
Equity	**72.7**	61.7	49.3	4.0	7.2
Employees**	**1,529**	1,412	1,309	1,361	1,600

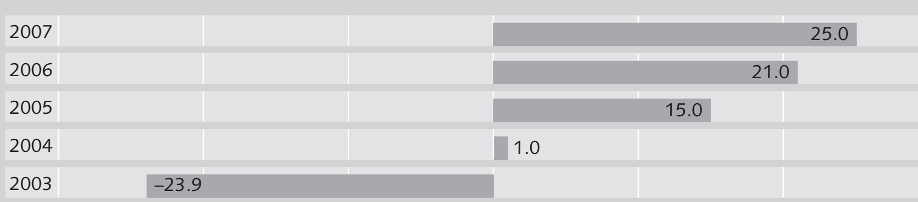
* 15.2m 2005: weighted average 11.653m ** on an annual average

WASHTEC – A »HIDDEN CHAMPION«

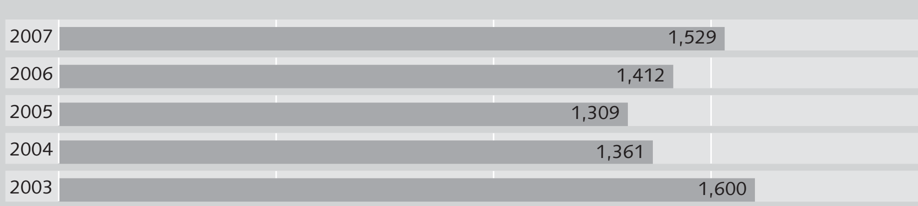
REVENUES, EARNINGS, EMPLOYEES



Revenues in EUR million



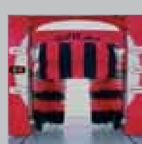
Earnings before taxes in EUR million



Average number of employees in the year

WASHTEC PRODUCT RANGE

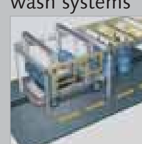
Products (around 2/3 of sales)


Roll-over systems


Self-service wash systems

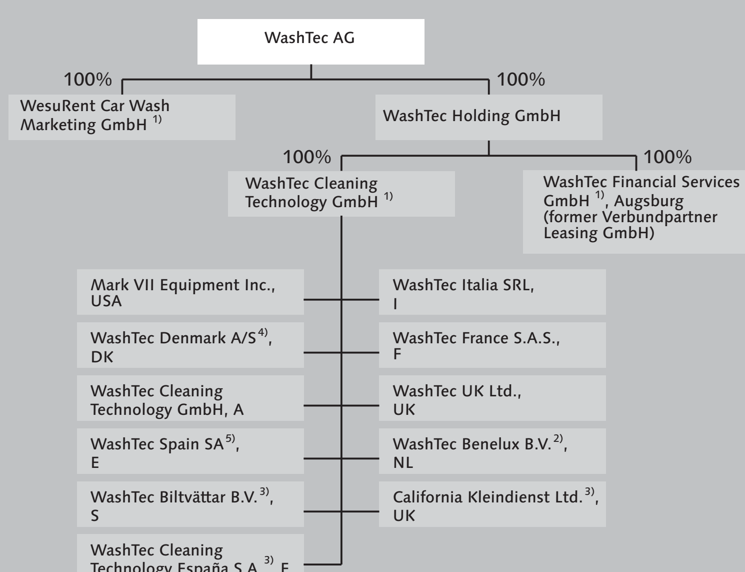

Water reclaim systems


Commercial wash systems


Wash conveyors

Service (around 1/3 of sales)	■ Full service ■ Call-out service ■ Replacement parts
Facility management	■ WesuRent Carwash Marketing
Financing	■ WashTec Financial Services (former VPL-Verbundpartner Leasing)

CORPORATE STRUCTURE



1) *Controlling and profit and loss transfer agreement*
2) *Subgroup with Benelux Carwash Management B.V., Zoetermeer, NL, WashTec Benelux Administrative, Zoetermeer, NL and WashTec Benelux N.V., Brussels, Belgium, whose results are disclosed by WashTec Benelux B.V., Zoetermeer, NL.*
3) *The company is currently inactive*
4) *Incl. offices in Norway*
5) *Incl. Svitta Motors SA*

As of Dec 31, 2007

WashTec –
Leading Partner in Carwash Business

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

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

WashTec has communicated its medium term goals 2010 on its first investor day in Augsburg in September. The expansion of our offerings along the carwash value chain in connection with country specific strategies for all global focus markets form – in addition to projects set up to increase efficiency – an integral part of our strategy.

We want to increase our revenues to more than €310m and lift our EBIT margin up to between 12% and 14% by 2010. In this annual report we want to show you all elements of the carwash value chain as well as the strategies for the focus markets. Enjoy reading!

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

WashTec – Leading Partner in Carwash Business

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Thorsten Krüger
Spokesman of the
Management Board

TO OUR SHAREHOLDERS

Dear shareholders, business partners, employees and friends of our company,

WashTec – »a hidden champion«?

2007 – a successful year for WashTec

A glance at the inner cover page of our Annual Report for this year will show you what distinguishes WashTec from its competitors: market leadership, a unique sales and service network and by far the largest longterm customer base. Together, these characteristics provide the foundation for our future business success with high expectations regarding returns and cashflows. This year, we are delighted to be able to report on yet another successful fiscal year at WashTec AG – a fiscal year in which both revenues and earnings exceeded the previous years once again.

Focus 2007:

- *Strengthening of Sales and Service in the US*
- *Acquisition in Spain*
- *Rollout of NEW SoftWash, MaxiWash Vario and SoftLine Express*

We met our set targets for 2007: with revenues of € 279.7m and EBIT of € 28.9m, our operating income margin stands at 10.3% – which corresponds to revenue growth of 7% and an increase in the EBIT-margin of 0.8 percentage points compared to 2006. After a somewhat slower first half, revenues grew as expected especially in the second half of the year. In the last quarter of the year, revenue growth achieved over 10%. The growth markets in southern, central and eastern Europe, as well as the US, made a particular strong contribution to the growth development in 2007. In our core European markets, revenues were at the previous year level. This means that we continue to clearly be the market leader in Europe, and we remain the largest provider worldwide.

We successfully launched the products unveiled at the end of 2006, such as the NEW SoftWash roll-over system, the MaxiWash Vario commercial wash system and the SoftLine Express wash conveyor. In addition, we stepped up our activities in southern Europe with the takeover of our Spanish sales partner. In the US we prepared our subsidiary, Mark VII, for further growth with the expansion of our direct sales and service organization. At the same time, a number of other projects, such as sourcing activities in Asia, were launched in order to further increase the Group's efficiency in the future.

Our new Spanish subsidiary, formed as a result of the takeover of our Barcelona-based sales partner at the beginning of the year, showed a positive business development. Following our strategic focus to expand our operation business we have started operation of new sites on behalf of our customers in both Germany and abroad – further sites are in the realization stages. It is becoming increasingly apparent to us that our customers see us as a one-stop carwash solutions provider, and that their demand for corresponding service offerings is increasing. This means that our profile is shifting from being a machine and service provider to becoming a one-stop carwash solutions provider – and this is what we are increasingly focusing our efforts on.

Two years after the acquisition of Mark VII, we have made considerable progress in North America. Our revenues in the US have grown by approximately 23% year-on-year in Euro terms, and by over 35% in US-dollar terms. This growth was driven primarily by our activities aimed at improving our sales and service structures. We launched our own activities in the North-East of the US, Texas, Tennessee and Michigan. In the second half of the year, the market launch of our newly developed wash conveyor SoftLine Express allowed us to prove our systematic efforts to expand and revamp the Mark VII product range. The successful realization of the integration- and reorganization projects in 2006 showed first results in 2007, especially in the production area.

Identification of further potentials for improved efficency

In addition to our successfully realized projects we have identified further potential in a number of areas that we aim to exploit in the future. This applies, for example, to working capital, and in particular to inventories. Further efficiency and cost optimization projects have been launched in all areas.

Mid-term objectives communicated on first investor day

WashTec's share price performance was a disappointment despite the encouraging business development. The negative share price performance in 2007 has continued at the beginning of 2008. The development is in line with the market trend, but we believe it does not reflect our successful business development or the actual value of WashTec. As a result, we have further stepped up our Investor Relations activities and used our first investor day in Augsburg in September to communicate our mid-term objectives of annual revenue growth of 4% –7% and an increase in our EBIT margin to 12%–14% until 2010.

The prospects for WashTec are good: the carwash business is attractive and is still gaining ground, in particular in the growth markets. We cover all of our focus markets with our own organizations or sales partners. Our full service offering and long-term customer relationships allow us to continuously to generate a high percentage of recurring revenues.

This Annual Report will give you an insight into our full service offering, which covers the entire carwash value chain. We believe that being the market leader means not only offering products and services, but also providing our customers with a full service package, ranging from financing models to marketing services and the operation of entire networks. The further expansion of this comprehensive carwash offering for our customers at home and abroad forms a key component of our strategy. The individuals responsible for our focus markets in Europe, the US, central and eastern Europe and Asia will explain their individual strategies in this Annual Report.

We would like to thank our shareholders, employees and business partners for the support they have given us over the past year and hope that they will continue to follow our activities attentively and with interest in the future.

Our targets for 2010: Revenues in excess of € 310m with an EBIT margin of 12%–14% – see our »Strategy for 2010« section for more details.

WashTec, a hidden champion? Decide yourself.

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 sourcing.

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

Mr. 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. Until 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 following the acquisition of Mark VII Equipment Inc., USA. As of January 1, 2007 Christian Bernert was appointed as CFO of the WashTec Group.

Michael Busch,
Chairman of the supervisory board

REPORT OF THE SUPERVISORY BOARD

Dear Shareholders,
Ladies and Gentlemen,

The work of the supervisory board is characterized by efficiency and professional expertise

During the fiscal year 2007, the supervisory board supervised the activities of the Company's management board and was regularly informed of business developments and the position of the Group in timely written and verbal reports by the management board. The management board provided, and continues to provide the supervisory board with monthly written reports on the course of business, and also provided additional reports on request. The supervisory board made use of its right to inspect further company documents. Corporate planning and the Company's strategy were reviewed in detail at meetings and deliberated with the management board. The supervisory board took a close look at the growth strategy of the WashTec Group and the medium and long-term strategic focus of the Company. The supervisory board subsequently received a written report of the strategy and corporate plans adopted by the management board. This gave the supervisory board an in-depth 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.

The main issues covered at the supervisory board meetings in fiscal year 2007 were:

- Discussing the results of the Group and its subsidiaries over the past fiscal year, the status of the risk management system, resolutions in accordance with section 124 III AktG on the proposals made by the supervisory board with respect to the agenda items for the Annual General Meeting on May 22, 2007;
- Preparation and implementation of the resolutions of the Annual General Meeting on the launch of a stock option program for the management board and management executives, as well as a share buy-back program;
- Consultation and resolution on a long term incentive program for the first management level;
- Comparison of business development against the budgeted figures, as well as the respective interim financial statements, discussion of the business development on the US focus market, the development and focus of the Supply Chain and Service areas; resolutions on acquisitions and investments, as well as the formation of a company in China;
- Securing the company's competitiveness by taking a number of measures, including the conclusion of a supplementary collective wage agreement to increase the weekly working hours and equivalent waivers by employees of management level;
- Discussion and approval of the corporate plans and medium-term projections, as well as the strategic growth areas and opportunities. Furthermore, the supervisory board discussed the position of the WashTec Group vis-à-vis its competitors and the Company's future strategic focus with the management board. The main issues were the increased emphasis on positioning the Company as a full-service provider and the related expansion of the WesuRent activities, strategic orientation in the US, and moves to enter the Asian focus market;
- The report on compliance organization and the supervisory board efficiency review, (see the Corporate Governance Report for further details).

Main topics 2007:
- *current business development*
- *business of and strategy for the focusmarket USA*
- *securing the company's competitiveness*
- *medium corporate planning*

Extraordinary meetings were held when required to discuss transactions that could be significant for the Company's profitability or liquidity. In fiscal year 2007, the supervisory board held a total of nine ordinary and extraordinary meetings, two of which were held as conference calls. Furthermore, one resolution was passed in writing. At least one meeting was held per quarter. All members of the supervisory board participated in all of the meetings held.

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 in addition to the supervisory board meetings. One member of the supervisory board is responsible for finance activities due to his particular knowledge and experience in the application of accounting and internal control procedures; another member is responsible for supply chain, development and the Asian focus market on the supervisory board due to his expertise. 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 expertise. A detailed report on corporate governance can be found later on in the Annual Report.

The supervisory board consists of three members – an appropriate number given the size of the Company. Supervisory board committees are not required due to the size of the board. 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 48–54 and 106–163.

Changes to the management board and supervisory board

The supervisory board appointed Christian Bernert, Head of Finance for the WashTec Group since 2002 and responsible for the integration of Mark VII Equipment Inc. in Arvada (USA), as the Company's CFO with effect from January 1, 2007 until December 31, 2009. Jürgen Lauer, who was CFO of the Company until December 31, 2006, was appointed as a new member of the supervisory board by means of a resolution of the Local Court of Augsburg dated January 2, 2007.

The supervisory board would like to offer its express thanks to Alexander von Engelhardt. Group. He rendered outstanding services to WashTec.

The supervisory board members were reelected as scheduled at the 2007 Annual General Meeting. The long-standing chairman of the supervisory board of WashTec AG, Alexander von Engelhardt, did not stand for reelection due to his age. The supervisory board would like to offer its express thanks to Alexander von Engelhardt for his successful work for WashTec AG. He played a key role in the successful restructuring and reorientation of the WashTec Group. Alexander von Engelhardt rendered outstanding services to WashTec AG.

The former deputy chairman of the supervisory board, Michael Busch, was reelected as a member of the supervisory board and was appointed chairman at the constituent meeting. Jürgen Lauer was also reelected by the Annual General Meeting and has assumed the role of deputy chairman of the supervisory board. Roland Lacher was elected as the third member. Due to his expertise, he is responsible for Supply Chain and Development within the supervisory board. He also oversees development on the Asian focus market.

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 December 31, 2007 were 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 AG issued an unqualified audit opinion in each case. Ernst & Young also audited the annual financial statements of the Company's major subsidiaries. The supervisory board set the focus of the audit and commissioned the auditor accordingly. The auditor reported directly to the supervisory board on the results of the audit of the annual financial statements.

As part of the audit of the annual financial statements of WashTec AG, 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 that could jeopardize 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 Limited Companies Act (Aktiengesetz), and that these measures are suitable for identifying developments that could endanger the Company's continued existence early on. The supervisory board has dealt with the risk management of WashTec AG in detail and is of the opinion that it is efficient and informative.

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 December 31, 2007 and the management board's proposal on the use of 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 financial statements, the combined management report and the management board's proposal on the use of retained earnings were the subject of the supervisory board meeting held to adopt the accounts on March 19, 2008. The management board also provided a report on the development of the Company's profits at this meeting.

The auditor attended these meetings and reported to the supervisory board on the results and key elements of its audit. All questions by the members of the supervisory board were answered in full. 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 reports, as well as the management board's proposal on the use of retained earnings itself. This examination by the supervisory board did not result in any objections. The supervisory board approved the annual financial statements of WashTec AG prepared by the management board and the consolidated financial statements at its meeting held to adopt the accounts. As a result, the annual financial statements of WashTec AG are approved. The supervisory board consented to the management board's proposal on the use of retained earnings.

Fiscal year 2007 was a successful one for WashTec AG and the entire Group. The WashTec Group was able to further expand its position as the leading supplier of innovative solutions along the carwash value chain worldwide. The Company has a solid base and is well prepared to realize new potentials for growth and efficiency in the years to come.

Fiscal year 2007 was a successful one for WashTec AG and the entire Group. The Company has a solid base and is well prepared to realize new potentials for growth and efficiency in the years to come.

The supervisory board would like to thank all employees and the management board for their excellent work.

Augsburg, March 2008

Michael Busch
Chairman of the supervisory board

HIGHLIGHTS 2007

Q1

- Stable business performance:
  Revenue at € 60.3m (prior year: € 59.5m);
  EBIT at € 2.6m (prior year: € 1.1m)

- Takeover of longterm dealer in Spain
  Product launches of the NEW SoftWash and MaxiWash

- Successful start in the USA:
  Presentation of a conveyor tunnel designed especially for the US market

- Implementation of the European logistic concept, gradual direct supply of European subsidiaries

Q2

- Revenue at € 129.3m (prior year: € 125.9m); strongest growth in southern, central and eastern Europe and the US;
  EBIT at € 8.6m (prior year: € 7.8m)

- Continuing positive business performance in the US,
  further expansion of the direct business in the US

- Collective agreement in Germany concluded: gradual increase of the regular weekly working hours to 37h in 2008

- Re-election of the supervisory board;
  annual general meeting resolves a regular stock option plan and a share buy-back program



Q3

- Dynamic revenue growth in the third quarter; after three quarters revenues exceed € 200m for the first time (€ 200.1m; prior year: € 190.2m); EBIT at € 17.2m (prior year: € 13.2m)
- Dynamic business development in the European core markets, continuing positive business performance in the US. Takeover of the distributor in Texas and start of own activities in the North-East of the US.
- 767,000 stock options granted and share buy-back program started
- Goals 2010 announced on the first investor day in Augsburg with visitors from Germany, France, Italy, Great Britain and Switzerland

Q4

- Q4 revenue at € 79.6m, EBIT at € 11.7m
  Net debt reduced to € 46.2m as of December 31, 2007
- Start of operation of the first two reference sites of the hydraulic conveyor tunnel SoftLine-Express in Germany and the USA
- Award of the SRI-Pass-Status as sustainable Investment
- Equity forum; analyst conferences, one on ones and roadshows in London, Edinburgh, Zurich, Stockholm, Copenhagen and Milan

Set up costs for operator

- Land & Building (i.e. Rent)
- Car Wash Equipment
- Equipment Lease/Rent

Running costs for operator

- Services
- Consumable Business (Water, Elec., Chemicals)
- Operations Marketing, HR, Training, etc.

LOCATION, BUILDINGS

Planning a carwash business begins with the search for the right site. The geographical location, size and competitive situation are the key factors that have to be taken into account when looking for a new site. Roll-over washing systems tend to be installed at gas stations, while carwash conveyors and self-service wash systems are considered if the respective wash potential and size of the site allow for this sort of investment.

Streets with a high volume of traffic located close to shopping centers or a large catchment area tend to be ideal locations. These locations are either purchased or leased with long-term contracts.

In Europe, with the exception of southern Europe, and the US, carwash equipment are generally installed indoors in separate vehicle wash buildings.

CARWASH SYSTEM

The investment required for a carwash system depends on an individual analysis of the respective site and its potential:

- Determination of the planned or existing carwash potential at the site
- Consideration of the general competitive environment in the area. This involves looking at the neighbourhood depending on the planned type of machine (e.g. wash conveyor or roll-over system)
- Calculation of the annual carwash potential of wash system users, as well as the chargeable prices for a carwash, taking the local purchasing power into account

The results of the analysis and the potential carwash revenues represent the basis for a recommendation with respect to the type of system and equipment. The investment required for a roll-over system starts at € 30,000 and can amount to up to € 100,000. The investment required for a wash conveyor, which can wash up to more than 100 vehicles an hour, can total over € 200,000.

Set up costs for operator

Land & Building (i.e. Rent) → **Car Wash Equipment** → Equipment Lease/Rent

Running costs for operator

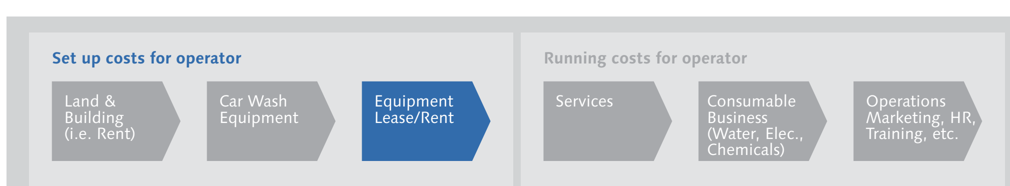
Services → Consumable Business (Water, Elec., Chemicals) → Operations Marketing, HR, Training, etc.


Die „World of WashTec"
hat alles für Ihren Erfolg.
WashTec

FINANCING

Investments in carwash equipment are generally funded by means of external financing by third parties. WashTec Financial Services GmbH, a company of the WashTec Group, provides customers with professional support in choosing the right sort of financing. The preferred type of financing can vary due to country-specific circumstances:

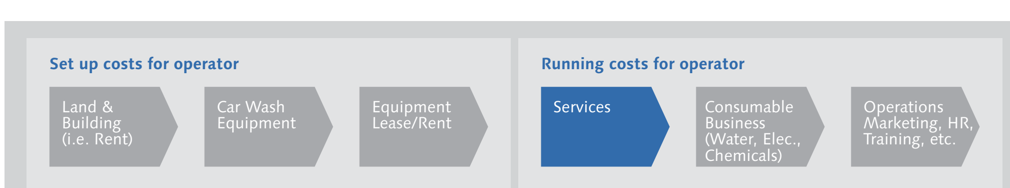
- leasing with full amortization
- leasing with partial amortization
- leasing including full maintenance
- debt financing



SERVICE

Only machines that offer high availability are profitable. This is why service quality is a key prerequisite for the commercial success of the operator. With over 500 own service technicians in Europe, and more than 300 technicians employed at its sales partners, WashTec's service network offers by far the widest coverage with availabilities of over 98%. Depending on the customer's service requirements, there are various types of services that can be agreed on an individual basis:

- Spare parts delivery and service by order
- Inspection maintenance contract: regular maintenance inspections of wear and tear parts and components
- Full service: System maintained in all respects during the entire period of use in return for fixed monthly payments, often combined with leasing




WashTec


ACHTUNG!

Set up costs for operator

- Land & Building (i.e. Rent)
- Car Wash Equipment
- Equipment Lease/Rent

Running costs for operator

- Services
- Consumable Business (Water, Elec., Chemicals)
- Operations Marketing, HR, Training, etc.

OPERATING COSTS

The main operating costs incurred by the systems result from the use of energy, water and chemicals during the wash process.

Water consumption varies depending on whether or not water reclaim systems are used. These systems can reduce consumption by as much as 90%.

Energy costs constitute a significant portion of the incurred operating costs, particularly on some markets.

The right choice and use of chemicals is key to achieving an optimum wash result. The type and dosage depend on the program selected. Operators can considerably improve the washing result as well as the price per wash with high-quality programs, such as hot wax or underbody washing, for example.



OPERATION

As a general rule, roll-over systems installed at petrol stations are operated without additional personnel. The washes are sold by the gas station cashiers. At wash conveyors, customers purchase their wash from the on-site operator who is also responsible for the prewash process.

The cleanliness and condition of the washing facilities and the implementation of the marketing measures require regular monitoring. The WashTec subsidiary Wesurent Carwash Marketing GmbH offers services ranging from regular training for customers to the operation of entire wash system networks on behalf, and for the account of oil companies and network operators.

Set up costs for operator

Land & Building (i.e. Rent) → Car Wash Equipment → Equipment Lease/Rent

Running costs for operator

Services → Consumable Business (Water, Elec., Chemicals) → **Operations Marketing, HR, Training, etc.**

STRATEGY FOR 2010

The objectives WashTec AG aims to achieve by 2010 are clear: increase our revenues to between € 310m and € 340m, and lift our EBIT margin up to between 12% and 14%.

Strategy based on growth- and efficeny projects:

- *country specific strategies for all focusmarkets*
- *Increased efficeny through state of the art processes*

How do we plan to meet these objectives?
WashTec wants to assume a leading position as one-stop carwash provider in all of its focus markets across the globe. Our key growth regions will remain the US and southern, central and eastern Europe. The successful new product launches over the past few years allow us to offer our customers a more modern product portfolio than any of our competitors. Using this base we will continue to expand our service offering, which covers all aspects of the carwash business. Furthermore, we still see potential to further improve our processes and systems in a number of areas. Moreover, we want to further increase our returns by implementing both current and new programs to increase efficiency.

Goals

Expand offering along Carwash Value Chain	Market Leader in Focus Markets	Efficiency
▪ Chemicals ▪ Leasing ▪ Operations support/ operations	▪ Northern and western Europe: maintain dominance in core markets ▪ USA: Become market leader ▪ Central and eastern Europe: Grow with the markets ▪ Southern Europe: Gain market share	▪ Global sourcing activities with focus on Asia ▪ Optimized logistics by state-of-the-art systems ▪ Continuing development of customer oriented service and maintenance processes

North America: establishing ourselves as the market leader

US: Become market leader

Despite having roughly the same number of vehicles as Europe, fewer wash systems are installed in the US market, setting the expectation for us that this market will further grow. Since WashTec's market share in North America is relatively low compared to Europe, we see strong growth potential in this region. The key to higher revenues lies not only in product innovations, but also in improving our market penetration by increasing our regional presence. Therefore we are focusing on continuing to strengthen and expand our own sales and service network. We expect a further consolidation of the still fragmented supplier market to take place in the short to medium term. Therefore the expansion of our sales and service network may include further acquisitions. Our aim is to be the market leader in the US market by 2010.

A wash conveyor specifically designed for the American market, which we unveiled last year at the ICA in Las Vegas, the largest industry trade fair in the US, signaled the beginning of our efforts to revamp the product offering for the US market. Over the next years, we will be launching more innovative products in the US, including both friction and high-pressure systems. Our modern and complementary offering gives us an ideal base for further growth, especially since our product expertise from Europe is a great match for the North American market expertise at our subsidiary Mark VII Equipment Inc.

Our focus in the Americas remains the US market. In the medium term however, we also aim to become more active in Canada and Latin America. We will be looking at these markets more closely over the next few years.

Northern and western Europe: maintaining our market position

Expansion of offerings around the carwash business

The northern and western European carwash markets are characterized by a high density of installed wash systems which are replaced on a regular basis – a large replacement market with stable recurring revenues – both in the equipment and service businesses. As the market leader with the largest installed base we are in an ideal position to maintain our market position and defend our leadership vis-à-vis our competitors. We aim to enable our customers to run profitable carwash businesses by offering them innovative products, processes and services. To us, this means offering our customers more one-stop options for a successful carwash business. As a result, we will further expand our operation business and financial services offerings. We will diversify these offerings where desired, in order to provide our customers the right products along the entire carwash value chain. Our products will also be developed further, and redesigned on an ongoing basis in terms of functionality and design to reflect market demands and to meet the precise requirements of individual customer segments.

Southern Europe: gaining market share

Southern Europe: become market leader

The southern European market is still dominated by the local competitors Istobal (Spain) and Ceccato (Italy). As the global market leader, we want to establish a leading position in these markets. The acquisitions of a small Italian supplier in 2006 and our Spanish dealer at the beginning of 2007 have allowed us to considerably increase our market presence over the past two years. With the NEW SoftWash roll-over system, which was launched in 2007, we have now also extended our product portfolio for these markets.

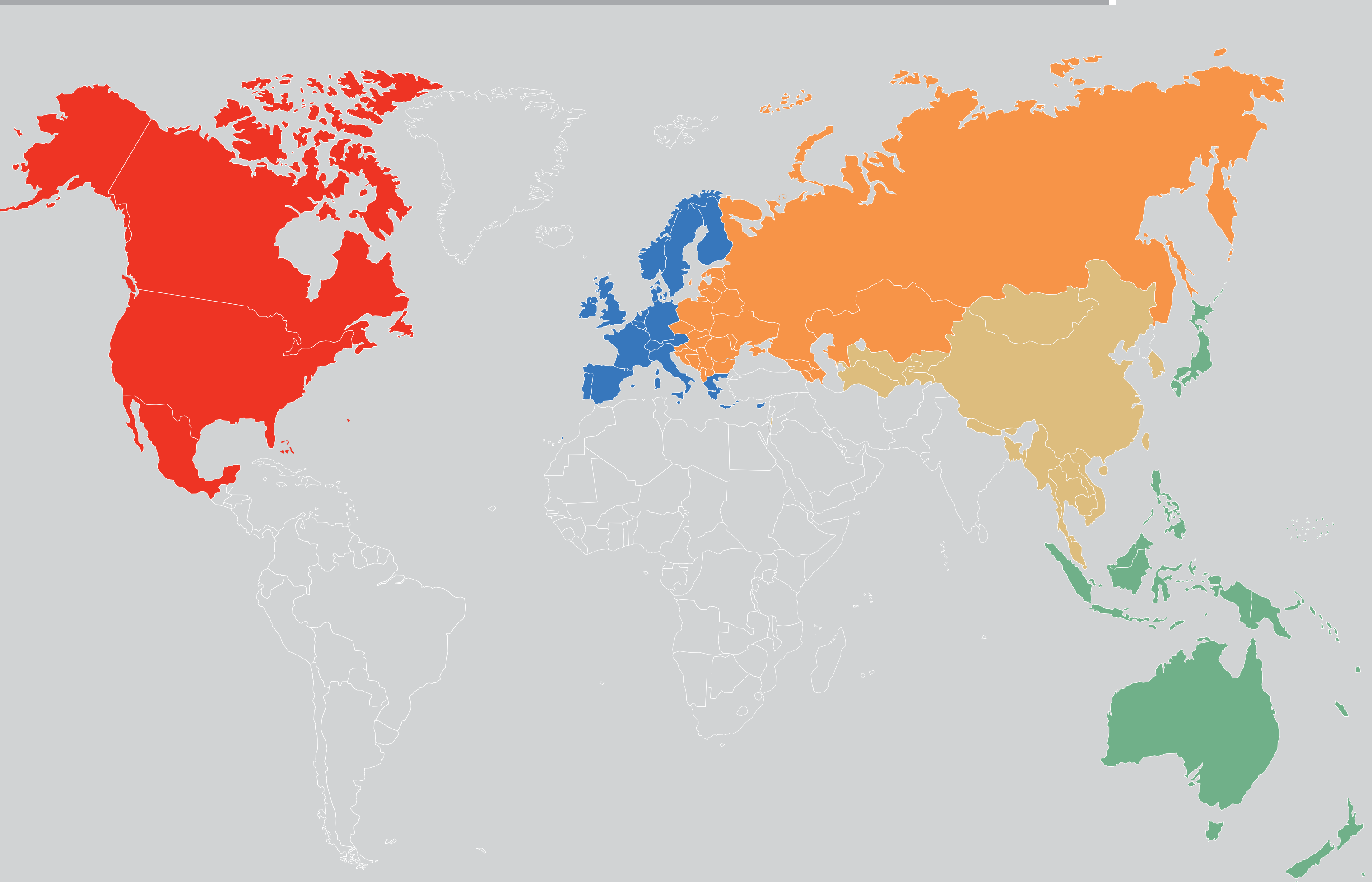
Central and eastern Europe: growing with the market

The number of vehicles in the central and eastern European markets is growing much faster than in the western part of the continent. Increasing economic strength combined with higher salaries will drive a growing demand for automated carwash equipment. In addition to the general economic factors, this trend is confirmed by the increasing commitment shown by major regional oil companies: they are investing an increasing amount in expanding their gas station networks, and are planning to set up carwash facilities in their networks. This means high growth potential for us. In order to exploit the potential offered by these markets, we will be further developing our dealer network over the next few years. This means forging closer integration with our dealer network and, at the same time, analyzing the potential to expand our own sales and service activities. At the same time, we will be increasing our key account management activities in order to offer professional support – especially to regional oil companies that are looking to enter the carwash business. Our aim is to achieve an above-average growth in all key central and eastern European markets.

Asia-Pacific: asessing and monitoring the market

Asia-Pacific: hand washing is still dominant

While individual markets (like Japan, Australia and New Zealand) have a well established automated carwash industry, hand washing is still dominant in large parts of Asia, apart from a small number of local low-tech providers. Since the number of vehicles is growing at a rapid pace, we expect to see rising demand for automatic carwash equipment in the medium term. Furthermore, increasing environmental awareness, capacity limitations in the area of hand washing and the rising costs of water as a resource will help to promote automated washing. In the medium term, we aim to increase our presence in these markets by offering the appropriate products.



NAFTA
- *Increase market share*
- *Product technology transfer from Europe*
- *Expand/acquire sales and service network*

Northern and western Europe
- *Maintain dominance and expand offerings*
- *Continuous optimization of products by continuous innovation*
- *Further penetrate Southern Europe*

Central- and eastern Europe
- *Grow with market*
- *Expand key-account management with focus on local mineral oil companies*
- *Further develop distributors*

Asia
- *Expand sourcing activities*
- *Assess market potential*

Pacific
- *Further develop business/distribution in Australia and New Zealand*

Rest of World
- *Coverage by independant regional sales partners*

One-stop solutions: more comprehensive market penetration

»The World Leading Partner in Carwash Business« – this is what WashTec AG is aiming for. Today, WashTec's core business of sales and service only covers part of the global carwash business. As a result, we aim to pursue our strategy of positioning ourselves as a one-stop carwash solutions provider in an even more thorough manner in the future. Our goal is to become the first comprehensive port of call for our customers with respect to all aspects of the carwash business – which extends far beyond supplying the right equipment and servicing it. We continue to develop and actively offer additional stages of the value chain, from from leasing offerings to consumables and even the operation of carwash networks for our customers. Particularly in our core European markets, where WashTec already has a high market share, expanding our service offering is a key part of our 2010 strategy.

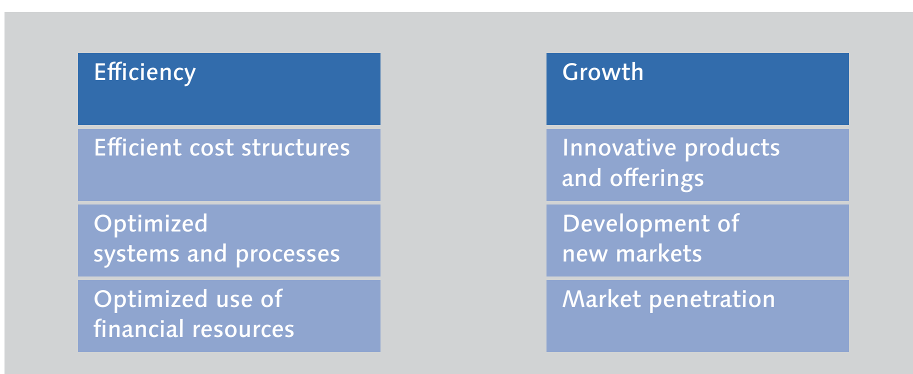
Efficiency programs: optimizing costs and processes
Rising material and labor costs pose a constant challenge to WashTec. We have implemented a number of efficiency projects to continuously improve our cost structures and increase WashTec's profitability and competitiveness with complete state of the art product and service offerings. This covers all areas, such as logistics and service, production and sourcing.

A global sourcing organization, including a team in Asia, will ensure that we take advantage of all sourcing markets. Ongoing design-to-cost measures, as well as product optimization measures, are applied on an ongoing basis in order to optimize the cost and quality of our products.

The primary goal of our Service division lies in ensuring that our machinery offers the highest availability and reliability for our customers as a key prerequisite for our future success. The quality of our machinery and the wide geographical spread of our service network give us a key competitive advantage. We will further improve our systems and processes to both improve the quality of services that we offer to our customers while becoming more efficient.

WashTec still has an exciting future ahead of it! We are confident that the projects set out above will allow us to achieve our strategic objectives for 2010.

Mid-term strategy of WashTec, based on growth- and efficiency projects



Our strategic guidelines

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

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

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

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

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

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

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

Thorsten Krüger
Spokesman of the management board

Christian Bernert
Member of the management board

SUSTAINABILITY REPORT

Sustainability as value driver and competitive advantage

Only a business model with long-time relationships with satisfied customers and continuing positive results will serve as a base for sustainable future success of WashTec. In this sustainability report we report about our initiatives relating to economy, ecology and human ressources.

Economy – customer satisfaction

Our objective is to offer our customers the best products, processes and services available for a successful carwash business.

In order to assess the extent to which we are meeting this objective, we conduct customer satisfaction surveys on a regular basis to determine our customers satisfaction with our products (e.g. quality and value of product instructions for use) as well as our customer service (e.g. quality of service, reaction times, friendliness). These surveys have consistently shown high satisfaction rates with regards to the services that we provide. According to the most recent survey performed in Germany (Dec. 2007), the overall satisfaction of WashTec's customers was rated at 2.1 [on a scale from 1 (excellent) to 6 (unsatisfactory)]. The survey assessed over 2,500 services performed and machine installations at over 1,000 sites. Our customers are particularly satisfied with »facility commissioning« (1.3 rating) and the »friendliness and competence of our employees« (1.9 rating). No individual score was worse than 2.3.

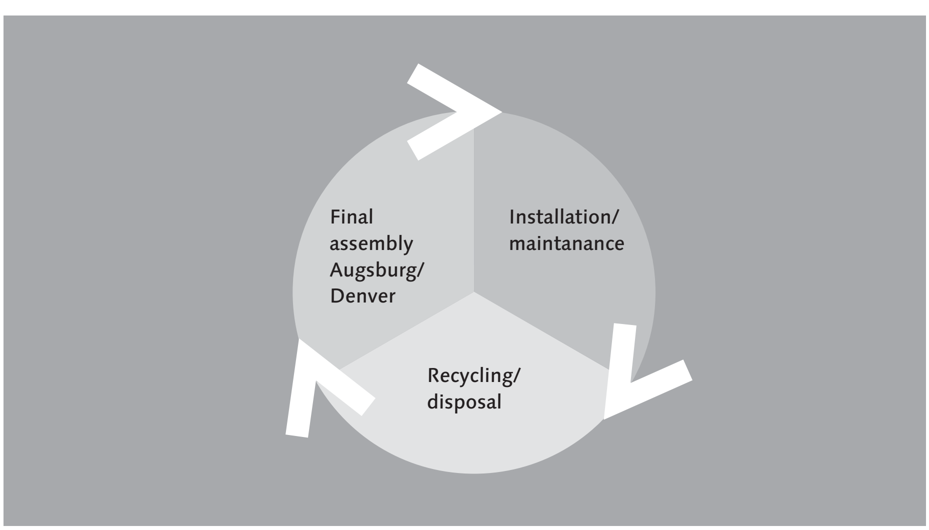
Ecology

WashTec works based on the principle of using resources as efficiently as possible. The environmentally-friendly WashTec products also help us to use the resources available in a careful manner.

1. Environmental protection at WashTec
WashTec has been ISO 14001 certified since 2000, meaning that it has to meet globally accepted standards for environmental management systems. On a regular basis group-wide environmental objectives are set, with measures defined to help us achieve these objectives. The objectives are realized and measured in projects. The extent to which we have met our objectives and the environmental management system itself are also regularly assessed and presented in an annual management review.

A process of continuous improvement allows us to meet the respective goals set by the Company with regards to our own environmental performance.

Final assembly at WashTec is performed in two production facilities in Germany and the US. Real net output at WashTec largely consists of the processing of sheet metal using modern machinery and the final assembly of component groups. As a result, the production process does not produce any significant amount of harmful substances. The products are then installed on our customers' premises by over 500 own service technicians, subcontractors and sales partners technicians, and are subsequently maintained at the location. The service technicians are provided with specially equipped service vans which they use to visit the facilities and which contain the required equipment, from tools and spare parts to safety equipment. The average useful life of a carwash facility ranges between 5 and 10 years. At the end of a facility's product life, the facility is dismantled in a professional manner and either recycled or disposed of.



WashTec as assembler: focus on final assembly; production process does not produce any significant amount of harmful substances.

WashTec's »ecological balance sheet« is split as follows:

- Energy
  The largest share of WashTec's total energy requirements relates to fuel for its vehicle fleet at 61% and heat generation at 25%. 22% of the electricity that WashTec sources for its company headquarters and main production site in Augsburg is obtained from regenerative energy sources. This value is well above the German national average (11%). Furthermore, WashTec helps to reduce radioactive waste and CO_2 emissions. All of the new diesel vehicles that WashTec has purchased since 2007 feature diesel particulate filters. These filters can reduce particulate emissions per vehicle by as much as 99%.

- Residues
  In Germany, for example, WashTec generated a total of 2,900 tons of residue in 2007 resulting from the take-back of old washing systems and production waste. This residue is systematically collected by type. The systematic separation of recyclable residue (e.g. metal and sheeting) allowed WashTec to generate € 529k in proceeds from the sale of this residue in 2007. Dismantled facilities are either recycled or disposed of in a professional manner by commissioned service providers.

Environmental objectives for 2006/2007 and 2008

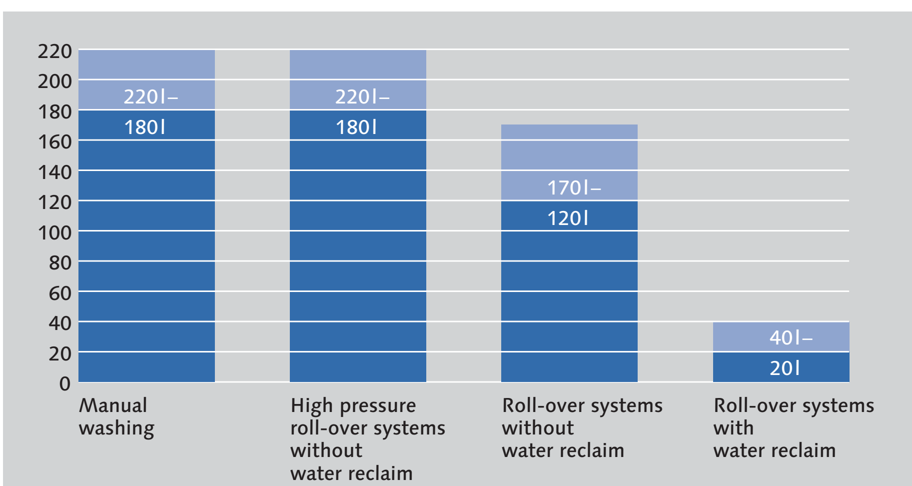
Objectives	Measures	Success
Reduction of heat loss in buildings, and heating by 25%	Improved heat insulation in the factory building; installation of fast-acting roller doors with air curtains and air circulation to reduce drafts; modernization of heating systems	Heat loss reduced by 37%
Reduction of energy required for compressed air supply by 20%	Renewal of refrigerant type drier; new compressor installation; sealing of the system: installation of time-controlled vents	Reduction of energy required by 45%
Reduction of fuel consumption and CO2 emissions of the WashTec vehicle fleet in Germany	Use of lower-consumption vehicles and optimized scheduling and route planning thanks to the installation of GPS systems in the vehicles. All of the new diesel vehicles that WashTec has purchased since 2007 feature diesel particulate filters. These filters can reduce particulate emissions per vehicle by as much as 99%.	Being implemented

2. Environmental protection thanks to WashTec products

WashTec AG is committed to sustainable environmental protection through its business model, and its products make an active contribution to protect the environment.

In automatic carwashes, water and other materials, including shampoo and oil, circulate in a closed system and are thus prevented from entering the soil or ground water. Water reclaim systems help to significantly reduce the consumption of freshwater during the carwash process – to as little as 20-40 liters per wash compared with 180-220 liters per wash in systems that do not recycle water. WashTec offers mechanical, biological and chemical reclaim systems for all carwash equipment.

WashTec's systems satisfy all current environmental regulations and, by using less fresh water, provide an environmentally friendly alternative to manual car washing, which is prohibited under German law. Even in markets with less stringent environmental standards or where water is scarcer, WashTec expects to encounter increasing regulation. This will result in further potential for environmentally-friendly automatic carwash facilities that include water reclaim systems. In northern Europe, environmental requirements have already become increasingly stringent, and a ban on manual washing is also being debated in other countries. In Scandinavia, WashTec has been awarded »Nordic White Swan« environmental prizes for particularly environmentally-friendly water reclaim systems and carwash equipment.



Water reclaim systems help to reduce the consumption of freshwater during the car wash process by up to 90%

We expect the requirements that apply to water reclaim and water recovery to continue to increase due to the growing shortage of water resources. Thanks to our products, we are ideally equipped to deal with these challenges.

3. WashTec as a sustainable investment

Due to its sustainable business model, WashTec's shares are part of investment funds that focus on sustainable investment. In 2007, WashTec received »SRI Pass status« (sustainable & responsible investment).

Human resources and social affairs

1. WashTec code of ethics

A uniform code of ethics, which requires all employees to comply with all applicable laws and guidelines (compliance), has applied for all companies in the WashTec Group since 2005. It contains key guidelines for conduct among employees, as well as for conduct with customers, suppliers, employees, advisors and the public authorities. The management of the WashTec Group signs a declaration of commitment to compliance with the guidelines on an annual basis. Any breaches of the Code are investigated.

The Code of Ethics is available for download at www.washtec.de

2. Employee handbooks

In all foreign subsidiaries of the WashTec Group, the key internal and external regulations relating to employment are also set out in what is known as »Employee Handbooks«. These handbooks contain regulations on a range of issues, including equal treatment, dealing with employee complaints, conduct among employees and general regulations on contracts of employment.

3. Internal compliance audits

All departments and companies in the WashTec Group are assessed to whether they comply with all applicable internal and external guidelines and provisions on a regular basis in the form of internal compliance audits. The idea behind these audits is to identify and rectify any deviations from these guidelines and provisions as soon as possible.

4. Training and personnel development

Personnel development plays a key role at WashTec. WashTec offers all employees the opportunity to participate in internal and external professional development trainings. These include, for example, foreign language courses and courses on standard Microsoft Office programs, as well as Six Sigma training. A specific budget is set for professional development education on an annual basis.

The service technicians who install the carwash facilities and service them on a regular basis form a large share of the workforce of the WashTec Group. WashTec service technicians have a particular obligation to health and safety. Regular training courses and certification measures focus on conduct at the petrol station when preparing and implementing commissioning, maintenance and service measures. Compliance with the health and safety regulations is monitored in regular audits.

The company's headquarters are located in Germany, where the company offers trainee programs for Mechatronics Engineers, and, in cooperation with the College of Stuttgart (Berufsakademie), courses in industrial business management and engineering. Furthermore, WashTec employs numerous students writing their degree dissertations or diplomas and student assistants on a continuous basis.

An average of 20 trainees is employed at WashTec in Germany every year, which corresponds to a trainee ratio of a good 2%.

5. Employee satisfaction

WashTec's workforce is the key basis for our economic success. The satisfaction of our employees in Germany, for example, is clear from the low rate of employee fluctuation and long average tenure.

In Germany, employee surveys performed in cooperation with the University of Applied Sciences of Augsburg, most recently in 2006, analyzed the satisfaction of our employees. Depending on the results of the survey corresponding measures were launched, e.g. the expansion of the training offering available for our employees.

6. Health and safety

WashTec promotes the health of its employees by offering regular training courses on health and safety at work, ergonomic workstation design and preventative medical examinations, for example during »WashTec health day« events, which are regularly offered in Germany.

WashTec also operates an extensive health and safety-at-work management system as part of its SCC certification. WashTec service technicians have a particular obligation to maintain safety. The regular training courses and certification measures focus on conduct at the petrol station when preparing and implementing commissioning, maintenance and service measures. All WashTec service technicians in Germany have attended vehicle safety training financed by WashTec.

Compliance with the safety regulations is monitored in regular internal and external audits.

As part of the reorganization of the production processes and investments in the production facilities in Augsburg and Denver linked to the plant structure concept, a particular emphasis has been placed on ergonomic processes and tools. As far as ergonomic workstation design is concerned, hoisting platforms and tools have been introduced in the production locations in order to reduce the physical strain caused to those employees who work there.

As a result of these measures, the number of occupational accidents at WashTec has been reduced considerably over the past few years.

7. Job security

WashTec produces the majority of its systems in Germany. A supplementary collective wage agreement for the WashTec Group in Germany concluded by WashTec, the Staff Council and representatives of the trade union IG-Metall, which covers, among other things, a gradual increase in the standard working week to 37 hours, has secured all jobs in Germany until the end of 2010.

The employment contracts of the international employees of the WashTec Group and its subsidiaries are in line with the legal provisions that apply in the respective country.

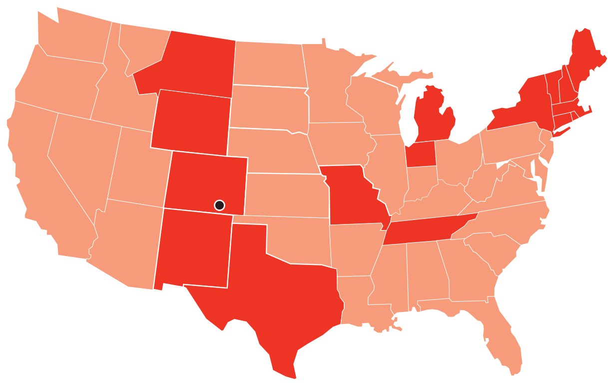
Some of the environmental protection measures described (e.g. reduction in energy costs) also constitute an investment for the future, and will help to safeguard Germany as a production location.

8. Social commitment – »Der Bunte Kreis«

The birth of a handicapped child, a heart problem or the diagnosis of cancer, an accident or an inherited disease always affects the entire family and changes lives abruptly.

Der Bunte Kreis e.V., which was formed in Augsburg in 1991, and its team of around 70 specialists can help families in such situations in all sorts of ways: psychological and social, medical and financial, whichever help is needed. The aftercare nurses and psychosocial workers organize a protective circle around the family. They can be reached by telephone around the clock. On average, this allows patients to be released from hospital more quickly and reduces the number of repeat admissions. Some of the aftercare costs are paid by the health insurance funds, while district authorities and the Bavarian Ministry of Social Affairs also make a contribution. Nevertheless, Der Bunte Kreis also depends on donations from private individuals and the corporate sector.

This is why WashTec offered »Der Bunte Kreis« ongoing support as one of the main sponsors since 1996.



Direct Dealers ● Production site Denver (USA)

MARK VII: PLATFORM FOR FUTURE GROWTH IN THE US

»Following the successful integration and reorganization of Mark VII, we are focusing on strengthening our sales and service network. In 2007, we launched our own activities in Texas, in the North-East of the US, Tennessee and Missouri. Our objective is to become the US market leader by 2010. Our newly developed and launched wash conveyor SoftLine Express, a new generation of roll-over systems and our superior service offering will help us to achieve this objective.«

Murray Kennedy, CEO Mark VII Equipment USA

NAFTA

Cars	190m*
Carwash acceptance	medium*
Market 2007 (washes x price)	€ 2.5bn*

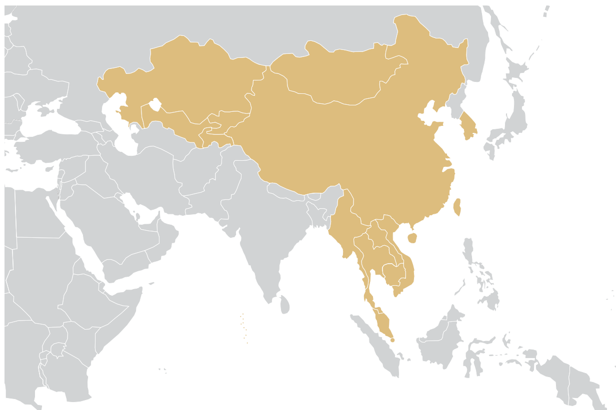
↗ 3–4% p.a. Growth

*Source: WashTec market research and estimate

How to assess market size and potential

- Car population –> industry information
- Carwash acceptance –> statistical ratio based on key drivers –> key drivers assessed by country
- Market as a whole: WashTec market research

Murray Kennedy



ASIA: ESTABLISHMENT OF A SOURCING ORGANIZATION

»Although the Asian market is still dominated by hand washing at present, the economy is booming, and all of the relevant indicators, including, for example, the number of newly registered vehicles, suggest that the market will become interesting for WashTec in the medium term. In the short term, we want to use our global sourcing initiative to procure an increasing number of parts from Asia. In 2007, we prepared a local presence in China, and are currently testing the first samples. The further optimization of our sourcing activities is a key focal point of the projects we have launched to increase our efficiency.«

Ewald Plönich, Head of Supply Chain, Head of the Asia project

Asia (excl. Japan)

Cars	62m*
Carwash acceptance	low*
Market 2007 (washes x price)	€ 0,3bn*

↗ >10 % p.a. Growth

* Source: WashTec market research and estimate

Ewald Plönich

Christian Bernert
Member of the
management board

THE WASHTEC SHARE

The 2007 trading year

The 2007 trading year got off to a good start thanks to positive economic development, which drove all German indices up to new highs. The sub-prime crisis in the US, the weak US dollar and the rise in oil prices during the second half of the year led to a decrease in all benchmark indices. The key indeces for Germany closed the year below their highs, but still up by 1,386 pts. or 20.7% (DAX) for the year. The stock markets remained under pressure in the first month of 2008 due to the uncertainties regarding the global market and, in particular, the US economic growth. Small and mid cap stocks were hit disproportionately by the price slumps.

Key data for WashTec's shares

ISIN	DE0007507501
No. of shares issued	15.2m
Share capital	€ 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 of the Frankfurt Stock Exchange.

WashTec share price performance in 2007

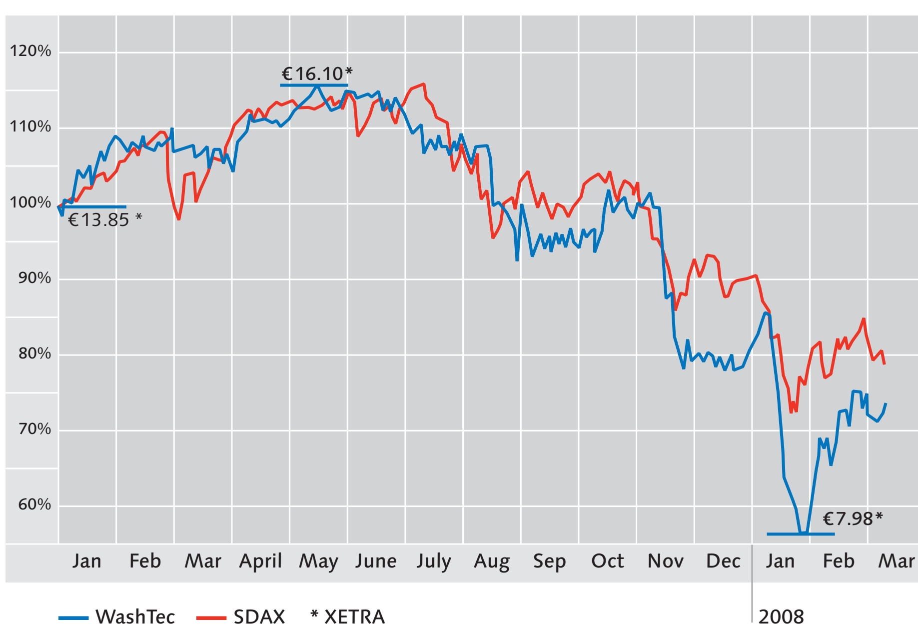
Share price performance in 2007 not satisfactory

The shares of WashTec AG initially charted a sideways movement in 2007. From November onwards, however, the share price decreased in line with the general market trend to a low of € 10.90 and closed the year at € 11.25. This corresponds to a share price performance of –19% for the year as a whole, measured by difference between the closing price for 2007 and the opening price on the first trading day of the financial year, of € 13.85. The general uncertainty on the markets and decrease in share prices affecting in particular small caps led to WashTec's share price slide to a low of € 7.98 in the first quarter of 2008. As at 6 March 2008, the Company's shares were trading at € 9.58. The management does not believe that WashTec's current share price performance reflects the Company's operating success.

The earnings reported for the financial year under review were in line with the expectations of both the management and analysts, who believe the value of the Company's shares should be higher based on the earnings potential of WashTec. Most analysts have therefore issued a »Buy« recommendation for WashTec's shares. Given the Company's continued positive performance and continued efforts with respect to extensive investor relations work, management believes that the share price should climb back to a level that adequately reflects WashTec's performance and prospects.

Share price performance of WashTec's shares in 2007 as against the SDAX (indexed)

WashTec's current share price performance does not reflect the Company's business performance.



Shareholder structure

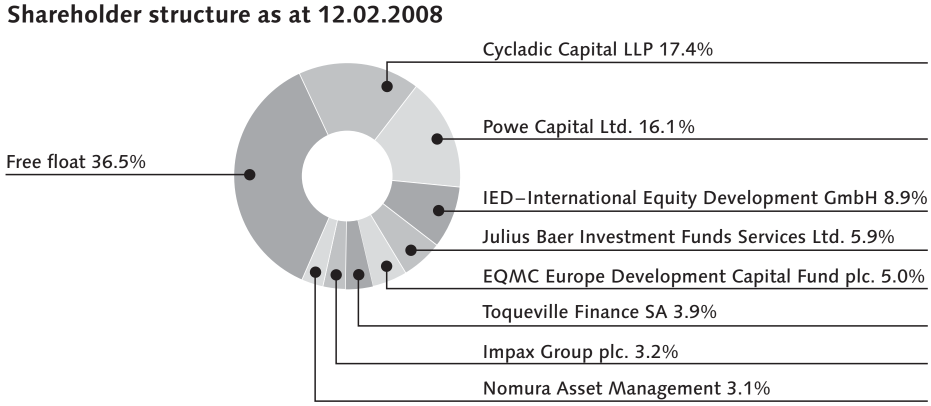
The vast majority of WashTec AG's shares are owned by institutional investors

The vast majority of WashTec AG's shares are owned by institutional investors. The free float, in accordance with the definition issued by Deutsche Börse, totals 100%. The following changes affected the shareholder structure in the period under review:

In January 2007, Cycladic Capital reported that its share of the voting rights now totaled 21.0%. In January 2008, Cycladic issued a notification that its share of voting rights had fallen to 17.4%. Threadneedle Asset Management Limited reduced its stake from 11.1% to below the reporting threshold in the course of the third quarter. Powe Capital Management increased its interest to 16.1%. In the course of financial year 2007, Julius Baer Investment Funds Services and Tocqueville Finance reported that their stakes amounted to 5.9% and 3.9% respectively. In January 2008, EQMC Europe Development Capital Fund reported that its share of the voting rights totaled 3.1%, and increased to 5.0% in February 2008 while Nomura Asset Management issued a notification in January 2008 to the effect that its share of the voting rights totaled 3.1%.

The liquidity of the shares remained too low to meet the SDAX admission criteria. The appointment of a second designated sponsor and even more active investor relations activities were initiated with the goal to increase trading in WashTec's shares in order to allow admission to the SDAX and, as a result, make the Company's shares accessible to further investor groups.

Shareholder structure as at 12.02.2008



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

Active investor relations

The Company continued its active investor relations work in 2007. In addition to the comprehensive quarterly reporting, the shareholders of WashTec AG were provided with information on all key events in a timely and ongoing basis in the form of numerous press releases and ad hoc disclosures. The first »WashTec Investor Day« took place in Augsburg in September, and gave guests from Germany, Italy, France and Switzerland a detailed insight into the production and the Company's strategy for the future.

WashTec's shares are covered by a number of independent and renowned analysts. Berenberg, Cazenove, HSBC Trinkaus & Burkhardt, HVB Unicredit, MM Warburg and Merrill Lynch report on the Company on an ongoing basis. At the end of the year under review, 5 analysts had issued a »Buy« recommendation for WashTec's shares.

Broad coverage of Washtec's shares by Berenberg, Cazenove, HVB Unicredit, HSBC Trinkaus & Burkhardt, Merill Lynch and MM Warburg.

The Company's Management Board held presentations on the Company at numerous roadshows aimed at institutional investors in both Germany and abroad during the financial year 2007. Furthermore, an increasing number of investors made use of the opportunity to gain a personal insight of the Company at its premises in Augsburg. The Company's Management Board presented the company to a broad public at analyst conferences and in one-on-ones at HVB Unicredit's German Investment Conference in September and Deutsche Börse's German Equity Forum in November.

The press reported on WashTec AG on an ongoing basis due to its positive operating development, to mark the Annual Press Conference and the Annual General Meeting, and as a result of background talks with the Management Board. The Annual Report of WashTec AG was included in »Deutsche Standards Edition«, a publication containing exemplary annual reports, for the second time in a row.

We remain committed to ensuring that WashTec and WashTec's shares receive constant coverage in the business press.

Current data on WashTec's shares and comprehensive information on the WashTec Group and its products can be found at www.washtec.de. All reports, press releases, presentations and further background information can be downloaded from this website.

Key data of WashTec shares

		2007	2006	2005	2004
Annual closing price	€	11.25	13.84	10.85	3.10
Annual high	€	16.10	16.20	11.00	4.65
Annual low	€	10.90	10.65	3.10	1.26
Annual starting price	€	13.85	10.65	3.10	1.26
No. of shares as at 31 Dec	million	15.2	15.2	15.2	7.6
Market cap. as at 31 Dec.	€ million	169.98	210.37	164.9	23.6
Development over the year	%	–19	30	350	146
Earnings per share	€	0.83	0.82	0.81*	– 0.42**

* Weighted average of shares issued 11.653 million.

** Shares issued 7.6 million

CORPORATE GOVERNANCE AT WASHTEC

Corporate Governance Report

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 achieving a sustainable increase in shareholder value.

In the fiscal year under review, the management and supervisory board once again paid close attention to the German Corporate Governance Code.

WashTec AG meets almost all the recommendations of the German Corporate Governance Code. Deviations were disclosed in the Declaration of Compliance dated 13 December 2007.

WashTec AG meets almost all recommendations and suggestions set out in latest version of the German Corporate Governance Code dated June 14, 2007 (the »Code«). Any deviations from individual recommendations of the Code were disclosed in the Declaration of Compliance issued by the management and supervisory board on December 13, 2007.

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

Corporate and management structure

In 2007 and in line with its strategy, the Company further strengthened its sales and service activities in its core markets southern European and the US, by acquiring its exclusive sales partner in Spain, based in Barcelona, and via dealer takeovers, as well as by launching its own activities in certain US sub-markets.

Acquisitions in Spain and the US,otherwise, there were no changes to the Company's organizational structure.

Otherwise, there were no changes to the Company's organizational structure. The responsibilities within the management board and in first-level management remain unchanged.

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

Shareholders and the Annual General Meeting

WashTec AG reports to its shareholders in the form of quarterly financial reports, which provide detailed information on business developments, as well as the financial situation and results of operations of the Company. The Company's investor relations activities involve regular talks with analysts and institutional investors.

The Annual General Meeting of WashTec AG takes place in the first five months of the fiscal year. We offer our shareholders the option of authorizing a proxy who is bound by the instructions issued by the respective shareholder and appointed by the Company, prior to the Annual General Meeting.

In 2007, WashTec AG made all of the documents that were relevant to the Annual General Meeting available on the Internet in German and in English. This means that WashTec AG's homepage offers a comprehensive information platform for both national and international investors with respect to the Annual General Meeting. WashTec AG does not broadcast its Annual General Meting on the Internet. The Company does not comply with the corresponding suggestion of the Code under section 2.3.4 due to the related costs.

Management board

The management board of WashTec AG, which consists of two members, is responsible for specifying the principles of the Company's policy in cooperation with the supervisory board, and setting the Company's strategic focus. It is bound by the interests of the Company and aims to achieve a sustained increase in shareholder value. It informs the supervisory board of all planning, business development, risk and risk management issues that are relevant for the Company and the Group on a regular and extensive basis, and in a timely manner.

Changes in the management board as of January 01, 2007

Christian Bernert has been responsible for finance, IT, legal issues, human resources and supply chain on the management board since January 1, 2007, after his predecessor, Jürgen Lauer, resigned from the management board of his own accord at the end of 2006. Thorsten Krüger, who has been a member of the management board of WashTec AG since 2003, is responsible for sales, service, marketing and development. He also acts as the management board spokesman.

Remuneration report

The 2006 Annual General Meeting resolved, not to provide the information on the remuneration of the individual management board members for fiscal years 2006 and 2007.

The 2006 Annual General Meeting resolved with a majority of 93.3% of the votes, not to supply the information required in Sec. 285 (1) No. 9a Sentences 5 to 9 and Sec. 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, recurring components linked to business performance and components with a long-term incentive effect and risk elements. In derogation of the recommendation set out in Sec. 4.2.3 of the German Corporate Governance Code in the version dated June 14, 2007 (the Code), the remuneration does not include any one-off variable remuneration components. The expenses totaled €874,000 in 2007 (comparable prior-year figure: €1,057,000).

As regards the remuneration with a long-term incentive effect and risk elements, ‚individually agreed stock option plans were, and are still in place. The terms and conditions of the stock option plans did and do not provide any limitation options for extraordinary, unforeseen developments (Sec. 4.2.3 of the Code). The Annual General Meeting held on May 22, 2007 resolved a regular option program for the management board and first-level management of the Company.

On July 23, 2007, 767,000 options were issued to the management board and first-level management at an issue price of €15.34. 600,000 of these options were issued to the management board and 167,000 to 12 members of the first level of management below the management board. In return, the members of the management board currently in office waived their existing rights under an existing share appreciation rights program. The options may only be exercised after a waiting period of two years, provided that the share price rose by 20% within the waiting period. The fair value of the stock options totals €1.8m. Expenses in 2007 amounted to € 441k. The fair value was calculated on the basis of a binomial model as of the issue date. This calculation model is based on a risk-free interest rate of 4.72%, an assumed volatility of 22.8%, a dividend yield of 2%, a share price of €15.00 on the issue date and an anticipated term of two years. The share price and volatility are based on publications by leading German banks. For details and further information on the stock options please see Note 9 – Personnel Expenses.

Following the termination of their employment contracts, the members of the management board are contractually entitled to remuneration corresponding to 50% of the short-term remuneration 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 the termination of their employment contracts in certain cases. Contrary to the recommendation set out in Sec. 4.2.3 of the Code, the existing employment contracts of the management board members have not provided, and do not provide for any general severance payment cap corresponding to a maximum of two annual salaries in the event that the members resign from their management board activities prematurely. No limitation to a maximum of 150% of the severance payment cap is in place for the premature termination of management board activities in the event of a change of control either.

None of the commitments were booked as expenses in 2007.

No pensions or pension benefit plans have been granted to members of the management board since 2003.

Supervisory board

The supervisory board consists of three members – an appropriate number given the size of the Company.

The supervisory board members were reelected at the 2007 Annual General Meeting.

Jürgen Lauer, who served as CFO of the Company until December 31, 2006, was ap-pointed as a new member of the supervisory board by means of a resolution of the Local Court of Augsburg dated January 2, 2007. He replaced Robert A. Osterrieth, who had resigned from his post with effect from December 31, 2006 in accordance with section 8.5 of the Articles of Association of WashTec AG. Michael Busch was appointed the new deputy chairman of the supervisory board in January 2007. The supervisory board members were reelected as scheduled at the 2007 Annual General Meeting. The long-standing chairman of the supervisory board of WashTec AG, Alexander von Engelhardt, did not stand for reelection due to his age. The former deputy chairman of the supervisory board Michael Busch was reelected as a member of the supervisory board and appointed chairman of the supervisory board at its constituent meeting. Jürgen Lauer was also reelected by the Annual General Meeting and has assumed the role of deputy chairman of the supervisory board. Roland Lacher was elected as the third member. The Company has, and will continue to refrain from applying the regulations set out in section 5.4.6 of the Code, which provide for more flexible terms of office for the Supervisory Board.

Each member of the supervisory board is, due to his expertise, responsible for a particular area within the framework of overall responsibility.

The work of the supervisory board is characterized by efficiency and professional expertise. Each member of the supervisory board is responsible for a particular area within the framework of overall responsibility. Due to his expertise, Michael Busch is responsible for sales and marketing, in addition to his duties as supervisory board chairman. Jürgen Lauer assumes the role of the supervisory board's »financial expert«. Roland Lacher's expertise means that he is responsible for supply chain and development on the supervisory board. He also oversees the development of the Asian focus market.

The supervisory board further developed the methods first applied in 2004 for the evaluation of its own work. Any knowledge gained during this process was applied to the board's ongoing work in 2007 (section 5.6 of the Code). This self-evaluation process will be continued in the next fiscal year.

No committees were formed due to the size of the board (section 5.3. of the Code). The supervisory board monitors and advises the management board with respect to business management, and discusses business development and plans, as well as corporate strategy and its implementation. Major transactions, such as larger acquisition and financial measures, require its consent.

In accordance with the resolution by the Annual General Meeting held on June 15, 2005, the remuneration of the supervisory board is specified in section 8.16 of the Articles of Association of WashTec AG. It comprises fixed and variable remuneration components. The basic fixed remuneration for a normal member of the supervisory board is €10,000. The basic variable remuneration for fiscal year 2007 is € 34,400. In accordance with section 8.16 of the Articles of Association of WashTec AG, the supervisory board chairman receives twice the amount of the fixed salary and variable components, while the deputy chairman receives one and a half times the amount.

The Company did not pay any remuneration or grant benefits to members of the supervisory board on the basis of personal achievements in fiscal year 2007 e.g. based on consultancy contracts (section. 5.4.7 of the Code).

Supervisory board remuneration

€ (rounded)	Fixed	Variable
Michael Busch (deputy chairman until May 22, 2007,		
chairman as of May 22, 2007	18,068	62,156
Jürgen Lauer (deputy chairman as of May 22, 2007)	13,068	44,956
Roland Lacher (as of May 22, 2007)	6,137	21,111
Alexander von Engelhardt (chairman until May 22, 2007)	7,726	26,578

The D&O (directors and officers' liability insurance) policy taken out for the members of the supervisory and management boards does not provide for a deductible (section 3.8 of the Code). 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

The Company has set out the principles that form the basis for its action in strategic guidelines and in the WashTec Code of Ethics, which can be accessed at www.washtec.de. All management employees throughout the Group have acknowledged the Code of Ethics with their signature. This acknowledgement of the Code of Ethics is renewed annually.

All management employees throughout the Group have acknowledged the Code of Ethics with their signature

The Company continues to maintain the insider list on an ongoing basis. The individuals included in the list are informed on their resulting duties on a regular basis. Insofar as directors' dealings have to be reported, these are published. There were no disclosures in 2007. Furthermore, the individuals affected at WashTec are informed of their duties with respect to directors' dealings on a regular basis.

The shareholdings of the management and supervisory board members are published both in the Annual Report and on the Internet at www.washtec.de (section 6.6 of the Code). No members of the management and supervisory board currently hold shares in the Company.

The »annual document« in accordance with section 10 WpPG summarizes all of the capital market law publications of WashTec AG made over the past twelve months and makes them available to the public once a year on the Company's website.

Accounting and auditing

Supervisory board consultations regarding the annual and consolidated financial statements for fiscal year 2007 took place in the presence of the auditor. The auditor also attended the supervisory board meetings in which the recommendations of the supervisory board were discussed and the financial statements approved and adopted.

In fiscal year 2007, 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 on WashTec AG on December 13, 2007 can be found below. Corporate governance declarations that are no longer up to date remain accessible on the Company's homepage for a period of five years.

WashTec AG
Management and 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 12 June 2006) from the period since the issue of their last declara-tion of conformity on 13 December 2006 until 20 July 2007, and has complied, and will continue to comply with the version of the code dated 14 June 2007 since 21 July 2007. This was, and is subject to the following exceptions:

- 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.

- 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).

- 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 2007

WashTec AG
Management board and supervisory board

Further information on the corporate governance can be found in the annual report 2007 page 48 as well as in the annual reports of the previous years and on the internet at www.washtec.de.

NORTHERN AND WESTERN EUROPE: MAINTAIN THE DOMINANCE

»Our subsidiaries on our European core markets (including Germany) contribute around 87% to the revenue of the WashTec Group. The subsidiaries on the northern and western European markets are the market leaders on their respective sub-markets. Stable replacement markets with a high installed base, combined with a high service share, result in stable recurring revenue and high cash flows.

In Spain and Italy, markets that are dominated by the local competitors, we also want to achieve a leading market position in the medium term.«

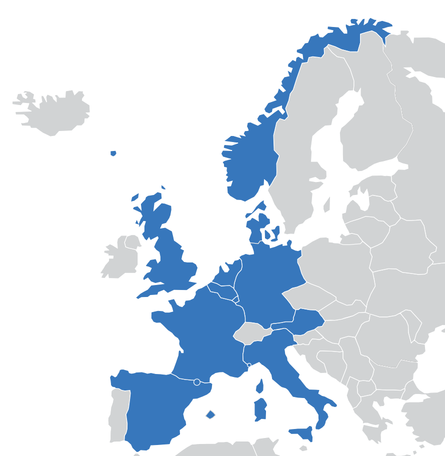
Bernd von Doering, Managing Director of WashTec Cleaning Technology GmbH

Northern and western Europe (EU 15+)

Cars	206m*
Carwash acceptance	high*
Market 2007 (washes x price)	€ 3.3bn*

↗ 1–2% p.a. Growth

* Source: WashTec market research and estimate



Bernd von Doering

CENTRAL AND EASTERN EUROPE: GROW WITH MARKET

»The economy in central and eastern Europe is growing, and purchasing power is on the rise, as is the professional carwash business. We set up an organization focusing specifically on central and eastern Europe two years ago when we established our Austrian subsidiary, and are working on developing our sales partners, customers and markets with the aim of being the market leader on these emerging markets too. Regional oil companies play a key role in the development of business on our central and eastern European focus markets. They are serviced with on-site support from our central key account management and in-house representatives. The development of the networks of the major central and eastern European oil companies in accordance with western European standards offers us huge potential.«

Hans-Peter Zurwesten, Managing Director of WashTec Cleaning Technology GmbH

Central and eastern Europe

Cars	62m*
Carwash acceptance	low*
Market 2007 (washes x price)	€ 0.3bn*

↗ >10% p.a. Growth

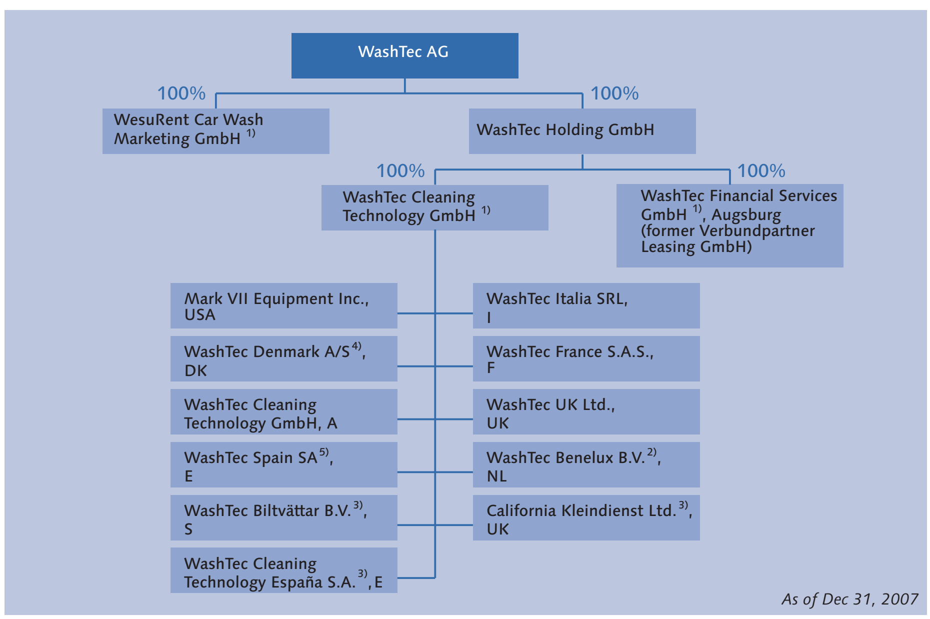
* Source: WashTec market research and estimate

Hans-Peter Zurwesten

COMBINED MANAGEMENT REPORT OF WASHTEC AG AND THE GROUP FOR 2007

1. Business performance and background

1.1 Organizational structure of the WashTec Group



1) Controlling and profit and loss transfer agreement
2) Subgroup with Benelux Carwash Management B.V., Zoetermeer, NL, WashTec Benelux Administrative, N.V., Zoetermeer, NL, and WashTec Benelux N.V., Brussels, Belgium, whose results are disclosed by WashTec Benelux B.V., Zoetermeer, NL.
3) The company is currently inactive
4) Incl. offices in Norway
5) Incl. Svitta Motors SA

WashTec AG

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

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 is explained separately 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 equity investments are held by WashTec Holding GmbH, which is based in Augsburg, Germany. Profit and loss transfer agreements are in place between WashTec Holding GmbH and WashTec Financial Services GmbH (formerly: 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 Company's subsidiaries and independent foreign sales partners are supplied and supported by WashTec Cleaning Technology GmbH, which also contributes the largest share of real net output, mainly from the final assembly of pre-fabricated components at its production facility in Augsburg. The Company also has another production site in Recklinghausen, Germany, which manufactures control units.

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

Foreign subsidiaries
The WashTec Group is represented by its own subsidiaries in all key European markets and the USA. Subsidiaries in the US, Spain, 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 carwash equipment geared primarily towards the US market. The Company's subsidiary in Italy produces components for the SoftLine Express conveyor tunnel system.

WashTec Financial Services GmbH
Verbundpartner Leasing GmbH (VPL) was renamed WashTec Financial Services GmbH in March 2007. It offers tailored financing solutions to customers of the WashTec Group interested in purchasing WashTec 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 (Note 7).

WesuRent Carwash Marketing GmbH
WesuRent Carwash Marketing GmbH handles the financing and operation of wash systems on behalf of and for the account of major customers, including major oil companies. The Company also offers numerous other services, such as profitability and site analyses. A profit and loss transfer agreement is in place between WashTec AG and 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 (Note 7).

1.2 Disclosures in accordance with Secs. 289 (4) and 315 (4) HGB – explanatory report by the management board

The following text includes both disclosures in accordance with Secs. 289 (4) and 315 (4) HGB [»Handelsgesetzbuch«: German Commercial Code] and the explanatory report by the management board in accordance with Secs. 120 (3) Sentence 2 and 175 (2) Sentence 1 AktG [»Aktiengesetz«: German Stock Corporation Act].

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

The Company's subscribed capital amounts to € 40,000,000 and is divided into 15,200,000 no-par value bearer shares

The Company's subscribed capital amounts to € 40,000,000 and is divided into 15,200,000 no-par value bearer shares each granting the same rights, in particular the same voting rights. There are no different classes of shares. The management board is not aware of any restrictions affecting the voting rights or the transfer of shares. There are no shares carrying special rights granting their holders powers of control.

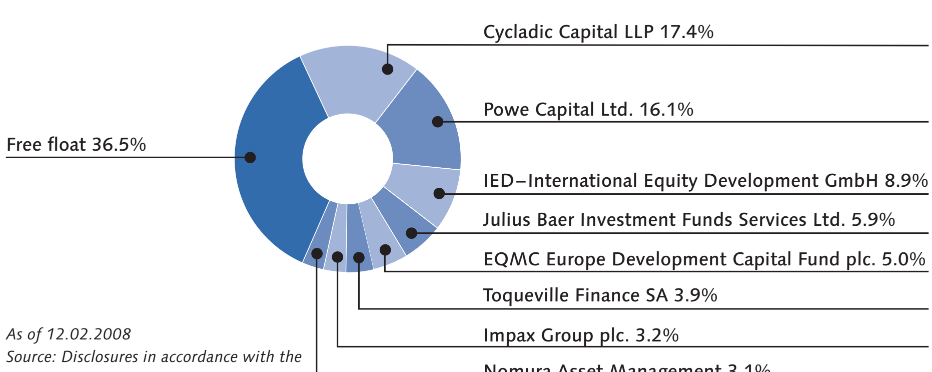
Sec. 315 (4) No. 2 HGB

In accordance with Sec. 71b AktG, the Company has no rights pertaining to the treasury shares acquired under the current share buy-back program.

§ 315 IV Nr. 3 HGB »Direct or indirect capital participations«

As far as the management board is aware, approx. 36.5% of the Company's shares are in free float. To the best of the management board's knowledge, companies holding either direct or indirect capital participations exceeding 10% of the voting rights include Cycladic Capital LLP and Powe Capital Ltd., with 17.4% and 16.1% respectively.

The Company's voting rights are currently distributed as follows (as of February 12, 2008) (Sec. 315 (4) No. 3 HGB):



As of 12.02.2008
Source: Disclosures in accordance with the German Securities Trading Act (WpHG)

Disclosures in accordance with Secs. 315 (4) No. 4 HGB and 315 (4) No. 5 HGB, not applicable to WashTec AG

Sec. 315 (4) No. 6 HGB »Appointment and dismissal of management board members and amendments to the articles of association«

The appointment and dismissal of members of the management board is based on Secs. 84 and 85 AktG, as well as on Art. 7 of the Articles of Association in the version dated June 21, 2007. In accordance with Art. 7 (1) of the Articles of Association, the management board consists of one or more members. The number of members of the management board is determined by the supervisory board. In accordance with the Articles of Association in conjunction with the current rules of procedures of the management board, the latter currently comprises two members, one of whom has been appointed spokesman by the supervisory board. The Articles of Association do not set out any special regulations with respect to the appointment and dismissal of one or all members of the management board. The supervisory board is responsible for appointments and dismissals. The latter appoints members of the management board for a maximum term of five years. Members can be reappointed to the management board, or can have their term of office extended, for a maximum of five years in each case.

Any amendments to the Articles of Association are made in accordance with Secs. 179 and 133 AktG and Art. 9.9 and Art. 9.10 of the Articles of Association in the version dated June 21, 2007. The Articles of Association have not made use of the option to set out further requirements for amendments to the Articles of Association. Art. 9.9 of the Articles of Association reduces the statutory majority requirement to the extent that is legally permissible. The supervisory board is authorized to make formal amendments to the Articles of Association only.

Sec. 315 (4) No. 7 HGB »Powers of the management board to issue and buy back shares«

Authorized capital (Art. 5.1 of the Articles of Association of WashTec AG)

Authorized capital: increase of the Company's share capital by up to a total of €20,000,000 in the period leading up to June 15, 2010

By resolution passed by the Annual General Meeting held on June 15, 2005, the management board was authorized, with the consent of the supervisory board, to increase the Company's share capital by up to a total of €20,000,000 in the period leading up to June 15, 2010 by issuing new no-par value bearer shares in exchange for cash or non-cash contributions on one or several occasions, and also to determine the substance of the share rights, the details of the capital increase and the terms of the share issue, in particular the issue price. In this respect, shareholders must be granted pre-emptive rights. The shares may also be underwritten by one or several banks which are commissioned by the management board. These banks shall be subject to the obligation to offer these shares to the shareholders (indirect pre-emptive right). Subject to the approval of the supervisory board, the management board is also, however, authorized to exclude shareholders' pre-emptive rights in certain cases as set out in Art. 5.1 of the Articles of Association of WashTec AG. The management board has not made use of these authorizations to date. Further details on authorized capital I are set out in Note 23 of the notes to the financial statements.

The authorized capital is designed to enable the Company to react to growth opportunities and opportunities that arise on the capital market in a fast and flexible manner.

Contingent capital (Art. 5.2 of the Articles of Association of WashTec AG)
By resolution passed by the Annual General Meeting held on May 22, 2007, the Company's share capital was conditionally increased by up to €2,105,264 by means of the issue of up to 800,000 bearer shares (contingent capital I). The conditional capital increase serves solely to grant up to 800,000 pre-emptive rights (»stock options«) to members of the Company's management board, as well as to further executive employees of the Company and subordinated associates (the »beneficiaries«). The capital increase will only be implemented to the extent that stock options are issued in accordance with the following terms and conditions and the beneficiaries make use of their right to subscribe to new shares.

On July 23, 2007, the management board and supervisory board made use of the authorization granted by the Annual General Meeting and issued 767,000 options at an issue price of €15.34. Details on the stock option program are set out in the remuneration report of the Corporate Governance Report, as well as in the notes to the financial statements under Note 36.

Buy-back

Current share buy-back program is continued

By resolution passed by the Annual General Meeting held on May 22, 2007, the management board was authorized to purchase treasury shares accounting for up to 10% of the current share capital of €40,000,000 for purposes other than proprietary trading in the period leading up to November 21, 2008.

The management board made use of this authorization on September 17, 2007 and resolved the purchase of up to 800,000 treasury shares on the stock exchange in the period leading up to November 21, 2008. The share buy-back is designed, among other things, to exercise the issued stock options and, as a result, to avoid possible dilution. As of December 31, 2007, the Company had purchased 46,765 shares at an average price of €12.90. The terms of the share buy-back are set out in detail in the notes under Note 23. Information on the current status of the share buy-back program is available at www.washtec.de »Investor Relations«.

Sec. 315 (4) Nos. 8 and 9 HGB »Material agreements that apply in the event of a change of control within the framework of a takeover offer«
Individual agreements concluded by the WashTec Group provide for the option of termination for cause in the event of a change of control. Furthermore, the management may change in the event of a takeover. The current members of the management board may terminate their employment contracts by giving 12 months' notice insofar and as soon as an institutional investor acquires more than 50% of the voting rights in the Company, either directly or indirectly. The allocation provisions set out in Sec. 22 WpHG [»Wertpapierhandelsgesetz«: German Securities Trading Act] apply accordingly.

The regulations set out reflect the current legislation and are similar to those in place at comparable listed companies. They are not designed to hinder any takeover attempts.

1.3. Product range of the WashTec Group

Complete product portfolio: main revenue contribution by roll-overs and service

The product range comprises roll-over wash systems, commercial carwash equipment, self-service wash systems and wash conveyors, as well as the respective peripheral devices and water reclaim systems. WashTec also offers comprehensive service packages covering the entire product life of the products sold. The sale of roll-over wash systems and service operations are the Company's major revenue drivers.

Products	■ Roll-over wash systems ■ Self-service ■ Commercial car wash systems ■ Wash conveyors ■ Water reclaim service
Service	■ Full service ■ Call-out service ■ Replacement parts
Facility management	■ WesuRent Carwash Marketing
Financing schemes	■ WashTec Financial Services GmbH

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

The Company's objective is to offer high-performance and innovative products in all segments. Products such as the NEW SoftWash roll-over system, the MaxiWash Vario commercial carwash system and the SoftLine Express conveyor wash system, which were unveiled at the 2006 automechanika trade fair, were launched on the market successfully in 2007. The NEW SoftWash roll-over system replaced the SoftCare Bravo product in the Basic roll-over segment, while the MaxiWash Vario replaced the previous commercial carwash system models.

The following table gives 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 program diversity	SoftCare Takt SoftCare Juno	Conveyor belt chain longer than 25m Softline Linear Softline Express	MaxiWash Express
Classic	For professional operators with medium to high requirements in respect of options and number of washes	SoftCare Pro SoftCare Evo	Conveyor belt chain 15m to 25m Softline Linear	MaxiWash Vario
Basic	Segment for locations with a lower number of washes or lower requirements in respect of options (car dealers)	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 carwash system, the »SoftWash« roll-over systems, as well as wash conveyors and self-service wash systems. In 2007, Mark VII also unveiled and launched a new wash conveyor developed specifically for the US market and based on hydraulic components.

1.4 Production and logistics

Final assembly in Augsburg, Germany and Denver, USA

The WashTec Group produces its entire product range in Germany, at the Company's headquarters in Augsburg. Equipment that is mainly sold on the US market is produced in Denver, USA. The Company has a further production site for control units in Recklinghausen, Germany, while the subsidiary in Italy produces conveyor components for the SoftLine Express wash conveyor.

The aims of our supply chain management system are:

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

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 the production facilities in Augsburg and the reorganization of production in the US, all products are now produced using state-of-the-art manufacturing methods.

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. The WashTec Group utilizes standard methods to optimize inventory management, 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 sourcing 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 service provider in Eppertshausen, near Aschaffenburg, Germany. In 2007, inventories increased from €34.0m to €39.5m due to the expansion of direct distribution in southern Europe and the US, as well as the temporary double inventory management as part of the change-over relating to spare parts logistics in Europe. The inventories are to increase below average once the European spare parts logistics project has been concluded.

1.5 Overall economic performance

Although the overall economic environment in Germany and Europe remains positive, the situation weakened in the last quarter of the year due to the real estate and sub-prime crisis in the US. Experts expect the European economy to slow, but in general remain positive in 2008. As far as the US is concerned, economic growth is expected to slow further down. Central and eastern Europe and Asia are expected to report sustained above-average growth rates.

The economic climate only has a limited impact on the investment behavior in stable replacement markets

The economic climate however only has a limited impact on the investment behavior of WashTec's key accounts in its stable replacement markets. In developing markets such as central and eastern Europe or Asia, the increase in the available per capita income, rising labor costs and growing numbers of vehicles are indicators and growth drivers for the automatic carwash business.

Replacement investments in carwash equipment are generally made depending on the age of the machinery and the number of washes attained. Wash numbers are only partially dependent on the overall economic situation. The weather and substantial changes in the price of petrol may also have a temporary impact on wash numbers. Furthermore, the investment budgets of major oil companies constitute a major revenue driver for WashTec. In general, the investment behavior of WashTec's customers has not changed considerably year-on-year.

In 2007 investment behavior was in line with expectations in both Europe and in the US. Neither the real estate and sub-prime crisis, nor the increase in crude oil prices had any considerable impact on investment behavior in 2007.

Car sales (in millions)	growth in % p.a. 2005 to 2020	2020	2010	2005	2000
Triade (G7/EU 15)	+0.5%	41	39	38	38
New markets	+6.3%	33	21	17	11
World	+2.3%	74	60	55	49
New markets as % of world		45%	35%	31%	22%
Growth potential: New markets: Almost 100% growth from 2005 to 2020			Major new markets: China, Russia, India		

Source: B&D forecast

The number of vehicle registrations is still showing moderate growth across the globe. Above-average growth rates have been recorded in central and eastern Europe and Asia.

No material impact of exchange rate risks

The development of the euro exchange rate did not have any material negative impact on the business performance of the WashTec Group in 2007. WashTec concludes the majority of its agreements in euros. The downturn of the US dollar against the euro only had a slight impact on WashTec's operating business, apart from the financing of the activities of Mark VII, US, which is organized via a German banking syndicate and is mainly hedged using cross-currency swaps. Almost all products for the US market are produced in the US. Only components which account for a small proportion of Mark VII's materials are supplied from Europe.

1.6 Legal framework

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, labor law provisions, and industrial and occupational safety provisions. The most important provisions that currently apply under German law are summarized below:

In Germany, carwash equipment may not be built and operated at any location. Rather, 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 areas, wash systems are only permitted provided that they do not conflict with neighboring interests. What is more, traffic and road safety regulations must be observed (e.g. the wash system may not impair the safety of road traffic). In Germany, local bylaws prohibit washing by hand on private property or streets.

Compliance with environmental provisions also plays a significant role. In this respect, environmental risks, in particular, muat be avoided during the wash process. Cars are normally cleaned using ph-neutral biodegradable cleaning agents. Provisions under the laws of the federal states, and provisions under the German Water Resources Act [»Wasserhaushaltsgesetz«: WHG] set out requirements for the discharge of waste water. Furthermore, each wash process bears a slight risk of petrol or oil discharge. Appendix 49 of the German Waste Water Ordinance [»Abwasserverordnung«: AbwV] states that waste water from wash systems must be channeled into a circulatory system, e.g. by using water reclaim systems.

In Germany, carwash equipment cannot be operated at all times. Restrictions may be imposed (and may vary from one German state to the next, or even from municipality to municipality) due to the legislation governing operations on Sundays and public holidays in the individual states.

In other countries in which the WashTec Group sells its products, the regulatory provisions governing carwash equipment are generally still 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 the provisions designed to regulate the consumption of fresh water and prohibit manual washing will become more of an issue at international level, too, in the future due to the growing importance of water as a resource.

Quality and environmental management

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

WashTec processes

Management processes	Strategic planning Operational planning	Leadership and development system Quality management
Innovation processes	Product management Product development	
Customer processes	Distribution Sales	Supply chain Service
Support processes	Marketing IT systems Finance/financial control 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 carwashes. It has an extensive management system for quality, the environment, health and safety protection which is audited at regular intervals by the German Technical Control Association (TÜV). WashTec 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 asystematic 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. Consideration of environmental aspects over the entire lifecycle of wash systems. Environmental protection is achieved e.g. through the selection of materials for wash systems, resource-saving production methods, and the adoption of environmentally-friendly practices by employees.
Occupational health and safety SCC *(Safety Certification Contractors)*	Creation of safe and ergonomic workstations, including implementation and monitoring of technical, organizational and personal protective measures focused on service and assembly activities.

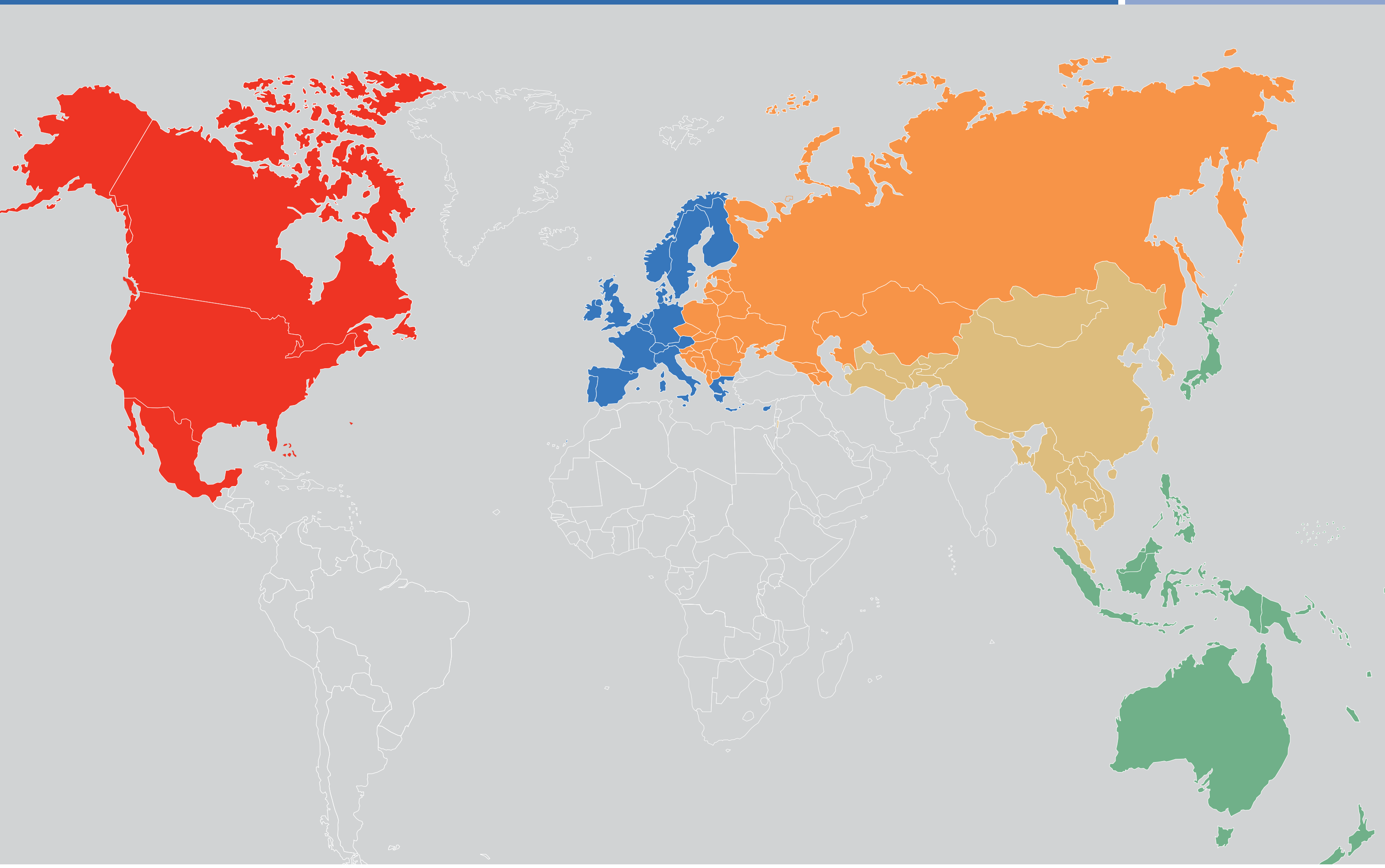
1.8 Market

The global market for carwash equipment is divided into a number of sub-markets, depending on the degree of development in the respective markets

The global market for carwash equipment is divided into a number of sub-markets, depending on the degree of development in the respective markets.

Northern and western Europe is by far the most developed market, with the highest proportion of installed carwash equipment. As a stable replacement market, it is characterized by a high level of re-investment. In general, the replacement cycle for roll-over wash systems is between five and ten years. In terms of volume, the US market volume is below Europe, although market growth rates are higher than in northern and western Europe. The slowdown of the US economy in 2007 did not negatively impact the US wash market. While almost 100% of the roll-over systems operated in Europe are friction roll-over wash systems, touch-free high-pressure cleaning systems account for around 70% of the US roll-over market. In addition to roll-over systems, wash conveyors account for a larger market share in the US than in Europe. Central and eastern Europe and Asia are markets in which automatic car washing has yet to reach the level of the stable markets. Lower labor costs mean that these markets are still dominated by hand washing. The Company anticipates that the increasing number of vehicles, the rise in per capita income and increasing investments in petrol station networks following the European benchmark, coupled with a growing awareness of environmental issues, will jump-start these markets for vehicle wash systems in the medium term. These markets are expected to return above-average growth rates starting from a low level of installed systems.

Although – with the exception of individual markets in Japan, Africa and South America – the WashTec Group markets its products globally via subsidiaries or sales partners, the Group generated around 87% of its total revenues in 2007 in Europe (including Germany). Europe therefore continues to represent what is by far the most important sales region for the WashTec Group. WashTec is represented in its core markets in Northern and Western Europe and some regions of the US via its own subsidiaries and is present in a total of 60 countries through independent sales partners.



Equipment potential in Emerging Europe, NAFTA and Asian markets

NAFTA
Second biggest market worldwide
Fragmented market: high number of smaller competitors and customers

Northern and western Europe
Developed and mature markets (replacement business)
Highest demands on service and technology
Buying power by major oil companies: pricing highly competitive

Central and eastern Europe
Increasing number of cars
Major oil companies invest in gas station networks
Growth potential from low level

Asia
Mainly hand-wash business
Fast increase in number of cars
Major oil companies starting to invest
Growth potential medium to long term

Pacific (Australia, New Zealand, Japan)
Japan – large/stable, but closed market
Australia, New Zealand increasing market volume

Customer groups

The WashTec Group's customers are predominantly operators of wash systems that offer on-site car washing facilities to customers, thus generating a significant proportion of their earnings. These customers include global major oil companies, individual operators and operators of petrol stations/carwash equipment, as well as supermarket chains. Other customer groups offer carwashes as a free-of-charge service to their customers or wash their own fleets in order to maintain the value of their vehicle fleet. These customer groups include car dealers and garages, forwarding agencies and transport companies.

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

Competition

Northern and western Europe

Key European competitors:
- *Otto Christ AG, D*
- *Ceccato SPA, I*
- *Istobal SA, E*

The European market for carwash equipment is a consolidated market characterized by a small number of suppliers. According to its own surveys, WashTec is the market leader and has an installed base of more than 20,000 roll-over systems. In terms of sales and the installed base, WashTec's key European competitors are Otto Christ AG (Germany), Ceccato SPA (Italy) and Istobal SA (Spain). WashTec's market share fell slightly in 2003 and 2004 as a result of the active streamlining of the product portfolio under the restructuring program.

Central and eastern Europe

The competitive situation in central and eastern Europe largely corresponds to the western European structure. In addition, some smaller competitors act on individual sub-markets. The Company assumes that it has a leading market position in central and eastern Europe.

US

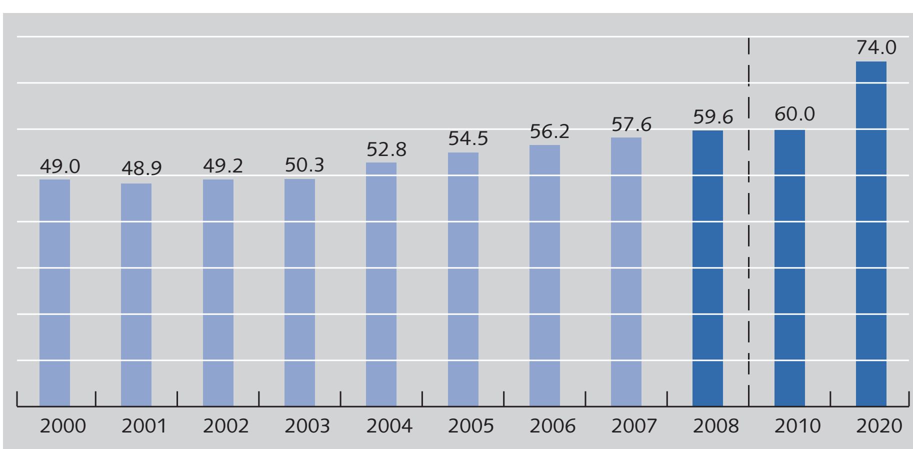
In comparison to Europe, the US market is highly fragmented and characterized by a large number of smaller suppliers, which often have a regional focus. The Company expects to see a consolidation process in the short to medium term. The largest competitor in the friction system segment is Ryko, while the largest competitor in the touch-free cleaning system segment is PDQ.

Asia
Carwash services in the Asian markets are provided primarily by professional hand washers. The region is highly fragmented in the automatic carwash business and is dominated by small, local providers.

Pacific (Japan, New Zealand, Australia)
In Japan und Korea, there are a number of dominant local manufacturers with a national focus. The Japanese market is served by national manufacturers, with no European manufacturers present. The markets in Australia and New Zealand are still showing slight growth, with all European and the major US competitors present via sales partners.

Key market drivers

- **Economy; increase in per capita income and increase in the number of newly registered cars**
  Rising per capita income results in higher labor costs and higher costs for manual washing coupled with an increase in the number of cars. The number of newly registered cars is still increasing across the globe; above-average growth rates are being recorded in central and eastern Europe and Asia in particular. These factors could – depending on overall economic developments and a shift in consumer behavior towards automated carwashes – provide new stimulus for the carwash business. At the same time, attractiveness and profitability of automatic car washing is increasing.

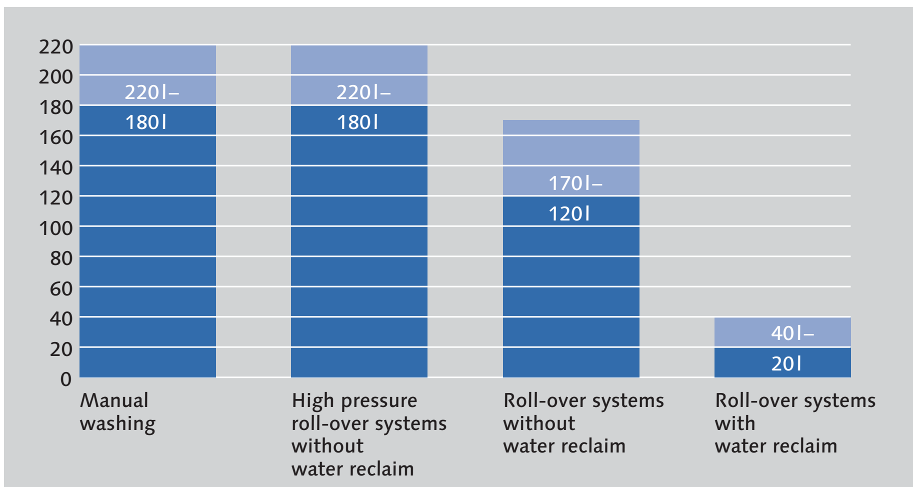


Car market world-wide
in million cars
Source: B&D Forecast

- **Technology: increasing demands with respect to speed, comfort and quality**
  Compared to hand washing, automatic car washing generates considerably better wash results. Furthermore, the wash process in a carwash system is far less time-consuming than hand washing. Rising demands with respect to wash results, combined with lower waiting and processing times, mean higher acceptance of automatic car washing.

- **Ecological issues: more stringent requirements and implementation of environmental regulations**
  The importance of water as a limited and precious resource, together with environmental awareness, is increasing across the globe. Closed-circuit circulation systems in automatic carwashes and the considerable reduction in water consumption offered by water reclaim systems, as well as the fact that the ground water does not get polluted with lubricants and vehicle chemicals, are driving the installation of carwash equipment.

Fresh water consumption (in liters per wash)
Sources: www.tankstellenmesse.de, WashTec estimate, www.bremen.net



Key factors impacting WashTec's future position as market leader

- **Installed machine base and broad coverage of the service network**
  The large installed base backed by broad coverage of the Company's own service network is a key factors in WashTec's future success in the primarily replacement-driven markets of northern and western Europe. With around 20,000 installed roll-over wash systems in its core markets in Europe and over 30,000 installed carwash equipment worldwide (roll-over wash systems, wash conveyors, commercial carwash equipment), WashTec has by far the largest installed machine base. With more than 500 own service technicians in Europe and the US, WashTec operates by far the largest proprietary service network.

- **Sales structure with key account management**
  A sales organization 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 its core markets guarantee that international framework agreements can be implemented in line with customer requirements.

- **Product range and development competence**
  WashTec regards itself as an innovation leader. Thanks to its corporate research and development center in Augsburg, as well as a development department in Denver, US, which works specifically on products for the US market, WashTec is able to respond to customer requests in a rapid and flexible manner. The product families marketed by WashTec are by far the most up-to-date machine generations on the market.

1.9 The Company's management systems

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

- Extended monthly management board meetings with division heads
- Regular international group 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
- Revenue, order backlog and market share analyses

Key figures for the planning and management of the company

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

Comparison of key planning and management figures in recent years

		2007	2006	2005
EBIT margin in % (EBIT/revenue)	in %	10.3	9.5	8.6
Equity ratio in % (Equity/total assets)	in %	34.4	29.6	27.0
EBITDA/net interest expense		9.3	8.3	5.9
Cash flow from operating activities	in €m	21.6	22.4	23.7

1.10 Research and development

WashTec regards itself as innovation leader

WashTec regards itself as innovation leader and has received a number of awards for its innovative »3D Car Scan Procedure«. The research and development activities of the WashTec Group are aimed at enhancing the existing product offering, developing new wash systems and swiftly and efficiently catering to the individual design and program requirements of customers. As the technology for carwash equipment is relatively mature, research initiatives, including initiatives at component level, focus in particular on shorter lead times, varnish-saving treatment, the adaptation of wash systems to suit the ever-increasing types of car shapes and the high availability of systems, as well as on meeting customer demand for more user-friendly car washing. Specific customer requests are documented during customer workshops for the development of new wash technologies. The optimization of production methods is designed to improve product quality and reduce production costs.

Development projects are resolved by a strategic product committee, which includes representatives from product management, sourcing, sales, production and service, and are monitored over the course of the entire product. 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 roll-over system on the market.
- The varnish-saving wash material SofTecs®, which – unlike conventional polyethylene brushes or other wash materials – leaves no marks on the car.
- Control units for wash system operation that are developed and produced in-house.
- 3D Car Scan, the first system to fully register the shape of a vehicle.
- The NEW SoftWash, SoftLine Express and MaxiWash Vario wash systems developed in 2006 and launched on the market in 2007

WashTec conducts research and development in cooperation with various institutions and universities.

More than 60 active patent families.

WashTec attaches great importance to the protection of its innovations through the use of patents. The WashTec Group has more than 60 active, i.e. awarded or registered, inventions/patent families. These inventions are split into over 400 individual registrations. The patent strategy of the WashTec Group is aimed primarily at safeguarding innovations that give the Company unique selling points. WashTec has a central research and development unit in Augsburg with around 40 employees. The Company's research and development center also cooperates with independent service providers on specific projects.

In 2007, the capitalized development costs of the Group totaled €0.9m (prior year: €1.0m). It also reported non-capitalized costs in the amount of €0.8m (prior year: €0.5m)

Comparison of capitalized and non-capitalized development costs in recent years:

€m	2007	2006	2005	2004
Capitalized development costs	0.9	1.0	0.2	0.4
Non-capitalized development costs	0.8	0.5	0.3	0.2
Total costs	1.7	1.5	0.5	0.6

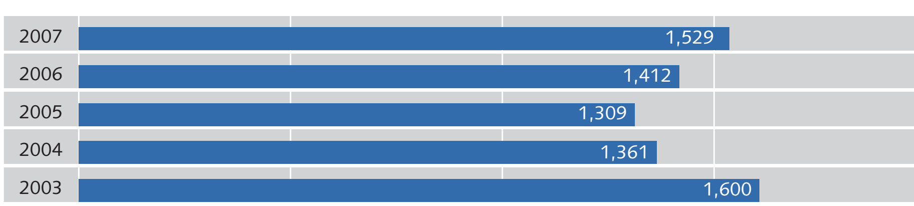
1.11 Employees

As of December 31, 2007, the number of employees had risen by 110 to 1,561, primarily as a result of the acquisition in Spain and the strengthening of the Company's direct sales activities in the US. The employee statistics for 2007 include the employees of WashTec Spain for the first time. Personnel expenses in the period under review totaled €85.9 m (prior year: €85.5 m). In Germany, the WashTec Group is bound by the collective wage agreements of the trade union IG Metall. In 2007, the Company concluded a supplementary collective wage agreement with representatives of IG Metall, which provides for a gradual increase in the standard working week to 37 hours with no additional pay in return for a commitment to maintain jobs at the Company's location until 2010.

Number of employees by function

	Dec. 31, 2007	Dec. 31, 2006	Change
Sales and service	907	816	91
Production, technology and development	483	475	8
Finance and administration	171	160	11
Total	**1,561**	**1,451**	**110**

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 objectives. The members of first-level management also participate in the stock option plan resolved by the 2007 Annual General Meeting. There is also a bonus program for members of first-level management, which is linked to the achievement of medium-term objectives.



Number of employees as year average

Report on management board remuneration

The remuneration report summarizes the principles used to determine the remuneration paid to the management board of WashTec AG and explains the amount and structure of management board income. Furthermore, it describes the basic principles and level of remuneration for the supervisory board, and contains disclosures on the shares held by both management and supervisory board members. The remuneration report is based on the recommendations of the German Corporate Governance Code and contains information that forms part of the management report in accordance with the requirements of German Commercial Code (Sec. 315 (2) No. 4 HGB).

The 2006 Annual General Meeting resolved with a majority of 93.3% of the votes, not to supply the information required in Sec. 285 (1) No. 9a Sentences 5 to 9 and Sec. 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 with an additional stock option plan.

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, recurring components linked to business performance and components with a long-term incentive effect and risk elements. In derogation of the recommendation set out in Sec. 4.2.3 of the German Corporate Governance Code in the version dated June 14, 2007 (»the Code«), the remuneration does not include any one-off variable remuneration components. The expenses totaled €874,000 in 2007 (comparable prior-year figure: €1,057,000).

As regards the remuneration with a long-term incentive effect and risk elements, individually agreed stock option plans were, and are still in place. The terms and conditions of the stock option plans did and do not provide any limitation options for extraordinary, unforeseen developments (Sec. 4.2.3 of the Code). The Annual General Meeting held on May 22, 2007 resolved a regular option program for the management board and first-level management of the Company.

In July 2007, 767,000 options were issued to the management board and first level management

On July 23, 2007, 767,000 options were issued to the management board and first-level management at an issue price of €15.34. 600,000 of these options were issued to the management board and 167,000 to 12 members of the first level of management below the management board. In return, the members of the management board currently in office waived their existing rights under an existing share appreciation rights program. The options may only be exercised after a waiting period of two years, provided that the share price rose by 20% within the waiting period. The fair value of the stock options totals €1.8m. Expenses in 2007 amounted to € 441k. The fair value was calculated on the basis of a binomial model as of the issue date. This calculation model is based on a risk-free interest rate of 4.72%, an assumed volatility of 22.8%, a dividend yield of 2%, a share price of €15.00 on the issue date and an anticipated term of two years. The share price and volatility are based on publications by leading German banks. For details and further information on the stock options please see Note 9 – Personnel Expenses.

Following the termination of their employment contracts, the members of the management board are contractually entitled to remuneration corresponding to 50% of the short-term remuneration 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 the termination of their employment contracts in certain cases. Contrary to the recommendation set out in Sec. 4.2.3 of the Code, the existing employment contracts of the management board members have not provided, and do not provide for any general severance payment cap corresponding to a maximum of two annual salaries in the event that the members resign from their management board activities prematurely. No limitation to a maximum of 150% of the severance payment cap is in place for the premature termination of management board activities in the event of a change of control either.

None of the commitments were booked as expenses in 2007.

No pensions or pension benefit plans have been granted to members of the management board since 2003.

2. Results of operations

2.1 Key projects of the WashTec Group in 2007

- **Acquisition and integration of Motor Mediterraneo, Spain**
  WashTec took over its Spanish sales partner in January and is now present with its own sales and service organization in this focus market. WashTec aims to become the market leader in Spain in the medium term.

Successful integration of the Spanish dealer

  Motor Mediterraneo S.A., which has its registered office in Barcelona and a branch in Madrid, had been the WashTec Group's sales partner in Spain since 1964. The Company was integrated as scheduled in the year under review and showed positive business development in 2007.

- **Expansion of direct sales in the US**
  Following the acquisition, integration and reorganization of our US subsidiary, focus in 2007 lay on strengthening its sales and service activities. The Company launched its own activities in Texas, Missouri, Tennessee and in the North-East of the US.

- **Successful product launches**
  The products unveiled at the 2006 automechanika trade fair, namely NEW SoftWash, a roll-over system designed specifically for the Basic segment, the commercial carwash system MaxiWash Vario and the hydraulic wash conveyor SoftLine Express, were launched on the German and foreign markets on schedule.

- **Expansion of the operation business**
  As part of the international expansion of the operation business, a cooperation agreement was concluded with the Dutch petrol station operator Argos Oil. Locations are operated on behalf of and for the account of the customer in the Netherlands in line with the WesuRent model.

- **Supplementary collective wage agreement**
  WashTec concluded a supplementary collective wage agreement for the WashTec Group in Germany with the works council and representatives of the trade union IG-Metall. The agreement provides for a gradual increase in the standard working week to 37 hours without additional payment and a waiver of special payments under collective wage agreements until the end of 2010. In return, WashTec has made a commitment to guarantee employment at the Company's location until 2010.

- **Launch of stock option program and share buy-back**
  On the basis of resolutions passed by the Annual General Meeting, WashTec has launched a stock option program for the management board and the Company's first-level management (volume of 767,000 options). The options were granted at an issue price of €15.34 subject to a period of 2 years. The options may be exercised during the waiting period provided the Company's share price has risen by over 20%. Moreover, in September, the Company resolved the implementation of a share buy-back program and the purchase of up to 800,000 shares in the Company in the period leading up to November 2008.

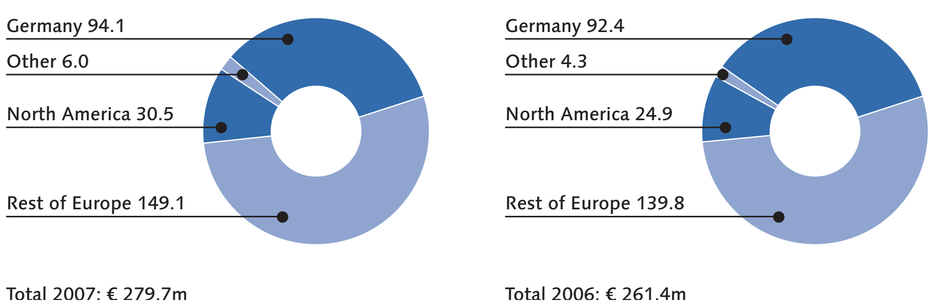
2.2 Situation of the company and development of its business

At €279.7m, the WashTec Group's revenues were up by 7.0%

At €279.7m, the WashTec Group's revenues were up by 7.0% on the prior year (€261.4m). Revenue growth of €18.3m (consolidated) is primarily attributable to the positive development of the US subsidiary and in southern and central and eastern Europe. All equipment product areas, as well as the Service division, showed a positive development. The SoftCare Bravo, NEW SoftWash roll-over systems, and the newly launched commercial carwash system MaxiWash Vario contributed to the positive revenue development. The temporary investment restraint shown by major customers in Europe in the first half of the year was abandoned and revenue shortfalls were compensated for in the second half of the year.

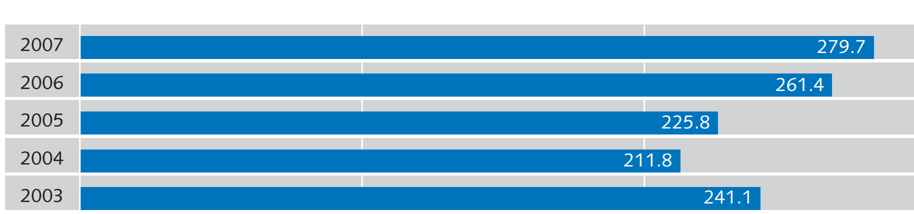
In Germany, revenues amounted to €94.1m, up slightly by €1.7m on the prior year. The rise in revenues of €9.3m to €149.1m in the rest of Europe is primarily attributable to the positive business development in southern and central and eastern Europe.

Revenues by region in €m



Revenues at Mark VII Equipment Inc., USA, (stand alone) totaled €30.5m, up by €5.6m on the prior year (2006: €24.9m). This revenue growth is due to the sustained positive development in friction roll-over systems, as well as the expansion of the direct business. The decline in the value of the US dollar against the euro means, however, that the rise in revenues in North America expressed in US dollars (+35.0%) is considerably higher than in euros (+22.5%). The exchange rate development of the euro did not have any material negative impact on the performance of the WashTec Group in 2007. WashTec concludes the majority of its agreements in euros. The slide in the value of the US dollar against the euro only had a slight impact on WashTec's operating business, apart from the financing of the activities of Mark VII, US, which is organized via a German banking syndicate and is hedged mainly using cross-currency swaps. Almost all products for the US market are produced in the US. Only components which account for a small proportion of Mark VII's materials are supplied from Europe. Currency effects only had a minor impact on the earnings of Mark VII.

Revenues in €m



In 2007, the Cleaning Technology division, which includes revenues from the sale and servicing of carwash equipment and accessories, generated revenues of €279.5m (2006: €261.2 m). The revenues generated in the Systems division, which mainly includes the business of the subsidiary Wesurent Car Wash Marketing GmbH, totaled €3.5m, down €0.2m on the prior year (2006: €3.7m). The Systems division was largely able to make up for the losses generated in the winter months due to mild and rainy weather conditions in Germany which had an unfavorable impact on the number of washes in the further course of the year. As the WashTec Group generates most of its revenues and income 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, 2007, the WashTec Group's order intake value was up on the prior year. Since WashTec's orders are generally completed within six to ten weeks, the order backlog is not particularly relevant for the Company's medium to long-term business development.

Results of operations

Results of operations

		2007	2006	Change
EBITDA	€m	**36.0**	32.6	3.4
EBIT	€m	**28.9**	24.9	4.0
EBIT, adjusted for non-recurring effects	€m	**28.3**	28.7	–0.4

Earnings before interest and taxes (EBIT)

EBIT margin increased to 10.3%

The EBIT margin for the year as a whole increased to 10.3% (prior year 9.5%). Earnings before interest and taxes (EBIT) increased to €28.9 m (2006: €24.9 m). This is mainly the result of the rise in earnings (EBIT) in the Cleaning Technology division (unconsolidated) from €26.0m in the prior year to €29.2m in 2007. EBIT in the Systems division remained stable at €0.7m despite the decline in revenues (prior year: €0.7m). Consolidated earnings before interest and taxes, after adjustments for non-recurring effects, totaled €28.3m (2006: 28.7m) after deductions for a positive non-recurring effect totaling €0.6m (prior year: -€3.7m). This is primarily the result of the final accounting of the purchase prices for acquisitions. The decline in earnings after adjustments for non-recurring effects is mainly attributable to start-up costs linked to the efforts to strengthen the Company's sales and service activities in the US and southern Europe.

Factors influencing the cost of materials ratio mainly include the increased revenue contribution of Mark VII and the southern European companies, which generate lower margins than the WashTec Group in the core European markets due to their different sales structures and market conditions. In 2007, these factors resulted in an increase in the cost of materials ratio (as a percentage of revenues) from 44.2% to 45.2%. Increasing raw materials prices were offset by the realization of sourcing and design-to-cost projects. In 2008, the cost of materials ratio is expected to remain largely stable thanks to the realization of further projects.

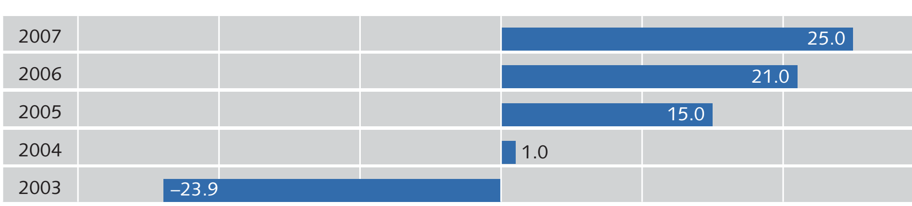
Personnel expenses increased slightly from €85.5m to €85.9m. The increase is primarily attributable to the increase in headcount of the WashTec Group due to the expansion of its sales and service networks in southern Europe and the US. Comparison with the prior year also has to take into account that the personnel expenses in the prior year included expenses of €4.6m for phantom stocks. The phantom stocks were replaced by the launch of the new option program in the course of 2007 (Note 9). The new option program results in annual expenses of approx. €0.9m. Expenses in 2007 amounted to €0.4m. In 2007, a supplementary collective wage agreement was concluded for the employees covered by collective wage agreements in Germany, which provides for a gradual increase in the working week from 35 hours to 37 hours without additional payment. The Company expects personnel expenses to increase in line with the inflation rate in 2008. WashTec made social security contributions of €12.1m (2006: €12.2m). Personnel expenses as a percentage of revenues fell from 32.7% to 30.7% due to the expiry of phantom stocks.

Other operating expenses rose to €38.8m, due to structural costs linked to the takeover and integration of Motor Mediterraneo S.A., Spain, the efforts to strengthen the Company's sales and service activities in the US, and start-up costs for further growth and efficiency projects (2006: €35.4 m). (See Note 10 for a breakdown) Depreciation and amortization fell to €7.2 m (prior year: €7.7m). The decline is primarily due to a decline in finance leases.

The negative financial result remained stable at €3.9 m (prior year: €3.9m). The reduction in liabilities to banks was offset by the increase in interest rates.

The Systems division generated an operating result (EBIT) of €0.7 m (prior year: €0.7m) in 2007.

Earnings before taxes in €m (EBT) and consolidated profit



Earnings before taxes in €m

After the deduction of the financial result, earnings before taxes (EBT) amounted to €25.0m (2006: €21.0m). The taxes totaling €12.4m comprise the utilization of deferred taxes and ongoing tax expenses (2006: €8.5m). They include a write-down of €3.2m on loss carryforwards as a result of the tax reform that came into force in Germany in July, which has brought the Group's tax ratio down from 40% to around 32% as of 2008.

Earnings per share increased to €0.83

This results in profit for the period of €12.6m (2006: €12.5m). Earnings per share improved from €0.82 to €0.83 (based on 15.2m shares). After adjustments for the write-down to loss carryforwards, earnings per share increased to €1.04.

Income taxes relate to deferred taxes due to loss carryforwards at German entities and cash taxes. The deferred taxes in Germany are calculated at a tax rate of 30.9% (prior year: 39.2%). Moreover, as described, the Company had to write down deferred taxes in the amount of €3.2m in the third quarter of the year.

The remaining taxes relate to foreign subsidiaries/tax payments based on minimum taxation in Germany.

In 2007 as a whole, the Company's results of operations were in line with our expectations with an increase in revenues from €261.4m to €279.7m and an increase in earnings before taxes from €21.0m to €25.0m. Net profit ratio fell slightly from 4.8% to 4.5% due to the write-down of loss carryforwards. In the future, the Company aims to achieve a further long-term increase in its net profit ratio and expects its earnings per share to increase considerably in fiscal year 2008.

3. Net assets and financial position

3.1. Net assets

Slight increase of total assets due to increase in inventories

Net assets and financial position		2007	2006	2005	2004	2003	2002	2001
Non-current assets	€m	100.0	100.0	78.5	75.1	81.6	94.0	99.6
Receivables and other assets	€m	46.4	44.6	35.1	31.8	49.6	57.4	74.4
Inventories	€m	39.5	34.0	29.0	30.2	37.2	39.3	42.0
Deferred tax assets	€m	16.9	24.8	30.1	30.9	33.3	27.4	25.2
Cash and cash equivalents	€m	6.0	3.0	6.9	0.8	3.8	4.9	3.8
Other	€m	2.5	2.4	2.9	1.3	1.2	1.3	1.1
Equity	€m	72.7	61.7	49.3	4.0	7.2	25.5	40.1
Provisions (incl. tax liabilities)	€m	28.3	31.3	42.8	34.4	34.4	19.8	16.6
Liabilities	€m	102.4	108.9	84.0	127.1	162.6	178.0	189.3
Deferred income	€m	7.9	6.9	6.4	4.6	2.5	1.0	0.1
Total assets	€m	**211.3**	**208.8**	**182.5**	**170.1**	**206.7**	**224.3**	**246.1**

The total assets of the WashTec Group increased from €208.8m to €211.3m. Non-current assets remained exactly at the prior-year level of €100.0m despite the additions due to the acquisition of Motor Mediterraneo, Spain, as a result of depreciation and amortization. Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Depreciation is charged pro rata temporis on a straight-line basis over the expected useful life of the respective assets. Intangible assets are subject to impairment tests.

The WashTec Group's non-current assets include goodwill in the amount of €53.6m (prior year: €51.9m). The increase is largely due to the acquisition of Motor Mediterraneo, Spain. As IFRS 3, in conjunction with IAS 36, has not permitted the amortization of goodwill since 2005, the management tests capitalized goodwill for impairment annually. The goodwill impairment test is based on the medium-term forecast for the period from 2008 to 2012 at group level. On the basis of a conservative business forecast, no impairment requirement can be identified at present.

Other key items included in the Group's non-current assets include land and buildings, at €21.5m, machinery and vehicles from finance leases in the amount of €8.4 m and intangible assets of €8.0m.

Receivables and other assets rose from €44.6m to €46.4m due to the increase in the business volume. Inventories rose due to the expansion of the Company's direct sales activities in southern Europe and the US, temporary double inventory management due to the changeover of the spare parts logistics system in Europe, and an increase in finished goods from €34.0m to €39.5m. The inventories are to increase below average once the European spare parts logistics project has been concluded.

Deferred taxes from loss carryforwards, which mainly relate to losses generated by the California Kleindienst Group in the period prior to the merger with Wesumat in 2000 and the restructuring expenses from 2002 and 2003, fell due to write-downs prompted by the tax reform, as well as the positive result, from €24.8m at the end of 2006 to €16.9m as of December 31, 2007. Despite the minimum taxation in Germany, they will be utilized within five years based on expected future earnings.
Cash and cash equivalents increased from €3.0m to €6.0m due to high incoming payments as of the balance sheet date.

Current assets including assets held for sale amounted to €94.4m as of December 31, 2007, against €84.0m in the prior year.

Equity increased considerably due to the positive earnings development from €61.7m to €72.7m. With an equity ratio of 34.4%, WashTec has a solid capital structure.

WashTec AG's equity stood at €133.8m (2006: €134.1m). This results in an equity ratio of 98.0% (2006: 97.0%).

Net bank debts reduced to €46.0m

Net bank debts (bank debts less bank balances) amounted to €46.0m as of December 31, 2007 (December 31, 2006: €54.2m), well down on the prior year. Interest coverage (EBITDA/net interest expense) stood at 9.3 at the end of the year (prior year: 8.3).

Provisions fell from €31.3m to €28.3m mainly due to utilization of provisions. Provisions mainly comprise provisions for personnel, phased retirement and products. A breakdown of provisions is provided in Note 28.

Key figures relating to the Company's financial position and net assets, such as leverage and the equity ratio, are set out in Section 1.9.

3.2 Financial management

The main aim of financial management is to optimize free cash flow. The WashTec Group is financed via a long-term syndicated loan that was granted to WashTec Cleaning Technology GmbH and falls due in 2011. The Company's main liabilities are denominated in euros. The base interest rate of the loan concluded in 2006 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 three interest rate swaps for 65% of the loans. Furthermore, exchange rate risks relating to the dollar area are hedged via a cross currency swap.

As of December 31, 2007, the Group had a credit line totaling €82.2m. At year-end the Company had non-utilized earmarked credit lines of €24.5m, which may be used for future operating activities and to meet obligations (see Note 29 to the consolidated financial statements for further explanation). Utilization of non-utilized credit lines is largely subject to special conditions and to the approval of the banking syndicate The subsidiary Wesurent Carwash Marketing finances its equipment investments by means of sale and lease-back transactions, which are detailed in Note 30.

3.3 Cash flow statement

A further classification was introduced in the fiscal year to improve the transparency of the consolidated cash flow statement. A change was also made to the presentation of interest paid and received. These items were reclassified from cash flows from operating activities to cash flows from financing activities in the fiscal year.

Net Cash Flow totaled €21.6m

Cash inflows from operating activities (net cash flow) totaled €21.6m (2006: €22.4m). The Company generated a particularly high cash flow from operations in the final quarter due to the increase in the operating result. As regards working capital,, the receivables structure and amount of trade payables were improved/reduced. By contrast, there was an increase in inventories and other working capital, bringing the net cash flow down by €0.8m on the prior year.

Cash outflows from investing activities totaled €7.6m in the fiscal year (2006: €24.9m). In 2007 this was primarily due to the acquisitions of Motor Mediterraneo and in the US (€5.0m), as well as payments for investments in fixed assets (€5.8m). In the prior year, payments of €17.0m for the acquisition of subsidiaries were largely attributable to the acquisition of Mark VII Equipment Inc. .There were also cash inflows of €3.2m from the sale of non-current assets (2006: €3.0m).

Cash outflows from financing activities totaled €-9.5m (2006: €-2.8m). The development of cash outflows is largely due to interest payments, loan repayments and the repayment of long-term liabilities from finance leases.

Cash and cash equivalents increased by €4.5m to €5.9m as of the reporting date of December 31, 2007.

The Company was able to meet its payment obligations at all times.

3.4 Investments

As described above, investments totaled €7.6m (2006: €24.9m). In 2007, the WashTec Group's investment activities focused on the acquisition of its sales partners in Spain and the US and replacement investments in Europe, whereas in the prior year they concentrated on the acquisition of Mark VII Equipment in the US.

4. Supplementary Report

No significant events took place after the balance sheet date.

5. Risk report – opportunities and risks relating to group development

Within the scope of its international business activities, the WashTec Group is exposed to opportunities and risks that are inextricably linked to its business activities. In order to manage risks in a controlled manner, the Company's main business processes are subject to an internal management and monitoring system that is designed to identify risks at an early stage and 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 firmly anchored in WashTec's day-to-day work processes.

Risk management

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

All business rights are assessed against business processes, analyzed and quantified. Risk management involves defining and taking appropriate countermeasures. The individuals responsible in each department use risk identification forms to report and query all identified risks on a regular basis. The status of implementation is followed up at regular intervals via the risk management system.

The risk monitoring process did not identify any risks jeopardizing the Company's ability to continue as a going concern.

Monitoring and management system

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

- Extended management board meeting
- Management meeting
- Annual planning
- Forecast calculation
- Monthly and quarterly reporting
- Strategic product committee
- Strategic marketing group
- Technical 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.

Business risks
The following section sets out the opportunities and risks relating to the WashTec Group as of the balance sheet date of December 31, 2007 that could have a material impact on the Group's further development. There were no material changes to the risk structure against the prior year. Ongoing cost optimization and the successful start-up of new sales and service activities are gaining in significance for successful future business development.

Opportunities and Risks Relating to Group Development:
- *Climate and environmental risks*
- *Ongoing cost optimization*
- *Establishment of new sales and service organizations*

Climate and environmental risks

Changes in the climate and environmental conditions could have either a positive or a negative impact on carwash behavior and, as a result, on WashTec's business.

Risks
Increasing strain placed on the roads, high fuel costs and bans on inner-city driving, as well as road tolls and increasing environmental awareness, could result in fewer vehicles on the road in a bid to protect the environment. This could lead to less carwash activity and, as a result, lower investments in carwash facilities. A change in the climate or in environmental conditions could also have an impact on carwash behavior and, as a result, on WashTec's business. Milder winters mean less de-icing salt, fewer carwashes and, consequently, could extend the useful lives of carwash facilities leading to delays/declines in carwash facility investments.

Opportunities
The fact that water as a resource is becoming scarcer and more costly could result in an increase in automatic car washing, which, if a water reclaim system is used, can reduce the consumption of freshwater by 90% from at least 150 liters per wash for manual washing facilities that do not use water reclaim systems. The Company expects that statutory provisions will generally follow the example set in certain countries in northern and central northern and western Europe, where water reclaim systems are mandatory for carwash equipment. This could result in an increase in carwash facilities.

Ongoing cost optimization

Risks
The continuation of current projects and the definition of new cost-cutting measures are key requirements for the further success of the Company. The Company must continue to streamline its cost structures in order to uphold its leading position on the market and maintain a production location capable of generating solid results of operations in the high-wage German economy in the future. Current and new projects are designed to result in ongoing improvements to the Company's cost structure.

Opportunities

Past efficiency projects have improved the profitability and competitiveness of the WashTec Group in the long term. These programs are still having a positive impact and are being continued. Provided that all of these projects can be realized in full, the Group will be able to further enhance its cost structures and earnings considerably, leading to a further increase to the Company's positive business performance.

Establishment of new sales and service organizations and product development

Risks

The establishment of new sales and service companies, the increasing horizontal diversification and the development of new products can entail specific risks for WashTec. All of the Company's strategic investments, including investments relating to the establishment of 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 prove to be incorrect or that investments will not be able to be implemented.

All strategic investments, including investments are based on an analysis of market requirements and a corresponding investment analysis.

The expansion of the Company's sales organization through the acquisition of companies or parts of companies generally requires the Company to raise additional external capital. 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.

Furthermore, WashTec could be exposed to risks in respect of start-up losses from the establishment of new sales and service organizations or the takeover of sales partners (e.g. relating to personnel expenses and other operating expenses for new infrastructure).

Opportunities

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

By breaking into new markets through the vertical and horizontal expansion of the Company's service offering, as well through further acquisitions will give WashTec the opportunity to expand its position as a full-service provider. Country-specific strategies have been drawn up for all global focus markets as part of the strategic planning process.

Business

Risks

Business risk:
- *freeze on investments by major customers*
- *increasing competition*
- *Price increases from suppliers*

An unstable political situation or terrorist attacks could trigger a decline in consumer behavior. If market-related and economic fluctuations, or a drastic rise in oil prices result in reduced demand WashTec could suffer a considerable drop in revenues. A freeze on investments by individual major oil companies or the listing of other suppliers due to new tenders for framework supply agreements with major oil companies could spark a substantial loss in revenues for WashTec.

Risks from aggressive price competition resulting from declining demand could put pressure on margins in individual market segments.

Price increases from suppliers due to increased raw material prices (e.g. increased steel prices) could push up manufacturing costs and reduce the gross profit margin. Contrasting effects from projects designed to reduce purchase prices could, however, eliminate the effects of price increases in some cases.

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 developments or fluctuations on the market. Risks to earnings from declining demand or risks from falling prices are minimized using measures relating to ongoing product enhancement, product range optimization, adjustment of purchase conditions, capacity adjustment options for the employment of temporary staff, as well as agreements for flexible seasonal working models based on annual working hours.

Opportunities

The rejuvenation of the age structure of customers' wash systems or an increase in their own market shares could lead to positive one-off effects.
The increasingly global purchasing activities could mean that further efficiency potential can be realized with respect to the sourcing and production of individual components in the future, too.

Innovations

Risks

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

Even if patents can be expected to become effective on the basis of the applicable legislation, the granting of patents does not, by any means, mean that the patent will be effective or that any patent claims can be enforced. This applies, in particular, to the Asian markets. Insufficient protection or a breach of intellectual property rights could impair the WashTec Group's ability to use its technological lead to generate profits or future earnings. Furthermore, it cannot be ruled out that WashTec will infringe third-party patents, because WashTec's competitors, just like WashTec itself, register numerous inventions as patents and receive patent protection.

Competitor innovations, as well as the development of new substitute innovations by sectors outside of the carwash business, such as the development of car paint designed to repel direct particles with a »Lotus effect«, may impact the demand for WashTec products in the long term. WashTec's R&D department monitoes new developments in car varnishes on an ongoing basis. We currently do not anticipate any sustained impact on the carwash business in the short or medium term.

Innovations such as the development of car paint with a »Lotus effect«, may impact the washing behaviour

Opportunities

The WashTec Group's research and development activities are aimed at further developing the existing product offering, developing new wash systems and meeting the individual requirements of customers with respect to facility designs and programs in a timely and efficient manner.

WashTec's innovations have already received numerous awards at specialist trade fairs and were then successfully launched on the market. The new wash systems developed on the basis of ongoing research and development activities meet the requirements of both the Company's existing and new customers.

Financial risks

Within the scope of the expansion of the financing of the WashTec Group, the loans and credit lines made available by the banking syndicate were increased to €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, for example, 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 termination.

The base interest rate of the loans concluded in 2006 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 at least 50% of the loans. However if, contrary to expectations, the general interest rate falls below the hedged rate the WashTec Group will not benefit from this lower interest burden. This was not the case as at December 31, 2007.

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

WashTec aims to conclude international agreements (tenders, dealer agreements) in euros. Furthermore, most of the exchange rate risks relating to the dollar area are hedged using a cross-currency swap.

The interest rate swaps hedge at least 50% of the interest rate risks from the syndicate loan and are measured at a fair value of €0.4m as of December 31, 2007 (2006: €0.7m). They are reported under current assets/in equity as they constitute hedging instruments in the form of a cash flow hedge.

Interest and exchange rate risks are hedged by interest rate and cross currency swaps

Interest rate risk
The risk of fluctuations in market interest rates to which the Group is exposed result largely from the interest-bearing loan with a floating rate. In order to hedge the loan cash flow, which is subject to a variable interest rate, against fluctuations in market interest rates, the Group has concluded interest rate swaps which the Group uses to swap the variable interest rate from the loan for a contractually agreed fixed interest rate provided by the contracting party.

Exchange rate risks
The US dollar transactions executed by the subsidiary Mark VII Equipment Inc. mean that changes in the USD/EUR exchange rate could have a material impact on the consolidated balance sheet. The Company concluded a cross-currency swap allowing the Group to exchange USD 10m for €8.4m on December 31, 2008. Operational risks resulting from further individual transactions in foreign currencies are immaterial due to their low volume.

Liquidity risk
Ensuring that the WashTec entities are solvent at all times is a key business objective. The cash management systems in place, for example monthly rolling Group liquidity planning on an annual basis, allow the Company to identify potential bottlenecks in a timely manner and ensure that appropriate steps are taken in good time. Unutilized credit lines ensure the supply of liquidity.

Credit risks
The Group only enters into transactions with creditworthy third parties. In order to keep the del credere risk as low as possible where the customer does not have a first-rate credit rating, order acceptance is subject to strict controls. For new regional 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. A credit risk concentration is deemed to have occurred if an individual customer or a mineral oil company accounts for more than 15% of revenue. This was not the case in fiscal year 2007.

Tax risks
Most of the loss carryforwards reported by the WashTec Group relate to its German entities.

Further changes in tax legislation regarding the tax rate or the extent to which loss carryforwards can be used could result in expenses arising from the revaluation of capitalized deferred tax assets and have a negative impact on consolidated equity and earnings per share.

Takeover risks
The Company faces the risk of a takeover if its stock market valuation fails to sufficiently reflect its intrinsic value over a prolonged period of time.

A takeover could change the existing strategy of the WashTec Group, and existing loss carryforwards may be lost.

Some of the WashTec Group's agreements provide for the option of termination for cause in the event of a change in control. A takeover could also result in management changes.

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

Risks relating to the use of materials
The WashTec Group uses standard costing procedures to calculate the materials required. Changes in purchase prices, rebates etc. which occur during the year are accounted for manually and result in adjustments to the cost of materials ratio during the year. WashTec is implementing an automatic actual cost billing system for materials based on bills of materials with a permanent inventory.

Investment risks
The Company has extensive guidelines for approving investments and other expenditure. These guidelines define upper expenses limits and specify the responsible individuals. Larger investments are summarized in an annual investment plan and are approved by the supervisory board.

Quality and Process Risks
Quality and process risks can arise in connection with the launch of new products on the market, as well as changes to internal processes and the introduction of new IT systems. Furthermore, WashTec has to meet very high HSSE requirements (Health, Safety, Security, Environment). Major breaches by individual employees could mean that WashTec loses major contracts, prompting a deterioration in the Company's financial and earnings situation in the long term. Certification and ongoing quality control ensure that all processes in the Company are regularly monitored and documented.

Capacity risks

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

Risk management

All operational risks are analyzed and discussed on an ongoing basis by the management, the financial accounting department and the management board and are documented in monthly reports. In addition to revenue and all types of expenditure, these reports provide information on cash flows, employee development and all substantial elements of current assets and the balance sheet. A risk assessment in respect of current business and options for future transactions can be performed on the basis of these figures. The competitive situation and customers' needs are made transparent at regular meetings and by communicating 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 Europe in 2008 and 2009. In the US, the economy is expected to slow further. From today's perspective, the investment behavior of major oil companies, car dealers and individual operators is not expected to change to any considerable degree in Europe. The replacement business will continue to dominate the core northern and western European markets. More dynamic market growth is expected in central and eastern Europe while slight market growth of the installed base is expected for the US. The Asian market is expected to gain importance in the medium to long term.

WashTec development

The Company aims to generate annual revenue growth of 4% to 7% and an increase in its EBIT margin to 12% to 14% by fiscal year 2010 (EBIT margin 2007: 10.3%).

Medium-term planning is based on the bottom-up plans of the individual business areas. The Cleaning Technology division will make the largest contribution to planned growth thanks to projects designed to increase revenue and earnings.

Aims 2010:
- *Revenues of €310–340m*
- *EBIT margin 12% to 14%*

WashTec aims to achieve a leading position as a full-service provider covering all aspects of the carwash business in all major global markets, which may also involve further acquisitions. The Company has set out country-specific strategies for all major global markets as part of its strategic planning. The focus markets will remain the US, as well as southern and central and eastern Europe, which are expected to make a key contribution to growth. In the medium and long term, the Asian market also offers substantial growth potential.

A key part of the Company's strategy will involve expanding its service offering, particularly in the European core markets where it has a high market share and generates stable revenues. This will involve a number of measures, including the expansion of offerings along the carwash value chain, e.g. chemicals, financing or marketing support. Furthermore, efficiency projects, such as the sourcing of components in Asia, are designed to further increase WashTec's profitability and competitiveness.

In southern Europe, the company will continue to strengthen the activities of its subsidiaries in Italy and Spain. In central and eastern Europe, WashTec will participate in market growth and expand offerings that are tailored to the needs of its customers and sales partners and to gain market share. As part of WashTec's key account management activities, WashTec has set up its own representative office in Russia.

The Company aims to achieve a leading position in the US market in the medium term. It expects to see a market consolidation process in the short to medium term. WashTec will continue to step up its sales and service activities, a strategy that may also involve further acquisitions to expand the sales and service network. In 2008, WashTec plans to launch a new generation of friction and high-pressure roll-over systems on the market.

In order to increase efficiency and cut costs, a number of projects have been launched in all areas. The main projects relate to the expansion of sourcing activities through WashTec's organization in China and group-wide projects to increase efficiency, particularly in the area of service.

Investments will continue to focus on the international strengthening of the sales and service organizations, as well as on investments in integrated systems in order to increase group-wide efficiency.

In 2008 the Company aims to further increase its net profit ratio and expects its earnings per share to increase considerably.

Augsburg, Germany, February 19, 2008

Thorsten Krüger (Spokesman)	Christian Bernert

RESPONSIBILITY STATEMENT

»To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the group management report includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group.«

For the sake of completeness, it should be noted that if an entity is obliged to prepare an annual financial report in accordance with section 37v(1) and (2) of the WpHG, it must also comply with the requirements of sections 264(2) sentence 3 and 289(1) sentence 5 of the HGB (single-entity financial statements).

CONSOLIDATED FINANCIAL STATEMENTS OF WASHTEC AG

CONSOLIDATED INCOME STATEMENT

	Note	Jan. 1 to Dec. 31, 2007 €	Jan. 1 to Dec. 31, 2006 €
Revenue	7	279,713,441	261,365,031
Other operating income	8	5,387,990	3,243,214
Change in inventories of work in process		2,843,357	5,127,907
Cost of materials			
Cost of raw materials, consumables and supplies and of purchased merchandise		107,751,766	99,400,941
Cost of purchased services		18,708,276	16,202,560
		126,460,042	**115,603,501**
Personnel expenses	9	**85,859,648**	**85,456,487**
Amortization, depreciation and impairment of tangible assets and property, plant and equipment		7,173,300	7,660,187
Other operation expenses	10	38,822,436	35,423,290
Other taxes		756,183	677,145
Total operating expenses		**259,071,609**	244,820,610
EBIT		**28,873,179**	**24,915,542**
Other interest and similar income		983,805	538,059
Interest and similar expenses		4,879,159	4,460,956
Financial result	11	**–3,895,354**	**–3,922,897**
Result from ordinary activities/EBT		**24,977,825**	**20,992,645**
Income taxes	12	–12,402,368	–8,490,937
Consolidated profit for the period		**12,575,457**	**12,501,708**
Loss carried forward		**–22,733,831**	**–35,235,539**
Dividend distribution to shareholders		0	0
Consolidated accumulated loss		**–10,158,374**	**–22,733,831**
Average number of shares		**15,191,939**	**15,200,000**
Earnings per share (basic = diluted)	13	**0.83**	**0.82**

The notes to the consolidated statements form an integral part of the consolidated financial statements for fiscal year 2007

CONSOLIDATED BALANCE SHEET

Assets	Note	Dec. 31, 2007	Dec. 31, 2006
		€	€
Non-current assets			
Property, plant and equipment	14	38,348,702	38,470,353
Intangible assets	15	61,558,817	61,214,914
Financial assets	16	25,284	172,529
Other assets	20	0	32,000
Deferred tax assets	18	16,909,792	24,839,303
Total non-current assets		**116,842,595**	**124,729,099**
Current assets			
Inventories	19	39,482,758	34,020,443
Current receivables	20	42,534,754	41,842,221
Other assets (due within one year)	20	3,899,092	2,761,587
Cash and bank balances	22	6,027,720	3,045,395
Prepaid expenses	21	1,388,960	1,326,630
Total current assets		**93,333,284**	**82,996,276**
Non current assets held for sale	17	**1,110,428**	**1,110,428**
Total assets		**211,286,307**	**208,835,803**

The notes to the consolidated statements form an integral part of the consolidated financial statements for fiscal year 2007

Equity and liabilities	Note	Dec. 31, 2007 €	Dec. 31, 2006 €
Equity			
Subscribed capital	23	40,000,000	40,000,000
Capital reserves	24	44,617,194	44,337,746
Treasury shares	25	–604,342	0
Other reserves	26	–1,170,294	124,123
Loss carryforward		–22,733,831	–35,235,539
Consolidated profit for the period		12,575,457	12,501,708
		72,684,184	**61,728,038**
Non-current liabilities			
Interest-bearing loans	29	44,879,292	48,225,873
Finance leasing	30	5,282,417	5,049,037
Provisions for pensions	27	6,632,615	6,704,418
Other non-current provisions	28	4,945,731	6,769,481
Total non-current liabilities		**61,740,055**	**66,748,809**
Current liabilities			
Interest-bearing loans	29	7,168,120	9,024,417
Finance leasing	30	2,705,186	1,899,298
Prepayments on orders	31	6,122,406	5,951,449
Trade receivables	31	12,604,574	11,388,506
Other liabilities for taxes and levies	31	4,080,467	5,380,589
Other liabilities for social security	31	699,148	253,724
Tax provisions		5,306,203	5,415,801
Other liabilities	25	18,887,808	21,735,201
Other current provisions	28	11,403,243	12,380,907
Deferred income	32	7,884,913	6,929,064
Total current liabilities		**76,862,068**	**80,358,956**
Total equity and liabilities		**211,286,307**	**208,835,803**

The notes to the consolidated statements form an integral part of the consolidated financial statements for fiscal year 2007

CONSOLIDATED CASH FLOW STATEMENT

	Note	2007	2006
		€k	€k
EBT		**24,978**	**20,993**
Adjustments to reconcile profit before tax to net cash flows			
not affecting cash			
Amortisation, depreciation and impairment of non-current assets		7,173	7,660
Gain/loss from disposals of non-current assets		–505	–1,093
Share-based payments expense		441	0
Other losses		1,621	1,407
Interest income		–984	–538
Interest expense		4,879	4,461
Movements in provisions		–2,413	–2,381
Changes in net working capital			
Decrease/increase in trade receivables		1,950	–3,142
Increase in inventories		–5,718	–3,400
Decrease/increase in trade payables		–406	2.187
Changes in other net working capital		–4,821	–143
Income tax paid		–4,617	–3,616
Net cash flows from operating activities		**21,577**	**22,395**
Purchase of property, plant and equipment (without finance leasing)		–5,782	–10,938
Proceeds from sale of property, plant and equipment		3,179	2,996
Acquisition of a subsidiary, net of cash acquired		–4,981	–16,964
Net cash flows used in investing activities		**–7,584**	**–24,906**
Repayment of mezzanine loan		0	–1,836
Repayment/Raising of long-term loans		–4,355	4,692
Interest received		984	538
Interest paid		–4,426	–4,461
Repayment of non-current liabilities from finance leases		–1,670	–1,705
Net cash flows used in financing activities		**–9,467**	**–2,772**
Net increase/decrease in cash and cash equivalents		**4,526**	**–5,284**
Net foreign exchange difference		**–168**	**–3**
Cash and cash equivalents at 1 January		**1,569**	**6,856**
Cash and cash equivalents at 31 December		**5,927**	**1,569**
Bank balances		**6,028**	**3,045**
Current bank liabilities	22	**–101**	**–1,476**

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 2007

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

in € K	Subscribed capital Note 23	Capital reserve Note 24	Treasury Shares Note 25	Other reserves Note 26	Exchange effects Note 26	Loss carried forward	Total
As of December 31, 2005	**40,000**	**44,338**	**0**	**–692**	**871**	**–35,236**	**49,281**
Income and expenses 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**	**0**	**–395**	**519**	**–22,734**	**61,728**
Income and expenses recognized directly in equity				–512	–893		–1,405
Taxes on transactions recognized directly in equity		–161		110			–51
Share-based payment		441					441
Purchase of own shares			–604				–604
Consolidated profit for the period						12,575	12,575
As of December 31, 2007	**40,000**	**44,618**	**–604**	**–797**	**–374**	**–10,159**	**72,684**

STATEMENT OF RECOGNIZED INCOME AND EXPENSE

	2007	**2006**
	€ k	€ k
Changes in the fair value of financial instruments used for hedging purposes recognized under equity	–365	878
Adjustment item for the currency translation of foreign subsidiaries and currency changes	–893	–352
Exchange differences on net investments in subsidiaries	–783	–602
Actuarial gains/losses from defined benefit obligations and similar obligations	636	293
Deferred taxes on changes in value taken directly to equity	110	–272
Valuation gains/losses recognized directly in equity	**–1,295**	**–55**
Result after taxes	**12,575**	**12,502**
Total income and expense and valuation gains/losses recognized directly in equity	**11,280**	**12,447**

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 2007

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WASHTEC AG (IFRS) FOR FISCAL YEAR 2007

General

1. General information on the group

The consolidated financial statements of the WashTec Group for fiscal year 2007 were prepared on February 19, 2008 and made available to the supervisory board for review. They will authorized by the management board for issue after the supervisory board meeting on March 19, 2008. The consolidated financial statements and group management report are accessible via the online version of the Bundesanzeiger [German Federal Gazette] and the electronic business register as well as on our website www.washtec.de.

The ultimate parent company of the WashTec Group is WashTec AG which is entered in the commercial register in Augsburg under 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 (€). Amounts are rounded to the nearest euro and shown in thousands of euros (€ 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 carwash products, as well as leasing, and all related services and financing solutions required in order to operate carwash equipment.

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. They comply with the accounting standards applicable in the European Union for fiscal year 2007 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.

The consolidated financial statements have been prepared on a historical cost basis, except for investment properties, land and buildings, derivative financial instruments and available-for-sale investments that have been measured at fair value. The carrying amounts of recognized assets and liabilities that are hedged items in fair value hedges, and are otherwise carried at cost, are adjusted to record changes in the fair values attributable to the risks that are being hedged. The consolidated financial statements are presented in euros and all values are rounded to the nearest thousand (€ k) except where otherwise indicated.

3. Basis of consolidation

The consolidated financial statements comprise the financial statements of WashTec AG and its subsidiaries as of 31 December of a given fiscal year.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

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

In addition to the parent company, the consolidated financial statements of WashTec AG also contain the following group entities as of December 31, 2007:

Consolidated entities	Share in capital %	Equity capital at Dec. 31,2007 in €k	Profit/loss for 2007 in €k
German entities			
WashTec Cleaning Technology GmbH, Augsburg [1]	100	29,846	0
WashTec Holding GmbH, Augsburg [2]	100	74,071	19,152
WesuRent Car Wash Marketing GmbH, Augsburg [2]	100	51	0
WashTec Financial Services GmbH, Augsburg [1] [6]	100	62	0
Foreign entities			
WashTec France S.A.S., St. Jean de Braye, France	100	1,572	1,151
Mark VII Equipment Inc., Arvada, USA [6]	100	6,379	0
WashTec SRL, Casale, Italy	100	29	–925
WashTec UK Ltd., Great Dunmow, UK	100	3,646	1,305
California Kleindienst Limited,Wokingham, UK [5]	100	0	0
WashTec A/S, Hedehusene, Denmark [4]	100	3,345	752
WashTec Cleaning Technology GmbH, Vienna, Austria	100	585	–37
WashTec Spain S.A., Barcelona, Spain [7]	100	1,770	573
WashTec Cleaning Technology España S.A., Bilbao, Spain [5]	100	1	0
WashTec Benelux B.V., Zoetermeer, Netherlands [3]	100	4,023	392
WashTec Biltvättar AB, Helsingborg, Sweden [5]	100	178	0

1) Profit and loss absorption by WashTec Holding GmbH
2) Profit and loss absorption by WashTec AG
3) Subgroup with Benelux Carwash Management B.V., Zoetermeer, NL, WashTec Benelux Administrative, 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 VPL Verbundpartner Leasing GmbH
7) Subgroup with Svitta Motor, S.L.

4. Significant accounting judgments, estimates and assumptions

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the amounts of revenues, expenses, assets, liabilities, and contingent liabilities reported as of the balance sheet date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

Impairment of non-financial assets

The Group assesses whether there are any indications of impairment of non-financial assets at each reporting date. Goodwill and other indefinite life intangible assets are tested for impairment annually and at other times when such indications exist. Other non-financial assets are tested for impairment when there are indications that the carrying amounts may not be recoverable.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. For further details, including a sensitivity analysis of key assumptions, please see Note 5.2.

Development costs

Development costs are capitalized in accordance with the accounting policies presented in Note 5.2. First-time capitalization of costs is based on management's conviction of technological and economical feasibility, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalized, management makes assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits.

Deferred tax assets

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable income will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based on the likely timing and level of future taxable profits together with future tax planning strategies. For further details, please see Note 18.

Share-based payments
The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments on the date on which they are granted. Estimating fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility and dividend yield and making assumptions about them. The assumptions and models used are disclosed in Note 9.

Pension and other post employment benefits
The cost of defined benefit pension plans and other post-employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. Further details are provided in the sections on pension provisions and other provisions for phased retirement.

5. Accounting policies

The accounting policies adopted are consistent with those of the prior financial year except as follows.

5.1 Changes in accounting policies and disclosuers

The Group adopted the following new and amended IFRSs and IFRIC interpretations during the year. Adoption of these revised standards and interpretations did not have any effect on the financial performance or position of the Group. They did however give rise to additional disclosures, including in some cases, revisions to accounting policies.

- IAS 1 Amendment – Presentation of Financial Statements
- IFRS 7 Financials Instruments: Disclosures
- IFRIC 8 Scope of IFRS 2
- IFRIC 9 Reassessment of Embedded Derivates
- IFRIC 10 Interim Financial Reporting and Impairment

IAS 1 Presentation of financial statements
This amendment requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. These new disclosures are shown in Note 33.

IFRS 7 Financial instruments: disclosures
This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results, comparative information has been revised where required.

IFRIC 8 Scope of IFRS 2

This interpretation requires IFRS 2 to be applied to any arrangements in which the entity cannot identify specifically some or all of the goods received, in particular where equity instruments are issued for a consideration which appears to be less than fair value. As equity instruments are only issued to employees in accordance with the employee stock option program, the interpretation had no impact on the financial position or performance of the Group.

IFRIC 9 Reassessment of embedded derivatives

IFRIC 9 states that the date for assessing the existence of an embedded derivative is the date that an entity first becomes party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Group has no embedded derivatives requiring separation from the host contract, the interpretation had no impact on the financial position or performance of the Group.

IFRIC 10 Interim financial reporting and impairment

The Group adopted IFRIC Interpretation 10 as of January 1, 2007, which requires that an entity must not reverse an impairment loss recognized in a prior interim period on goodwill or an investment in either an equity instrument or a financial asset carried at cost. As the Group dod not reverse any impairment losses, the interpretation had no impact on the financial position or performance of the Group.

Furthermore, the IASB and IFRIC have adopted the following standards and interpretations, whose application is not yet mandatory in fiscal year 2007 or which have not yet been endorsed by the EU. WashTec did not apply any of these standards in advance as of December 31, 2007.

- IFRS 8 Operating Segments
- IAS 23 Amendment – Borrowing Costs
- IFRIC 11 IFRS 2 – Group and Treasury Share Transactions
- IFRIC 12 Service Concession Arrangements
- IFRIC 13 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding
- IFRIC 14 Requirements and their Interaction

IFRS 8 Operating segments was issued in November 2006 and is effective for fiscal years beginning on or after January 1, 2009. IFRS 8 requires entities to disclose segment information based on the information reviewed by the entity's chief decision maker. The Group has determined that the operating segments disclosed in accordance with IFRS 8 will be the same as the business segments disclosed under IAS 14. The impact of this standard on the other segment disclosures is still to be determined. As this is a disclosure standard, it will have no impact on the financial position or financial performance of the Group when implemented in 2009.

IAS 23 Borrowing costs

A revised version of IAS 23 Borrowing costs was issued in March 2007, and becomes effective for fiscal years beginning on or after January 1, 2009. The standard has been revised to require capitalization of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. In accordance with the transitional requirements in the Standard, the Group will adopt this prospectively. Accordingly, borrowing costs will be capitalized on qualifying assets with a commencement date after January 1, 2009. No changes will be made for borrowing costs incurred to this date that were expensed as incurred.

In accordance **with IFRIC 11– IFRS 2 – Group and treasury share transactions**, arrangements whereby employees are granted rights to an entity's equity instruments must be accounted for as share-based payments transactions as an equity-settled scheme even if the entity buys the instruments from another party or the shareholders provide the equity instruments required. IFRIC 11 is mandatorily applicable for the first time for fiscal years beginning on or after March 1, 2007. This accounting policy will not have an impact on the consolidated financial statements.

IFRIC Interpretation 12 was issued in November 2006 and becomes effective for fiscal years beginning on or after January 1, 2008. This interpretation explains how to account for the obligations undertaken and rights received in service concession arrangements. No member of the Group is an operator within the meaning of IFRIC 12 and hence this Interpretation will have no impact on the Group.

IFRIC Interpretation 13 was issued in June 2007 and becomes effective for fiscal years beginning on or after July 1, 2008. This Interpretation requires customer benefits to be accounted for as a separate component from the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the benefits and deferred over the period that the benefits are fulfilled. Revenue is recognized in the period in which the customer benefits are redeemed or expire. The Group expects that this interpretation will have no impact on the consolidated financial statements as no such programs currently exist.

IFRIC Interpretation 14 was issued in July 2007 and becomes effective for fiscal years beginning on or after January 1, 2008. This Interpretation provides guidance on how to assess the limit on the amount of surplus in a defined benefit plan that can be recognized as an asset under IAS 19 Employee Benefits. The Group expects that this Interpretation will have no material impact on its financial position and performance as the Group only has a low volume of plan assets for three individual commitments.

5.2 Summary of significant accounting policies

Foreign currency translation

The consolidated financial statements are presented in euros, which is the Group's functional and presentation currency. Each entity within the Group determines its own functional currency and items included in the separate financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency exchange rate on the balance sheet date. All exchange differences are recognized in profit or loss with the exception of exchange differences from foreign currency loans that provide a hedge against a net investment in a foreign operation. These are recognized directly in equity until the disposal of the net investment, at which time they are recognized in profit or loss. Tax charges and credits attributable to exchange differences on those borrowings are also recorded directly under equity. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates on the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

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

The assets and liabilities of foreign operations are translated into euros at the rate of exchange ruling on the balance sheet date and their income statements are translated at the weighted average exchange rates for the year. The exchange differences arising on translation are recognized directly in a separate equity item. On disposal of a foreign operation, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in profit or loss.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing part of the plant and equipment when that cost is incurred, if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognized after the revaluation date. Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Any revaluation surplus is credited to the asset's revaluation reserve included in the equity section of the balance sheet, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss, in which case the increase is recognized in profit or loss. A revaluation deficit is recognized in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognized in the asset revaluation reserve.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the asset's original cost. Additionally, accumulated depreciation as of the revaluation date is offset against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Depreciation is calculated on a straight line basis over the useful life of the asset as follows:

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

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognized.

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at the end of each fiscal year.

Non-current assets or divisions are disclosed as non-current assets held for sale and discontinued operations pursuant to IFRS 5 if their carrying amount will be achieved through their sale rather than their further use. This criterion is considered to be met if the sale is highly probable and the asset is available for immediate sale. Management must have resolved the sale and must intend to realize the sale within one year following classification as »held for sale«. The asset is measured at the fair value less costs to sell or the lower carrying amount.

Business combinations and goodwill

Business combinations are accounted for using the purchase method.

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

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

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

When the Group acquires a business, embedded derivatives separated from the host contract by the acquiree are not reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as of the acquisition date. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally-generated intangible assets, excluding capitalizable development costs, are not capitalized and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

A distinction is made between intangible assets with finite useful lives and those with indefinite useful lives.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each fiscal year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the level of the cash-generating unit. Such intangible assets are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

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

Research and development costs
Research costs are expensed as incurred. Development expenditure on an individual project is recognized as an intangible asset when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during development.

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

Impairment of non-financial assets
The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly-traded subsidiaries or other available fair value indicators.

Impairment losses of continuing operations are recognized in profit or loss in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to equity. In this case the impairment is also recognized in equity up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indications exist, the Group makes an estimate of recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

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

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

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating units to which the goodwill relates. Where the recoverable amount of the cash-generating units is less than their carrying amount an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods. The Group performs its annual impairment test of goodwill as of December 31.

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

The Group determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at the end of each fiscal year.

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

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near future. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or a financial guarantee contract. Gains or losses on investments held for trading are recognized in profit or loss.

The Group assesses whether embedded derivatives are required to be separated from host contracts when the Group first becomes party to the contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise have resulted from the contract.

Held-to-maturity investments
Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. After initial measurement held-to-maturity investments are measured at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the investments are derecognized or impaired, as well as through the amortization process.

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

Available-for-sale financial investments
Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial measurement, available-for-sale financial assets are measured at fair value with unrealized gains or losses recognized directly in equity until the investment is derecognized or determined to be impaired at which time the cumulative gain or loss previously recorded in equity is recognized in profit or loss.

Fair value
The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; discounted cash flow analysis or other valuation models.

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

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

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date. Any subsequent reversal of an impairment loss is recognized in profit or loss.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced using an allowance account. Impaired debts are derecognized when they are assessed as uncollectible.

Available-for-sale financial investments
If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from equity to profit or loss. Reversals in respect of equity instruments classified as available-for-sale are not recognized in profit or loss. Reversals of impairment losses on debt instruments are reversed through profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

Inventories
Inventories are valued at the lower of cost and net realizable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

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

Cost of inventories include the transfer from equity of gains and losses on qualifying cash flow hedges in respect of the purchases of raw materials.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Treasury shares
Own equity instruments which are reacquired (treasury shares) are deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

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

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

Financial liabilities

Interest- bearing loans and borrowings

All loans and borrowings are initially recognized at fair value less directly attributable transaction costs, and are not designated 'as at fair value through profit or loss'.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method.

Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near future. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in profit or loss.

Financial guarantee liabilities

Financial guarantee liabilities issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognized initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issue of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation as of the balance sheet date and the amount initially recognized.

Provisions

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

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

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

Share-based payment transactions

Employees (including senior executives) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (›equity-settled transactions‹). Employees working in the business development group are granted share appreciation rights, which can only be settled in cash (›cash-settled transactions‹).

In situations where equity instruments are issued and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured as the difference between the fair value of the share-based payment and the fair value of any identifiable goods or services received on the grant date.

Equity-settled transactions

The cost of equity-settled transactions with employees, for awards granted after November 7, 2002, is measured by reference to the fair value on the date they are granted. The fair value is determined by an external valuer using an appropriate pricing model, which is explained in further detail in Note 18.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (›the vesting date‹). The cumulative expense recognized for equity-settled transactions on each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as of the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share (for further details, please see Note 9).

Deferred income

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

Leases

In the Systems division, the machines produced by WashTec Cleaning Technology GmbH are sold to a leasing company and leased back by WesuRent in order to operate the machines for and on behalf of customers in return for usage-based fees. The agreements between the lease company and WesuRent are treated as finance leases pursuant to IAS 17 while the agreements between WesuRent and the customer are treated as operating leases as WesuRent bears substantially all the risks incident to economic ownership. Other finance leases relate to vehicles of WashTec Cleaning Technology GmbH.

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Group as the lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in profit or loss.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

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

Group as the lessor

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Taxes

Current income tax

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

Current income tax relating to items recognized directly in equity is recognized in equity and not in profit or loss.

Deferred taxes

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

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

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

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

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

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

Deferred income tax assets and liabilities are measured using the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that apply as of the balance sheet date.

Deferred tax relating to items recognized directly in equity is recognized in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same tax authority.

VAT

Revenues, expenses and assets are recognized net of the amount of VAT with the following exceptions:

- where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of the asset or as part of the expense item as applicable; and
- receivables and liabilities are stated with the amount of VAT included.

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

Derivative financial instruments and hedging

The Group uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

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

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

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

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

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

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

Fair value hedges
The change in the fair value of a hedging derivative is recognized in profit or loss. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying value of the hedged item and is also recognized in profit or loss.

For fair value hedges relating to items carried at amortized cost, the adjustment to the carrying value is amortized through profit or loss over the remaining term. Any adjustment to the carrying amount of a hedged financial instrument, for which the effective interest rate method is used, is amortized through profit or loss.

Amortization may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedge item is derecognized, the unamortized fair value is recognized immediately in profit or loss.

When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding gain or loss recognized in profit or loss. The changes in the fair value of the hedging instrument are also recognized in profit or loss.

Cash flow hedges
The effective portion of the gain or loss on a hedging instrument is recognized directly in equity, while the ineffective portion is recognized immediately in profit or loss.

Amounts taken to equity are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expenses are recognized or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognized in equity are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognized in equity remain in equity until the forecast transaction or firm commitment occurs.

Revenue recognition
Revenue is recognized if it is probable that the economic benefits will flow to the Group and the amount of the revenue can be measured reliably. Revenue must be measured at the fair value of the consideration received. Rebates, cash discounts, VAT and other charges are not taken into account. In addition, revenue may only be recognized if the following recognition criteria are met:

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

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

Revenues from the Systems division (rental income) are only realized when the respective carwash 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 in accordance with IAS 17.

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

Segment reporting
In the segment report, information is presented by segment and region in accordance with IAS 14. Segment reporting is prepared for the Cleaning Technology division (development, design, production, sales and servicing of automatic wash systems for vehicles) and the Systems division (system solutions for operating carwash equipment). We refer to Section 7 for detailed information on the segments and divisions.

Change in accounting policy
A further classification was introduced in the fiscal year to improve the transparency of the consolidated cash flow statement. A change was also made to the presentation of interest paid and received. These were reclassified from cash flows from operating activities to cash flows from financing activities in the fiscal year.

6. Company merger

In an agreement dated December 12, 2006, the Company acquired all the 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 carwash equipment with more than 30 employees. Over the past few years, Motor Mediterraneo has generated revenues of around € 7m and has generated sustained, positive net results.

A purchase price of € 6.3m was contractually agreed. The purchase price includes a retained amount which will be paid under certain conditions. The acquisition includes a cash acquisition of € 2.9m.

Incidental acquisition costs of € 160k were incurred for due diligence services and other transaction costs in connection with the acquisition, € 145k thereof in 2006. Due diligence reviews were performed for all major areas, such as legal, financial, IT and market risks. The total cost of the acquisition, taking account of the conditional purchase price payment, came to € 6.2m. Including cash acquired the acquisition results in a cash outflow of € 3.3m.

Pursuant to IFRS 3, the amounts of assets and liabilities allocated to the purchase price can be broken down into their fair values and carrying amounts as follows:

Motor Mediterraneo in € k	Fair value	Carrying amounts
Cash and cash equivalents	2,880	2,880
Trade receivables	2,306	2,306
Other receivables	577	787
Inventories	557	557
Property, plant and equipment	12	28
Intangible assets	685	116
Goodwill (acquired)	543	543
Trade payables	–1,596	–1,596
Other liabilities	–2,381	–2,476
Equity	**3,583**	**3,145**

Goodwill of € 2.6m comprises the fair value of the expected synergies; plus acquired goodwill of € 0.5m, this results in total goodwill of € 3.1m from the company merger.

Consolidated profit has included earnings of € 573k and revenues of € 9,075k since the acquisition date.

Under an asset purchase agreement dated July 1, 2007, the Company acquired all assets of CJT Carwash Systems, INC. (AquaPro), Texas, USA. CJT Carwash Systems, INC. is based in Allen, Texas, and had been the exclusive trading partner of Mark VII Equipment Inc. since

2000. The entity operates, installs and maintains carwash equipment and has 29 employees. In recent years, CJT Carwash Systems has generated revenues of some € 4.4m and has had a sustained positive result. A purchase price of € 1.1m was agreed.

An internal due diligence review was performed in connection with the acquisition for all major areas, such as legal, economic and market risks.

Pursuant to IFRS 3, the amounts of assets and liabilities allocated to the purchase price can be broken down into their fair values and carrying amounts as follows:

CJT Carwash Systems in € k	Fair value	Carrying amount
Cash and cash equivalents	34	34
Trade receivables	323	323
Inventories	586	565
Property, plant and equipment	183	169
Trade payables	–374	–408
Other liabilities	–57	–57
Equity	**695**	**626**

Goodwill of € 0.4m comprises the fair value of expected synergies.

Consolidated profit has included earnings of € 0.2m and revenues of € 2.0m since the acquisition date. If the company merger had taken place at the beginning of the year, revenues would have come to approx. € 4.6m and earnings to approx. € 0.4m.

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 is a leading US manufacturer of carwash equipment. Its main products include touch-free high pressure washing systems that are developed and produced in Arvada, Colorado, USA.

The purchase price including incidental acquisition costs came to € 20.6m. The amounts of the assets and liabilities contained in the purchase price are set out below, broken down into their fair values and carrying amounts in accordance with IFRS 3:

Mark VII Equipment Inc. in € 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
Equity	**2,881**	**3,966**

7. Notes on segment reporting

Pursuant to IAS 14 (»Segment Reporting«) the segment report is based on distinguishable business and geographical segments in accordance with the internal reporting structure. Segment reporting should reflect the earnings power and prospects of individual activities of the Group. The primary format for reporting segment information of the Group is business segments. Geographical segments are the secondary reporting format.

The divisions cover the following activities:

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

The operation business segment offers system solutions for the operation of vehicle wash systems. The machines produced are sold to a leasing company and then leased back in order to lease them on to customers, especially large operator groups or oil companies, within the scope of their operator model. As a rule, these agreements have a term between five and ten years.

The operation business is mainly consolidated in WesuRent Car Wash Marketing GmbH, Augsburg, Germany. All other entities have been assigned to the Cleaning Technology segment.

The business divisions of the Wash Tec Group operate worldwide and are divided into the following regions: Germany, Rest of Europe, North America, and other countries (Other). The Group's geographical segments are based on the location of the Group's assets. Sales to external customers disclosed in geographical segments are based on the geographical location of its customers.

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 € k	Cleaning Technology		Systems		Consolidation		Group	
	2007	2006	2007	2006	2007	2006	2007	2006
Revenues	279,465	261,167	3,525	3,727	–3,277	–3,529	279,713	261,365
with third parties	276,188	257,638	3,525	3,727	0	0	279,713	261,365
with other divisions	3,277	3,529	0	0	–3,277	–3,529	0	0
Other income	5,386	3,196	2	47	0	0	5,388	3,243
EBIT	**29,204**	**26,029**	**738**	**651**	**–1,069**	**–1,765**	**28,873**	**24,916**
Incom from interest and financial assets	984	538	0	0	0	0	984	538
Interest and similar expense	–4,634	–4,236	–245	–225	0	0	–4,879	–4,461
Result from ordinary activities	**24,485**	**20,567**	**493**	**426**	**0**	**0**	**24,978**	**20,993**
Income taxes	–12,402	–8,491	0	0	0	0	–12,402	–8,491
Consolidated net profit	**12,082**	**12,076**	**493**	**426**	**0**	**0**	**12,575**	**12,502**
Equity	72,633	61,677	51	51	0	0	72,684	61,728
Liabilities	132,579	143,938	6,025	3,235	–2	–65	138,602	147,108
Segment assets	205,426	205,546	5,860	3,290	0	0	211,286	208,836
Investments in property, plant and equipment (incl. finance lesases)	5,199	7,746	2,165	2,462	0	0	7,364	10,208
Investments in intangible assets	5,933	22,633	0	0	0	0	5,933	22,633
Amortization, depriciation and impairment losses	–6,366	–6,423	–807	–1,237	0	0	–7,173	–7,660
Non-current assets held for sale	1,110	1,110	0	0	0	0	1,110	1,110

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

Divisions Cleaning Technology	2007		2006		Change	
	Third parties	Other Divisions	Third parties	Other Divisions	Third parties	Other Divisions
New machines	177,566	2,137	167,281	2,344	10,285	–207
Spare parts, services	81,286	1,140	75,530	1,185	5,756	–45
Used machines	4,115	0	3,824	0	291	0
Chemicals	9,547	0	7,043	0	2,504	0
Accessories and miscellaneous	3,674	0	3,960	0	–286	0
Total	**276,188**	**3,277**	**257,638**	**3,529**	**18,550**	**–252**
Systems division						
Leasing of systems	3,525	0	3,727	0	–202	0
Total	**3,525**	**0**	**3,727**	**0**	**–202**	**0**
Consolidation	0	–3,277	0	–3,529	0	252
Group	**279,713**	**0**	**261,365**	**0**	**18,348**	**0**

By region

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

2007 in € k	Germany	Rest of Europe	North America	Group
Carrying amount of property, plant and equipment	32,380	4,061	1,908	38,349
Investments in property, plant and equipment (incl. finance leases)	4,720	1,642	1,002	7,364
Carrying amount of intangible assets	44,807	1,418	15,334	61,559
Investments in intangible assets	3,811	1,333	788	5,932
Balance sheet total	**133,128**	**50,049**	**28,109**	**211,286**

2006 in € 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 (incl. finance leases)	7,044	1,352	1,812	10,208
Carrying amount of intangible assets	43,673	1,034	16,508	61,215
Investments in intangible assets	4,307	52	18,274	22,633
Balance sheet total	**138,915**	**44,515**	**25,404**	**208,836**

The Group has no assets in other countries as it has no sales companies in these areas. Revenues with other countries are included in the revenues of WashTec Cleaning Technology GmbH or the Group's independent trading partners.

Consolidated revenues were generated in the following regions:

in € k	2007	2006	Change
Germany	94,139	92,390	1,749
Rest of Europe	149,062	139,759	9,303
North America	30,543	24,925	5,618
Rest of the world [1)]	5,969	4,291	1,678
Total	**279,713**	**261,365**	**18,348**

[1)] Mainly Asia and Australia

Notes to the consolidated income statement

8. Other operating income

Other operating income of € 5,388k (prior year: € 3,243k) mainly includes income from the resale of leased vehicles and the sale of property, plant and equipment of € 547k (prior year: € 1,322k), income from the valuation of derivatives of € 903k (prior year: € 0k) and income from the final liquidation of the former Canadian subsidiary of € 472k (prior year: € 0k).

9. Personnel expenses

Personnel expenses split up as follows:

In € k	2007	2006
Wages and salaries	72,590	68,157
Social security contributions	12,104	12,195
Pension and other benefit costs	1,287	546
Expense of equity-settled share-based payments	441	0
Expense of cash-settled share-based payments	–562	4,558
Total	**85,860**	**85,456**

In connection with the issue of stock options in July 2007, the current members of the management board waived all their claims under the share appreciation rights. One SAR program is still in place for a former management board member and runs until December 31, 2008. The program provides for stock price performance payments (market price less € 15.43 (exercise price) times 116,667 shares). The market price is 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, 2008. Payment is due in 2009 in accordance with the stock option plan.

The provision as of December 31, 2007, which is calculated using the Black-Scholes option-pricing model, uses a market price of € 11.20 (prior year: € 13.84), an average volatility over the last year of 24.87% (prior year: 33.18%) and a risk-free interest rate of 4.6% (prior year: 4.0%). The market price and the volatility are based on the publications of reputable German banks in each case. The provisions for share appreciation rights came to € 38k in the fiscal year (prior year: € 600k).

The following table presents the number and performance of the share appreciation rights in the fiscal year.

in € k	2007	2006
Outstanding at the beginning of the reporting period	233,340	0
Granted in the reporting period	70,833	233,340
Exercised in the reporting period	0	0
Waived in the reporting period	187,506	0
Expired in the reporting period	0	0
Outstanding at the end of the reporting period	**116,667**	**233,340**
Vested at the end of the reporting period	0	0

On July 23, 2007, 767,000 options were granted to the management board and the first level of management at an issue price of € 15.34. No options had been forfeited or exercised by the end of the year. Likewise, no options had expired by the end of the reporting period. As a result, there were 767,000 options which were outstanding but not yet vested as of December 31, 2007. Equity instruments are used to fulfill the options. They may be exercised for the first time if the share price increases by 20% after a vesting period of two years. The options expire if the share price does not increase within the vesting period. From date of issue, they have a term of five years and expire without replacement or compensation if they are not exercised or are not able to be exercised within this term. The fair value is determined using the binomial pricing model as of the issue date. The mathematical model is based on a risk-free interest rate of 4.72%, a historically derived volatility of 22.8%, a dividend yield of 2%, a share price as of the issue date of € 15.00 and an expected term of two years. The average fair value of options granted during the fiscal year was € 1.8m (prior year: € 0m). The market price and the volatility are based on published data of reputable German banks. Expenses in 2007 amounted to € 441k.

The stock options which were outstanding as of December 31, 2007 had a remaining term of 4.5 years (prior year: 0 years).

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

Average number of employees	2007	2006	Change
Wage earners	907	816	91
Produktion, Technik und Entwicklung	483	475	8
Salaried employees	171	160	11
Total	**1,561**	**1,451**	**110**

10. Other operating expenses

Other operating expenses break down as follows:

in € k	2007	2006
Vehicle costs	7,245	6,834
Travel expenses	3,786	3,679
Legal and consulting fees	3,343	2,547
Advertising and trade fair expenses	2,858	3,199
Temporary workers	2,654	2,386
Maintenance/repairs	2,404	2,602
IT expenses	2,074	1,875
Rent/operating leases excl. vehicles	2,074	1,689
Communication expenses	2,021	2,013
Operating leases – vehicles	1,465	801
Insurance	1,160	983
Office supplies	1,044	1,025
Exchange rate effects	702	560
Fees, licenses and development costs	768	506
Training/further education expenses	708	1,032
Product liability	480	429
PR work	383	421
Expenses for own patents and property rights	381	311
Loss on disposals of non-current assets	42	229
Miscellaneous administrative expenses/other expenses	3,230	2,302
Total	**38,822**	**35,423**

Auditors' fees

The fees paid to the auditors (Ernst & Young AG Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Munich, Germany) in fiscal year 2007, which are included in the income statement, break down as follows:

Auditors fees in € k	2007	2006
Auditing	257	210
Auditing of the consolidated financial statements	28	25
Other audit-related services	19	7
Total	**304**	**242**

11. Financial result

in € k	2007	2006
Interest rate and currency swaps	823	363
Income from interest and similar income	161	175
Finance income	**984**	**538**
Interest-bearing loans	3,909	3,513
Interest rate and currency swaps	400	316
Expenses from finance leases	297	340
Expenses from borrowing costs and similar expenses	273	292
Finance costs	**4,879**	**4,461**
Financial result	**–3,895**	**–3,923**

12. 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: 39.2%). The effective tax rate of the WashTec Group is 49.7% (prior year: 40.4%).

in € k	Tax expense 2007	Tax expense 2006
Expected income tax expense	9,791	8,229
Tax differences due to different foreign tax rates	–121	–226
Effects of the non-recognition of deferred tax assets	245	0
Effect of the use of loss carryforwards from non-recognized deferred taxes	–894	–97
Dividends	0	40
Non-deductible expenses for foreign equity investments	0	120
Capitalization of corporate income tax credit	0	–385
Non-deductible expenses in connection with write-ups on equity investments	–16	0
Non-deductible expenses	161	179
Non-deductible interest on permanent debt	252	239
Adjustment of group tax rate to 39.2%	0	545
Adjustment of group tax rate to 30.87%	3,179	0
Other	–195	–153
Actual income tax expense	**12,402**	**8,491**

Tax expenses can be broken down as follows:

in € k	Tax expenses 2007	Tax expenses 2006
Deferred tax expenses	7,894	4,875
Current tax expenses	4,508	3,616
Total	**12,402**	**8,491**

13. 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.

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

Calculation of basic earnings per share for 2007 and 2006:

Calculation of earnings per share	2007	2006
Consolidated profit in € k	12,575	12,502
Weighted average of shares outstanding	15,191,939	15,200,000
Earnings per share (basic = diluted)	**€ 0.83**	**€ 0.82**

Since stock options issued and fulfilled using equity instruments are not in the money and the share appreciation rights are settled in cash the options do not dilute the earnings per share.

It will be proposed to the general shareholders' meeting on May 8, 2008 not to distribute dividends for the fiscal year.

Notes the consolidated balance sheet

14. Property, plant and equipment

Property, plant and equipment developed as follows:

	Land, land rights and buildings	Technical equipment and machines	Other equipment, furniture and fixtures	Financial assets	Prepay-ments	Total
Cost						
January 1, 2006	**39,855**	**14,587**	**13,399**	**14,008**	**1,759**	**83,608**
Additions	2,786	1,131	2,017	2,994	496	9,424
Additions from company acquisitions	109	0	675	0	0	784
Disposals	87	622	2,147	1,943	0	4,799
Reclassification	–760	1,172	–7	0	–1,741	–1,336
Currency translation effects	15	15	–56	0	0	–26
December 31, 2006	**41,918**	**16,283**	**13,881**	**15,059**	**514**	**87,655**
Additions	1,803	1,065	1,027	3,246	28	7,169
Additions from company acquisitions	0	0	195	0	0	195
Disposals	5,194	2,218	1,255	779	0	9,446
Reclassifications	286	89	116	0	-491	0
Currency translation effects	–157	–86	–181	–1	0	–425
December 31, 2007	**38,656**	**15,133**	**13,783**	**17,525**	**51**	**85,148**
Amortization, depreciation and impairment losses						
January 1, 2006	**17,709**	**11,652**	**10,564**	**7,479**	**0**	**47,404**
Amortization/depreciation for the year	1,631	677	1,331	2,285	0	5,924
Impairment losses	0	0	0	0	0	0
Disposals	–8	565	1,829	1,562	0	3,948
Reclassifications	–239	3	10	0	0	–226
Currency translation effects	16	13	2	0	0	31
December 31, 2006	**19,125**	**11,780**	**10,078**	**8,202**	**0**	**49,185**
Amortization/depreciation for the year	1,274	859	1,162	1,646	0	4,941
Impairment losses	0	0	0	0	0	0
Disposals	3,186	2,121	1,133	677	0	7,117
Reclassifications	0	–190	190	0	0	0
Currency translation effects	–92	–42	–76	0	0	–210
December 31, 2007	**17,121**	**10,286**	**10,221**	**9,171**	**0**	**46,799**
Carrying amounts						
December 31, 2007	**21,535**	**4,847**	**3,562**	**8,354**	**51**	**38,349**
December 31, 2006	**22,793**	**4,503**	**3,803**	**6,857**	**514**	**38,470**
January 1, 2006	**22,146**	**2,935**	**2,835**	**6,529**	**1,759**	**36,204**

Finance leases

Carrying amounts in € k	2007	2006
Machinery – sale and leaseback	7,280	5,231
Finance leases, fixtures and fittings	1,074	1,626
Total	**8,354**	**6,857**

Property, plant and equipment include 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 major 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 2007, income totaled € 3,525k (prior year: € 3,727k).

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

No impairment losses were charged in the Cleaning Technology segment in the fiscal year (prior year: € 586k).

15. Intangible assets

	Patents, licenses and similar rights			Goodwill	Prepay-ments	Total
	internally generated	acquired	Total			
Cost						
January 1, 2006	**4,000**	**4,367**	**8,367**	**58,699**	**1,138**	**68,204**
Additions	974	3,009	3,983	0	376	4,359
Additions from company acquisitions	0	1,006	1,006	17,268	0	18,274
Disposals	0	0	0	0	0	0
Reclassifications	0	685	685	453	–1,138	0
Currency translation effects	0	–103	–103	–1,822	0	–1,925
December 31, 2006	**4,974**	**8,964**	**13,938**	**74,598**	**376**	**88,912**
Additions	942	791	1,733	0	126	1,859
Additions from company acquisitions	0	685	685	3,389	0	4,074
Disposals	0	1,951	1,951	0	8	1,959
Reclassifications	0	236	236	0	–236	0
Currency translation effects	0	–55	–55	–1,643	0	–1,698
December 31, 2007	**5,916**	**8,670**	**14,586**	**76,344**	**258**	**91,188**
Amortization, depreciation and impairment losses						
January 1, 2006	**1,360**	**1,879**	**3,239**	**22,735**	**0**	**25,974**
Amortization/depreciation for the year	543	1,193	1,736	0	0	1,736
Impairment losses	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0
Currency translation effects	0	–13	–13	0	0	–13
December 31, 2006	**1,903**	**3,059**	**4,962**	**22,735**	**0**	**27,697**
Amortization/depreciation for the year	669	1,563	2,232	0	0	2,232
Impairment losses	0	0	0	0	0	0
Disposals	0	253	253	0	0	253
Reclassifications	0	0	0	0	0	0
Currency translation effects	0	–47	–47	0	0	–47
December 31, 2007	**2,572**	**4,322**	**6,894**	**22,735**	**0**	**29,629**
Carrying amounts						
December 31, 2007	**3,344**	**4,348**	**7,692**	**53,609**	**258**	**61,559**
December 31, 2006	**3,070**	**5,905**	**8,976**	**51,863**	**376**	**61,215**
January 1, 2006	**2,640**	**2,488**	**5,128**	**35,964**	**1,138**	**42,230**

Carrying amounts in € k	2007	2006
Patents and technologies	1,469	2,948
Licenses	2,880	2,957
Development costs	3,344	3,070
Other prepayments, excl. goodwill	258	376
Total	**7,951**	**9,351**

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 for the Company's own patents.

Licenses relate mainly to the licenses for the SAP ERP system and the related 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 € 3,344k (prior year: € 3,070k) for the new generation of gantry carwash equipment. In the fiscal year, additions to capitalized development costs totaled € 942k (prior year: € 974k). 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 € 768k (prior year: € 506k) were incurred but were not capitalized, as the criteria for capitalization in accordance with IAS 38 were not met.

Goodwill

Goodwill which has a carrying amount of € 53,609k (prior year: € 51,863k) is attributable in full to the Cleaning Technology cash-generating unit.

Regular impairment tests are performed on goodwill in respect of the Cleaning Technology cash-generating unit based on the fair value calculation less costs to sell. The impairment test for goodwill is based on the Group's medium-term forecast for 2008 to 2012.

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

An interest rate of 7.1% to 7.9% (prior year: 6.9% to 7.8%) and a long-term growth rate in the perpetual annuity of 0.5% (prior year: 0.5%) were used for discounting.

The discount rate is determined using a weighted borrowing rate of 5.78% (prior year: 5.20%) and the weighted equity rate. The equity rate is based on a risk-free interest rate of an average 4.60% (prior year: 4.00%) and a beta factor of 0.81 (prior year: 0.81).

There was no impairment in the fiscal year due to the positive development of the WashTec Group.

16. Financial assets

	Equity investments	Other loans	Advance payments on financial assets	Total
Cost				
January 1, 2006	**160**	**26**	**0**	**186**
Additions	0	5	144	149
Additions from company acquisitions	0	0	0	0
Disposals	0	3	0	3
Reclassifications	0	0	0	0
Currency translation effects	0	0	0	0
December 31, 2006	**160**	**28**	**144**	**332**
Additions	0	0	0	0
Additions from company acquisitions	0	0	0	0
Disposals	0	3	144	147
Reclassifications	0	0	0	0
Currency translation effects	0	0	0	0
December 31, 2007	**160**	**25**	**0**	**185**
Amortization, depreciation and impairment losses				
January 1, 2006	**160**	**0**	**0**	**160**
Amortization/depreciation for the year	0	0	0	0
Write-downs	0	0	0	0
Disposals	0	0	0	0
Reclassifications	0	0	0	0
Currency translation effects	0	0	0	0
December 31, 2006	**160**	**0**	**0**	**160**
Amortization/depreciation for the year	0	0	0	0
Impairment losses	0	0	0	0
Disposals	0	0	0	0
Reclassifications	0	0	0	0
Currency translation effects	0	0	0	0
December 31, 2007	**160**	**0**	**0**	**160**
Carrying amounts				
December 31, 2007	**0**	**25**	**0**	**25**
December 31, 2006	**0**	**28**	**144**	**172**
January 1, 2006	**0**	**26**	**0**	**26**

Other loans relate exclusively to security deposits paid. In the prior year prepayments included incidental acquisition costs of € 144k for the acquisition of Motor Mediterraneo S.A.

17. 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.

In August 2007, a purchase agreement for the land and buildings at Gubener Strasse in Augsburg, Germany, was concluded. Until mid 2007, this property had been disclosed under non-current assets held for sale at an amount of € 2,017k. The sales price was € 2,036k. Less selling costs, a gain of € 3k was generated and recorded in the income statement under other operating income.

On October 19, 2006, a purchase agreement was concluded with conveyance of title for land and buildings located at Argonstrasse in Augsburg, Germany

The agreement contains conditions precedent had not 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 € 1,650k. The carrying amount of the land and buildings amounted to € 1,110k as of December 31, 2007. Both properties were reported under the Cleaning Technology segment.

18. Deferred tax assets

The balance of deferred tax assets of € 16,910k (prior year: € 24,839k) chiefly results from deferred tax assets on useable tax loss carryforwards.

Total corporate income and trade tax loss carryforwards in Germany amount to € 51,379k (prior year: € 63,202k) and € 46,161k (prior year: € 59,132k), respectively, while tax loss carryforwards in other countries amount to € 9,309k (prior year: € 8,620k). 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 € 17,876k (prior year: € 26,826k), of which € 15,108k (prior year: € 24,278k) relates to Germany and € 2,768k (prior year: € 2,548k) to other countries.

In Germany there are additional loss carryforwards of € 4,225k for corporate income tax and of € 4,464k for trade tax which were not considered when recognizing deferred tax assets.

No deferred tax assets were recognized if the recoverability of deferred tax assets was not reasonably assured. For this reason, foreign loss carryforwards of € 874k (prior year: € 150k) were not recognized. This corresponds to non-recognized deferred taxes of € 288k (prior year: € 49k).

Deferred tax assets on loss carryforwards of € 263k (prior year: € 241k) were recognized at WashTec Cleaning Technology GmbH, Vienna, Austria, although the entity recorded a tax loss in the fiscal year. Despite a conservative earnings forecast, the entity expects the loss carryforward to be utilized in the next five years.

Most of the loss carryforwards have no time restriction as regards utilization. Loss carryforwards of € 1,808k may only be used until 2011.

Due to the German business tax reform, write-downs on deferred taxes of € 3,179k were recognized as an expense and write-downs on deferred taxes of € 16k were recognized directly under equity.

A balance of € 110k (prior year: -€ 272k) of deferred taxes were recognized directly in equity.

On the basis of internal medium-term planning for the years 2008 to 2012, the recoverability of tax loss carryforwards can be guaranteed with sufficient certainty.

Deferred taxes are calculated in accordance with the balance sheet liability method on the basis of a tax rate of 30.87% (prior year: 39.2%). The tax rate is lower than in the prior year due to the business tax reform and the related decrease in the corporate income tax rate to 15%.

Deferred tax receivables developed as follows in the fiscal year:

in € k	Jan 1, 2007	Change	Tax rate change	Dec. 31, 2007
Tax loss carryforwards	26,826	–4,789	–4,161	17,876
Temp. differences between IFRS and tax bases	1,172	698	–173	1,697
Elimination of intercompany profits	2,505	75	–218	2,362
Pensions	574	–240	–71	263
Total	**31,077**	**–4,256**	**–4,623**	**22,198**

Deferred tax liabilities developed as follows in the fiscal year:

Differences between IFRS and tax base in € k	Jan 1, 2007	Change	Tax rate change	Dec. 31, 2007
Write-ups on land and buildings	–3,609	149	735	–2,725
Straight-line amortization	–537	–45	124	–458
Leases	–18	–154	36	–136
General bad debt allowance	–51	3	10	–38
Inventories	–409	–356	163	–602
Development costs	–1,204	74	240	–890
Hedging transactions	–554	–212	163	–603
Other	144	63	–43	164
Total	**–6,238**	**–478**	**1,428**	**–5,288**

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 € k	2007	2006
Deferred tax receivables	22,198	31,077
Deferred tax liabilities	–5,288	–6,238
Total	**16,910**	**24,839**

19. Inventories

in € k	2007	2006
Raw materials, consumables and supplies, incl. merchandise	25,132	21,415
Work in process	4,392	4,534
Finished goods and merchandise	9,958	8,057
Prepayments	1	14
Total	**39,483**	**34,020**

Inventory allowances amounted to € 1,384k (prior year: € 942k) during the period under review.

20. Receivables and other assets

in € k	2007	2006
Current trade receivables (due within one year)	42,535	41,842
Current receivables from the tax office	761	524
Other current assets	3,138	2,238
Other non-current assets	0	32
Total	**46,434**	**44,636**
Of which:		
Non-current	0	32
Current	46,434	44,604

Trade receivables are generally due in between 0 and 90 days. Default interest is billed to the customer when the receivable is overdue. Write-downs on trade receivables are recorded in a separate account for bad debt allowances. If the receivable is classified as uncollectible, the related impaired asset is derecognized. Bad debt allowances are not charged on the basis of individual portfolios.

As of December 31, 2007 bad debt allowances were charged on trade receivables with a nominal value of € 2,508k (prior year: € 2,769k). The account for bad debt allowances developed as follows:

in € k	2007	2006
As of January 1	2,769	3,497
Addition from company mergers	424	213
Allocations recognized as an expense	388	305
Utilization	–308	–663
Reversals	–748	–646
Income from derecognized receivables	10	63
Discounting effects	0	0
Currency translation effects	–27	0
As of December 31	**2,508**	**2,769**

The analysis of the overdue trade receivables on which no bad debt allowance has been charged breaks down as follows as of December 31:

in € k	2007	2006
Receivables not overdue and not written down	31,064	31,984
Overdue receivables, not written down, thereof		
less then 30 days	6,751	6,387
30 to 120 days	3,970	2,786
120 to 365 days	720	671
more than 365 days overdue	30	14
Total	**11,471**	**9,858**
Carrying amount	**42,535**	**41,842**

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

Other current assets

Other current assets totaling € 3,138k (prior year: € 2,238k) comprise receivables from derivative financial instruments of € 1,953k (prior year: € 1,414k) and travel expense advances of € 179k (prior year: € 216k). The increase in other assets is mainly attributable to an increase in the fair value of existing hedge instruments and derivatives. For further comments on hedging instruments and derivatives, please see Note 34.

21. Prepaid expenses

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

22. Cash and cash equivalents

in € k	2007	2006
Bank balances and cash on hand	6,028	3,045

Bank balances earn interest at floating rates based on daily bank deposit rates. Cash has a fair value of € 6,028k (prior year: € 3,045k).

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

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

in € k	2007	2006
Bank balances and cash on hand	6,028	3,045
Overdrafts	–101	–1,476
Cash and cash equivalents	**5,927**	**1,569**
Overdrafts	–101	–1,476
Current financial liabilities to banks	–7,067	–7,548
Current floating rate loans	**–7,168**	**–9,024**

For explanations on the interest-bearing loans, please see Note 29.

Equity

23. Subscribed capital

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

As of December 31, 2007 the average weighted number of shares in circulation amounts to 15,191,939 (prior year: 15,200,000).

in k	Dec. 31, 2007	Dec. 31, 2006
Ordinary shares	15,200	15,200
therof shares in circulation	15,153	15,200

	Dec. 31, 2007	Dec. 31, 2006
Number of shares in thousands	15,200	15,200
Nominal value in € per share	2.63	2.63
Number of shares bought back in thousands	47	0
Average nominal value in EUR per bought back share	2.63	0

Authorized capital

Authorized Capital I: By resolution of the annual shareholder 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 € 20,000,000 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: The capital stock of the Company will be conditionally increased by up to € 2,105,264 through the issue of up to 800,000 shares (contingent capital I). The contingent capital increase solely serves the purpose of granting up to 800,000 subscription rights (stock options) to members of the Company's management board and further executive employees of the Company and its subordinated affiliates in accordance with a resolution of the annual general shareholders' meeting on May 22, 2007. Each individual stock option entitles the bearer to subscribe to one company share at the exercise price determined in accordance with the aforementioned resolution of the general shareholders' meeting. The capital increase will be implemented only to the extent that stock options are issued and exercised. The new shares are included in the profit from the beginning of the fiscal year in which they result through the exercise of options. If the new shares are issued after a specific fiscal year but before the supervisory board meeting which resolves the profit appropriation for that fiscal year, they are also included in the profit of that fiscal year. The management board is authorized, after consulting with the supervisory board, to set forth any further details which have not been set forth by the shareholders' meeting. The supervisory board is authorized to adapt the wording of the articles of incorporation and bylaws in line with the execution of the contingent capital increase.

24. Capital reserve

That capital reserve results from the contributions made by California Kleindienst Holding GmbH to WashTec AG as of January 1, 2000 of € 26,828 and EUR 18.019 – less € 1,774k capital increase costs – from the capital increase in August 2005.

25. Treasury shares

	Dec. 31, 2007	Dec. 31, 2006
Value of treasury shares in € k	604	0
Number of treasury shares	46,765	0

26. 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, 2007, 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 € –365k (prior year: € 878k).

A cross-currency swap was held for hedging purposes in the prior year. This was not designated as a hedge in the reporting year as its effectiveness does not comply with the definition of IAS 39.88.

On December 16, 2004, the IASB published an amendment to IAS 19 Employee Benefits, which permits the immediate offsetting of actuarial gains and losses against equity. Actuarial gains of € 636k (prior year: € 293k) have been recognized in application of the new regulation. Overall, actuarial losses of € 637k (prior year: € 1,273k) have been offset against equity.

The reserve for currency effects is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

27. 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 served the Company for ten years 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 5.5% (prior year: 4.5%). 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, 2007 came to 219 (prior year: 213).

The amounts disclosed in the balance sheet break down as follows:

in € k	2007	2006
Present value of defined benefit obligations	6,633	6,704

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

Provisions for pensions developed as follows in fiscal years 2006 and 2007:

in € k	2007	2006
As of January 1	6,704	7,238
Disposals	0	–297
Pensions paid	–293	–354
Allocation	872	410
Actuarial losses	–650	–293
As of December 31	**6,633**	**6,704**

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

in € k	2007	2006
Service cost in the fiscal year	306	53
Interest expense	566	357
Pension expenses	**872**	**410**

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

in € k	2007	2006	2005	2004	2003
Defined benefit obligation (present value)	6,633	6,704	7,238	5,575	5,546

The Group expects payments of € 351k in fiscal year 2008, plus the employer's contribution to social security.

Plan assets for three individual pension commitments for obligations from future and current benefits to current and former employees and their surviving dependents break down as follows:

in € k	2007	2006
Plan assets (present value)	334	258

The changes in the fair value of plan assets are as follows:

in € k	
Fair value of plan assets as of January 1, 2007	**258**
Expected return	11
Employer contributions	21
Benefits paid	30
Actuarial gains/(losses)	14
Fair value of plan assets as of December 31, 2007	**334**

The expected total return on plan assets is determined based on the market prices expected on that date for the period over which the obligation is to be settled. The principal assumptions used in determining post-employment pension obligations are shown below: The calculation is based on a discount rate of 5.5%, the expected return on plan assets of 4.5%, salary increases of 1.5% and pension increases of 1.5%.

28. Other provisions

Provisions in € k	Phased retire-ment 2007	Warr-anties 2007	Repur-chase ob-ligations 2007	Restruct-uring 2007	Share apprecia-tion rights 2007	Other 2007	Total 2007	2006
As of Jan. 1	3,301	6,332	5,373	1,819	600	1,725	19,150	28,090
Allocation	38	3,995	550	57	0	1,521	6,161	4,269
Utilization	–826	–3,676	–1,520	–528	0	–516	–7,066	–11,923
Reversal	0	–523	–12	–57	–562	–455	–1,609	–1,315
Exchange differences	0	–107	–142	0	0	–12	–261	51
Expense from accrued interest and effects of changes in the discount factor	–26	0	0	0	0	0	–26	–22
As of Dec. 31	**2,487**	**6,021**	**4,249**	**1,291**	**38**	**2,263**	**16,349**	**19,150**
– current	732	6,021	1,096	1,291	0	2,263	11,403	–
– non-current	1,755	0	3,153	0	38	0	4,946	–
Provisions in 2005								
– current	786	6,332	1,719	1,819	0	1,725	–	12,381
– non-current	2,515	0	3,654	0	600	0	–	6,769

The provision for phased retirement was calculated in accordance with the recommendation of the Main Technical Committee of the German Institute of Public Auditors [»Institut der Wirtschaftsprüfer in Deutschland e.V.«: IDW] (IDW AcP HFA 3) dated November 18, 1998. The calculation was based on an interest rate of 4.0% (prior year: 3.0%) and an annual salary increase of 2.0%.

The provision for warranty obligations was recognized based on past experience of the level of repairs and returns.

It is expected that most of these costs will be incurred in the next fiscal year and the entire amount will have been incurred within the related warranty period after the balance sheet date. Assumptions used to calculate the provision for warranties were based on current sales levels and current information available about returns based on the warranty period for all products sold.

The provision of € 1,291k (prior year: € 1,819k) for restructuring mainly includes plans to improve efficiency in individual areas including the related severance payments.

The provision for repurchase obligations is determined on a rolling basis and takes into account the contractual obligation to repurchase machines previously sold to major 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 € 2,263k (prior year: € 1,725k) mainly relate to provisions for litigation risks (€ 1,595k, prior year: € 1,285k) and product liability (€ 220k, prior year: € 137k).

29. Financial liabilities to banks

in € k	2007	2006
Current liabilities to banks	7,168	9,024
Non-current liabilities to banks	44,879	48,226
Total	**52,047**	**57,250**

The Group has a credit facility totaling € 82.2m as of December 31, 2007 (prior year: € 92.0m). The facility includes a floating rate loan, a credit line for future acquisitions and a working capital facility. The working capital facility comprises several overdraft facilities and a revolving credit line, which is also used for the issue of bank guarantees. As of December 31, 2007, € 5.7m of this facility had been utilized for bank guarantees. The non-utilized portion of the credit facility, which may be used for future operations and for fulfilling obligations, came to € 24.5m as of the balance sheet date.

The loan is repaid in annual instalments of € 7.5m. The amount still outstanding at the end of the term falls due for payment immediately. A discount was calculated in connection with 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 total € 452k (prior year: € 505k).

The interest rates for the interest-bearing loan, the utilized amounts of the credit facility for future acquisitions and the utilized amount of the revolving credit line are variable and are linked to the EURIBOR as well as to an interest margin which in turn is linked to the operating performance of the Company. The interest margin ranges between 0.8% and 2.9% and is determined on a quarterly basis.

The costs for extended bank guarantees are based on the interest margin less a discount of 0.3%.

The overdraft facility bears interest in accordance with the applicable conditions of the relevant banks in line with utilization. In the fiscal year the interest rates were between 5.0% and 6.75%.

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.

The following table presents the carrying amounts of the pledged assets, which are all fully secured.

Collateral provided in € k	Carrying amount 2007	Carrying amount 2006
Trademarks, patents, licenses	6,888	8,404
Land	12,827	23,115
Inventories	20,491	18,308
Trade receivables	11,958	14,522

in € k	2007	2006
Weighted, effective average interest rate	5.6 %	5.2 %

30. Lease liabilities

Finance leases

The Group has entered into finance lease and lease-purchase agreements for various items of technical machinery. A reconciliation of future minimum lease payments under finance leases due in between one and five years (€ 5,283k; prior year: € 5,049k) to the present value is provided below:

in € k	Present value 2007	Nominal value 2007	Present value 2006	Nominal value 2006
Due within one year	2,705	3,073	1,899	2,168
Due in one to five years	5,283	6,026	5,049	5,452
Total minimum lease payments	**7,988**	**9,099**	**6,948**	**7,620**
Less interest portion		1,111		672
Present value of the minimum lease payment		**7,988**		**6,948**

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 € k	2007	2006
Lease payments due	**9,099**	**7,620**
thereof: within one year	3,073	2,168
thereof: in one to five years	6,026	5,452
thereof: more than five years	0	0
Interest payments	1,111	672
Present value leases	**7,988**	**6,948**
thereof: within one year	2,705	1,899
thereof: in one to five years	5,283	5,049
thereof: more than five years	0	0

Operating leases

The following obligations exist as of the balance sheet date with regard to operating leases; amounts stated are in thousands of euros, split up by maturity:

Year	Within one year	One to five years	More than five years	Total
2007	5,188	7,204	93	12,485
2006	3,653	5,615	0	9,268

These leases mainly relate to leased service vehicles. The agreements have a non-cancellable term of between three and four years

From the perspective of the WashTec Group, it had contingent liabilities largely comprising obligations to execute contracts and liabilities for potential expenses from machine repurchases of € 917k (prior year: € 868k) as of the balance sheet date.

As of the balance sheet date there were no further material contractual obligations, such as capital commitments or obligations for the acquisition of intangible assets.

31. Liabilities

in € k	2007	2006
Trade payables (due within one year)	12,605	11,389
Prepayments on orders (due within one year)	6,122	5,951
Liabilities for taxes and levies (due within one year)	4,080	5,381
Liabilities for social security (due within one year)	699	254
Other liabilities (due within one year)	18,888	21,735
Total	**42,394**	**44,710**
thereof current (due within one year)	**42,394**	**44,710**
thereof non-current (due in more than one year)	**0**	**0**

Trade payables and liabilities for taxes and levies, and for social security are due within 90 days.

Liabilities for taxes and levies mainly relate to unpaid VAT.

Other liabilities due within one year include debtors with credit balances of € 300k (prior year: € 301k), liabilities to employees, e.g. for vacation, overtime, travel expenses, etc., of € 9,496k (prior year: € 8,867k), liabilities for employer's liability insurance of € 326k (prior year: € 588k). Furthermore, other liabilities include accruals of € 5,909k (prior year: € 6,861k), resulting mainly from missing invoices for services already performed, as well as for credits to be granted in the Service division.

32. Deferred income

Deferred income of € 7,885k (prior year: € 6,929k) primarily relates to the recognition of revenues for concluded service agreements in the period to which they relate.

33. Financial risk management objectives and policies

The main risks arising from the Group's financial instruments are cash flow, interest rate, liquidity, exchange and credit risks.

It is company policy to avoid or mitigate these risks as far as possible. All hedging measures are largely coordinated and carried out centrally. For example, on a monthly basis, WashTec identifies all items which are subject to interest and currency rate risk, assesses the probability of occurrence of negative developments for the Company and takes any decisions required to avoid or reduce the corresponding interest and/or currency positions. Furthermore, WashTec prepares a monthly rolling consolidated liquidity plan on an annual basis which facilitates the timely management of the current and future liquidity situation.

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

Interest rate risk

The risk of fluctuations in the market rates to which the Group is exposed result mainly from its floating rate loan.

To hedge cash flows of the floating rate loan against fluctuations in the market rates, interest rate swaps are concluded, by means of which the Group swaps the variable interest rate from the loan for a contractually agreed, fixed rate with the counterparty. This swap is designated to hedge the underlying obligation. Taking existing interest rate swaps into account, fixed rates were secured for approx. 65% (prior year: approx. 63%) of the syndicated loan as of December 31, 2007.

The following table shows the sensitivity of consolidated profit or loss before tax (due to the effects on the floating interest loan taking account of the existing interest rate hedges) to a reasonably possible change in the interest rates. All other factors remain unchanged. Consolidated equity is not affected.

2007	Increase/decrease in basis points	Effects on profit or loss before tax in € k
Euribor	10	–18
	15	–27
	–10	18
	–15	27
2006	**Increase/decrease in basis points**	**Effects on profit or loss before tax in € k**
Euribor	10	–30
	15	–45
	–10	30
	–15	45

Currency risk

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. In order to hedge this currency risk, a cross-currency swap was concluded, under which the Group may exchange USD 10m for € 8.4m as of December 31, 2008.

Operating risks arising from further individual transactions are immaterial on account of their small scope.

The following table shows the sensitivity of consolidated profit or loss before tax (due to the change in the fair values of monetary assets and liabilities) and consolidated equity (due to the hedge of net investments) to a reasonable possible change in the EUR/USD exchange rate. All other factors remain unchanged.

2007	Exchange rate trend of the USD	Effects on profit or loss before tax in € k	Effects on equity in € k
	5%	95	334
	–5%	–129	–336
2006	Exchange rate trend of the USD	Effects on profit or loss before tax in € k	Effects on equity in € k
	5%	–235	378
	–5%	196	–380

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 system in place, which includes, for example, monthly rolling consolidated liquidity planning on an annual basis. Non-utilized credit lines ensure the supply of liquidity. The working capital facilities were granted by the syndicate banks of the WashTec Group subject to the joint and several liability of WashTec Cleaning Technology GmbH, as the borrower, and the joint liability of other group companies. For further details, please see Note 29 on interest-bearing loans. The WashTec Group is chiefly financed via WashTec Cleaning Technology GmbH which also has the largest financing requirement, being the most important operating company.

The following table shows all contractually agreed loan repayments, repayments and interest from financial liabilities recognized in the balance sheet as of December 31, 2007. The non-discounted cash flows for the next few fiscal years are stated.

The table includes all instruments which were on the books as of December 31, 2007 and for which payments have already been agreed. Amounts in foreign currency were translated at the closing rates. The variable interest payments from the financial instruments, in particular from the loan, were calculated using the interest rates which were last fixed before December 31, 2007. Financial liabilities which are repayable at any time are always included in the earliest repayment category. The disclosures are made on the basis of the contractual, non-discounted payments.

Financial liabilities in € k	Dec. 31, 2007	Payable on demand	Cash flows Due within three months	Due in 3 to 12 months	2008	2009 to 2011
Liabilities to banks	53,181	0	101	7,455	7,556	45,625
Liabilities from finance leases	9,099	0	768	2,305	3,073	6,026
Trade payables	12,605	0	12,605	0	12,605	0
Other financial liabilities	18,888	0	13,296	5,592	18,888	0

Financial liabilities in € k	Dec. 31, 2006	Payable on demand	Cash flows Due within three months	Due in 3 to 12 months	2007	2008 to 2010
Liabilities to banks	58,836	1,476	0	8,000	9,476	49,360
Liabilities from finance leases	7,620	0	542	1,626	2,168	5,452
Trade payables	11,389	0	11,389	0	11,389	0
Other financial liabilities	21,735	0	15,215	6,521	21,735	0

Credit risk

The Group trades only with creditworthy third parties. In order to keep the del credere risk as low as possible, if the customer does not have a first-rate credit rating, orders are subject to strict controls. For new regional 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. A credit risk concentration is assumed to exist if an individual customer or mineral oil company contributes more than 15% to sales. This was not the case in fiscal year 2007.

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

Capital management

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

It also uses a debt-to-equity ratio which corresponds to the ratio of net financial liabilities to an operating result as defined in the agreement underlying the interest-bearing loan. Under this definition, the debt-to-equity ratio may not exceed 2.4 as of December 31, 2007. Net financial liabilities comprise interest-bearing loans and liabilities from finance leases less cash.

The WashTec Group's equity as of December 31, 2007 must also amount to at least € 62m.

These covenants were fulfilled as of the balance sheet date.

34. Financial instruments

The following table shows the carrying amount and fair value of all financial instruments disclosed in the consolidated financial statements.

in € k	Carrying amount 2007	Fair value 2007	Carrying amount 2006	Fair value 2006
Financial assets				
Cash and cash equivalents	6,028	6,028	3,045	3,045
Trade receivables	42,535	42,535	41,842	41,842
Derivatives	1,953	1,953	1,414	1,414
Other assets	178	178	254	254
Financial liabilities				
Bank overdrafts	101	101	1,476	1,476
Liabilities from finance leases	7,988	7,988	6,948	6,948
Trade payables	12,605	12,605	11,389	11,389
Loans with variable interest rates	51,946	51,946	55,774	55,774

Due to their short terms, the fair values of trade receivables, trade payables and cash and cash equivalents correspond to the carrying amounts. The fair value of derivatives, liabilities from finance leases and loans has been calculated by discounting the expected future cash flows at market interest rates.

The carrying amounts of each class of financial assets and financial liabilities break down as follows:

Classes in € k	2007	2006
at amortized cost		
Financial assets		
Cash and cash equivalents	6,028	3,045
Loans and receivables	45,673	44,079
Financial liabilities		
Trade payables	12,605	11,389
Liabilities to banks	52,047	57,250
Liabilities from finance leases	7,988	6,948
Other liabilities	18,888	21,735
at fair value		
Derivatives used as hedging instruments	447	1,414
Other		
Liabilities for pension obligations	6,632	6,704

Derivative Financial Instruments and Hedging Relationships
The Group has derivative financial instruments which have been designated as hedging instruments. They are used to hedge interest rate and currency fluctuations arising from the Group's operations and its sources of financing.

In line with intragroup guidelines, the Group does not trade in derivatives.

In the fiscal year, derivative financial instruments in the form of interest rate and currency swaps were held for hedging purposes. Under IFRSs, derivatives are measured at their fair value as of the balance sheet date and are recognized as an asset if the fair value is positive and as a liability if the fair value is negative. The positive value of derivatives was disclosed under current assets.

At the inception of the hedge there is formal designation and documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge. This documentation includes the designation of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and a description of how the entity assesses the hedging instrument's effectiveness in offsetting risk exposure. Hedges of this kind are considered highly effective in offsetting exposure to changes in the fair value or cash flows and this effectiveness is regularly reviewed.

Cash flow hedges
As of the balance sheet date, were three interest rate swaps which qualify as hedging instruments and serve to hedge the risk of fluctuations in the variable, EURIBOR-linked interest rates of the loan. Under the swap contracts, the entity pays fixed interest on the loan amount and in return receives floating-rate interest on the same principal. The contractually agreed interest rates of the swap amount to 2.46%, 3.77%, and 4.58%, and the variable interest rate is linked to the EURIBOR. The agreements expire on December 31, 2008 and December 31, 2009, respectively. The cash flows are distributed over the term of the agreements.

The hedging relationship is considered to be highly effective. The effective portion of the hedging relationship is recorded in equity under other reserves. As of December 31, 2007, the disclosure – taking account of deferred taxes – amounts to –€ 365k (prior year: € 878k). The amounts accumulated in equity are transferred to the income statement in the fiscal years in which the host contract is recognized. This amount came to € 823k (prior year: € 363k) in the fiscal year.

As of December 31, 2007 approx. 65% of the loan amount was hedged against interest rate risks. The fair value of the interest rate swap came to € 447k (prior year: € 722k) as of December 31, 2007 and is disclosed under current assets.

Other notes

35. Declaration of compliance pursuant to Sec. 161 AktG

WashTec AG has issued the declaration for fiscal year 2007 as required by Sec. 161 AktG and made it available to the shareholders at www.WashTec.de.

The management board endorsed the consolidated financial statements as of February 19, 2008 and immediately passed them on to the supervisory board for review.

The separate financial statements and consolidated financial statements will be approved at the supervisory board meeting on March 19, 2008.

36. The company's executive bodies

Management board

Thorsten Krüger, Weissenhorn, Germany
Spokesman of the management board
Sales, Marketing, Strategic Service and Development

Christian Bernert, Augsburg, Germany
Finance, Personnel, IT, Legal Affairs and Supply Chain

Remuneration

The 2006 Annual General Meeting resolved with a majority of 93.3% of the votes, not to supply the information required in Sec. 285 (1) No. 9a Sentences 5 to 9 and Sec. 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, recurring components linked to business performance and components with a long-term incentive effect and risk elements. In derogation of the recommendation set out in Sec. 4.2.3 of the German Corporate Governance Code in the version dated June 14, 2007 (the Code), the remuneration does not include any one-off variable remuneration components. The expenses totaled €874,000 in 2007 (comparable prior-year figure: €1,057,000).

As regards the remuneration with a long-term incentive effect and risk elements, ‚individually agreed stock option plans were, and are still in place. The terms and conditions of the stock option plans did and do not provide any limitation options for extraordinary, unforeseen developments (Sec. 4.2.3 of the Code). The Annual General Meeting held on May 22, 2007 resolved a regular option program for the management board and first-level management of the Company.

On July 23, 2007, 767,000 options were issued to the management board and first-level management at an issue price of €15.34. 600,000 of these options were issued to the management board and 167,000 to 12 members of the first level of management below the management board. In return, the members of the management board currently in office waived their existing rights under an existing share appreciation rights program. The options may only be exercised after a waiting period of two years, provided that the share price rose by 20% within the waiting period. The fair value of the stock options totals €1.8m. Expenses in 2007 amounted to € 441k. The fair value was calculated on the basis of a binomial model as of the issue date. This calculation model is based on a risk-free interest rate of 4.72%, an assumed volatility of 22.8%, a dividend yield of 2%, a share price of €15.00 on the issue date and an anticipated term of two years. The share price and volatility are based on publications by leading German banks. For details and further information on the stock options please see Note 9 – Personnel Expenses.

Following the termination of their employment contracts, the members of the management board are contractually entitled to remuneration corresponding to 50% of the short-term remuneration 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 the termination of their employment contracts in certain cases. Contrary to the recommendation set out in Sec. 4.2.3 of the Code, the existing employment contracts of the management board members have not provided, and do not provide for any general severance payment cap corresponding to a maximum of two annual salaries in the event that the members resign from their management board activities prematurely. No limitation to a maximum of 150% of the severance payment cap is in place for the premature termination of management board activities in the event of a change of control either.

None of the commitments were booked as expenses in 2007.

No pensions or pension benefit plans have been granted to members of the management board since 2003.

Shares held by members of the management board	2007	2006
Thorsten Krüger	0	0
Christian Bernert (since January 1, 2007)	0	0

Supervisory board

Michael Busch (Chairman since May 22, 2007)
Independent business consultant and managing partner of Cobe Consult GmbH, Berlin, Germany
Supervisory board member at the following entities:
- Kampa AG, Minden, Germany (Deputy Chairman)
- Hamatech AG, Sternenfels, Germany (Deputy Chairman)
- Sto AG, Stühlingen, Germany
- J.N. Köbig GmbH, Mainz, Germany (member of the Advisory Board)
- Schimmel Verwaltungsgesellschaft mbH (Chairman of the Advisory Board)

Jürgen Lauer (since January 1, 2007; Deputy Chairman since May 22, 2007))
Business administration graduate and MBA, General Manager of JüLa Beteiligungs GmbH

Alexander von Engelhardt (Chairman until May 21, 2007)
Engineering graduate and businessman, Kronberg, Germany

Roland Lacher (since May 22, 2007)
Engineering graduate and businessman, Gelnhausen-Meerholz, Germany
Supervisory board member at the following entities:
- Singulus Technologies AG, Kahl am Main, Germany (Chairman)
- OPTIXX AG, Kriens, Switzerland, member of the Administrative Board (Vice President)

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. Total remuneration amounts to € 200k (prior year: € 196k).

in € k	Fix	Variable	Amount
Michael Busch	18.1	62.2	80.3
Jürgen Lauer	13.1	44.9	58.0
Roland Lacher	6.1	21.1	27.2
Alexander von Engelhardt	7.7	26.6	34.3
Total	**45.0**	**154.8**	**199.8**

Shares held by members of the supervisory board	2007	2006
Michael Busch	0	0
Jürgen Lauer (since January 1, 2007)	0	0
Roland Lacher (since May 22, 2007)	0	0
Alexander von Engelhardt (until May 22, 2007)	0	0

37. Related party transactions

In 2007, a bonus for 2006 and a consideration for the execution of a contractually agreed non-compete provision totaling € 251k was paid to a former member of the management board. There are also share appreciation rights which expire on December 31, 2008. The provision for share appreciation rights came to € 38k (prior year: € 600k) as of December 31, 2007.

For further explanations of share appreciation rights, please see Note 9 on personnel expenses.

In 2006, WashTec Cleaning Technology GmbH acquired technology for the production of hydraulic carwash facilities from a private person, who was subsequently a temporary general manager of a foreign subsidiary of the WashTec Group. The purchase price included contractually agreed earn-out targets. In 2007, an agreement was concluded with the general manager on his employment contract and the earn-out targets.

The terms of the transaction are arm's length.

38. Notes after the balance sheet date

No significant events occurred after the balance sheet date.

Augsburg, Germany, February 19, 2008

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, 2007 to December 31, 2007. 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, February 29, 2008

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

Assets	Dec. 31, 2007	Dec. 31, 2006
	€	€
Non-current assets		
Intangible assets	**1,749**	0
Property, plant and equipment	**23,838**	18,381
Shares in associated companies	124,674,653	124,674,653
	124,700,240	**124,693,034**
Current assets		
Receivables and other assets		
Receivables from affiliated companies	10,733,342	13,103,758
Other assets	405,315	387,603
	11,138,657	**13,491,361**
Securities		
Treasury shares	**604,342**	0
Cash	**39,139**	0
	643,481	0
Prepaid expenses	**20,834**	38,762
Total assets	**136,503,212**	**138,223,157**

Equity and liabilities	Dec. 31, 2007	Dec. 31, 2006
	€	€
Equity		
Subscribed capital	40,000,000	40,000,000
Capital reserve	89,531,151	89,089,761
Revenue reserve		
Reserve for treasury shares	604,342	0
Retained earnings	3,656,314	5,021,366
	133,791,807	**134,111,127**
Accruals		
Accruals for taxes	125,670	122,710
Other accurals	963,027	1,877,571
	1,088,697	**2,000,281**
Liabilities		
Liabilities to banks	0	3
Trade payables	67,532	135,386
Liabilities to affiliated companies	642,963	65,092
Other liabilities	912,213	1,911,268
	1,622,708	**2,111,749**
Total equity and liabilities	**136,503,212**	**138,223,157**

INCOME STATEMENT OF WASHTEC AG

	Dec. 31, 2007	Dec. 31, 2006
	€	€
Revenue	1,376,735	5,457,734
Other operating income	624,406	1,288,912
	2,001,141	**6,746.646**
Personnel expenses		
a) Wages and salaries	1,685,094	5,983,836
b) Social security, pension and other benefit costs	78,396	58,488
thereof for old-age pensions: € 47,329 (previous year € 25,557)	1,763,490	
Amortization, depreciation and impairment of intangible assets		
and property, plant and equipment	7,324	4,483
Other operating expenses	1,189,072	1,257,559
	–2,959,886	**–7,304,366**
	–958,745	**–557,720**
Income from profit and loss transfer agreements	110,156	651,235
Other interest and similar income	98,709	3,677
Interest and similar expenses	–7,867	–852
	200,998	**654,060**
EBIT	–757,747	96,340
Income taxes	–2,963	384,926
Profit/loss for the year	–760,710	481,266
Profit carryforward	5,021,366	4,540,100
Allocation to reserves for treasury shares	–604,342	0
Retained earnings	**3,656,314**	**5,021,366**

FURTHER INFORMATION

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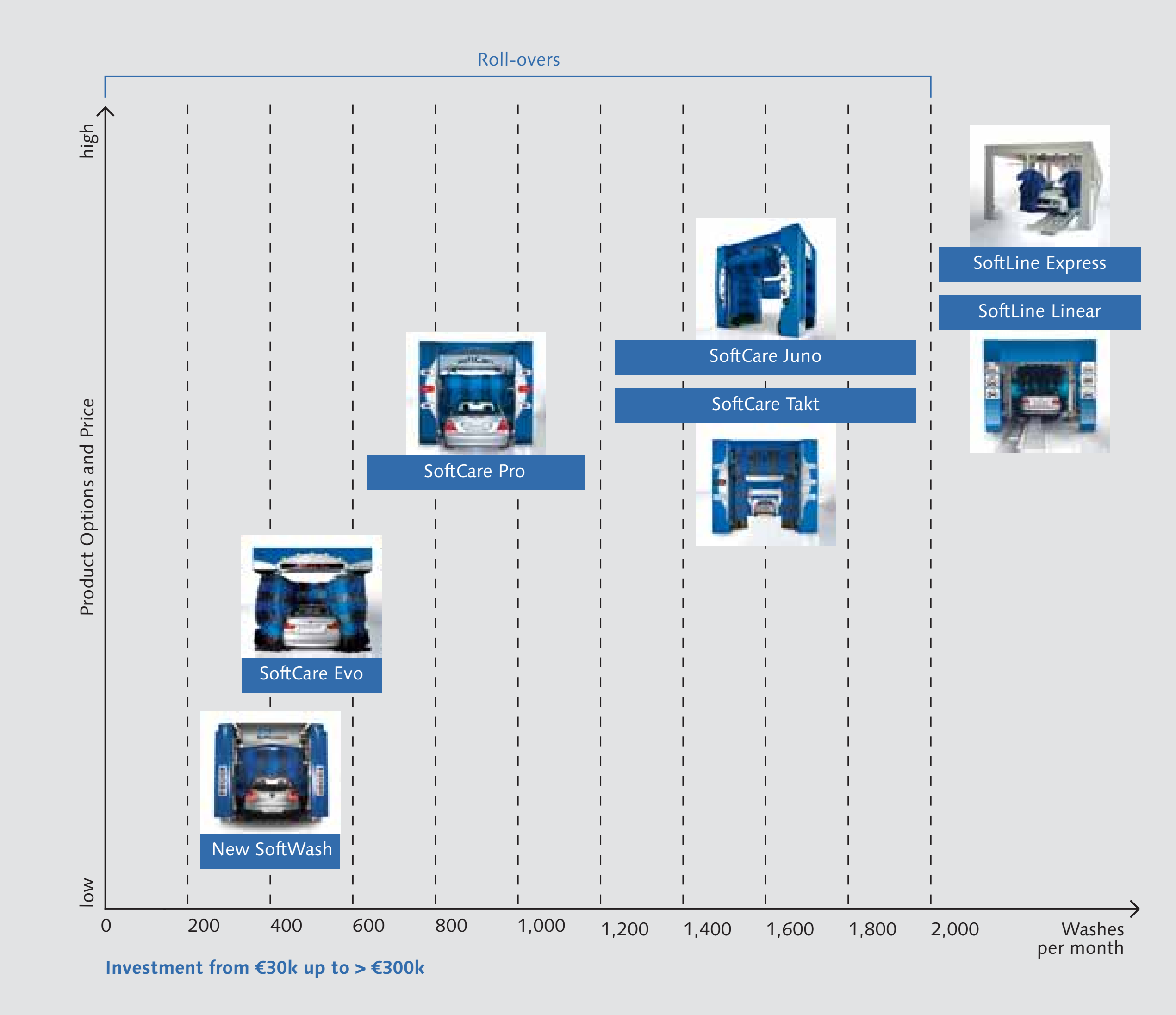
Associated companies	see Subsidiaries
automechanika	World's largest trade fair for petrol stations and petrol station equipment providers. Held every two years in Frankfurt am Main, Germany
Cash flow	Cash balance from inflows and outflows of funds
Cash flow statement	Consideration of liquidity development/cash 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

Investment in relation to the potential number of washes



FINANCIAL CALENDAR 2008

31 March 2008	Annual report 2007
8 May 2008	Annual General Meeting, Augsburg
May 2008	Q1 report
August 2008	Q2 report
November 2008	Q3 report
10 to 12 November 2008	Analysts' conference German Equity Forum, Frankfurt

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