Build with passion

Annual Report 2016

Unaudited translation for convenience purposes only

WashTec

- Higher revenue and earnings across all regions and products
- Revenue of €372.8m, 9.4% above prior year
- Fourth-quarter revenue 18.8% (€17.9m) above prior year
- EBIT increased by over 20% to €44.1m, with 11.8% EBIT margin

Rounding differences possible		Jan 1 to 31 Dec, 2016	Jan 1 to 31 Dec, 2015	absolute	in %
Revenue	€ m	372.8	340.9	+31.9	+9.4
EBITDA	€ m	53.4	46.1	+7.3	+15.9
EBIT	€ m	44.1	36.4	+7.6	+20.9
EBIT margin	in %	11.8	10.7	+1.1	–
EBT	€ m	43.6	35.9	+7.7	+21.4
Employees at reporting date	persons	1.767	1.689	+78	+4.6
Average number of shares	€ m	13.4	13.8	−0.4	−2.8
Earnings per share[1]	€	2.29	1.78	+0.51	+28.7
Free cash flow[2]	€ m	20.8	26.2	−5.4	−20.6
Capital expenditure	€ m	19.1	6.7	+12.4	+185.0
Capital ratio at reporting date[3]	in %	40.1	42.2	–	–

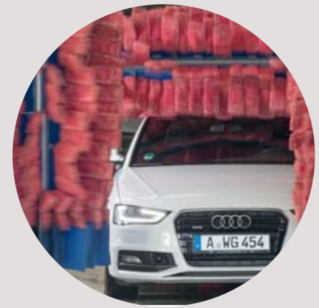
[1] Basic = diluted

[2] Net cash flow – net cash flows from investing activities

[3] Equity capital/balance sheet total

We offer everything around carwash

Roll over systems



Wash tunnels

Self-service

Water reclaim system

Chemicals

Financial services

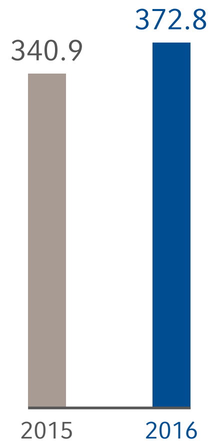
Services

Operations

Financial Highlights 2016

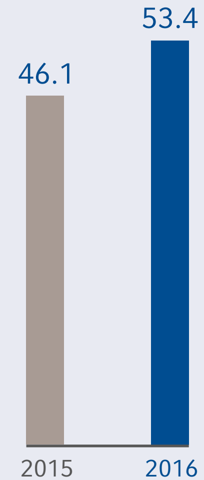
Revenue

+9.4%



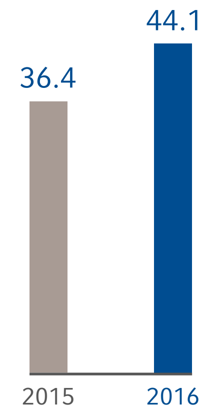
EBITDA

+15.9%



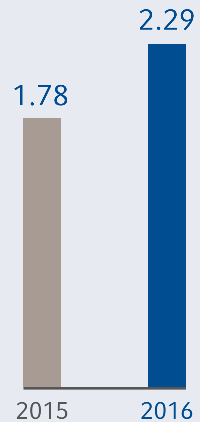
EBIT

+20.9%



Earnings per share

+28.7%



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WashTec

Report of the Management Board

Dr. Volker Zimmermann Chief Executive Officer

Dear Shareholders, Customers and Employees,

We look back on a successful fiscal year 2016 in which we generated revenue of €372.8m, the highest in our corporate history.

We initiated a Group-wide change process with the introduction of our corporate philosophy. Management and all WashTec employees are actively working to shape those changes. Reflecting this, the motto of this year's Annual Report is **Build with passion**. The photographs in this Annual Report show the opening of our Augsburg showroom in September, which we celebrated with a Family & Friends Day.

We made substantial progress in advancing our corporate objective of **Maximum Customer Benefit** in 2016. Interactive workshops were held to roll out our corporate philosophy worldwide. Specially developed management training was also provided on the basis of the corporate philosophy. We successfully presented WashTec under the banner of **Maximise your business** at a range of trade fairs. Sales efficiency combined with clear product benefit messages show a positive impact. The structural change initiated in 2015 likewise led to significantly enhanced focus in our export business and across all product segments. We also made good progress in re-engineering our production process on the basis of lean production principles, both in final assembly in Augsburg and in the expansion and realignment of production at our chemicals plant in Grebenau. Our innovations are consistently geared towards further enhancing customer benefit while significantly reducing complexity across the entire product portfolio.

Revenue in 2016 rose by 9.4% to €372.8m. Our EBIT improved by 20.9% to €44.1m. This corresponds to an EBIT margin of 11.8%, compared with 10.7% in the prior year. 2016 was also a highly successful year for our shareholders. We distributed a dividend of €22.8m. Total shareholder return was over 65%.

All regions and products contributed to this outcome. While growth in the first half year mainly resulted from improved exploitation of potential in the individual customer business, the second half of the year additionally saw major customers implementing capital spending programs.

We aim for a sustained positive performance in 2017. Our focus areas remain growth, functional and regional excellence, innovation, leadership and teamwork. The number of vehicles in the world will continue to grow in the years ahead. This will drive corresponding growth in demand for automated car washing. We also see growth potential in our regional markets. These are all good conditions to continue generating value with innovation and ongoing efficiency improvements.

We would like to thank all our employees for their commitment and active contribution. Many thanks also to our customers, shareholders and business partners for their support and for the trust they have placed in us. We look forward to working with you and to build with passion in 2017.

Dr. Volker Zimmermann
CEO

Stephan Weber (1963)

Sales, Marketing,
Product Management

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

Karoline Kalb (1972)

Human Resources, Compliance, Investor Relations, Special Projects

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

Dr. Volker Zimmermann (1963)

Supply Chain, Research and Development, Service, Quality, Purchasing

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

Rainer Springs (1966)

Finance and IT

Rainer Springs has a Diplom degree in business administration from Universität der Bundeswehr Neubiberg. After a number of years in business consulting, he worked for ABB AG in various fields, including robotics. He joined WashTec in 2004 and served as COO for the US subsidiary from 2011 to 2014. Mr. Springs has been Member of the Management Board of WashTec AG since February 2015.

Report of the **Supervisory Board**

Dr. Günter Blaschke, Chairman of the Supervisory Board

Ladies and Gentlemen,

Maximum customer benefit as our number one corporate objective, our chosen approach as application-oriented innovation specialists, our workforce as entrepreneurs at WashTec and the right leadership as our foremost duty are enshrined in our corporate philosophy and lay the basis for our lasting success. Our corporate philosophy has now been rolled out to the entire workforce worldwide and is becoming increasingly established in practice from year to year. The 2016 results, with record figures for revenue and earnings impressively demonstrate that this new strategic orientation with sustained growth and earning power is the right way to go.

Work of the Supervisory Board

A major focus in the work of the Supervisory Board was on the Company's strategic orientation in line with its corporate philosophy. Strategic focal points were coordinated with the Management Board. A further key emphasis for the Supervisory Board was current business performance. During the reporting year, the Supervisory Board adhered to the responsibilities imposed on it by law, the Company's Articles of Association and the Board's own internal rules of procedure. It was directly involved in all decisions of fundamental significance to the Company. During fiscal year 2016, the Supervisory Board regularly obtained updates on the condition of the Group.

It also supervised the managerial activities of the Management Board of WashTec AG. This work was primarily based on timely written and verbal reporting by the Management Board to the Supervisory Board. Among other things, the Management Board reported each month in writing to the Supervisory Board about the development of the business. As needed, the Supervisory Board also requested additional reports from the Management Board and inspected other relevant Company documentation. A focus in 2016 lay on appraising the implementation of tender contracts with major customers and the resulting opportunities with those customers. Discrepancies between actual business development and the plans and targets were explained to the Supervisory Board in detail and examined by the Supervisory Board based on the documents presented to it. The Management Board notably coordinated with the Supervisory Board with regard to the Company's strategic orientation. The Supervisory Board extensively discussed transactions of importance to the Company on the basis of the reports issued by the Management Board.

During fiscal year 2016, the Supervisory Board regularly reviewed the situation of the Group and monitored the work of the Management Board

The Supervisory Board voted on all reports and draft resolutions of the Management Board whenever required by law, the Company's Articles of Association or rules of procedure, after thorough examination and discussion. Beyond the extensive work conducted during the Supervisory Board meetings, the Chairman of the Supervisory Board also discussed the Company's position and its onward development and direction in various one-on-one talks with the Management Board outside of meetings. The other Supervisory Board members were also available to exchange views with the Management Board outside of meetings. All members of the Supervisory Board provided the remaining members with comprehensive reports concerning their one-on-one talks with the Management Board. In fiscal year 2016, the plenary Supervisory Board held a total of eight ordinary and extraordinary meetings, of which two were conducted as teleconferences. At least one meeting was held each quarter. In addition, eleven committee meetings were held, and various resolutions were adopted by circulation. Attendance at the meetings of the Supervisory Board and its committees was nearly 100%. The work of the committees was reported upon to the Supervisory Board during plenary meetings. A separate report on the work of the committees is provided below.

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

Other individual topics addressed in meetings were as follows:

Focal points in 2016:

- *Organizational structure and processes*
- *Innovations*
- *Monitoring of ongoing projects*

- Discussion of the annual financial statements of WashTec AG and the consolidated financial statements for fiscal year 2015 (first quarter)
- Resolution on the agenda for the Annual General Meeting (first quarter)
- Strategy workshop (first quarter)
- Discussion of the interim reports (second, third and fourth quarters)
- Supervisory Board matters (ongoing)
- Management Board matters (ongoing)
- Corporate Governance Code and Declaration of Conformity; compliance (fourth quarter)
- Corporate philosophy, employee development and management training
- Sales and marketing strategies and projects
- Product development, processes and projects
- Digitalization
- Production, structure and flow production
- Implementation of tender contracts with major customers
- Capital expenditure budget, in particular for Grebenau
- Annual budget for 2017

Key topics at the March 15, 2017 meeting for adoption of the financial statements comprised discussion of the annual financial statements of WashTec AG, of the consolidated financial statements for fiscal year 2016 together with adoption and approval of the annual and consolidated financial statements, and of the combined management report. The resolutions proposed for submission to the Annual General Meeting were also discussed in the presence of the auditor.

Report on the work of the committees

There are currently five committees (Audit, Personnel, Nominating, Innovation and Sales Strategy Committee) whose primary purpose is to prepare Supervisory Board meetings and resolutions for the plenary Supervisory Board. The committees can also be assigned decision-making powers within the scope of mandatory statutory provisions. The current composition of the committees is printed on page 81. A brief overview of the work of the committees in the reporting year is provided in the following.

The Audit Committee convened four times in the fiscal year under review. In the presence of the auditor, the committee focused mostly on the 2015 consolidated financial statements, the management report, the 2015 management letter, the compliance and risk report, as well as the results as of the 2016 half-year report, the report on the audit review, the review of focal points for the Supervisory Board and follow-up on the auditor's management letter. The quarterly reports were discussed at length and focal points defined for the audit.

The Personnel Committee met twice during the reporting year. Subjects of consultation comprised the structure of Management Board remuneration and renewal of a Management Board member's contract.

The Nominating Committee met once in the reporting year in connection with the nominations to the Supervisory Board of Jens Große-Allermann, Dr. Sören Hein, Dr. Hans Liebler and Dr. Alexander Selent. Mr. Roland Lacher is not available for re-election for reasons of age.

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

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

Good collaborative relationships were assured at all times.

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

Corporate governance

The Management Board and the Supervisory Board view corporate governance as an ongoing process and regularly address compliance with the stipulations of the German Corporate Governance Code. They have jointly reviewed the Company's corporate governance and, as a consequence of the resolution of the Annual General Meeting 2016 on the authorization to refrain from publishing information about the remuneration of individual Management Board members, on May 31, 2016 submitted an updated Declaration of Conformity and on December 15, 2016 submitted a new annual Declaration of Conformity, which is reprinted on page 86.

Remuneration system for the Management Board

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

All remuneration components are structured in such a way that they are reasonable, both individually and in the aggregate, and do not encourage the taking of unreasonable risks. The remuneration of the Management Board and the Supervisory Board members is described in greater detail in the remuneration report on pages 86 to 89. The Supervisory Board most recently approved its 2015 resolution on the Management Board remuneration system unamended at its meeting of December 15, 2016.

Audit of the annual and consolidated financial statements 2016

The Management Board prepared the annual financial statements of WashTec AG, the consolidated financial statements, and the combined management report of WashTec AG and of the Group as of December 31, 2016. These have been audited and issued with an unqualified audit opinion by PricewaterhouseCoopers GmbH, Wirtschaftsprüfungsgesellschaft, Munich, which was elected by the Annual General Meeting as auditor of the annual and consolidated financial statements.

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

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

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

The audited annual financial statements of WashTec AG, the audited consolidated financial statements, the combined management report of WashTec AG and of the Group as of December 31, 2016, as well as the Management Board's proposal on the appropriation of distributable profit were presented in a timely manner for review by all members of the Supervisory Board. The financial statements and reports were the subject of the Supervisory Board meeting held for adoption of the financial statements on March 15, 2017. For the same Supervisory Board meeting, the Management Board also submitted a report on the development of the Company's earnings.

The auditor attended the meeting on March 15, 2017 and reported directly and comprehensively to the Supervisory Board on the audit findings and the focal points of the audit. All questions posed by members of the Supervisory Board were answered in detail. The Supervisory Board noted the auditor's audit findings and reviewed the annual financial statements of WashTec AG, the consolidated financial statements, the combined management report and the Management Board's proposal on the appropriation of distributable profit. No objections were raised during the Supervisory Board's review. At its meeting for adoption of the financial statements, the Supervisory Board approved the annual financial statements of WashTec AG as prepared by the Management Board and the consolidated financial statements. The annual financial statements of WashTec AG are thus formally adopted. The Management Board's proposal on the appropriation of distributable profit was approved by the Supervisory Board following in-depth review.

The Supervisory Board would like to thank the Management Board and all managers for their good and constructive teamwork. Our Member of the Supervisory Board Roland Lacher is no longer available for re-election for reasons of age and is therefore retiring from the Supervisory Board at the close of the Annual General Meeting. We would like to express our sincere thanks to Mr. Lacher for many years of successful, dedicated service. Further thanks go out especially to all employees, whose dedication and commitment helped make 2016 such a success.

Augsburg, March 2017

On behalf of the Supervisory Board

Dr. Günter Blaschke
Chairman of the Supervisory Board

Our Nr.1 goal is

customer benefit.

We rolled out our **corporate philosophy** in over 100 workshops **worldwide** in 2016 and have geared our entire business to maximum customer benefit. Our **trade fair presentations** likewise carried the slogan **Maximise your business**. The construction of our **showroom** where customers can experience our products live in modern surroundings is just one example of our strategic focus. We celebrated the opening with a big Family & Friends Day.


bei WashTec
werden & werden entwickelt
SPEED
QUALITY
CONVENIENCE
WashTec




WashTec




Kempa


STOP

We are

specialists

in the area
of carwash.

Our aim is to provide customers with the optimum solution on the basis of unique expertise and experience. The introduction of **product-oriented business units** enables to significantly enhance our focus on each product and customer segment. We have aligned our sales activities to customer groups and expanded them according to sales potential. Initial successes as a result of these changes were seen in 2016 with growth across all **customer groups, products and regions.**


WashTec
WashTec
WashTec


WashTec

We are an

innovation

company.

We have many more **ideas** for making the carwash experience and outcome even more attractive for customers. Applying a 4D model, we work along the dimensions of convenience, speed, wash quality, and look & feel. The success of our latest innovations confirms this choice of direction. **Foam Sensation** – a foam curtain that lights up in different colors – offers an entirely new experience in car wash. At Automechanika, we were awarded with the **Innovation Award** for our Multiplex brush.


WashTec
altrex

We live **leadership.**

It is our firm belief that **leadership** is the key competency for the sustained successful development of our Group. We have therefore defined a set of **leadership principles** to describe our understanding of leadership in concrete terms and propagate that understanding uniformly in our workforce worldwide. Building on this, we have provided specially developed **management training** to our management teams around the world.


WashTec

We are

entrepreneurs

at WashTec.

Dedicated and motivated employees are the basis of our success. At the opening of our showroom, which was attended not only by employees from Augsburg, but also by staff from the Czech Republic, Austria and our Recklinghausen location in Germany, their **enthusiasm and pride** were plain to see. If everyone goes about their work with an entrepreneurial mindset, assuming responsibility and supporting others, our Company will be all the more agile and reliable going forward.

Sustainability report

Sustainable business practices secure the future of society and our Company. Our business model of automated car washing contributes to sustainability. We use resources sparingly and take our responsibility to employees and society seriously. Our goal is to create sustainable value and to leave for future generations a world that is ecologically and socially intact.

WashTec meets the highest standards not only of product and service quality, but also in environmental protection. We always operate with the aim of using resources and materials as efficiently as possible.

In the following, we would like to explain to you how sustainability is implemented at WashTec.

Product responsibility

1. WashTec Products

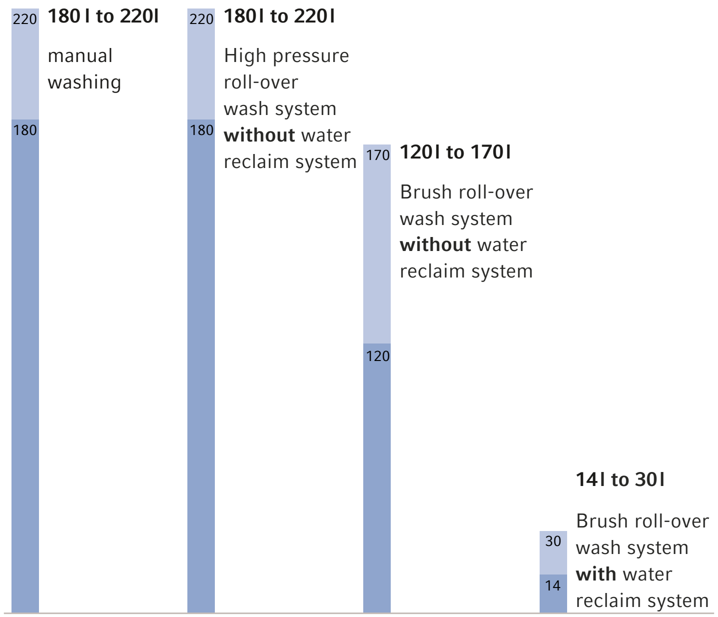
- Featuring low energy and fresh water consumption, the ability to use recycled water via water reclaim systems and optimum chemical portioning, WashTec Products not only enable customers to operate their washes efficiently and economically, they also protect the environment.
- WashTec offers local analysis to help customers arrive at the optimum product specification for their site and prevent both over-dimensioning and under-dimensioning of wash capacity.

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

The WashTec environmental seal labels all products and product components that are especially environment-friendly and preserve resources

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

Minimized fresh water consumption (litres per wash)



Source: WashTec Analysis

2. WashTec and AUWA chemical products

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

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

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

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

Production

1. Equipment

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

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

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

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

2. Wash chemicals

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

In the production of AUWA products, conservation of scarce resources is always a priority. Accordingly, raw materials such as dyes, fragrances, emulsifiers or similar that are not required for a product to work are avoided as far as possible. All wash chemical products are concentrates automatically diluted and apportioned in the wash equipment. In addition to saving weight, this process also saves on packaging, thus minimizing transport costs.

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

WashTec

WashTec environmental scorecard

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

1. Energy

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

Energy-efficient systems are used for heating buildings. Measures such as energy reclamation, air recirculation, control technology, insulation of buildings beyond the industry standard and the use of available district heating systems for heating buildings are outcomes of our responsibility for sustainability.

The electricity that WashTec procures for corporate headquarters and the main production site in Augsburg is 43.6% renewables-generated (prior year: 39.9%). This figure is significantly higher than the national average of 27.9% (prior year: 24.6%). WashTec thus actively contributes to avoiding radioactive waste and lowering CO_2 emissions.

2. Waste

In 2016, WashTec generated 2,300 tons of waste material in Germany by taking back old equipment and due to production waste. This waste is systematically separated into single-material fractions. Through consistent separation of disposable waste (such as sheet and other metal waste), the sale of these waste materials in 2016 generated proceeds of €210k (prior year: €270k). Disassembled old systems are either refurbished or professionally recycled by authorized service providers.

Certifications

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

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

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

Stakeholder Dialogue

WashTec as a sustainable investment

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

Customer satisfaction

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

To review how far we satisfy this goal, we constantly carry out customer satisfaction surveys in which we assess the level of satisfaction with our products (such as regarding quality, price-performance ratio and introductory operational training) and our customer service (on measures such as quality, reaction time and friendliness). According to the most recent survey conducted in Germany, customer satisfaction with WashTec service and our products is very high. Just under 60 service deployments and some 17 machine installations were evaluated in 2016. 74 of our chemicals customers were surveyed as well. Our chemicals customers are particularly satisfied with initial training and technical advice on new products (grade: 1.3) and with wash results (grade: 1.7). In Services, high marks were awarded most of all for employee friendliness (grade: 1.6) and clean work execution (grade: 1.5; evaluation according to German school grades). We also carried out a customer survey among new equipment customers comprising a single question as to whether they would recommend WashTec to others. The 80% positive response rate reflects our customer satisfaction level and sets a benchmark for 2017.

Personnel and Compliance

1. WashTec Code of Ethics

Since 2005, a standard Code of Ethics has applied to all WashTec Group companies, and its main tenet requires compliance by all employees with all rules, regulations and corporate directives. The Code includes the key directives on how employees are expected to interact with each other and with customers, suppliers, consultants and public authorities. WashTec Group managers and employees in *Sales*, *Purchasing*, *Personnel* and *Finance* routinely sign a commitment to comply with the Code. Since 2016, employees have been trained and tested on the compliance system and the Code of Ethics using an online training tool. The WashTec Code of Ethics can be downloaded from www.washtec.de. Knowledge of compliance and the Code of Ethics is additionally trained and tested in an e-learning tool introduced in 2016. In further support of the compliance program, a whistleblower system, likewise introduced in 2016, enables employees and others to raise any concerns – anonymously if they prefer – and to bring attention to circumstances that may indicate a breach of the law or corporate directives. Any such indications are investigated and action taken as appropriate if grounds for suspicion or violations are identified.

2. Corporate Philosophy

The corporate philosophy introduced in fiscal year 2015 provides all employees with guidance on how to interact among themselves and with customers. The highest priority is on maximum customer benefit. Each contact with WashTec should be a positive experience for customers. Our corporate philosophy is the basis for the WashTec leadership policies. The corporate philosophy was rolled out throughout the Group during 2016 in the form of global workshops for all employees. Management training programs build on the corporate philosophy and are specifically tailored to WashTec's needs. Members of senior management the world over took part in the management training programs in 2016.

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

4. Corporate audits
Processes and transactions at all WashTec Group companies are examined for compliance with external and internal rules and regulations on the basis of risk analysis, both routinely and in ad-hoc audits in response to alerts. This enables any noncompliance to be identified and remedied as early as possible.

5. Training and human resource development
Human resource development plays an important role at WashTec. WashTec offers all employees the opportunity to participate in internal and external continuing education and training programs. These programs range from foreign language and IT courses and specialized training through to soft skills training. A separate budget is allocated for employee training each year. Throughout the Group, 90% of the continuing education and training courses requested by employees were provided.

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

At the Company's headquarters in Augsburg, formal training is provided in the fields of information technology (IT) and mechatronics, and for qualification as an industrial clerk. The high number of training places made available in 2016 is to be maintained in 2017.

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

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

Social activities during non-business hours, such the Family & Friends Day in September 2016, the WashTec happy hour in Augsburg, outings, and participating in the company run foster communication and teamwork.

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

WashTec has a well-developed, SCC-certified occupational safety and health management system. WashTec service technicians are under special obligation to learn and understand safety issues. The focus of regular training and certification programs is on training sessions for working in and around filling stations when preparing and undertaking the commissioning, maintenance and servicing of our equipment and systems. All WashTec service technicians in Germany have participated in driver safety training with their fleet vehicles. The rollout of new safety equipment is accompanied by intensive training. For example, all service technicians are provided with special mobile scaffolding developed in collaboration with a major scaffolding manufacturer. A training program devised for the purpose introduced our employees to the

WashTec Tower so that they can correctly and safely use the scaffolding specially developed for working at height on wash equipment. The design and introduction of the WashTec Tower gained a safety award in 2014 from Berufsgenossenschaft für Holz und Metall, the woodwork and metalwork employers' liability insurance association. Compliance with safety provisions is routinely monitored in internal and external audits. Similarly, the findings of audits on customer premises are used to motivate employees and continually improve working conditions.

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

8. Balancing family and career

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

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

The birth of a handicapped child, a heart problem or the diagnosis of cancer, an accident or hereditary disease always affects the entire family and changes lives abruptly. With approximately 70 professionals, the registered association known as Bunter Kreis e.V., which was founded in Augsburg in 1991, provides handicapped and severely sick children together with their families with comprehensive psychological, social, medical and financial support. The work of Bunter Kreis is indispensable for Augsburger Kinderklinik, the local children's hospital in Augsburg. Bunter Kreis helps most of all during the period following discharge from hospital, when it assists families in dealing with new challenges and burdens. The reliable follow-up care often also allows children to leave hospital early. Since the frequently time-consuming work of caring for sick children and their families is only partially covered by statutory health insurance, WashTec has continually supported Bunter Kreis with donations in cash and in kind as one of its main sponsors since 1996.

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

WashTec Share

Karoline Kalb
Member of the
Management Board

Stock market performance in 2016

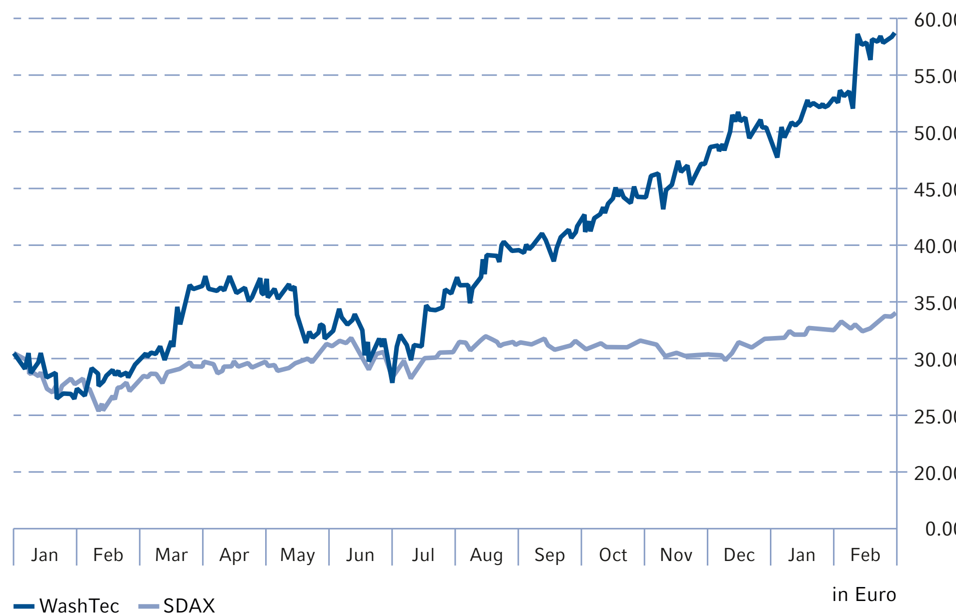
The 2016 stock market year got off to a weak start triggered by oil price decline and subdued economic data from China. Fears about the global economy sent stock market indices into a steep slide. The DAX had the worst start to the year for 25 years. In order to counter the weakening economy and low inflation in the euro area, the European Central Bank (ECB) decided to reduce its benchmark rate to 0% for the first time in March. In the summer, the Brexit vote made for nervousness on the financial markets. Terrorist attacks in Paris, Brussels, Istanbul, Nice and Berlin left the financial markets unaffected. The economic upturn in the US market continued in 2016. The unexpected outcome of the US presidential election merely caused a short dip in stock prices; close to the 20,000-point mark at the end of the year, the Dow Jones recorded substantial gains in the US market. China, on the other hand, saw a slowdown in the growth rate.

The DAX index had a bad start, beginning from 8,752.87 points in 2016 before hitting a further low point of 9,268.66 points in June and then steadily rising to close the year at 11,481.06 points. The DAX thus gained 6.87% over the year. Even the SDAX small-cap index was only able to record an increase of 4.63%. The European benchmark index, Euro Stoxx 50, showed a 0.70% gain to 3,290.52 points.

WashTec share price gains 62.30% over the year

The WashTec share price began 2016 at €30.50 and marked its low for the year on January 28 at €26.50. The share price reached its annual high of €51.50 on December 8 and was €49.50 at the end of the year. These figures relate to closing rates on the Xetra trading platform. The price gain in 2016 was 62.30%.

Price performance of WashTec shares 2016/2017 compared to the SDAX (indexed)



As of February 22, 2017, the shares were trading at €58.88 per share.

Market capitalization of some €691.9 million as of December 31, 2016

Inclusion into SDAX on March 21, 2016

As a result of the good performance, the Company's market capitalization rose to €691.9 million at the year-end (Source: Deutsche Börse). The inclusion of WashTec shares in the SDAX from March 21, 2016 and their higher attractiveness to investors reflect the continuous improvement in operating performance.

Attractive dividend policy

Total shareholder return 67.87%

Pursuant to a resolution adopted by the Annual General Meeting on May 11, 2016, the Company paid its shareholders a dividend of €1.70 per share for fiscal year 2015. Dividend distributions thus totaled €22.8 million in 2016. Total shareholder return for 2016 was 67.87%

WashTec aims to maintain an attractive dividend policy that secures the Company's successful onward development. The Company will also regularly review the scope for distributing special dividends. This is contingent on the Company retaining sufficient funds to continue enhancing its market position.

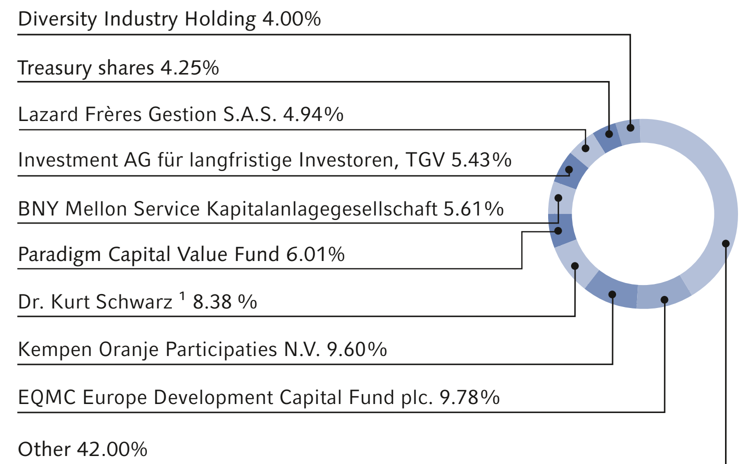
The Management Board and Supervisory Board propose a dividend of €2.10 for fiscal year 2016.

Changes in shareholder structure

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

Diversity Industrie Holding AG, Grünwald, Germany, notified WashTec AG that its share of the voting rights on July 19, 2016 was now 4.00% instead of previously 6.19%.

Shareholder structure as December 31, 2016



[1] Leifina GmbH & Co. KG et al

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

Setanta Asset Management Limited, Dublin, Ireland, notified WashTec AG that its share of the voting rights on August 10, 2016 was now 2.99% instead of previously 3.48%. The Desmarais Family Residuary Trust, Montreal, Canada, notified WashTec AG that its share of the voting rights on August 10, 2016 was now 2.99% instead of previously 3.48%. For more detailed information on the attribution of the voting rights referred to, please see the *Investor Relations* section of the WashTec website, www.washtec.de.

Kempen Capital Management N. V., Amsterdam, The Netherlands, notified WashTec AG that its share of the voting rights on October 31, 2016 was now 9.60% instead of previously 11.14%. The shares of Kempen Oranje Participaties N.V. are attributed. Kempen Oranje Participaties N.V., Amsterdam, The Netherlands, notified WashTec AG that its share of the voting rights on October 31, 2016 was now 9.60% instead of previously 10.73%.

Six investors consequently each hold at least 5.00% of the voting rights. To the knowledge of the Management Board, 42.00% of the Company's shares are held by shareholders whose stakes are below the notification threshold. On the definition used by Deutsche Börse, the free float is 87.37%, as therefore treasury shares and the shares held by Dr. Kurt Schwarz are deducted.

Directors' Dealings

The following directors' dealings were notified to the Company pursuant to the Securities Trading Act (WPHG):

- Purchase of 2,500 shares by Dr. Zimmermann, CEO, on May 17, 2016,
- Purchase of a total of 2,500 shares by Mr. Bellgardt, Member of the Supervisory Board, on May 18, 2016.

Active investor relations

The Management Board communicated with shareholders, journalists and the financial community on an ongoing basis through the year. The Company held financial press conferences and conference calls for analysts and investors on publication of its results. At the Annual General Meeting on May 11, 2016, the Management Board shared its detail position on the current market situation, business development and strategy and discussed these matters with the shareholders. The shareholders of WashTec AG were also kept up to date in a timely manner about all important events. WashTec participated in the capital market conferences held by Baader Bank, Berenberg and Oddo Seydler and in the Equity Capital Forum in November.

Roadshows were held in the USA, the UK, Germany and France. Investors also visited WashTec and viewed the production facilities and the new showroom.

WashTec shares are regularly analyzed and valued by analysts at major financial institutions (Hauck & Aufhäuser; HSBC Trinkaus & Burkhardt; MM Warburg). Bankhaus Lampe initiated coverage in January 2016.

WashTec shares are covered by various independent analysts

Key data on WashTec shares

		2016	2015	2014
Annual closing price*	€	49.50	30.50	13.10
Annual high	€	51.50	33.70	13.44
Annual low	€	26.50	12.90	10.11
Annual opening price	€	30.50	13.10	10.30
Number of shares as of Dec 31**	Mio. Stück	13.4	13.4	13.9
Free float on Dec 31	%	42.0	35.2	34.6
Market capitalization as of Dec 31	Mio. €	691.9	426.4	182.5
Development over the year	%	62.30	+132.8	+27
(for comparison: SDAX)	%	4.63	+26.6	+5
Earnings per share***	€	2.29	1.78	0.91
Dividends per share	€	2.10	1.70	1.65

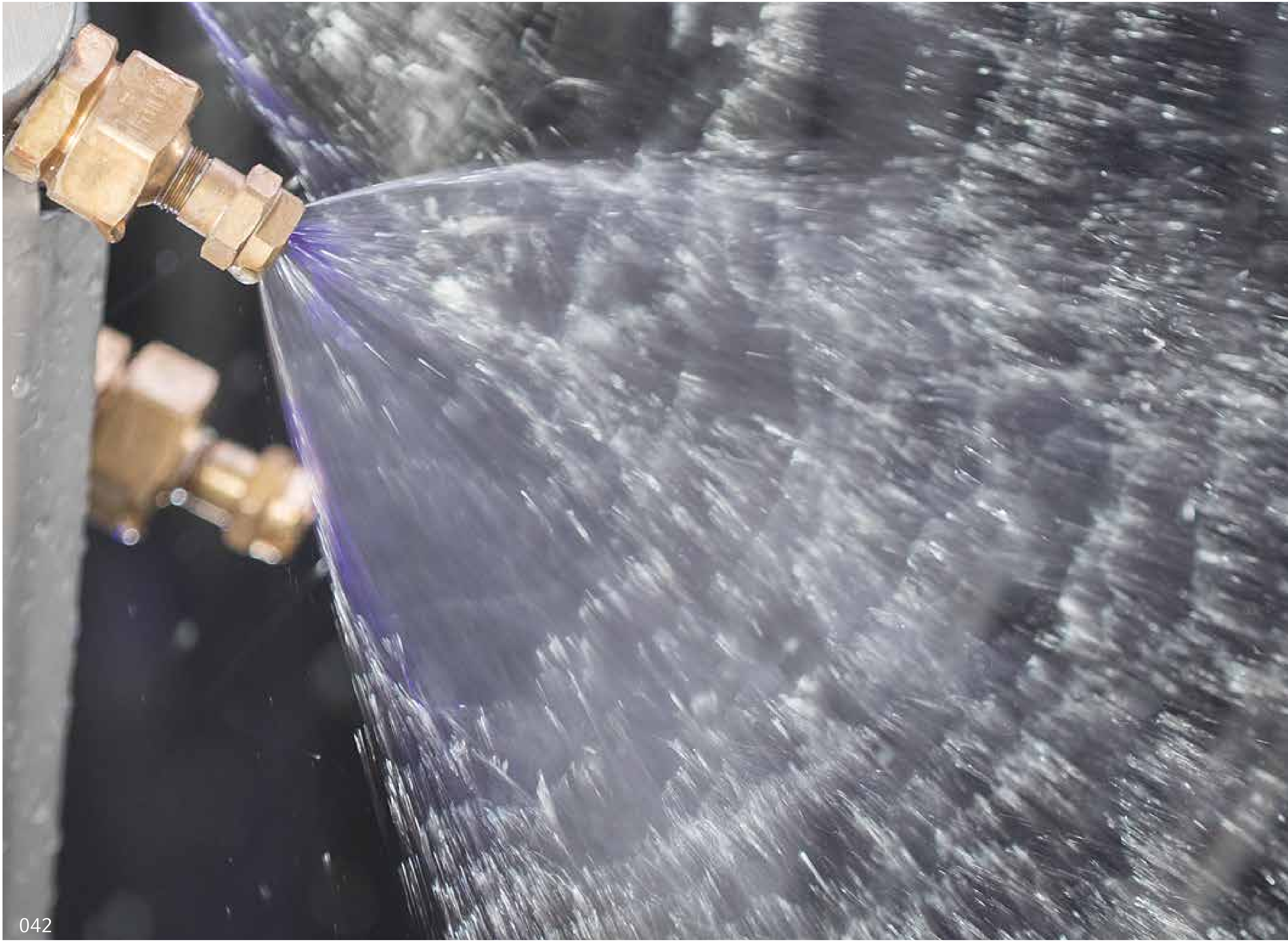
* based on Xetra-closing prices
** without the 594.646 own shares of WashTec AG
*** weighted average number of outstanding shares since 31 Dec 2009: 14.0m, since 31 Dec 2013: 13.9m, at 31 Dec 2016: 13.4m

Further information and contact:

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

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

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



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

2016 at a Glance

WashTec Group*

- Revenue and earnings growth across all regions and products
- Revenue of €372.8m or 9.4% higher than prior year (10.0% adjusted for exchange rate effects)
- Fourth quarter revenue 18.8% (€17.9m) higher than prior year
- EBIT increased by over 20% to €44.1m with EBIT margin of 11.8%
- EPS raised to €2.29

Europe

- Significant revenue growth and earnings improvement
- Revenue: €300.9m; EBIT: €39.0m

North America

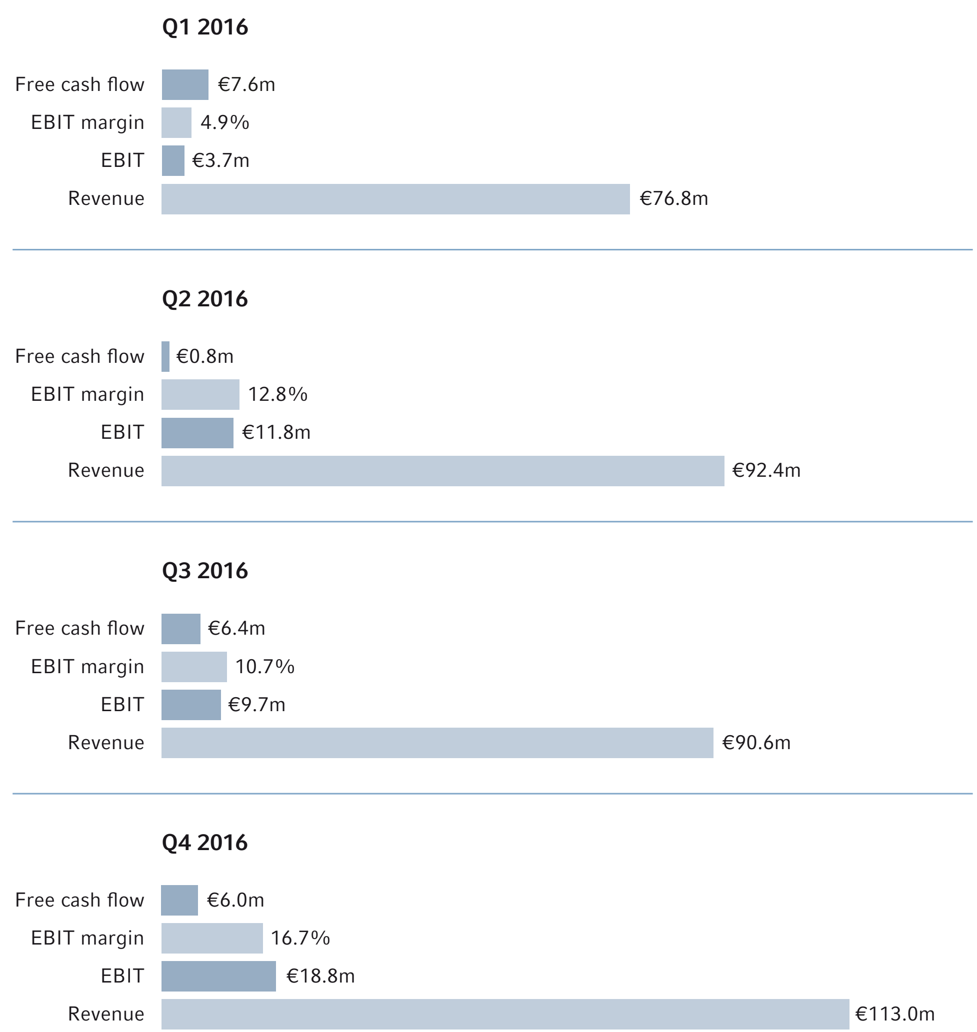
- Significant revenue growth and earnings improvement
- Revenue: €61.0m; EBIT: €3.3m

Asia/Pacific

- Significant revenue growth and earnings improvement
- Revenue: €18.0m; EBIT: €1.5m

* Segment data without consolidation

Revenue, EBIT, EBIT margin, free cash flow



General Information about the Group

1.1 Business model

The only global supplier – presence in North America, Asia and Europe

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

1

Revenue by product in €m

Equipment and Service

- Roll-over
- Self-service wash equipment
- Commercial vehicle wash equipment
- Wash tunnels
- Water reclaim systems
- Full service
- On-call service
- Spare parts

2016	€319.3m
2015	€290.2m

Chemicals

- Detergents
- Care products
- Special products

2016	€40.5m
2015	€37.6m

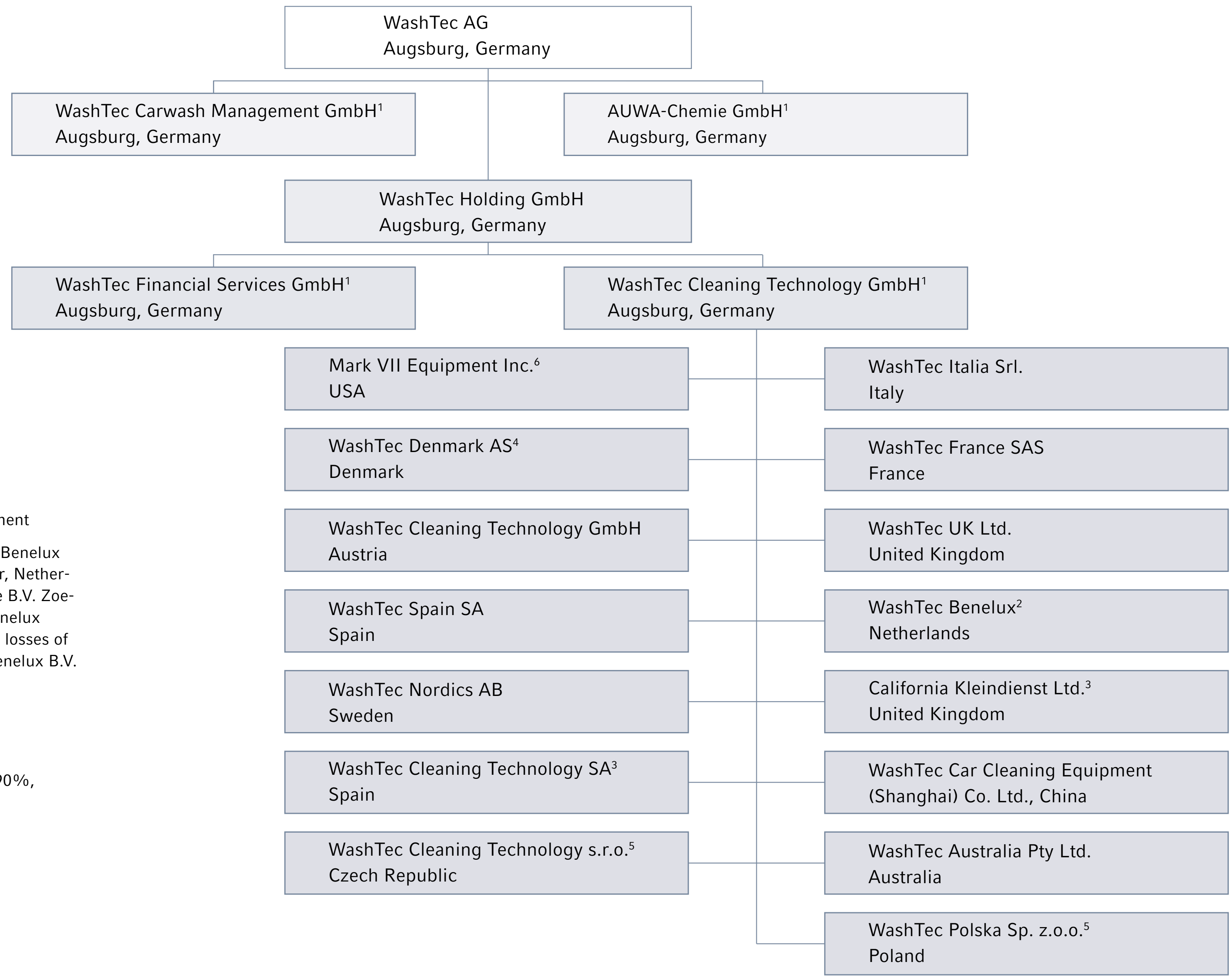
Operations business and others

- WashTec Carwash Management
- WashTec Financial Services

2016	€13.0m
2015	€13.1m

1.1.1 Group and organizational structure

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



[1] Control and profit (loss) pooling agreement

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

[3] Company currently inactive

[4] Includes operating site in Norway

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

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

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

WashTec AG

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

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

WashTec Holding GmbH

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

WashTec Cleaning Technology GmbH

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

Foreign subsidiaries

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

WashTec Financial Services GmbH

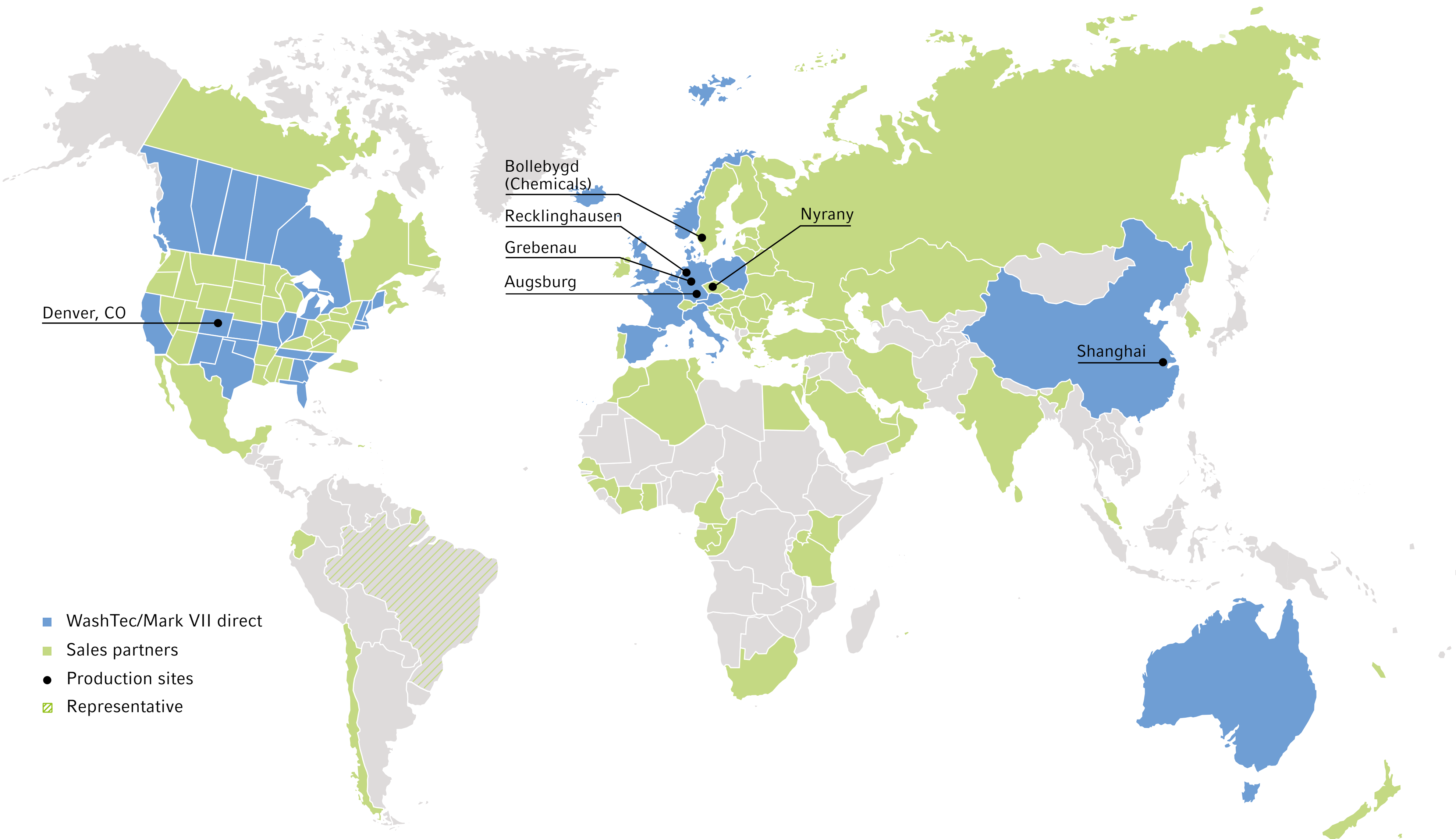
WashTec Financial Services GmbH brokers bespoke financing arrangements for WashTec products on behalf of customers of the WashTec Group. It receives commission from the lenders – mostly leasing companies – involved in the financing arrangements.

AUWA-Chemie GmbH

AUWA-Chemie GmbH develops, manufactures and sells chemical products for car wash equipment. It sells via WashTec subsidiaries, independent distribution partners and its own sales organization in Germany.

WashTec Carwash Management GmbH

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



WashTec/Mark VII direct
Sales partners
Production sites
Representative

1.1.2 Locations

WashTec is represented worldwide

The WashTec Group has a global footprint with over 1,700 employees worldwide and subsidiaries in all major markets including Europe, North America and Asia.

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

1.1.3 Production, sourcing and logistics

WashTec has a global procurement and production network

WashTec has a global procurement and production chain with production facilities in China, the Czech Republic, the US and Germany. Most of the equipment for Europe is assembled at the main plant in Augsburg, Germany. The carwash equipment for the North American market is produced in Denver (USA), while the equipment for the markets in Asia is assembled mostly in Shanghai (China). The Czech Republic handles most of the sheet metal production, and components are preassembled there as well. The Company has two other sites in Germany producing control units for the entire Group (Recklinghausen) and wash chemicals (Grebenau). With the expansion at its Grebenau location, the Group seeks to further extend its leading market position on the chemicals side. It is thus bringing production together at the one location. All products are made using the latest technology and state-of-the-art production methods that are subject to ongoing development. In 2016, assembly at the Augsburg plant was converted to flow production operating at takt time.

1.1.4 Reporting by segment

Commencing 2016, as announced, WashTec's global business is divided into three geographical segments in place of the previous four. The Eastern Europe segment is now part of the Europe segment. The Europe segment thus pools the activities of the WashTec Group in Western Europe and Eastern Europe including Russia. The North America segment comprises the activities in the USA and Canada. The Asia/Pacific segment primarily relates to the business performance of the Australian and Chinese subsidiaries.

1.1.5 Management and control

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

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

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

1.1.6 External factors influencing the business

Key market drivers

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

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

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

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

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

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

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

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

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

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

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

1.2 Corporate objective and strategies

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

Our efforts in this regard target end customers and operators alike in order to promote the attractiveness of car washing and improve profitability for operators. This guides ongoing management and employee development at WashTec. Clear focus on customer benefit enables us to extend our competitive advantage on a lasting basis and create value for our customers, the Company and our shareholders.

1.3 Control system

1.3.1 Financial quantitative targets and performance indicators

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

Key financial performance indicators

- Revenue
- EBIT (earnings before interest and taxes)

The following financial performance indicator is additionally used at Group level:

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

Key non-financial performance indicators

- HSE (health, safety, environment): work injuries per million hours worked

This non-financial performance indicator is used for control at Group level.

1.3.2 Risk management

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

Details of risk management are found in the risk report, which is part of the management report. The management report contains the report required under Sections 289 (5) and 315 (2) no. 5 of the German Commercial Code (HGB) on the internal monitoring and risk management system as it relates to financial reporting.

1.4 Research and development

70 employees in research and development

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

- Optimizing the washing and drying processes
- Enhancing ease of use
- Improving the availability and efficiency of our products

In total, more than 70 employees work in *research and development* at the WashTec headquarters in Augsburg. Protection of innovations through the use of patents is a high priority for WashTec.

Total *research and development expenditure* increased by 8% to over €7.0m as a result of the large number of pending projects.

The Group's capitalized development costs came to €1.9m in 2016 (prior year: €0.4m). An additional €0.9m (prior year: €0.5m) expenses were unable to be capitalized.


2,60
WashTec

Report on economic position

2

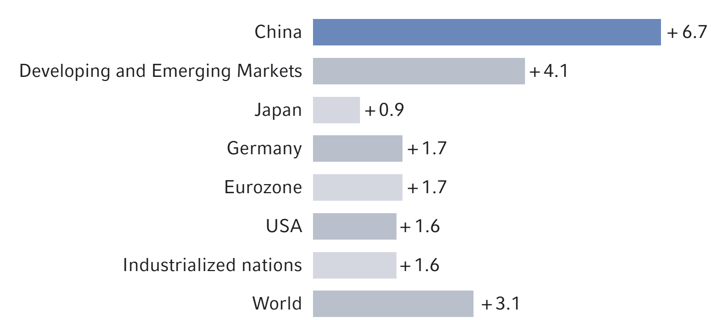
2.1 Overall economic and industry-specific environment and conditions

2.1.1 Overall economic development

Global economic growth

According to information provided by the International Monetary Fund (IMF), the global economy grew by 3.1% in 2016. Global economic growth of 3.4% is forecast for 2017. For the eurozone, the IMF sees little change with growth of 1.6% in the next two years (following 1.7% in 2016). Germany is 0.2% down on 2016 with 1.5% growth for the next two years. For the United Kingdom, the Brexit decision is not expected to impact the economy until 2018. The new political situation in the USA leads to expectations of a further rise in the US dollar; the growth forecast for the USA for 2017 is 2.3%. Developing and emerging economies are currently the drivers of global economic growth. According to forecasts, their economic growth rate will rise to 4.5% in the coming year and even to 4.8% in 2018. The stabilization of the economy in China at the end of 2016 has a positive impact on the IMF's expectations. The IMF now expects that China will see economic growth of 6.5% in 2017.

Economic growth 2016 in %



Source: International Monetary Fund (IMF) World Economic Outlook Update, January 2017

Industry environment

In WashTec's assessment, the automated wash equipment sector continued a sustained positive trend in 2016. This was supported along by the positive development in operators' wash business.

Ongoing good industry economic cycle supports WashTec growth in 2016

Oil price fluctuations have not yet caused the affected major customers to reduce capital expenditure. Individual major customers with a strong focus on convenience retail have carried out large capital expenditure programs.

2.1.2 Market for car wash equipment

Customer groups

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

Competition

In Europe – an established market with intense competition – WashTec's own research shows it to be the clear market leader in terms of market coverage and market share. The main European competitors are Otto Christ AG (Germany), and Istobal S. A. (Spain). Competitors with smaller market coverage such as Alfred Kärcher GmbH & Co. KG (Germany) and a host of local producers of self-service wash systems are attempting to capture greater market share.

Key competitors in Europe:

- *Otto Christ AG, Germany*
- *Istobal S. A., Spain*

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

The Asian market is dominated by Daifuku, a Japanese manufacturer, while the 'missionary' Chinese market has an array of local providers.

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

2.2 Business performance

Significant increase in revenue and EBIT as expected

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

Rounding differences possible		2015	Guidance 2016	2016	Change
Revenue	€m	340.9	slight increase	372.8	9.4%
EBIT	€m	36.4	slight increase	44.1	20.9%
Free Cashflow	€m	26.2	slight increase	20.8	–20.5%
HSE (work accidents/million working hours)		1.6	0–2	1.2	–25.0%

Good revenue and business development
Revenue rose by 9.4% in 2016 to €372.8m (prior year: €340.9m). Adjusted for exchange rate effects, the increase was 10.0%. The target set in 2016 of 3% revenue growth on the prior year was thus attained. The updated target of at least 7.5% revenue growth announced at the end of the third quarter was likewise fully attained. The increase in revenue was the result of revenue growth in all segments.

EBIT rose to €44.1m. This represents an increase of 20.9% (prior year: €36.4m). The target of an increase in excess of 6% was thus attained. This mainly reflected the positive business performance in the Europe segment.

Free cash flow [cash inflow from operating activities (net cash flow) – cash outflow from investing activities] was €20.8m (prior year: €26.2m). The projected significant increase in free cash flow was consequently not attained. This was mainly due to the revenue performance in the fourth quarter (most of all in December) with almost 20% revenue growth. This led to an exceptional increase in trade receivables as of the December 31 reporting date. These were unable to be realized in 2016 due to the proximity to the year-end, resulting in an increase in capital tied up in receivables.

The number of work accidents per million hours worked decreased slightly, and at 1.2 remains significantly below the industry average of 25.3 reported by the employers' liability insurance associations (Berufsgenossenschaften). The goal of 0 to 2 accidents was attained. WashTec continues to aim for zero accidents.

The WashTec Group's business performance in 2016 was in line with the expectations communicated to the capital market and updated over the course of the year, and above the guidance given at the beginning of the year. The original guidance was updated and revised upwards each quarter. 2016 stood out for very strong growth in revenue from direct sales in the first half year and with major customers in the second half year. The Management Board views the development of the business and above all the progress on the measures taken to promote the future development of the Group as favorable.

2.3 Position

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

Rounding differences possible		2016	2015	2014
Revenue	€m	372.8	340.9	302.6
EBIT	€m	44.1	36.4	18.4
Equity ratio	in %	40.1	42.2	48.9
Free cash flow	€m	20.8	26.2	25.1

2.3.1 Order backlog

December 2016 order backlog significantly higher than prior year

The Company's order backlog as of December 31, 2016 was significantly larger than at the end of the prior year. Since the WashTec Group's orders generally cycle through within six to ten weeks, the order backlog serves as an indicator for the upcoming months but has only limited indicative value for how business will develop over fiscal year 2017 as a whole.

2.3.2 Results of operations

2.3.2.1 Income statement

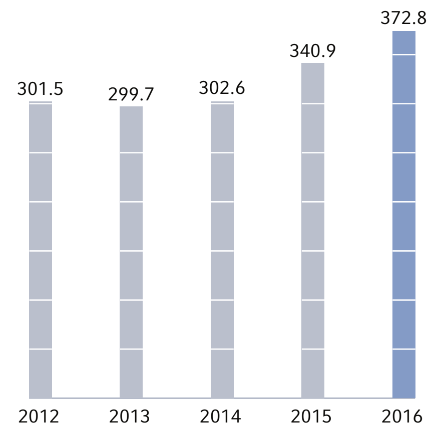
The following table shows the income statement of the WashTec Group:

in €m, rounding differences possible	2016	2015	Change (absol.)	Change (in %)
Revenue	372.8	340.9	+31.9	+9.4
Cost of materials	–153.1	–138.8	–14.4	+10.3
Other operating income	4.7	4.4	+0.3	+6.9
Personnel expenses	–122.9	–113.2	–9.7	+8.6
Other operating expenses (including other taxes)	–53.2	–50.6	–2.6	+5.1
EBITDA	53.4	46.1	+7.3	+15.9
Depreciation and amortization	–9.4	–9.6	+0.3	–2.7
Operating result (EBIT)	44.1	36.4	+7.6	+20.9
EBIT margin	11.8	10.7	+1.1	–
Financial result	–0.4	–0.5	+0.1	–17.4
Earnings before taxes (EBT)	43.6	35.9	+7.7	+21.4
Taxes	–13.1	–11.4	–1.7	+14.7
Consolidated net income	30.6	24.6	+6.0	+24.5

2.3.2.2 Revenue development

The WashTec Group's revenue totaled €372.8m and was therefore significantly higher (by €31.9m or 9.4%) than the prior year figure of €340.9m. After a slightly subdued start to the first quarter, growth relative to the prior-year quarters increased substantially over the course of the year. The last quarter of 2016 was exceptionally strong due to the billing of a number of orders for major customers and very strong chemicals business, with almost 20% growth on the prior year.

Revenue development in €m



Adjusted for exchange rate effects, full-year revenue was €374.8m, an increase of 10.0% on the prior year (€340.9m). The exchange rate effect was primaly a result of the devaluation of the pound sterling against the euro. A detailed discussion about the development of the individual segments is provided under Segment Reporting in section 2.3.3.

Revenue by products

in €m, rounding differences possible	2016	2015	Change (absol.)	Change (in %)
Equipment and service	319.3	290.2	+29.1	10.0
Chemicals	40.5	37.6	+2.9	7.7
Operations business and others	13.0	13.1	–0.1	–0.8
Total	**372.8**	**340.9**	**+31.9**	**+9.4**

Significant revenue growth in Equipment and Service

Equipment and Service revenue was €319.3m, significantly higher than the prior-year figure of €290.2m. The **Chemicals** business likewise continued to develop favorably. Revenue grew by €2.9m to €40.5m (prior year: €37.6m). The development of the **Chemicals** business is especially positive considering the loss of a Chemicals key account in North America in the second half of 2015, at is was possible to more than offset the performance in the first six months of 2016 in comparison with the full year. Thus while Chemicals business revenue in the first half of the year was slightly down on the prior year, it gained by some 18% in the second half. Revenue in the **operations business** and from arranging finance for wash equipment accounts for only about 3% of WashTec Group revenue and held stable during the year under review.

2.3.2.3 Expense items and results

2.3.2.3.1 Expense items

Cost of materials

Cost of materials primarily includes purchased raw materials, consumables and supplies. The largest items relate to procurement of steel, plastics and other raw materials. Due to higher sales, the cost of materials increased from €138.8m to €153.1m.

Based on the increase in revenue, gross profit rose from €205.1m to €223.0m. Mainly due to a higher percentage of new equipment business, which has a slightly smaller material margin than other products, the margin narrowed relative to the prior year by 0.4% to 59.8% in the year under review.

Personnel expenses

Personnel expenses rose from €113.2 to €122.9m. The increase in personnel expenses primarily related to the larger employee numbers as a result of the planned expansion of *sales*, *service* and *production* and to pay increases under collective agreements in Europe. The personnel expense ratio (personnel expense as a percentage of revenue) decreased just slightly from 33.2% to 33.0%.

The number of employees at the year-end was 1,767 and therefore 78 more than the prior year.

Other operating expenses (including other taxes)

Other operating expenses (including other taxes) rose by €2.6m from €50.6m to €53.2m. The increase mainly relates to a rise in expenses incurred for contract employees/temps (€0.8m) due to the higher revenue, higher expenses for participation in trade fairs and marketing activities, modifications at the Augsburg location and investment in training and continuing education. The exchange rate losses contained in other operating expenses remained virtually unchanged at 2.4m (prior year: €2.5m). An especially positive development was the trend in vehicle-related expenses. Improvements led to savings of €0.6m on the prior year.

Other operating income (excluding capitalized development costs) rose slightly by €0.3m from €4.4m in the prior year to €4.7m.

2.3.2.3.2 Exchange rate effects

Changes in the US dollar-euro exchange rate do not generally have a material impact on the operating business because most value creation and revenue realization takes place in North America. Measurement of foreign currency assets and liabilities at the reporting date had a negative impact on earnings of approximately €–0.1m (prior year: €–0.5m).

2.3.2.3.3 EBITDA

Earnings before interest, taxes, depreciation and amortization (EBITDA) came to €53.4m, an increase of €7.3m on the prior year (€46.1m).

2.3.2.3.4 Depreciation and amortization

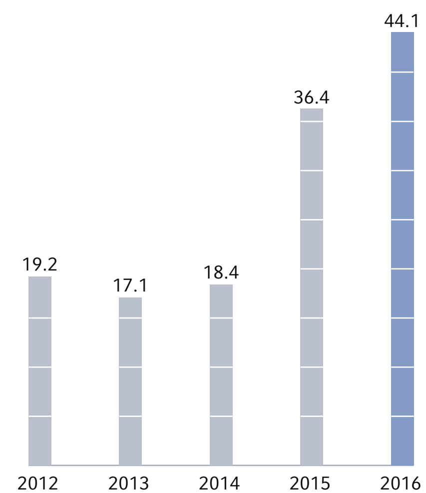
Depreciation and amortization decreased slightly to €9.4m (prior year: €9.6m). Capital expenditure incurred in 2016 will result in an increase in depreciation and amortization in subsequent years.

2.3.2.3.5 EBIT

EBIT increased by €7.6m to €44.1m; the EBIT margin was 11.8%

Earnings before interest and taxes (EBIT) rose to €44.1m (prior year: €36.4m).

EBIT over multiple years (in €m)



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

2.3.2.3.6 EBIT margin

The EBIT margin was 11.8% (prior year: 10.7%).

2.3.2.3.7 Financial result

Net financial expenses slightly decreased to €0.4m

Net financial expenses decreased slightly, mainly due to lower finance lease expenses, from €0.5m to €0.4m.

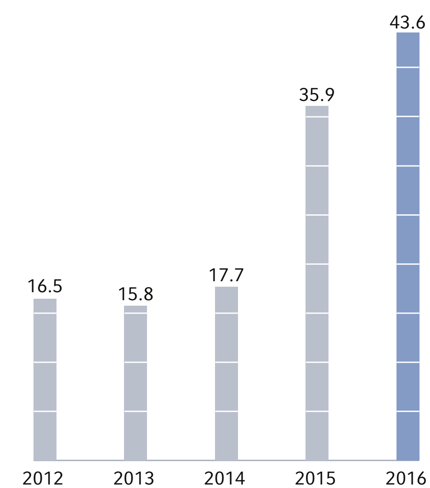
Analysis of financial result

in €m, rounding differences possible	2016	2015
Remeasurement gains on interest rate swaps	0.0	0.5
Other interest and similar income	0.2	0.1
Financial income	**0.2**	**0.6**
Interest-bearing loans	–0.3	–0,3
Interest rate swaps	0.0	–0.5
Finance lease expenses	–0.1	–0.2
Borrowing costs and similar expenses	–0.2	–0.1
Financial expense	**–0.6**	**–1.1**
Financial result (net financial expense)	**–0.4**	**–0.5**

2.3.2.3.8 EBT

Earnings before taxes (EBT) was €43.6m (prior year: €35.9m), reflecting the positive business performance and the slight reduction in financial expenses.

EBT over multiple years (in €m)



2.3.2.3.9 Taxes

The taxes of €13.1m (prior year: €11.4m) consist of deferred taxes, mainly relating to temporary differences, and current tax expense. The tax rate (relative to EBT) fell to 29.9%. This is mainly due to the utilization of loss carryforwards on which no deferred taxes had been recognized.

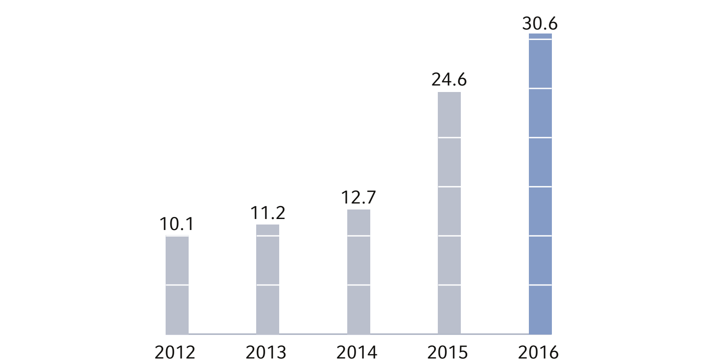
Loss carryforwards are mainly held by international Group companies, while the loss carryforwards in Germany have been utilized in full.

2.3.2.3.10 Consolidated net income

EPS 28.7% up on prior year

Consolidated net income went up by €6.0m to €30.6m (prior year: €24.6m). On the basis of the average number of shares (13,382,324; prior year: 13,766,278), earnings per share (basic = diluted) rose significantly to €2.29 (prior year: €1.78).

Consolidated net income over multiple years (in €m)

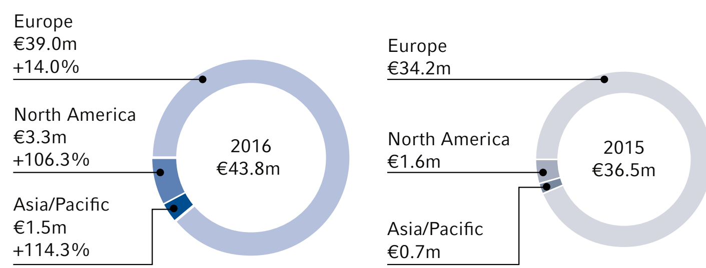


2.3.2.4 Use of funds/dividends

WashTec will continue to pursue an attractive dividend policy going forward. The Management Board and Supervisory Board intend to recommend to the Annual General Meeting, which is scheduled for May 3, 2017, to appropriate the distributable profit of €30,538,308.54 shown in the Company's annual financial statements for fiscal year 2016 as follows: Payment of a dividend in the amount of €2.10 per eligible share, totaling €28,102,880.40, with the remaining distributable profit of €2,435,428.14 to be carried forward.

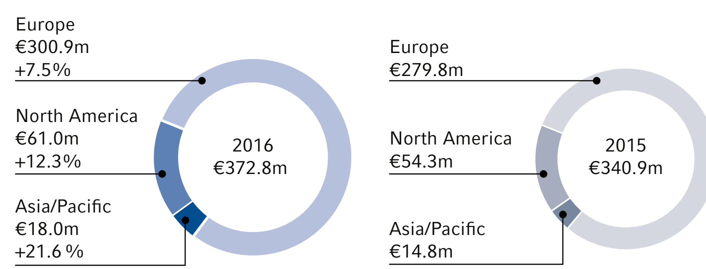
2.3.3 Segment reporting

EBIT by segments in €m*



* Consolidation effects are disregarded.

Revenue by segments in €m*



* Consolidation effects disregarded.

Revenue in largest segment, Europe, increased by 7.5%.

2.3.3.1 Europe

Key figures Core Europe segment

Rounding differences possible		2016	2015	Change (in %)
Revenue	€m	300.9	279.8	+7.5
EBIT	€m	39.0	34.2	+14.0
EBIT margin	in %	13.0	12.2	–
Employees (as of Dec 31)		1.396	1.341	+4.1

Market environment

Alongside North America, the automated wash equipment market in Europe is one of the most developed vehicle wash markets in the world. It has the highest proportion of installed car wash equipment and related supplier services and distribution structures. Major clients are multinational and local petroleum companies and trans-regional retailers that operate car wash facilities in their filling station networks either themselves or through lessee operators. Other major customer groups are supermarket chains, individual operators of stand-alone car wash facilities, logistics companies and car dealerships.

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

Core Europe

Rounding differences possible		2015	Guidance 2016	2016	Change (in %)
Revenue	€m	279.8	substantial increase	300.9	7.5
EBIT	€m	34.2	substantial increase	39.0	14.0

Revenue development

At €300.9m, revenue in Europe was substantially higher than in the prior year (€279.8m). The forecast was thus attained. Almost all countries contributed to the revenue growth. The smaller countries were notable in generating disproportionately large increases. On an exchange rate adjusted basis, revenue was €302.9m and marked 8.3% growth on the prior year. The largest absolute increase was attained in **Equipment and Service**.

Earnings development

EBIT in Europe increased to €39.0m

EBIT in Core Europe rose from €34.2m in the prior year to €39.0m, primarily due to the strong positive revenue performance. The EBIT margin was 13.0% (prior year: 12.2%). Earnings performance was thus likewise in line with the forecast.

2.3.3.2 North America

Key figures North America segment

Rounding differences possible		2016	2015	Change (in %)
Revenue	€m	61.0	54.3	+12.3
EBIT	€m	3.3	1.6	+106.2
EBIT margin	%	5.4	3.0	–
Employees (as of Dec 31)		275	254	+8.3

Market environment

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

Unlike in Europe, the key customer groups in North America – alongside a number of major customers – are independent small or medium-size filling station operators and individual operators of car wash equipment. After a sharp contraction following the financial crisis, the market has recovered since 2012 and the market outlook is positive. It is not possible to forecast potential changes due to political factors.

North America

Rounding differences possible		2015	Guidance 2016	2016	Change (in %)
Revenue	€m	54.3	substantial increase	61.0	12.3
EBIT	€m	1.6	substantial increase	3.3	106.2

Revenue development

Revenue in North America went up from €54.3m in the prior year to €61.0m. In US dollars, revenue was USD 67.0m (prior year: USD 60.0m). The forecast substantial increase in revenue was thus attained despite the loss of a major customer.

Earnings development

EBIT in North America doubled relative to prior year

Earnings in North America increased to €3.3m (prior year: €1.6m). This was mainly a result of the positive revenue performance. The target of a substantial increase in EBIT was thus attained.

2.3.3.3 Asia/Pacific

Key figures Asia/Pacific segment

Rounding differences possible		2016	2015	Chancen (in %)
Revenue	€m	18.0	14.8	+21.6
EBIT	€m	1.5	0.7	+114.3
EBIT margin	%	8.3	4.6	–
Employees (as of Dec 31)		57	58	–1.7

Market environment

China: Activities placed under local management in 2016

On the Australian market, the major American and European manufacturers are in direct competition. The Chinese market for car washes is still dominated by hand washes because of the ongoing low cost of labour. Since 2008, WashTec has had its own production and procurement location near Shanghai. The first direct sales structures were established in mid-2011. The activities went over to local management in 2016. In addition, by further expanding global supply chain activities and procurement programs, the Company will exploit the production and procurement advantages from this region for the entire product portfolio.

Asia/Pacific

Rounding differences possible		2015	Guidance 2016	2016	Change (in %)
Revenue	€m	14.8	substantial increase	18.0	21.6
EBIT	€m	0.7	substantial increase	1.5	114.3

Revenue development

Forecast for Asia/Pacific attained

At €18.0m, revenue was substantially higher than in the prior year (€14.8m). The revenue increase was 21.6%. The projected significant revenue growth was therefore achieved.

Earnings development

EBIT, at €1.5m, showed a marked increase on the prior year. The forecast of significantly higher EBIT for 2016 was thus achieved.

2.3.4 Net assets

2.3.4.1 Asset and capital structure

Balance sheet total increased to €218.1m due to larger volume of business and capital expenditure

Condensed consolidated balance sheet

in €m, rounding differences possible	2016	2015	2014
Non-current assets	89.5	79.3	81.2
Receivables and other assets	74.8	58.8	49.4
Inventories	42.9	39.9	35.4
Deferred tax assets	3.8	4.2	4.1
Cash and cash equivalents	6.8	7.8	15.7
Equity	87.4	80.3	90.9
Provisions (including income taxes)	39.8	34.6	31.0
Liabilities	77.7	62.5	52.8
of which trade payables	11.8	7.5	5.9
Deferred revenues	10.1	9.0	8.2
Deferred tax liabilities	3.1	3.8	2.9
Balance sheet total	**218.1**	**190.0**	**185.8**

The WashTec Group's **balance sheet** total went up from €190.0m to €218.1m.

2.3.4.1.1 Assets

As in the prior year, the WashTec Group's **non-current assets** include goodwill totaling €42.3m. Management tests the recognized goodwill annually for impairment. The impairment test is based on a three-year mid-term forecast at Group level. Non-current assets include land and buildings in the amount of €13.5m, technical equipment and machinery together with finance leasing in the combined amount of €27.2m, and intangible assets (other than goodwill) in the amount of €6.7m. The substantial increase in the year under review results from high levels of capital expenditure. The main factors involved are described in section 2.3.5.2.

Receivables and other assets went up from €58.8m to €74.8m as of the reporting date, primarily due to an increase in trade receivables as a result of the approximately 19% higher fourth quarter revenue relative to the prior-year period. A further reason for the rise in receivables was a capital expenditure program put into effect with a major customer. This had an impact of approximately €2.0m as of the year-end.

Inventories went up from €39.9m to €42.9m at the end of the year. The increase mainly relates to finished equipment as a result of the substantially larger year-end order backlog. Chemicals and Spare Parts inventories were reduced significantly.

Deferred tax assets totaling €3.8m mainly related to temporary differences in the measurement of balance sheet items.

Cash and cash equivalents went down from €7.8m in the prior year to €6.8m.

2.3.4.1.2 Liabilities and equity

Equity ratio at 40.1%

Following the dividend distribution, **equity** increased due to the positive business performance from €80.3m to €87.4m. Details regarding income and expenses recognized directly in equity in accordance with IFRS are shown in the Statement of Changes in Consolidated Equity (p. 97). Despite the increased balance sheet total, the equity ratio remained at a solid 40.1% (prior year: 42.2%).

Bank liabilities rose compared to December 31, 2015 from €5.3m to €8.3m. This was primarily due to the dividend distribution, the increase in working capital and higher capital expenditure than in the prior year.

WashTec held bank deposits totaling €6.8m as of the year-end. These were countered by bank liabilities in the amount of €8.3m and finance lease liabilities in the amount of €3.0m. The €22.8m dividend payment and the large sum of €19.8m for capital expenditure in the fiscal year under review caused the Company's net financial debt (cash and cash equivalents less current and non-current financial liabilities) to increase only moderately by €2.7m to €4.5m.

Trade payables rose from €7.5m to €11.8m. The increase resulted from higher orders in the last quarter and from working capital optimization.

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

Provisions (including income tax liabilities) consist primarily of provisions for personnel, phased retirement obligations, warranties and buy-back obligations. As of the reporting date, provisions totaled €39.8m (prior year: €34.6m). The increase is mostly accounted for by the change in income tax liabilities.

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

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

There are no off-balance sheet financial instruments.

2.3.5 Financial position

2.3.5.1 Capital structure

As part of centralized financial management, the companies of the WashTec Group are financed through WashTec Cleaning Technology GmbH. The Company's main liabilities are denominated in euros. The base interest rate on the loans is variable and linked to EURIBOR. As of December 31, 2016, the Group had a credit line for a total amount of €50.5m. The undrawn amount of the credit line available for future operating activities and to meet obligations was €36.6m as of the reporting date. The Group's equity ratio was 40.1% as of the year-end.

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

2.3.5.2 Capital expenditures and write-downs

Capital expenditure focused on Europe

The focus of capital expenditure was on Europe with €17.1m. This mainly related to spending on the expansion of the Chemicals production facility, the development of new products, modernization of operating locations, and investment in modern equipment and vehicles for service technicians. Additional capital expenditure was incurred in North America (€0.9m) and Asia/Pacific (€0.2m). Due to the expansion of Chemicals production, construction of the showroom and the switch from vehicle leasing to purchase, capital expenditure was around €7.0m higher in 2016 than 'normal' annual levels.

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

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

2.3.5.3 Cash flow statement

in €m, rounding differences possible	2016	2015	Change (absol.)	Change (in %)
Earnings before taxes (EBT)	43.6	35.9	+7.7	+21.4
Net cash flows from operating activities (net cash flow)	39.9	32.9	+7.0	+21.2
Net cash flows from investing activities	−19.1	−6.7	−12.4	+185.0
Free cash flow	20.8	26.2	−5.4	−20.5
Net cash flows from investing activities	−24.7	−38.6	+13.9	−36.0
Net change in cash and cash equivalents	−3.9	−12.4	+8.5	+68.9
Cash and cash equivalents as of December 31	−1.5	2.5	−4.0	−159.9

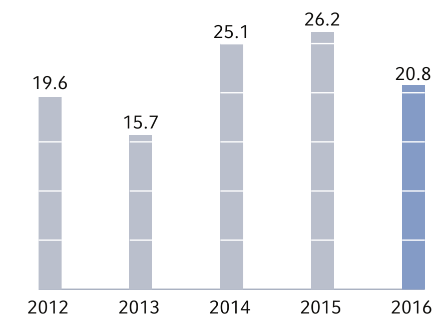
Net cash flow increased to €39.9m

The **cash inflow from operating activities (net cash flow)** increased to €39.9m (prior year: €32.9m).

Net working capital (current trade receivables + inventories – current trade payables) increased from €78.1m to €91.5m, mostly due to the strong revenue growth in the last quarter of the year. In view of the expected high level of revenue in the first quarter of 2017, more equipment was in production in the form of finished goods or work in progress as of the reporting date. The ratio of net working capital to revenue declined slightly to 0.25 (prior year: 0.23).

The **net cash outflow from investing activities** was €19.1m in fiscal year 2016 (prior year: €6.7m).

Free cash flow in Mio. €



Free cash flow at €20.8m

The higher capital expenditure and the increase in capital tied up in receivables due to higher sales as described earlier made for a decrease in **free cash flow** [cash inflow from operating activities (net cash flow) – cash outflow from investing activities] to €20.8m (prior year: €26.2m).

The **cash outflow from financing activities** was €24.7m (prior year: €38.6m). This includes interest payments, dividend payments and the repayment of finance lease liabilities. In the prior year, in addition to the dividend distribution, there was also a share buy-back in the amount of €12.8m.

Cash and cash equivalents decreased from €2.5m to €–1.5 as of the December 31, 2016 reporting date. The Company was able to meet its payment obligations at all times.

2.4 Non-financial performance indicators

HSE

Rounding differences possible	2016	Change (in %)	2015	Guidance 2016
Work accidents/million working hours	1.2	−25.0	1.6	0–2

WashTec employs the number of work accidents per million hours worked as a non-financial performance indicator. The figure of 1.2 for 2016 was significantly below the industry average of 25.3 reported by the employers' liability insurance associations (Berufsgenossenschaften). The goal of 0 to 2 accidents in 2016 was attained.

By means of appropriate measures and rules, the WashTec Group aims to achieve zero work-related accidents.

2.5 Employees

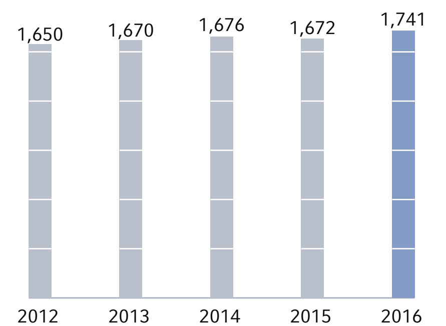
The number of employees rose by 78 to 1,767 as of December 31, 2016 (prior year: 1,689). The average number of employees during the year was 1,741 (prior year: 1,672).

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

25% higher investment in education and training

The WashTec workforce is key to the WashTec Group's business success. After 40% in the prior year, expenditure for continuing education and training rose by a further 25% in the year under review. This included global workshops on the corporate philosophy and a WashTec-specific management training.

Average number of employees by year



2.6 WashTec AG

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

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

2.6.1 Results of operations

Income Statement of WashTec AG (condensed)

in €m, rounding differences possible	2016	2015	Change (absol.)	Change (in %)
Revenue	2.8	3.5	−0.7	−20.0
Personnel expenses	−5.0	−4.7	−0.3	−6.0
Other operating expenses	−2.5	−2.4	−0.1	−4.2
Investment result	36.1	36.8	−0.7	−1.9
Result from ordinary activities	31.4	33.6	−2.2	−6.5
Net income for the period	30.3	32.7	−2.4	−7.3
Profit carried forward	23.0	24.4	−1.4	−5.7
Appropriation of distributable profit and deduction of difference on share buy-back	−22.7	−34.2	+11.5	−33.6
Distributable profit	**30.5**	**23.0**	**+7.5**	**+32.6**

Revenue at WashTec AG – HGB-basis (German Commercial Code), meaning as measured in accordance with the German Commercial Code – went down by €0.7m in 2016 to €2.8m (prior year: €3.5m) and related to management costs charged on to subsidiaries. The target of stable revenue growth was thus not attained.

WashTec AG's personnel expenses (HGB-basis) of €5.0m (prior year: €4.7m) include Management Board remuneration as described in the remuneration report on pages 86 to 87. This item also includes the personnel expenses for the *legal and investor relations* departments and expenditure on employee bonuses for the positive development of the business.

Other operating expenses (HGB-basis) increased slightly by €0.1m to €2.5m (prior year: €2.4m).

The result from ordinary activities (EBIT) decreased to €31.4m (prior year: €33.6m). The target of stable operating earnings, based on the prior-year guidance, was not attained for the reasons set out above. Net income for the period (HGB-basis) went down from €32.7m to €30.3m.

The investment result (HGB-basis) includes income under control and profit and loss pooling agreements in the amount of €6.0m (prior year: €4.7m). In addition, WashTec Holding GmbH paid a dividend in the amount of €30.0m (prior year: €32.0m).

2.6.2 Net assets and financial position

Balance sheet of WashTec AG (condensed)

in €m, rounding differences possible	2016	2015	Change (absol.)	Change (in %)
Non-current assets	128.1	128.1	±0	±0
Receivables, other assets	39.4	30.3	+9.1	+30.0
Cash and cash equivalents	0.0	0.0	0.0	0.0
Equity	159.7	152.1	+7.6	+5.0
Provisions	6.5	4.4	+2.1	+47.7
Liabilities	1.4	2.0	−0.6	−30.0
Balance sheet total	**167.6**	**158.5**	**+9.1**	**+5.7**

Non-current assets (HGB-basis) mainly consist of shares in affiliated companies in the amount of €128.0m (prior year: €128.0m). Management tests the shares in affiliated enterprises annually for impairment. There are no indications of impairment.

The receivables and other assets (HGB-basis) in the amount of €39.4m (prior year: €30.3m) primarily result from general clearing transactions with affiliated enterprises under profit and loss pooling agreements.

Equity ratio of WashTec AG 95.3%

Equity (HGB-basis) was €159.7m (prior year: €152.1m). This yields an equity ratio of 95.3% (prior year: 96.0%).

Provisions (HGB-basis) stood at €6.5m (prior year: €4.4m) and mainly related to employee bonuses, Management Board remuneration and Supervisory Board remuneration.

2.6.3 Opportunities and risk report

WashTec AG's opportunities and risks as the Group's ultimate parent company are derived from the opportunities and risks of its operating subsidiaries. WashTec AG is integrated into the Group-wide risk management system. Further information is provided in the opportunities and risk report in section 4. That section also provides a description of the internal control system as required under Section 289 (5) HGB.

2.6.4 Miscellaneous

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

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

2.6.5 Outlook

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

3 Report on post-balance sheet date events

Significant events after the balance sheet date

No material events affecting the situation of the Group and of WashTec AG occurred after the balance sheet date.

Outlook, opportunities and risk report 4

4.1 Outlook

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

4.1.1 Business policy and strategy

In 2017 and beyond, WashTec will continue to pursue its strategy of maximizing customer benefit and expanding its market and technology leadership in the car wash industry.

4.1.2 Markets and products

WashTec so far generates approximately 80% of revenue in Europe.

The Group intends to further increase its presence and market share in all sales regions and product segments. There is additional potential for the WashTec Group in North America by virtue of its small market share and in Asia on account of the market's early stage of development. Especially in Asia vehicle numbers have already grown very dynamically in recent years and are expected to continue increasing mainly in Asia. In the same connection, it is also expected that automated vehicle washing will gradually become increasingly generally accepted.

4.1.3 General economic conditions

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

4.1.4 WashTec business development

Any outlook for 2017 is subject to uncertainties that could have a material effect on budgeted revenue and earnings performance. The Management Board aims actively to further the development of the Group's strategy together with the entire workforce and to continuously improve operating performance beyond the levels already attained. WashTec plans further important capital expenditure projects in 2017. After major investment in capacity and locations during 2016, greater emphasis will be placed in 2017 on products and areas such as digitalization. The number of new hires will decrease significantly compared with the previous 12 months and total capital expenditure will be lower than in 2016.

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

Revenue development

Term	Positive/negative deviation (in %)
Stable	≤ 1
Slight	≤ 3
Substantial	> 3

The terms used in the forecasts of EBIT and the development of free cash flow are defined as follows:

EBIT and free cash flow development

Term	Positive/negative deviation (in %)
Stable	≤ 3
Slight	≤ 6
Substantial	> 6

The Company projects the following overall regional developments for 2017:

European market expected to hold constant

- **Europe:** In the Company's view, the market in Europe will not undergo any material change in 2017. The higher volumes seen in 2016 are also expected for 2017. Margins in Europe remain under pressure in some countries and customer segments. Capital spending will continue to improve in certain sub-regions. Based on the foregoing, the Company assumes that, aided by further intensification of sales activities, revenue and earnings will improve significantly compared to 2016.

Europa		2016	2017 forecast
Revenue	€m	300.9	substantial increase
EBIT	€m	39.0	substantial increase

- **North America:** WashTec continues to invest in further organic growth in this region and continues to see additional potential based on its small market share in combination with a very good product. In the wash tunnels segment – a market in which WashTec currently has little presence – a test of customer interest in premium wash tunnels is planned for 2017. WashTec anticipates substantial growth in revenue and EBIT – excluding exchange rate effects – in 2017.

North America		2016	2017 forecast
Revenue	€m	61.0	substantial increase
EBIT	€m	3.3	substantial increase

- **Asia/Pacific:** The region developed strongly in 2016. Based on customer activity that is already underway, WashTec anticipates a further increase in business for 2017. WashTec expects a significant increase in revenue and EBIT for the segment as a whole.

Asia/Pacific		2016	2017 guidance
Revenue	€m	18.0	substantial increase
EBIT	€m	1.5	substantial increase

- **Group:** In fiscal year 2017, WashTec is seeking considerable revenue growth with a similarly considerable increase in EBIT. The previous guidance of 3-5% annual normalized growth is now revised upwards to at least 6% growth in 2017. This is against the background of the large year-end order backlog. The EBIT margin is expected to rise accordingly. Regarding free cash flow, the Company expects a marked increase as a result of lower capital expenditure and also anticipates strong cash generation in the initial quarters.

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

		2016 actual	2017 guidance
Revenue	€m	372.8	substantial increase
EBIT	€m	44.1	substantial increase
Free cash flow	€m	20.8	substantial increase
HSE (work accidents/million working hours)		1.2	0

For WashTec AG, in light of the charging on of costs to subsidiaries, stable revenue growth and therefore stable operating results are expected in 2017. The results continue to depend on the profit distributing potential of the subsidiaries.

4.2 Opportunities and risk report

Risks are possible future developments or events that could lead to negative variation from projections or targets for the Company.

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

The international business activities of the WashTec Group give rise to opportunities and risks that are inextricably linked to its business. To address these opportunities and risks rapidly and in a controlled manner, the Company's main business processes are subject to an internal management and monitoring system. This enables timely action to be taken as necessary.

The discovery and removal of a Second World War bomb just 150 meters from our plant in December 2016 gave a renewed demonstration for all concerned of the necessity of an active emergency plan. The Company had already updated the risk analysis for the location and for key suppliers, and that risk analysis will now be supplemented with conclusions drawn from this scenario.

4.2.1 Opportunities and risk management

Risk management

Multi-stage system established for identifying and monitoring risks

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

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

- Financial impacts on consolidated net income

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

- The probability of occurrence is indicated as follows:

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

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

- Risk matrix

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

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

Opportunity management

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

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

4.2.2 Opportunities and risks

There were no material changes in the opportunity and risk structure relative to the prior year. Opportunities and risks as of December 31, 2016 that could have a material impact on the onward development of the WashTec Group are described in the following. Risks classified as insignificant are not discussed in detail.

4.2.2.1 Uncertainties in financial markets and in overall economic development

Risks

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

Ongoing regional military conflicts and actions by extremists could spread and – beyond their current impact on a small number of sales markets – could have adverse consequences for economic development and hence for the sale of carwash equipment.

Opportunities

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

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

4.2.2.2 Climate and environment

Risks

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

Opportunities

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

4.2.2.3 Customers, competition and market

Risks

A freeze on capital spending by individual petroleum companies or the listing of other suppliers due to new tender agreements with such companies could lead to a decrease in revenue and/or to losses of market share for WashTec in virtually all regions. Since significant agreements were entered into with major customers in 2015, this risk is lower in 2017 than in past years.

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

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

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

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

Opportunities

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

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

Closer collaboration with our independent sales partners in roughly 70 countries could result in higher sales in growth regions.

4.2.2.4 Capital expenditure

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

Risks

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

Opportunities

Capital expenditure offers numerous opportunities, for as a result of investing in modern production facilities and product development. These include – depending on the type of capital expenditure – the opportunity to strengthen WashTec's market and competitive position and/or to improve earnings.

4.2.2.5 Innovations and patents

Risks

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

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

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

Opportunities

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

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

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

4.2.2.6 Risks and opportunities for quality and processes

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

Opportunities
The constant optimization of the main processes and the deployment of new technologies could have positive effects in terms of customer satisfaction and process efficiency.

4.2.2.7 Supplier risks and opportunities

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

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

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

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

The current trends in raw material costs could have favorable effects both for equipment production and for operating internal vehicle fleets.

4.2.2.8 Capacity risks

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

When capacity is increased, any construction delay could lead to temporary logistics and supply problems.

4.2.2.9 Takeover risks or changes in ownership structure

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

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

4.2.2.10 Financial risks

Risks

The Company has loans and other local credit lines in the amount of €50.5m made available for the most part by a banking syndicate until December 2018. The terms and conditions of the syndicated loans limit the WashTec Group's financial and operating flexibility. The WashTec Group must comply with certain financial covenants for the duration of the loan term. There are provisions for termination for cause on the occurrence of certain events described in the credit agreement (such as takeover or loss of a key subsidiary) or breach of a material contractual obligation (such as the financial covenants).

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

Opportunities

Reduced utilization of the available credit lines and a generally lower interest rate level could have a favorable effect on the financial result and hence the earnings of the WashTec Group. Based on the solid balance sheet structure, the WashTec Group is able to effect ongoing investment in operational and strategic growth and to keep its strategic options open.

4.2.2.11 Exchange rate changes

Risks

By virtue of the increasing number of USD transactions with the subsidiary in the United States, any changes in the USD/EUR exchange rate could impact the financial statements. WashTec hedges against major risk with derivatives. Operational risks resulting from other individual transactions in foreign currencies are immaterial to the Group due to their low volume.

Opportunities

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

4.2.2.12 Liquidity risks

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

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

4.2.2.13 Credit and default risks

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

4.2.2.14 Tax risks

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

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

4.2.2.15 Employee risks

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

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

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

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

4.2.3 Overview of corporate risks

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

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

4.2.4 Overall risk assessment

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

As in the prior year, there was a slight decrease in the total number of risks that could have a material effect on the WashTec Group. The risk of losing major customers has diminished compared to past years due to the large number of agreements concluded in 2015. Default risk has increased slightly due to larger total customer receivables in combination with extended payment terms. Nevertheless, there has been no fundamental change in the overall risk situation. No risk has been identified that raises doubt about the Group's ability to continue as a going concern.

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

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

5

ICS and RMS relevant to the consolidated financial reporting process

The internal control system (ICS) and the risk management system (RMS) encompass the principles, procedures and measures for ensuring that financial reporting is effective, cost-efficient, in proper order and compliant with the law. In accordance with Section 107 (3) AktG, monitoring the effectiveness of the ICS and RMS is the responsibility of the Audit Committee at WashTec AG. WashTec's ICS is intended to ensure the reliability of financial reporting and the published annual financial statements. Group-wide accounting policies ensure the uniformity of financial reporting throughout the WashTec Group. The effects that any new accounting provisions and changes in existing accounting provisions will have on the WashTec Group are examined on a timely basis. The WashTec Group has a largely standardized weekly, monthly and quarterly reporting structure that reflects the applicable policies in a timely and up-to-date manner. The financial statements of Group companies are analyzed internally each month in a Group-wide planning and reporting tool.

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

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

6

Risk relating to the use of financial instruments

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

7 Takeover-related disclosures

Disclosures in accordance with Section 289 (4), 315 (4) HGB: Explanatory report by the Management Board

The following text contains the disclosures required under Section 289 (4) and 315 (4) HGB.

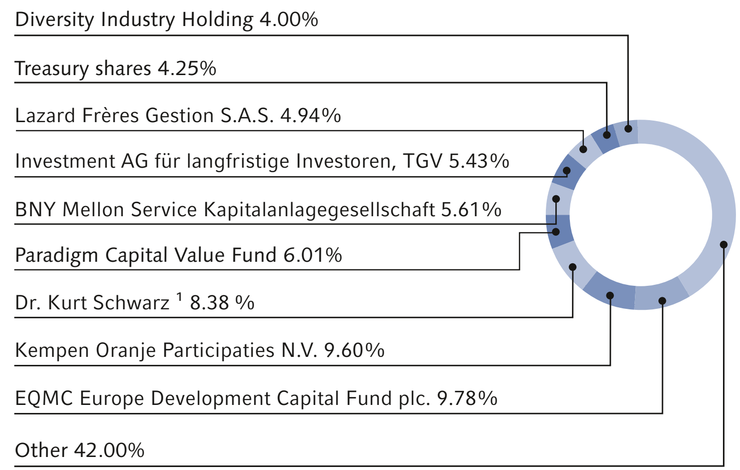
Section 315 (4) no. 1 HGB: Subscribed capital
The Company's subscribed capital of €40,000,000 is divided into 13,976,970 no-par-value bearer shares that each grant the same rights and notably the same voting rights. There are no different classes of shares. The Management Board is not aware of any restrictions regarding voting rights or the transfer of shares. There are no shares carrying special rights granting their holders a power of control.

Section 315 (4) no. 2 HGB: Restrictions regarding voting rights and the transfer of shares
In accordance with Section 71b of the German Stock Corporation Act (AktG), the Company has no rights in respect of treasury shares it acquires. In all other respects, each share has one vote. To the Management Board's knowledge, there are no restrictions regarding voting rights or the transfer of shares.

Section 315 (4) no. 3 HGB: Direct and indirect shareholdings
To the knowledge of the Management Board, 42.00% of the Company's shares are held by shareholders whose stakes are below the notification threshold.

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

Shareholder structure as December 31, 2016



[1] Leifina GmbH & Co. KG et al

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

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

Section 315 (4) no. 5 HGB: system of control of any employee share scheme
There are no employee interests in capital.

Section 315 (4) no. 6 HGB: Appointment and removal of Management Board members and amendments of the Articles of Association

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

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

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

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

Section 315 (4) no. 7 HGB: Powers of the Management Board to issue or buy back shares

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

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

Contingent capital (Section 5.2 of the Articles of Association of WashTec AG)

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

Share buy-back

Unless expressly permitted by law, the Company cannot make any purchase or use of treasury shares except with authorization from the Annual General Meeting. As the authorization to purchase treasury shares granted by resolution of the Annual General Meeting of May 15, 2013 expired on May 14, 2016, it was resolved at the Annual General Meeting of May 11, 2016 to revoke the existing authorization for the purchase and use of treasury shares in accordance with Section 71 (1) no. 8 AktG and to grant the Company renewed authorization to purchase and make use of treasury shares. Pursuant to a resolution adopted by the Annual General Meeting on May 11, 2016, the Management Board was authorized in accordance with Section 71 (1) no. 8 AktG to acquire, on or before May 10, 2019, the Company's own shares for purposes other than to deal in treasury shares, up to a total of 10% of the Company's current registered share capital of €40,000,000. The Management Board may opt to acquire such shares on the stock exchange, by means of a public purchase offer to all shareholders or by means of a public invitation directed at all shareholders to tender shares for sale. The precise terms and conditions for the purchase and use of treasury shares are set out in item 6 of the agenda in the 2016 Invitation to the Annual General Meeting of WashTec AG. The Company made no use of this authorization in the 2016 reporting year. Following completion of the share buyback offer in September 2015, and including shares previously held, WashTec AG now holds a total of 594,646 of treasury shares, representing approximately 4.25% of its registered share capital.

Section 315 IV nos. 8 and 9 HGB: Significant agreements subject to a change of control of the company following a takeover bid

Individual contractual agreements entered into by the WashTec Group (such as loan agreements) provide for the option of extraordinary termination in the event of a takeover (change of control). In that event there may also be a change of management.

8

Corporate Governance Declaration (Sections 289a and 315 (5) HGB)

(including Corporate Governance Report)

The actions of the Management Board and Supervisory Board of WashTec AG follow the principles of good and responsible corporate governance. In this declaration, the Management Board reports in accordance with Sections 289a (5) and 315 of the German Commercial Code (Handelsgesetzbuch, or HGB) on corporate governance at WashTec AG and in the WashTec Group. The Management Board and Supervisory Board further report on the corporate governance of the Company pursuant to Section 3.10 of the German Corporate Governance Code (the 'Code').

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

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

WashTec AG's Management Board and Supervisory Board regularly direct their attention to satisfying the requirements of the Code. From submission of the last Declaration of Conformity on December 15, 2015 to the updating of the Declaration of Conformity on May 31, 2016, WashTec AG complied without exception with the recommendations of the Code dated May 5, 2015. Since the updating of the Declaration of Conformity on May 31, 2016, the Company has complied with the recommendations of the Code with one exception. In accordance with the resolution of the Annual General Meeting of May 11, 2016 to refrain from publishing information about the remuneration of individual Management Board members, and in departure from Section 4.2.5 paras. 3 and 4 of the Code, the information there referred to is not disclosed for each member of the Management Board and the model tables relating to Section 4.2.5 para. 3 of the Code are not used.

8.1 Corporate and managerial structure

Supervisory board

Supervisory Board has six members and several committees

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

The composition of the Supervisory Board reflects the Company's purpose and size, the composition of the workforce and WashTec's international business activities. In accordance with the recommendation in Section 5.4.1 of the Code, the Supervisory Board has set specific objectives with regard to its composition.

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

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

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

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

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

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

Management Board

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

During the reporting period, the Management Board consisted of four members: Dr. Zimmermann (CEO), Ms. Kalb, Mr. Weber and Mr. Springs.

Dr. Zimmermann is responsible for the areas of *Supply Chain*, *Development*, *Service*, *Quality* and *Purchasing*. Ms. Kalb is responsible for the areas of *Human Resources*, *Compliance*, *Investor Relations* and *Special Projects*. Mr. Weber is responsible for *Sales*, *Marketing* and *Product Management*. Mr. Springs is responsible for *Finance* and *IT*.

Directors' dealings

Under Article 19 of the Market Abuse Regulation (EU) No 596/2014, members of the Management Board and Supervisory Boards, as well as persons closely associated with them, are required to disclose any purchase or sale of securities in WashTec AG or of financial instruments linked thereto once the purchase and sale transactions reach a total amount of €5,000 within a calendar year. The Company was notified of the following transactions in the fiscal year under review:

Date of transaction in €k, rounding differences possible	First and last name	Position/ status	Type and location of transaction	Financial instrument and ISIN	Quantity	Price	Total volume
May 17, 2015	Dr. Volker Zimmermann	Member of the management board	Purchase via Xetra	Washtec share DE0007507501	2,500	31.455	78,612.50
May 18, 2015	Ulrich Bellgardt	Member of the supervisory board	Turquoise, Chi-X Europe Limited, Xetra, Prometeo Inv.Services	Washtec share DE0007507501	1,520	31.461	47,819.97
May 18, 2015	Ulrich Bellgardt	Member of the supervisory board	Turquoise, Chi-X Europe Limited, Xetra, Prometeo Inv.Services	Washtec share DE0007507501	980	31.395	30,767.36

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

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

As of December 31, 2016, Dr. Günter Blaschke, Chairman of the Supervisory Board, held 50,000 shares of WashTec AG and Mr. Ulrich Bellgardt, Deputy Chairman of the Supervisory Board, held 27,500 shares of WashTec AG. Members of the Supervisory Board Dr. Hans-Friedrich Liebler and Dr. Sören Hein each held 5,000 shares of WashTec AG. VVG Familie Roland Lacher KG, represented by Mr. Roland Lacher, member of the Supervisory Board of WashTec AG, likewise held 5,000 shares as of December 31, 2016.

As of December 31, 2016, Dr. Volker Zimmermann, CEO, held 15,000 shares of WashTec AG. With regard to the members of the Management Board, Mr. Rainer Springs held 4,000 shares of WashTec AG, Ms. Karoline Kalb held 3,300 shares of WashTec AG, and Mr. Stephan Weber held 3,000 shares of WashTec AG.

Shareholders and the Annual General Meeting

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

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

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

In 2016, as in previous years, WashTec AG published all documents of relevance to its Annual General Meeting on the Internet in German and in English. The WashTec AG website thus provides a comprehensive information platform for both national and international investors, including with regard to the Annual General Meeting. WashTec AG does not webcast its Annual General Meeting and does not electronically transmit notices of convocation.

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

On September 17, 2015, the Supervisory Board resolved to set a target of at least 25% as the female quota for the Management Board. The position thus remained the same in 2016 as in 2015.

Likewise on September 17, 2015, the Supervisory Board resolved to set a target of at least 0% as a female quota for the Supervisory Board. This decision is intended to create the greatest possible flexibility for constituting the Board on the basis of qualification. This target was retained in the 2016 reporting year.

The Management Board also set a target for the two management levels beneath the Management Board. In light of the Company's purpose and size, the composition of its workforce and WashTec's international activities, the Management Board aims with respect to the composition of the two management levels beneath it for first management level to attain a female quota of at least 5.26% and the second management level to attain a female quota of at least 9.52%. Taking into account the specific circumstances and conditions at WashTec, the Management Board believes these percentages are reasonable as they provide flexibility in terms of filling positions on the basis of qualification. Both targets were exceeded in the 2016 reporting year.

8.2 Compliance

Compliance organization subject to continuous improvement

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

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

The strategic guidelines and the WashTec Code of Ethics form the basis of the Company's compliance program. The Code of Ethics contains binding rules on legally compliant conduct as well as precise directions on matters such as compliance with competition law and anti-corruption law, handling donations, avoiding conflicts of interests, complying with the prohibition on insider trading, and protecting the Company's assets. The Code of Ethics is binding on all employees of the WashTec Group throughout the world and on the members of the Management Board. The members of the Supervisory Board observe the rules to the extent that they apply to them. All executives and officers have committed themselves to the WashTec Code of Ethics by signing it. This commitment is renewed at regular intervals. In a further enhancement to the compliance system, a whistleblower policy was adopted in the year under review. Training and commitment to the Code will be verified in the future using e-learning tools.

All executives and officers have committed themselves by their signature to the WashTec Code of Ethics

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

Any managers' transactions are published. The affected individuals at WashTec have been informed about their duties in relation to managers' transactions and about the changes resulting from the entry into force of the Market Abuse Regulation (EU) No 596/2014.

The shareholdings of Management Board and Supervisory Board members are published both in the Company's Annual Report and in the *Investor Relations* section of the Company's website at www.washtec.de if the requirements in Section 6.3 of the Code are met.

The Declaration of Conformity in accordance with Section 161 AktG as submitted by the Management Board and Supervisory Board on December 15, 2016 and published on the Internet in the *Investor Relations* section at www.washtec.de is reprinted below.

»Declaration of Conformity under Section 161 AktG

The Management Board and Supervisory Board submitted the last Declaration of Conformity on December 15, 2015 and an update to that Declaration of Conformity on May 31, 2016.

The Management Board and Supervisory Board declare that from submission of the last Declaration of Conformity on December 15, 2015 to the updating of the Declaration of Conformity on May 31, 2016, WashTec AG complied without exception with the recommendations of the German Corporate Governance Code issued by the Government Commission of the German Corporate Governance Code and dated May 5, 2015. They further declare that since the updating of the Declaration of Conformity on May 31, 2016 the recommendations of the German Corporate Governance Code dated May 5, 2015 have been complied with and will be complied with in the future with the following exception:

The Annual General Meeting of the Company resolved on May 11, 2016 in accordance with Sections 286 (5) and 314 (2) sentence 2 HGB that for the fiscal year commencing January 1, 2016 and for all subsequent fiscal years up to and including at the latest the fiscal year ending December 31, 2020 the disclosures under Section 285 no. 9 a) sentences 5 to 8 and under Section 314 (1) no. 6 a) sentences 5 to 8 will not be made. The publication of information about the remuneration of individual Management Board members is refrained from accordingly, and therefore in departure from Section 4.2.5 paras. 3 and 4 of the Code, the information there referred to is not disclosed for each member of the Management Board and the model tables relating to Section 4.2.5 para. 3 of the Code are not used.

Augsburg, December 15, 2016

Management Board and Supervisory Board«

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

8.3 Remuneration report

Management Board remuneration

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

The remuneration of the members of the Management Board complies with the statutory requirements of the German Stock Corporation Act and with the recommendations and suggestions contained in the Code. The remuneration system was last discussed in depth by the Supervisory Board at its meeting of December 15, 2015 and adopted by resolution, including the major elements of remuneration (Section 4.2.2 para. 1 of the Code). The Supervisory Board most recently affirmed the annual resolution on the Management Board remuneration system at its meeting of December 15, 2016. The overall remuneration of members of the Management Board is made up of monetary and non-monetary as well as fixed and variable components and is linked overall to the sustained growth of the Company. All remuneration components are structured in such a way that they are reasonable, both individually and in the aggregate, and do not encourage the taking of unreasonable risks.

Fixed remuneration

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

Short-term variable remuneration: performance-related components

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

Components providing long-term incentives

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

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

Benefits following termination of employment

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

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

Other information

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

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

By resolution of the Annual General Meeting of May 11, 2016, the Company refrains from presenting Management Board remuneration on an individual basis in accordance with the Sections 286 (5) and 314 (2) sentence 2 HGB (pre-amendment). The Management Board has been provided with an exemption from the disclosures pursuant to Section 314 (1) no. 6a sentences 5 to 8 HGB for the fiscal year commencing January 1, 2016 and for all subsequent fiscal years up to and including at the latest the fiscal year ending December 31, 2020. Further details on remuneration are provided in the notes to the consolidated financial statements starting on page 134.

Supervisory Board remuneration

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

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

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

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

The Company did not pay any remuneration or grant any benefits to members of the Supervisory Board in fiscal year 2016 for services provided individually (Section 5.4.6 of the Code).

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

2016 in €k, rounding differences possible	Fixed	Variable	Attendance fees	Total	Caps[1)]	Amount paid out	Multi-year variable compensation (long-term components)[2]
Dr. Günter Blaschke[1]	100	57	64	221	200	200	–
Ulrich Bellgardt[2]	70	28.5	41.5	140	150	140	–
Jens Große-Allermann	35	28.5	25	88.5	75	75	–
Dr. Sören Hein	35	28.5	24.5	88	75	75	–
Roland Lacher	35	28.5	14.5	78	75	75	–
Dr. Hans Liebler	35	28.5	33.5	97	100	97	–
Total	**310**	**199.5**	**203**	**712.5**	**675**	**662**	**–**

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

2015 in €k, rounding differences possible	Fix	Variabel	Attendance fees	Total	Caps[1)]	Amount paid out	Multi-year variable compensation (long-term components)[2]
Dr. Günter Blaschke	100	87	47.5	234.5	200	200	485
Ulrich Bellgardt	70	43.5	31	144.5	150	144.5	97
Jens Große-Allermann	35	43.5	22	100.5	75	75	97
Dr. Sören Hein	35	43.5	20	98.5	75	75	97
Roland Lacher	35	43.5	13	91.5	75	75	97
Dr. Hans Liebler	35	43.5	26	104.5	100	100	97
Total	**310**	**304.5**	**159.5**	**774**	**675**	**669.5**	**970**

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

Augsburg, March 15, 2017

Dr. Volker Zimmermann
CEO

Karoline Kalb
Member of the Management Board

Rainer Springs
Member of the Management Board

Stephan Weber
Member of the Management Board

Consolidated Financial Statements **of WashTec**

Consolidated Income Statement

in €	Note	Jan 1 to Dec 31, 2016	Jan 1 to Dec 31, 2015
Revenue	7	372,784,789	340,861,525
Other operating income	8	4,737,782	4,431,484
Capitalized development costs		1,914,926	447,272
Change in inventory		3,310,780	3,022,804
Total		**382,748,277**	**348,763,085**
Cost of materials			
Cost of raw materials, consumables and supplies and of purchased material		122,386,427	111,289,430
Cost of purchased services		30,752,550	27,498,703
		153,138,977	**138,788,133**
Personnel expenses	9	122,949,157	113,241,631
Amortization, depreciation and impairment of tangible and intangible assets		9,385,256	9,649,215
Other operating expenses	10	52,116,787	49,671,580
Other taxes		1,099,311	962,564
Total operating expenses		**338,689,488**	**312,313,123**
EBIT		**44,058,789**	**36,449,962**
Financial income		230,577	550,798
Financial expenses		645,118	1,052,664
Financial result	11	**−414,541**	**−501,866**
EBT		**43,644,248**	**35,948,096**
Income taxes	12	−13,062,395	−11,392,373
Consolidated net income		**30,581,853**	**24,555,723**
Weighted average number of outstanding shares		**13,382,324**	**13,766,278**
Earnings per share (basic = diluted)	13	2.29	1.78

See notes for further explanations to the Consolidated Income Statement.

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

Rounding differences may occur.

Statement of Comprehensive Income

in €k	Jan 1 to Dec 31, 2016	Jan 1 to Dec 31, 2015
Consolidated net income	**30,582**	**24,556**
Actuarial gains/losses from defined benefit obligations and similar obligations	−819	−39
Deferred taxes	244	6
Items that will not be reclassified to profit or loss	**−575**	**−33**
Adjustment item for currency translation of foreign subsidiaries	−237	1,330
Exchange differences on net investments in subsidiaries	271	−637
Deferred taxes	−146	−117
Items that may be subsequently reclassified to profit or loss	**−112**	**576**
Other comprehensive income	**−687**	**543**
Total comprehensive income	**29,895**	**25,099**

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

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

Rounding differences may occur.

Consolidated Balance Sheet – Assets

in €	Note	Dec 31, 2016	Dec 31, 2015
Non-current assets			
Property, plant and equipment	15	40,772,810	31,686,043
Goodwill	15	42,312,405	42,312,251
Intangible assets	15	6,665,561	5,315,400
Trade receivables	19	2,925,741	2,000,980
Tax receivables	18	0	49,939
Other assets	20	612,213	138,573
Deferred tax assets	16	3,791,039	4,247,587
Total non-current assets		**97,079,769**	**85,750,773**
Current assets			
Inventories	17	42,877,111	39,882,471
Trade receivables	19	60,426,766	45,770,028
Tax receivables	18	7,562,144	7,464,788
Other assets	20	3,271,084	3,380,592
Bank balances and cash on hand	21	6,837,138	7,781,106
Total current assets		**120,974,243**	**104,278,985**
Total assets		**218,054,012**	**190,029,758**

See notes for further explanations to the Consolidated Balance Sheet.

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

Rounding differences may occur.

Consolidated Balance Sheet – Equity and Liabilities

in €	Note	Dec 31, 2016	Dec 31, 2015
Equity			
Subscribed capital	22	40,000,000	40,000,000
Contingent capital	22	*8,000,000*	*8,000,000*
Capital reserves	23	36,463,441	36,463,441
Treasury shares	24	−13,176,788	−13,176,788
Other reserves and currency translation effects	25	−3,549,745	−2,862,447
Profit carried forward		−2,906,058	−4,711,829
Consolidated net income		30,581,853	24,555,723
		87,412,703	**80,268,100**
Non-current liabilities			
Finance lease liabilities	29	1,871,337	2,827,417
Provisions for pensions	26	10,490,701	9,739,511
Trade payables	30	5,151	0
Other non-current provisions	27	3,564,312	3,524,250
Other non-current liabilities	30	2,470,585	1,346,065
Deferred income	31	1,473,455	1,175,038
Deferred tax liabilities	16	3,061,843	3,751,367
Total non-current liabilities		**22,937,384**	**22,363,648**
Current liabilities			
Interest-bearing loans	28	8,341,500	5,269,040
Finance lease liabilities	29	1,172,583	1,553,671
Prepayments on orders	30	7,186,588	6,797,767
Trade payables	30	11,773,401	7,542,187
Taxes and levies	30	6,195,712	4,744,575
Liabilities for social security	30	1,107,937	1,177,977
Tax provisions		12,368,913	8,337,697
Other current liabilities	30	39,224,315	31,199,342
Other current provisions	27	11,731,370	12,953,850
Deferred income	31	8,601,606	7,821,904
Total current liabilities		**107,703,925**	**87,398,010**
Total equity and liabilities		**218,054,012**	**190,029,758**

See notes for further explanations to the Consolidated Balance Sheet.

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

Rounding differences may occur.

Consolidated Cash Flow Statement

in €k	Note	Dec 31, 2016	Dec 31, 2015
EBT		**43,644**	**35,948**
Adjustments to reconcile EBT to net cash flows from operating activities:			
Amortization, depreciation and impairment of tangible and intangible assets		9,385	9,649
Gain/loss from disposals of non-current assets		–378	–60
Other gains/losses		1,071	839
Financial income		–230	–551
Financial expenses		645	1,053
Movements in provisions		–1,273	–2,037
Changes in net working capital:			
Increase/decrease in trade receivables		–15,715	–4,758
Increase/decrease in inventories		–2,758	–3,607
Increase/decrease in trade payables		4,231	1,573
Changes in other net working capital		8,837	4,583
Income tax paid		–7,556	–9,705
Net cash flows from operating activities		**39,903**	**32,927**
Purchase of property, plant and equipment (excluding finance leases)		–19,778	–7,224
Proceeds from sale of property, plant and equipment		722	509
Net cash flows from investing activities		**–19,056**	**–6,715**
Dividend payout		–22,750	–22,988
Share buy-back		0	–12,760
Interest received		230	69
Interest paid		–568	–978
Repayment of finance lease liabilities		–1,615	–1,949
Net cash flows from financing activities		**–24,703**	**–38,606**
Net increase/decrease in cash and cash equivalents		**–3,856**	**–12,395**
Net foreign exchange difference		**–160**	**–515**
Cash and cash equivalents at January 1		**2,512**	**15,422**
Cash and cash equivalents at December 31	21	**–1,504**	**2,512**
Composition of cash and cash equivalents for cash flow purposes:			
Bank balances and cash on hand		**6,837**	**7,781**
Overdrafts/current interest-bearing loans		**–8,341**	**–5,269**
Cash and cash equivalents at December 31		**–1,504**	**2,512**

See notes for further explanations to the Consolidated Cash Flow Statement

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

Rounding differences may occur.

Statement of Changes in Consolidated Equity

in €k	Number of shares (in units)	Subscribed capital	Capital reserves	Treasury shares	Other reserves and currency translation effects	Profit carried forward	Total
As of January 1, 2015	**13,932,312**	**40,000**	**36,464**	**−417**	**−3,405**	**18,277**	**90,917**
Income and expenses recognized directly in equity					653		653
Taxes on transactions recognized directly in equity					−110		−110
Acquisition of own shares	−549,988			−12,760			−12,760
Dividend						−22,988	−22,988
Consolidated net income						24,556	24,556
As of December 31, 2015	**13,382,324**	**40,000**	**36,464**	**−13,177**	**−2,862**	**19,845**	**80,268**
As of January 1, 2016	**13,382,324**	**40,000**	**36,464**	**−13,177**	**−2,862**	**19,845**	**80,268**
Income and expenses recognized directly in equity					−786		−786
Taxes on transactions recognized directly in equity					98		98
Dividend						−22,750	−22,750
Consolidated net income						30,582	30,582
As of December 31, 2016	**13,382,324**	**40,000**	**36,464**	**−13,177**	**−3,550**	**27,677**	**87,412**

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

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

Rounding differences may occur.

Notes to the Consolidated Financial Statements of WashTec AG (IFRS) for Fiscal Year 2016

General

1. General information on the Group

The consolidated financial statements of the WashTec Group for the fiscal year January 1 to December 31, 2016 were prepared and submitted to the Supervisory Board for review on March 15, 2017. They are expected to be adopted at the Supervisory Board meeting on March 15, 2017 and subsequently released for publication by the Management Board. The consolidated financial statements and Group Management Report may be accessed through the Bundesanzeiger (Federal Gazette) and the Unternehmensregister (Company Register) and downloaded from our website, www.washtec.de.

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

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

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

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

2. Basis of preparation of the consolidated financial statements

The consolidated financial statements of WashTec AG have been prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) in force as of the balance sheet date together with the applicable interpretations of the IFRS IC (IFRIC). They comply with the accounting standards applicable in the European Union for fiscal year 2016 and are also supplemented by additional information required under section 315a of the German Commercial Code (Handelsgesetzbuch, or HGB) and by the Group Management Report.

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

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

3. Basis of consolidation

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

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

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

In addition to the parent company, the consolidated financial statements of WashTec AG also contain the following group entities as of December 31, 2016:

Consolidated entities	Share-holding in %	Holding company	Business activity	Equity at Dec 31, 2016 in €k	Profit/loss for 2016 in €k
German entities					
WashTec Cleaning Technology GmbH, Augsburg, Germany [1]	100	A	I	29,846	0
WashTec Holding GmbH, Augsburg, Germany	100	B	II	83,922	21,931
WashTec Carwash Management GmbH, Augsburg, Germany [2]	100	B	III	51	0
WashTec Financial Services GmbH, Augsburg, Germany [1]	100	A	IV	62	0
AUWA-Chemie GmbH, Augsburg, Germany [2]	100	B	V	537	0
Foreign entities					
WashTec France S.A.S., St. Jean de Braye, France	100	C	VI	2,685	1,135
Mark VII Equipment Inc., Arvada, USA	100	C	I	14,883	5,060
WashTec S.r.l., Casale, Italy	100	C	VI	1,715	–48
WashTec UK Ltd., Great Dunmow, United Kingdom	100	C	VI	2,900	331
California Kleindienst Limited, Wokingham, United Kingdom [5]	100	A		0	0
WashTec A/S, Hedehusene, Denmark [4]	100	C	VI	2,355	963
WashTec Cleaning Technology GmbH, Vienna, Austria	100	C	VI	1,542	280
WashTec Spain S.A., Madrid, Spain	100	C	VI	661	143
WashTec Car Cleaning Equipment (Shanghai) Co. Ltd., Shanghai, China	100	C	VII	43	–634
WashTec Cleaning Technology s.r.o., Nyrany, Czech Republic	100	D	VIII	2,858	500
WTMVII Cleaning Technologies Canada Inc., Grimsby, Ontario, Canada [6]	100	E	VI	–6,707	–556
WashTec Australia Pty Ltd., Sydney, Australia	100	C	VI	2,493	915
WashTec Cleaning Technology España S.A., Bilbao, Spain [5]	100	C		1	0
WashTec Benelux B.V., Zoetermeer, The Netherlands [3]	100	C	VI	3,946	472
WashTec Nordics AB, Bollebygd, Sweden	100	C	VI	1,205	603
WashTec Polska Sp. z o.o., Warsaw, Poland	100	D	VI	−94	−85

1) Profit/loss absorbed by WashTec Holding GmbH

2) Profit/loss absorbed by WashTec AG

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

4) Includes operating location in Norway

5) Company currently inactive

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

A) WashTec Holding GmbH

B) WashTec AG

C) WashTec Cleaning Technology GmbH

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

E) Mark VII Equipment Inc., Arvada, USA

I) Production, sales and service entity

II) Holding company

III) Car wash rental

IV) Conclusion and arrangement of leases and finance

V) Development, production and sale of chemical products

VI) Sales and service entity

VII) Production entity

VIII) Subcontracting

4. Effects of new financial reporting

The Group applied the following new and revised IFRS Standards and Interpretations in fiscal year 2016.

Applied standards or amendments to existing standards

Standard/ Interpretation	Title	Mandatory application	Endorsement by the EU	Material effects on WashTec
IAS 19	Amendments to IAS 19 Employee Benefits – Employee Contributions	Feb 01, 2015	Jan 09, 2015	none
IAS 16 and IAS 41	Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture – Bearer Plants	Jan 01, 2016	Nov 24, 2015	none
IFRS 11	Amendments to IFRS 11 Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations	Jan 01, 2016	Nov 25, 2015	none
IAS 16 and IAS 38	Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization	Jan 01, 2016	Dec 03, 2015	none
IFRS	Annual Improvements to IFRS (2012–2014 cycle)	Jan 01, 2016	Dec 16, 2015	none
IAS 1	Amendments to IAS 1 Presentation of Financial Statements – Disclosure Initiative	Jan 01, 2016	Dec 19, 2015	none
IAS 27	Amendments to IAS 27 Separate Financial Statements – Equity Method in Separate Financial Statements	Jan 01, 2016	Dec 23, 2015	none
IFRS 10, IFRS 12 and IAS 28	Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures – Applying the Consolidation Exception	Jan 01, 2016	Sep 23, 2016	none

The Group has elected early application of the Annual Improvements to IFRS (2010–2012) that have to be applied in the EU for annual periods beginning on or after February 1, 2015.

The IASB and the IFRS Interpretations Committee have also issued additional standards, interpretations and amendments as listed below that did not yet have to be applied in fiscal year 2016 or have not yet been recognized by the European Union.

The WashTec Group had not elected early application of these standards as of December 31, 2016. First-time application of the standards is planned when they are recognized and endorsed by the EU.

Standards or amendments to existing standards not yet applied

Standard/ Interpretation	Title	Mandatory application	Endorsement by the EU	Material effects on WashTec
IFRS 15	Revenue from Contracts with Customers	Jan 01, 2018	Oct 29, 2016	IFRS 15 replaces all existing revenue recognition standards – notably IAS 18 Revenue and IAS 11 Construction Contracts. The new standard is based on the principle that revenue is recognized when control of goods or services transfers to a customer. It is to be applied either fully retrospectively or on a modified retrospective basis. It is not yet possible to assess the impacts of the new standard on the WashTec Group. Information on its impacts will be provided by WashTec in the next twelve months.
IFRS 9	Financial Instruments	Jan 01, 2018	Nov 29, 2016	IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities while introducing new rules for hedge accounting and a new impairment model. Additional designation options are provided for hedge accounting. The new standard also simplifies effectiveness testing and requires additional notes disclosures. It is not yet possible to assess the impacts of the new standard on the WashTec Group. Information on its impacts will be provided by WashTec in the next twelve months.

Standard/ Interpreta-tion	Title	Mandatory application	Endorsement by the EU	Material effects on WashTec
IAS 7	Amendments to IAS 7 Statement of Cash Flows – Disclosure Initiative	Jan 01, 2017	expected in Q2 2017	Presentation of a reconciliation of liabilities from financing activities; disclosure of restrictions on cash.
IAS 12	Amendments to IAS 12 Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses	Jan 01, 2017	expected in Q2 2017	none
IFRS 15	Clarifications of Revenue from Contracts with Customers	Jan 01, 2018	expected in Q2 2017	none
IAS 40	Amendments to IAS 40 Investment Property – Transfers of Investment Property	Jan 01, 2018	expected in H2 2017	none
IFRS 2	Amendments to IFRS 2 Share-based payments – Classification and Measurement of Share-based Payment Transactions	Jan 01, 2018	expected in H2 2017	none
IFRS 16	Leases	Jan 01, 2019	expected in H2 2017	IFRS 16 eliminates the distinction between finance and operating leases for lessees and requires them to recognize all leases as a right-of-use asset and a lease liability. Exceptions are made for short-term leases and leases for low-value assets. The new standard mainly affects the accounting treatment of operating leases. The WashTec Group has non-cancelable operating lease liabilities in the amount of €20,456k as of the balance sheet date (see Note 29). It is not yet possible to asses the impacts with regard to the recognition of right-of-use assets and lease liabilities and the impacts on earnings and cash flows. Existing leases would also be covered by the exceptions or cease to be classified as leases for the purposes of IFRS 16.
IFRS	Annual Improvements to IFRS (2014–2016)	Amendments to IFRS 12: Jan 01, 2017; Amendments to IFRS 1 and IAS 28: Jan 01, 2018	expected in H2 2017	none
IFRIC 22	Foreign Currency Transactions and Advance Consideration	Jan 01, 2018	expected in H2 2017	none
IFRS 4	Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	Jan 01, 2018	expected in 2017	none
IFRS 10 and IAS 28	Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	deferrred indefinitely		none
IFRS 14	Regulatory Deferral Accounts	Jan 01, 2016	Postponement of the endorsement process until the publication of the final standard	none

5. Accounting policies

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

Currency translation

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

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

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

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

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

Property, plant and equipment

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

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

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

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

Business combinations and goodwill

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

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

Intangible assets

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

Intangible assets are mostly amortized using the following useful lives:

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

Acquired intangible assets

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

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

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

Internally generated intangible assets (research and development costs)

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

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

Impairment of non-financial assets

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

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

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

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

Financial instruments and hedging

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

Financial assets

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

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

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

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

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

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

Cash and cash equivalents: This category comprises cash on hand and bank balances that have an original term of less than three months and are carried at face value. For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above plus any utilized bank overdrafts.

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

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

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

Financial liabilities

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

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

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

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

Derivative financial instruments and hedging

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

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

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

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

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

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

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

Inventories

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

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

Treasury shares

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

Provisions

Other provisions

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

Provisions for pensions

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

Provisions for partial retirement arrangements

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

Share-based payment

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

Leases

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

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

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

Income taxes

In accordance with the relevant tax jurisdiction, current and deferred taxes are measured in the consolidated financial statements in the amount that is expected to be assessed by the tax authorities. For recognized uncertain income tax items, the expected tax payment is used as a best estimate. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled. Current and deferred taxes are recognized in profit or loss except to the extent the tax relates to transactions that are recognized in other comprehensive income or directly in equity.

Deferred taxes are recognized using the liability method for temporary differences as of the balance sheet date between the tax base and the carrying amounts of assets and liabilities and for tax loss carryforwards and tax credits.

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

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

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

Deferred tax assets and deferred tax liabilities are offset if the Group has a legally enforceable right to set off current tax assets against current tax liabilities and if the deferred taxes relate to income taxes levied on the same taxable entity by the same taxation authority.

Revenue recognition

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

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

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

Earnings per share

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

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

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

Segment reporting

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

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

6. Significant estimates, assumptions and judgements

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

Impairment of non-financial assets

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

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

Deferred tax assets

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

Pensions, other post-employment benefits and partial retirement benefits

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

Share-based payment

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

Provisions

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

Development costs

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

Buy-back agreements

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

7. Notes to segment reporting

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

By segment 2015 in €k	Europe	North America	Asia/Pacific	Consolidation	Group
Revenues	**279,848**	**54,267**	**14,841**	**–8,095**	**340,862**
with third parties	272,014	54,009	14,839	0	340,862
with other divisions	7,834	258	3	–8,095	0
EBIT	**34,195**	**1,593**	**685**	**–22**	**36,450**
Financial income					551
Financial expenses					–1,053
EBT					**35,948**
Income taxes					–11,392
Consolidated net income					**24,556**
Capital expenditure on tangible and intangible assets	6,772	923	205	0	7,900
Amortization, depreciation and impairment of tangible and intangible assets	–8,823	–545	–281	0	–9,649

Segmentation using the management approach at the WashTec Group is by sales territories. The sales territories are defined as the regions Europe, North America and Asia/Pacific. Following organizational changes in which the Eastern Europe segment and export were brought under common management, WashTec no longer reports separately on the Eastern Europe segment. In fiscal year 2016, Eastern Europe was included for reporting purposes in the Europe segment. The Core Europe segment was renamed the Europe segment as of the year-end. The structure of the North America and Asia/Pacific segments is unchanged. The individual segments are controlled on the basis of revenue and EBIT. The segment results consist of income and expenses directly attributable to each reporting segment and to Group charges for cross-divisional functions. The sum of the reportable segments corresponds after consolidation adjustments to consolidated net income. Transfer prices between the individual Group entities are charged on an arm's length basis. They take into account market-specific and economic conditions in the individual regions. The measurement principles for segment reporting are based on the IFRS principles used in the consolidated financial statements.

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

The consolidated revenues were generated in the following products:

in €k	2016	2015	Change
Equipment and service	319,323	290,202	29,121
Chemicals	40,480	37,596	2,884
Operations business and others	12,982	13,064	–82
Total	**372,785**	**340,862**	**31,923**

WashTec generates approximately 80% of its external sales in European countries. Germany and France make up the largest share of total revenue. After consolidation, Germany accounts for €117,656k, relating to Equipment and Service, Chemicals, Operations Business and Others. Slightly more than 10% of Group revenue is attributable to France. External sales outside of Europe are primarily generated in North America and are mostly attributable to the United States. There were no instances in which revenue from transactions with a single major customer exceeded 10% of revenues.

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

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

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

2015 in €k	Germany	Europe	North America	Asia/ Pacific	Group
Carrying amount of property, plant and equipment	22,961	6,917	1,435	373	31,686
Capital expenditure on property, plant and equipment	*3,400*	*2,294*	*923*	*202*	*6,819*
Carrying amount of intangible assets incl. Goodwill	42,985	4,451	0	192	47,628
Capital expenditure on intangible assets	*1,025*	*54*	*0*	*2*	*1,081*

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

Notes to the Consolidated Income Statement

8. Other operating income

Other operating income totaling €4,738k (prior year: €4,431k) consists primarily of income arising from exchange rate differences in the amount of €2,263k (prior year: €2,056k), income from accrual of income from operator models in the amount of €731k (prior year: €1,023k), income from insurance settlements in the amount of €582k (prior year: €118k), income from the sale of scrap in the amount of €403k (prior year: €517k) and income from the sale of acquired vehicles and from the sale of other property, plant and equipment totaling €429k (prior year: €221k).

9. Personnel

Personnel expenses consist of the following:

in €k	2016	2015
Wages and salaries	104,819	96,424
Social security contributions	8,772	8,467
Pension and partial retirement costs	1,776	1,575
Expenses for employer share of statutory and voluntary pension insurance (defined contribution)	7,582	6,776
Total	**122,949**	**113,242**

The average number of employees by function is as follows:

Average number of employees	**2016**	2015	**Change**
Sales, marketing and servicing	1,054	1,029	25
Production, technology and development	531	511	20
Finance and administration	156	132	24
Total	**1,741**	1,672	**69**

10. Other operating expenses

Other operating expenses are as follows:

in €k	2016	2015
Vehicle costs	9,844	10,482
Travel expenses (including hospitality)	6,660	5,946
Advertising, trade fair and PR expenses	4,351	3,479
Maintenance/repairs	4,332	3,838
IT and communication expenses	4,167	4,130
Rent/operating leases excluding vehicles	3,992	3,884
Temporary workers	3,495	2,696
Legal and consulting fees	2,593	2,341
Exchange rate effects	2,391	2,521
Insurance (including product liability)	1,726	1,583
Training/continuing education costs	1,645	1,327
Fees, licenses and research costs	1,162	872
Office supplies	905	849
Bank charges and contributions	657	629
Allocations to bad debt allowances on receivables	170	540
Miscellaneous administrative expenses/other expenses	4,028	4,555
Total	**52,117**	**49,672**

11. Financial result

in €k	2016	2015
Remeasurement gains on interest rate swaps	0	482
Other interest and similar income	231	69
Financial income	**231**	**551**
Interest-bearing loans	292	266
Interest rate swaps	0	491
Finance lease expenses	150	214
Borrowing costs and similar expenses	203	81
Financial expenses	**645**	**1,053**
Financial result	**–415**	**–502**

Of the interest income and interest expense, a total of €–265k (prior year: €–279k) is classified in the IAS 39 categories loans and receivables (LaR) and financial liabilities at amortized cost (FLAC).

12. Income taxes

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

The table below shows a reconciliation of the expected and actual tax expenses. To calculate the expected tax expense, earnings before taxes were multiplied by the Group tax rate of 30.7% (prior year: 30.7%). The Group tax rate is based on the tax rate faced by the parent company. The WashTec Group's effective tax rate is 29.9% (prior year: 31.7%).

in €k	2016	2015
Expected Income tax expense	13,401	11,038
Tax differences due to different foreign tax rates	84	–149
Non-deductible expenses	644	537
Effects of the non-recognition of deferred tax assets	375	10
Effect of use of loss carryforwards in relation to deferred tax assets not recognized	–1,903	–432
Prior-period tax expense	370	424
Other	91	–36
Current income tax expense	**13,062**	**11,392**

Tax expenses consist of the following:

in €k	2016	2015
Deferred tax expense (+)/income (–)	–136	614
Current tax expense	13,199	10,778
Total income taxes	**13,062**	**11,392**

13. Earnings per share

Calculation of basic earnings per share for 2016 and 2015:

in €k or units	2016	2015
Consolidated net income	30,582	24,556
Weighted average outstanding number of shares	13,382,324	13,766,278
Earnings per share (basic = diluted)	**2.29**	**1.78**

The Management Board and Supervisory Board intend to recommend to the Annual General Meeting, which is scheduled for May 3, 2017, to appropriate the distributable profit of €30,538,308.54 shown in the Company's annual financial statements for fiscal year 2016 as follows: Payment of a dividend in the amount of €2.10 per eligible share, totaling €28,102,880.40, with the remaining distributable profit of €2,435,428.14 to be carried forward. 58.9% of the distribution is expected to be made out of the tax contribution account.

14. Non-recurring effects

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

Notes to the Consolidated Balance Sheet

15. Property, plant and equipment and intangible assets

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

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

in €k	Cost					
	January 1, 2015	Additions	Disposals	Reclassifications	Currency translation effects	December 31, 2015
Land, land rights and buildings	**41,755**	773	1	0	205	**42,731**
Technical equipment and machines	**31,535**	2,946	856	1,052	278	**34,955**
Other equipment, fittings and fixtures	**17,538**	2,243	1,244	15	270	**18,823**
Finance leases	**15,919**	676	167	–910	–1	**15,519**
Prepayments and construction in progress	**156**	180	0	–161	0	**176**
Property, Plant and Equipment	**106,903**	**6,819**	**2,268**	**–3**	**753**	**112,203**
Development costs internally generated	**15,485**	88	0	0	409	**15,981**
Licenses and software acquired	**11,259**	628	279	184	11	**11,802**
Patents, technologies and other intangible assets	**6,241**	0	0	0	231	**6,472**
Goodwill	**82,458**	0	0	0	1,932	**84,390**
Other, prepayments and construction in progress	**627**	366	0	–181	0	**813**
Intangible Assets	**116,071**	**1,081**	**279**	**3**	**2,582**	**119,459**
Total Non-current Assets	**222,974**	**7,900**	**2,547**	**0**	**3,335**	**231,662**

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

Depreciation/amortization and impairment						Carrying amount		in €k
January 1, 2015	Additions	Disposals	Reclassifica- tions	Currency trans- lation effects	December 31, 2015	January 1, 2015	December 31, 2015	
27,452	1,452	1	0	164	**29,066**	14,303	13,664	Land, land rights and buildings
23,835	2,544	760	806	237	**26,662**	7,700	8,294	Technical equipment and machines
13,140	1,705	891	–3	36	**13,987**	4,398	4,835	Other equipment, fittings and fixtures
9,786	1,975	156	–803	–1	**10,801**	6,133	4,717	Finance leases
0	0	0	0	0	**0**	156	176	Prepayments and construction in progress
74,213	**7,676**	**1,809**	**0**	**436**	**80,517**	**32,690**	**31,686**	**Property, Plant and Equipment**
11,738	906	0	0	405	**13,049**	3,747	2,932	Development costs internally generated
9,980	815	279	0	5	**10,521**	1,279	1,282	Licenses and software acquired
5,702	252	0	0	230	**6,184**	539	288	Patents, technologies and other intangible assets
40,146	0	0	0	1,932	**42,078**	42,312	42,312	Goodwill
0	0	0	0	0	**0**	627	813	Other, prepayments and construction in progress
67,565	**1,973**	**279**	**0**	**2,572**	**71,831**	**48,506**	**47,628**	**Intangible Assets**
141,778	**9,649**	**2,088**	**0**	**3,008**	**152,348**	**81,196**	**79,314**	**Total Non-Current Assets**

Finance leases

Carrying amount in €k	**2016**	2015
Washing bay sale and leaseback	3,031	4,512
Washing bay hire-purchase	41	205
Total	**3,072**	**4,717**

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

Intangible assets

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

Research and development costs in the amount of €861k (prior year: €528k) were not capitalized as the criteria for capitalization under IAS 38 were not met.

Goodwill

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

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

In accordance with the approach described in Note 5, goodwill is tested for impairment on the basis of the Group-level medium-term forecast for 2017 through 2021.

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

- Revenue growth averaging approximately 5% p.a. in the Europe segment and between 8% and 12% in the remaining regions
- Cost increases of 2–3%
- Wage and salary cost increases of approximately 3–5% p.a.

Assumptions made for discounting purposes were a discount rate of 6.3% (prior year: 6.4%) and a long-term growth rate in perpetuity of 1.0% (prior year: 1–1.5%).

The discount rate is based on a weighted cost of debt of 2.13% (prior year: 2.35%) and the weighted cost of equity. The cost of equity is based on a risk-free rate of return averaging 1.0% (prior year: 1.5%) and a beta of 1.08 (prior year: 1.02).

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

16. Deferred taxes

There are deferred tax assets in the amount of €3,791k (prior year: €4,248k) and deferred tax liabilities in the amount of €3,062k (prior year: €3,751k). These relate to deferred tax receivables on tax loss carryforwards that are expected to be utilized and to timing differences.

Deferred taxes have not been recognized for outside basis differences because the entity holding the equity interest is able to control the reversal of the differences and it is not probable that they will reverse in the foreseeable future. The tax base of the unrecognized deferred tax liability is €1,780k (prior year: €1,110k).

Loss carryforwards and temporary differences have been recognized as deferred tax assets to the extent it is probable that the loss carryforwards or the temporary differences will be utilized on the basis of the internal mid-term planning (2017 through 2021).

To the extent that there is uncertainty that loss carryforwards can be utilized against future taxable income, the loss carryforwards are not recognized as deferred tax assets. Deferred taxes were therefore not recognized in the reporting year in relation to loss carryforwards in the amount of €13,139k (prior year: €21,713k) and temporary differences in the amount of €18,999k (prior year: €18,973k). This corresponds to non-recognized deferred tax assets for loss carryforwards in the amount of €5,678k (prior year: €7,437k) and non-recognized deferred tax assets for temporary differences in the amount €6,785k (prior year: €6,683k).

Some of the loss carryforwards have no time restrictions with regard to their utilization. €15,327k in loss carryforwards are restricted. Of this amount, €1,008k will expire between 2018 and 2021 and €14,320k will expire between 2028 and 2035 if they cannot be utilized.

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

in €k	Deferred tax receivables		Deferred tax liabilities	
	2016	2015	2016	2015
Tax loss carryforwards	67	129	0	0
Property, plant and equipment	200	200	–2,478	–3,182
Intangible assets	72	69	–1,884	–1,514
Inventories	1,132	1,268	–321	–554
Trade receivables	162	40	–1,277	–1,197
Provisions	2,627	2,377	0	0
Other liabilities	744	648	–198	–19
Finance lease liabilities	890	1,396	0	0
Deferred income	932	964	–3	0
Miscellaneous	177	3	–113	–131
Total	**7,003**	**7,094**	**–6,274**	**–6,597**
of which non-current	*3,964*	*4,092*	*–4,112*	*–4,484*
of which current	*3,039*	*3,001*	*–2,162*	*–2,113*

Deferred tax receivables and tax liabilities totaling €3,212k (prior year: €2,846k) were offset in accordance with the offsetting rules in IAS 12.

€98k (prior year: €–111k) in deferred taxes were recognized in equity in the reporting year. The aggregate amount of deferred taxes recognized in equity is consequently €1,443k (prior year: €1,345k).

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

in €k	2016			2015		
	before income tax	income tax	after income tax	before income tax	income tax	after income tax
Adjustment item for currency translation of foreign subsidiaries	–238	0	–238	1,330	0	1,330
Exchange differences on net investments in subsidiaries	271	–146	125	–638	–117	–755
Changes in actuarial gains and losses	–819	244	–575	–40	6	–34
Other comprehensive income	**–786**	**98**	**–688**	652	–111	541

17. Inventories

in €k	2016	2015
Raw materials, consumables and supplies, including merchandise	24,755	25,066
Work in progress	5,432	5,676
Finished goods	12,439	8,884
Prepayments	251	256
Total	**42,877**	39,882

During the reporting year, reversals of write-downs on inventories came to €579k (prior year: write-downs of €352k).

18. Tax receivables

in €k	2016	2015
Non-current tax receivables	0	50
Current tax receivables	7,562	7,465
Total	**7,562**	**7,515**

The tax receivables are primarily claims against the tax authorities based on deductible investment withholding tax and on corporate income tax credits.

19. Trade receivables

in €k	2016	2015
Non-current trade receivables	2,926	2,001
Current trade receivables	60,427	45,770
Total	**63,353**	**47,771**

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

As of December 31, 2016, bad debt allowances were charged on trade receivables in the nominal amount of €4,548k (prior year: €4,661k). The bad debt allowance account developed as follows:

in €k	2016	2015
As of January 1	4,661	4,557
Allocations recognized as expense	92	1,085
Utilization	–45	–306
Reversal	–62	–576
Currency translation effects	–98	–99
As of December 31	**4,548**	**4,661**

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

in €k	2016	2015
Receivables, neither overdue nor written down	46,096	35,074
Overdue receivables, not written down, of which		
less than 30 days	9,332	6,432
30–120 days	4,970	3,500
120–365 days	1,025	1,498
more than 365 days	2,065	1,745
Total	**17,393**	**13,175**
Receivables written down	4,500	4,625

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

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

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

20. Other assets

in €k	2016	2015
Non-current other assets	612	139
Current other assets	3,271	3,381
Total	**3,883**	**3,519**
of which prepaid expenses	*1,761*	*1,680*

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

21. Cash and cash equivalents

in €k	2016	2015
Bank balances and cash on hand	**6,837**	7,781

Credit balances held at banks earn interest at variable interest rates based on daily bank account rates. The cash in those accounts has a fair value of €6,837k (prior year: €7,781k).

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

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

in €k	2016	2015
Bank balances and cash on hand	6,837	7,781
Overdrafts/current interest-bearing loans	–8,342	–5,269
Cash and cash equivalents	**–1,504**	2,512

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

Equity

22. Subscribed capital

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

in €k	2016	2015
Ordinary shares in units k	13,977	13,977
Share capital per share in €	2.86	2.86

As of December 31, 2016, the average weighted number of issued and outstanding shares was 13,382,324 (prior year: 13,766,278 shares).

The Annual General Meeting of WashTec AG on May 11, 2016 resolved to appropriate the distributable profit of €22,983,636.87 shown on the balance sheet for fiscal year 2015 as follows: Payment of a dividend in the amount of €1.70 per eligible share, totaling €22,749,950.80, with the remaining distributable profit of €233,686.07 to be carried forward.

Authorized capital

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

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

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

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

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

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

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

The Management Board is authorized, with the consent of the Supervisory Board, on or before May 10, 2019 to issue on one or more occasions bearer or registered warrant-linked bonds and/or convertible bonds, participation rights or participating bonds or a combination of such instruments (hereinafter collectively referred to as 'Bonds') with a total face value of up to €50,000,000 with or without term limitations and to grant option rights or impose option duties upon the holders or creditors of warrant-linked bonds, option participation rights or option participating bonds or to grant option rights or impose option duties upon the holders or creditors of the convertible bonds, convertible participation rights or convertible participating bonds on the Company's no-par-value bearer shares accounting for a pro rata amount of registered share capital totaling up to €8,000,000 pursuant to the more specific terms and conditions of such Bonds, where this percentage amount of the registered share capital must include the amount by which the registered share capital is increased on the basis of the authorization approved by the Annual General Meeting of May 11, 2016 (Authorized Capital); such inclusion shall be made already at the time that the relevant resolution to increase the capital is adopted. Additionally, the existing Authorized Capital I is revoked.

Contingent Capital I: The registered share capital is increased conditionally by up to €8,000,000, which is divided into up to 2,795,394 no par value bearer shares (Contingent Capital I Account), where this percentage amount of the registered share capital must include the amount by which the registered share capital is increased pursuant to the authorizing resolution of the Annual General Meeting of May 11, 2016 (Authorized Capital); such inclusion shall be made already at the time that the relevant resolution to increase the capital is adopted.

This contingent capital increase will be carried out only to the extent that the holders or creditors of options or conversion rights or persons obligated to exercise their conversion or option rights under warrant-linked or convertible bonds, participation rights or participating bonds (or a combination of such instruments), or to the extent that the Company exercises an elective right – in complete or partial lieu of payment of the cash amount due – grants its Company shares, provided that no cash compensation is granted or treasury shares or the shares of another publicly listed company are used to satisfy those obligations.

The new shares will be issued in each case at the option or conversion price determined in accordance with the aforementioned authorizing resolution.

The new shares will have dividend rights beginning in the fiscal year in which they are created. The Management Board is authorized, with the consent of the Supervisory Board, to prescribe additional details regarding the implementation of the contingent capital increase.

Amendments to the Articles of Association

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

23. Capital reserves

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

24. Treasury shares

	Shares in units	Value shares in €k
As of January 1, 2016	594,646	13,177
Additions 2016	0	0
As of December 31, 2016	594,646	13,177
As of January 1, 2015	44,658	417
Additions 2015	549,988	12,760
As of December 31, 2015	594,646	13,177

Purchase and use of treasury shares

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

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

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

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

25. Other reserves and currency translation effects

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

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

in €k	Jan 01, 2015	Income and expenses recognized directly in equity	Changes in deferred taxes	Dec 31, 2015
Hedge reserve	−500	0	0	−500
Exchange differences on net investments in subsidiaries	−1,085	−637	−116	−1,838
Actuarial gains/losses	−2,632	-40	6	−2,666
Other reserves	**−4,217**	**−677**	**−110**	**−5,004**
Currency translation effects	812	1,330	0	2,142
Total	**−3,405**	**653**	**−110**	**−2,862**

26. Provisions for pensions

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

The amount of the provision was determined using actuarial methods at a discount rate of 1.20% (prior year: 1.90%). As in the previous year, the annual salary and cost-of-living increases were measured at 1.50%. The anticipated return from reimbursement rights due to the existing liability insurance policies amounts to 1.20% (prior year: 1.90%). The Prof. Dr. Klaus Heubeck 2005 G mortality tables were used as the biometrical basis of calculation. Staff turnover ratios were estimated according to age and sex and taken from standard tables.

The number of pension beneficiaries as of December 31, 2016 was 243 employees (prior year: 241 employees), and the total number of all persons holding a pension commitment is 385 employees (prior year: 381 employees). The new valuations include the effects of experience adjustments in the amount of €–14k (prior year: €–131k).

All actuarial gains and losses were recognized in other comprehensive income. Actuarial gains and losses in the fiscal year under review were €819k (prior year: €39k). In total, actuarial gains and losses of €–4,677k (prior year: €–3,858k) have been recognized in other comprehensive income as of December 31, 2016.

The present value of the defined benefit obligation developed as follows in fiscal years 2015 and 2016:

in €k	2016	2015
As of January 1	9,740	9,893
Exchange differences	4	1
Pensions paid	–430	−498
Service cost in the reporting period	184	155
Interest expense	174	150
Actuarial gains and losses	819	39
As of December 31	**10,491**	**9,740**

Details about changes in the actuarial gains and losses:

in €k	Provisions for pensions at present value	Reimbursement rights at fair value	Total
Gains and losses from change in financial assumptions	806	0	**806**
Experience gains and losses	13	0	**13**
Total	**819**	**0**	**819**

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

Pension obligations are exclusively covered by pension liability insurance. There is no investment in real estate, stocks or similar. The development of reimbursement rights in 2015 and 2016 is shown in the following table:

in €k	2016	2015
Fair value of reimbursement rights as of January 1	426	414
Expected return	13	12
Actuarial gains and losses	0	0
Fair value of reimbursement rights as of December 31	**439**	**426**

Sensitivity analysis for pension obligations in accordance with IAS 19

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

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

in €k		Impact on defined benefit obligation (DBO)	
Assumptions	**Change**	**2016**	**2015**
Life expectancy	Increase by 1 year	6.4%	6.0%
Cost-of-living adjustment	Increase by 0.25%	2.0%	2.0%
Interest rate	Increase by 0.25%	–2.6%	–2.6%
Interest rate	Decrease by 0.25%	2.7%	2.7%

The average remaining duration of the pension obligations is approximately 11.0 years (prior year: approximately 10.5 years).

The following table shows the expected payments for pension benefits:

in €k	< 1 year	1–5 years	> 5 years	Total
Pension benefits	505	2,199	7,722	10,425

27. Other provisions

in €k		As of January 1	Addition	Utilization	Reversal	Reclassi-fication	Currency translation effects	As of December 31	current	non-current	Provisions in 2015	
											current	non-current
Partial retirement		2,343	138	–994	–19	0	0	**1,468**	841	628	1,199	1,145
Warranty		8,534	4,856	–4,852	–285	0	11	**8,263**	8,238	25	8,512	22
Repurchase obligations		3,191	729	–701	0	0	0	**3,220**	782	2,437	854	2,338
Restructuring		809	423	–603	–56	0	0	**573**	573	0	809	0
Other		1,600	716	–74	–473	0	3	**1,771**	1,297	474	1,580	20
Total	**2016**	**16,478**	**6,862**	**–7,224**	**–834**	**0**	**14**	**15,296**	**11,731**	**3,564**	–	–
	2015	**18,327**	**6,687**	**–6,928**	**–1,598**	**0**	**–10**	**16,478**	**–**	**–**	12,954	3,524

The provision for partial retirement was measured in accordance with IAS 19 Employee Benefits. The calculation was based on an interest rate of 0.00% (prior year: 0.25%) and annual salary increases of 1.50% (prior year: 1.50%).

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

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

The provision for restructuring measures in the amount of €573k (prior year: €809k) mostly related to provisions for planned personnel measures.

The other provisions totaling €1,771k (prior year: €1,600k) mainly relate to provisions for legal and consulting costs in the amount of €862k (prior year: €846k).

From the WashTec Group's perspective, as of the balance sheet date, contingent liabilities primarily consisted of contractual performance obligations and potential expenses in connection with repurchasing equipment in the amount of €1,037k (prior year: €1,088k), with the probability that such liabilities would arise estimated at less than 50%.

28. Interest-bearing loans

in €k	2016	2015
Current interest-bearing loans	8,342	5,269
Total interest-bearing loans	**8,342**	**5,269**

The WashTec Group has a credit line for a total of €50.5m. This primarily consists of a revolving credit facility with a term ending December 30, 2018. The principal borrower is WashTec Cleaning Technology GmbH; it has access to a €50.0m credit line consisting of a working capital credit facility in the amount of €44.0m, which can be drawn upon up to an amount of €8.0m in the form of a bilateral line as overdraft or guarantee line, and an additional guarantee line of €6.0m.

As of December 31, 2016, there were drawings on the guarantee line in the amount of €5.6m (prior year: €6.7m) and a short-term loan in the amount of €8.3m (prior year: €5.3m) that, as in the prior year, consisted entirely of overdraft borrowings. The undrawn amount of the credit line available for future operating activities and to meet obligations was €36.6m as of the reporting date (prior year: €39.3m).

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

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

The costs of extended guarantees are based on the interest margin, less a discount of 0.40%, plus a fronting fee in the amount of 0.125%. The overdraft facility carries interest according to the applicable conditions of the relevant banks at the time it is utilized. The interest rates ranged between 0.90% and 2.25% in the reporting year.

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

29. Leases

Finance Lease

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

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

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

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

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

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

Lease payment due	**< 1 year**	**1–5 years**	**> 5 years**	**Total**
in €k				
Minimum lease payment 2015	1,699	2,948	34	4,681
Interest expense for lease liability as of each balance sheet date	145	154	0	299
Present value of minimum lease payment 2015	1,554	2,794	33	4,381

Operating Lease

Obligations under operating leases classified by maturities are as follows as of the reporting date:

Year	< 1 year	1–5 years	> 5 years	Total
2016	10,080	10,311	65	20,456
2015	9,815	12,487	251	22,553

These leases primarily relate to buildings and service vehicles that are replaced with new leases at the end of the term.

30. Liabilities

in €k	2016	2015
Trade payables	11,779	7,542
Prepayments received on orders	7,187	6,798
Taxes and levies	6,196	4,745
Liabilities for social security	1,108	1,178
Other liabilities	40,035	32,545
Total	**66,304**	**52,808**
of which non-current (due >1 year)	*2,476*	*1,346*
of which current (due <1 year)	*63,828*	*51,462*

Liabilities arising from trade payables, taxes and levies and for social security are generally due within 90 days.

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

Other liabilities due within one year include debtor accounts with credit balances in the amount of €867k (prior year: €1,104k), liabilities to employees for benefits such as vacation, overtime work, travel expenses, etc. in the amount of €18,623k (prior year: €15,345k), and accrued liabilities in the amount of €12,001k (prior year: €10,303k) relating mainly to missing invoices for service already rendered and for credit notes to be granted in the Service business.

31. Deferred income

Deferred income in the amount of €10,075k (prior year: €8,997k) primarily related to the recognition of revenue on an accrual basis.

32. Financial risk management objectives and methods

The main risks arising from the Group's financial instruments comprise interest-related cash flow, liquidity, currency and credit risks.

Company policy is to avoid or limit these risks as far as possible. Substantially all hedging is coordinated and undertaken centrally. For example, WashTec regularly identifies all items that are subject to interest and exchange rate risks, assesses the probability of the occurrence of negative developments for the Company and makes any decisions required to avoid or reduce the corresponding interest and/or currency positions. The current and future liquidity situation is controlled in a timely manner using a monthly rolling consolidated liquidity plan on an annual basis. The Group uses derivative financial instruments to hedge against interest risks arising from its business activities and financing sources.

No trading in derivatives is undertaken as a fundamental rule in accordance with internal Group policy.

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

Interest rate risk

Interest rate risk in the WashTec Group is primarily connected with interest-bearing loans. In the prior year, derivative financial instruments were held in the form of interest rate swaps that expired on December 31, 2015. The fair value of the interest rate swaps in the prior year was €0k.

Cash flow hedging

The base interest rate under the loan agreement is variable and tracks 1-month EURIBOR. In the prior year, there were two interest rate swaps, each of which expired as of December 31, 2015, with a nominal volume of €12,267k and €6,133k, respectively, which served to hedge exposure to the variable, EURIBOR-linked interest rates on the loan. The cash flows from the interest rate swaps were expected to be spread over the term of the agreement.

There were no interest rate swaps in the reporting year. An amount totaling €-491k was recognized in profit or loss (in financial result) in the prior year. The measurement of financial instruments for interest rate hedges did not result in any impact on profit or loss in the reporting year (prior year: €482k).

Currency risk

Movements in the USD/EUR and GBP/EUR exchange rate could have a material effect on consolidated net income because a portion of business is conducted by the subsidiary in the United States and the UK. To avoid this currency risk, forward exchange transactions were entered into during the fiscal year with maturity dates as of June 29, 2017 and September 28, 2017. Changes in the fair value of the hedging instrument and the hedged item are recognized in profit or loss.

Net investments in foreign operations

The Group holds non-current loan receivables against its subsidiary, Mark VII. As of December 31, 2016, there was a net investment in the amount of USD 4.0m. The American subsidiary has long-term CAD-denominated loan receivables against the Canadian subsidiary. As of December 31, 2016, this amount remained unchanged at CAD 7.8m. Accordingly, the translation effects of these loans are recognized in other comprehensive income.

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

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

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

2015	**Change in USD exchange rate**	**–5%**	**5%**
	Impact on EBT in €k	–133	133
	Impact on equity in €k	184	–184

Liquidity risk

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

The table below shows all contractually agreed undiscounted payments of principal, repayments and interest on financial liabilities recognized as of December 31, 2016 for future fiscal years.

The table includes all instruments held as of December 31, 2016 for which payments were already agreed. Foreign currency amounts are translated at closing rates. Variable interest payments on the financial instruments, primarily on the loan, are calculated at expected interest rates. Financial liabilities that are repayable at any time are always included in the earliest repayment category.

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

in €k	Carrying amount in 2015	Cash flows 2016	2017–2019	2020 ff.
Interest-bearing loans	5,269	5,269	0	0
Finance lease liabilities	4,381	1,699	2,948	34
Trade payables	7,542	7,542	0	0
Other financial liabilities	17,031	17,031	0	0
Derivative financial liabilities	312	312	0	0

Credit risk

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

There is no material credit risk concentration within the Group. There is presumed to be a concentration of credit risk if a single customer or oil company makes up more than 10% of revenue. There were no instances in which revenue from transactions with a single major customer exceeded 10% of total revenue. There is therefore no enhanced credit risk.

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

Capital management

The Group's capital management activities are primarily directed at maintaining a high credit rating and a good equity ratio in order to support operations and maximize shareholder value. The Group manages its capital structure and makes adjustments in response to changes in economic conditions. The Group monitors capital using appropriate financial ratios such as the net debt to operating earnings ratio, which is the ratio of net financial liabilities to operating earnings as defined in the agreement for the interest-bearing loan. Under internal policy, the net debt to operating earnings ratio thus defined is not allowed to exceed 2.5; in 2016 it was 0.09 (prior year: 0.04). Net financial liabilities comprise interest-bearing loans and finance lease liabilities less cash and cash equivalents. At the end of 2016, net financial liabilities amounted to €4,548k (prior year: €1,869k). In addition, WashTec's equity must be at least 35% of the balance sheet total (taking treasury shares into account) as of the end of each quarter. The equity ratio as defined in the loan agreement was 43.50% (prior year: 45.99%).

All covenants are met as of the balance sheet date.

33. Financial instruments – additional disclosures

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

Carrying amounts, measurement and fair value by category:

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

in €k	IAS 39 category	Carrying amount Dec 31, 2015	Measurement under IAS 39			Measurement under IAS 17	Fair value Dec 31, 2015	IFRS 13 level
			Amortized cost	Fair value through equity	Fair Value through profit or loss			
Assets								
Cash and cash equivalents	LaR	7,781	7,781	–	–	–	7,781	
Trade receivables	LaR	47,771	47,771	–	–	–	47,771	
Other financial assets	LaR	809	809	–	–	–	809	
Liabilities								
Trade payables	FLAC	7,542	7,542	–	–	–	7,542	
Interest-bearing loans	FLAC	5,269	5,269	–	–	–	5,269	
Other financial liabilities	FLAC	17,031	17,031	–	–	–	17,031	
Finance lease liabilities	n.a.	4,381	–	–	–	4,381	4,381	
Derivative financial liabilities	FVthP/L	312	–	–	312	–	312	2
Aggregated presentation by IAS 39 category								
Loans and receivables (LaR)		56,361	56,361	–	–			
Financial liabilities measured at amortized cost (FLAC)		29,842	29,842	–	–			
Fair value through profit/loss (FVthP/L)		312	–	–	312			

Due to their short terms, the fair values of trade receivables, trade payables and cash and cash equivalents as well as other financial liabilities generally match their carrying amounts. The fair value of finance lease liabilities and loans has been determined by discounting the expected future cash flows at current market interest rates.

Foreign exchange forwards are measured at fair value using expected exchange rates quoted on a regulated market. Interest rate swaps were measured in the prior year at fair value using expected interest rates under recognizable yield curves.

The fair value of the financial instruments is classified by maturity as follows:

in €k	Dec 31, 2016	Dec 31, 2015
Current	55	312
Total	**55**	**312**

Net results by measurement category

The following table shows the net gains and losses on financial instruments based on the categories in IAS 39:

in €k	2016	2015
Loans and receivables	578	178
Financial liabilities measured at amortized cost	–1,114	–1,176

The net result in the loans and receivables category is primarily attributable to foreign currency measurement and allowances; the net result in the amortized cost category is primarily attributable to interest expenses and foreign currency measurement.

Miscellaneous information

34. Declaration of Conformity under § 161 AktG

WashTec AG has issued the declaration required under Section 161 AktG for fiscal year 2016 and has made it available to shareholders at www.washtec.de.

The Management Board approved the consolidated financial statements on March 15, 2017 and submitted them directly to the Supervisory Board for review.

The separate financial statements are expected to be adopted and the consolidated financial statements to be approved at the Supervisory Board meeting on March 15, 2017.

35. Auditor's fees

The following fees were incurred in the reporting year for services rendered by the auditor (PricewaterhouseCoopers GmbH, Wirtschaftsprüfungsgesellschaft, Munich):

in €k	2016	2015
Annual accounts auditing	322	315
Total	**322**	**315**

36. Information about the Company's governing bodies

Management board

Name	Profession, place of residence	Management Board portfolio
Dr. Volker Zimmermann	Mechanical engineer, Munich	Supply Chain, Research and Development, Service, Quality, Purchasing
Karoline Kalb	Attorney at law, Augsburg	Human Resources, Compliance, Investor Relations, Special Projects
Rainer Springs	Diplom degree in business administration, Augsburg	Finance and IT
Stephan Weber	Diplom degree in engineering, Werther	Sales, Marketing, Product Management

Supervisory board

Name	Profession, place of residence	Memberships in other statutory supervisory boards	Memberships in comparable domestic and international supervisory bodies of business enterprises
Dr. Günter Blaschke	Businessman, Buchloe	None	None
Ulrich Bellgardt	Business consultant, ubc GmbH, Solothurn, Switzerland	KROMI Logistik AG, Hamburg (Member of the Supervisory Board since September 2, 2016)	None
Jens Große-Allermann	Member of the Management Board of Investmentaktiengesellschaft für langfristige Investoren TGV and Member of the Management Board of Fiducia Treuhand AG, Bonn	■ FPM Deutsche Investmentgesellschaft mit Teilgesellschaftsvermögen, Frankfurt ■ KROMI Logistik AG, Hamburg (Member of the Supervisory Board since December 8, 2016; Chairman of the Supervisory Board since December 20, 2016) ■ Sparta AG, Hamburg, (Member of the Supervisory Board since June 17, 2016)	None
Dr. Sören Hein	Managing Director of Compound Disk Drives GmbH, Starnberg	None	■ Konux, Inc.,Delaware, USA, Member of »Boards of Directors« (since April 8, 2016) ■ NEUE FALKEN Siebzehnte Verwaltungsgesellschaft mbH, Puchheim (by extension Elatec GmbH; Chairman of the Advisory Board since July 5, 2016)
Roland Lacher	Self-employed businessman, Gelnhausen-Meerholz	None	None
Dr. Hans Liebler	Managing Director of Lenbach Capital GmbH, Gräfelfing	Grammer AG, Amberg (Member of the Supervisory Board)	autowerkstattgroup N.V., Amsterdam, Netherlands (Member of the Supervisory Board)

37. Information about related-party transactions

The principles underlying the remuneration system for the Management Board and theSupervisory Board are set out and explained in the Remuneration Report. The Remuneration Report is part of the Combined Management Report, p. 86–89.

Amount of Management Board compensation (HGB)

The members of the Management Board active in each reporting year were remunerated as follows:

Total remuneration granted in fiscal year 2016 to the Management Board (DRS 17) amounted for fiscal year 2016 to €1,559k (prior year: €3,423k). €1,064k (prior year: €1,014k) of this total consisted of non-performance-related components and €494k (prior year: €586k) of performance-related components. The prior-year total remuneration additionally includes components with a long-term incentive effect (share-based payment) in an amount of €1,823k in connection with which the Management Board acquired 22,800 shares by or before December 31, 2015.

Total remuneration in fiscal year 2016 (HGB):

in €k	**2016**	2015
Fixed remuneration	1,011	965
Incidental benefits	54	49
Total (fixed)	**1,064**	**1,014**
Single-year variable remuneration	494	566
Fair value of multiple-year variable remuneration at grant date	0	1,823
Bonus (once-only)	0	20
Total (variable)	**494**	**2,409**
Total remuneration	**1,559**	**3,423**

Management Board shareholdings developed as follows:

Shares held by members of the management board (units)	**2016**	**2015**
Dr. Volker Zimmermann	15,000	12,500
Karoline Kalb	3,300	3,300
Stephan Weber	3,000	3,000
Rainer Springs	4,000	4,000

Management Board and Supervisory Board

In relation to fiscal year 2016, the WashTec Group is affected by the disclosure obligations under IAS 24 solely as they pertain to business transactions with members of the Management Board and Supervisory Board and with former members of the Management Board. The terms and conditions of the transactions correspond to those of arms-length transactions.

The total expense recognized for Management Board remuneration in accordance with IFRS was €2,379k (prior year: €2,365k). €1,064k (prior year: €1,014k) consisted of fixed remuneration. In addition to the provision for single-year variable remuneration in the amount of €494k (prior year: €586k), an amount of €1,584k (prior year: €765k) was recognized in other liabilities for the future disbursement of multiple-year variable remuneration (long-term share-based compensation) for the members of the Management Board active as of December 31, 2016. The expense recognized for multiple-year variable remuneration (long-term share-based compensation) for fiscal years 2015 to 2017 is €820k (prior year: €765k).

The total expense recognized for remuneration of the Supervisory Board in accordance with IFRS was €1,005k (prior year: €1,014k). The expense recognized for fixed remuneration of the Supervisory Board was €310k (prior year: €310k) and that recognized for single-year variable remuneration was €149k (prior year: €205k). Other remuneration, predominantly attendance fees, amounted to a total of €203k (prior year: €160k). In addition, members of the Supervisory Board of WashTec AG received multiple-year variable remuneration (long-term share-based payment) for fiscal years 2015 to 2017 for which total amount of €682k (prior year: €339k) was recognized in other liabilities. The expense recognized in this connection in the fiscal year was €343k (prior year: €339k).

Cash-settled share-based payment

There are contracts in place with all members of the Management Board and Supervisory Board that provide for share-based payment. These are intended to give members of the Management Board additional incentives to secure the business success of the Company in the medium and long term and to seek to deliver sustained growth in shareholder value.

Obligations under share option programs were measured at fair value as for cash-settled share-based payment in accordance with IFRS 2. The fair value was estimated on the basis of a generally accepted valuation model in accordance with IFRS 2.

The obligation is recognized as a non-current liability at the fair value thus determined and taking into account the remaining duration of the program, and changes in fair value are recognized as part of personnel expenses in profit or loss. The obligation is as follows:

In €k	2016	2015
Obligation arising from LTIP	2,267	1,104
Total	**2,267**	**1,104**

The personnel expenses recognized under the Long Term Incentive program (LTIP) are as follows:

In €k	2016	2015
LTIP expenses	1,163	1,104
Total	**1,163**	**1,104**

The Company refrains from publishing information about the remuneration of individual Management Board members. By resolution of the Annual General Meeting of May 11, 2016, the Management Board has been provided with an exemption from the disclosures pursuant to Section 314 (1) no. 6a sentences 5 to 8 HGB for the duration of five years.

Former members of the Management Board

There are pension obligations to a former Management Board member and to surviving dependants of a former Management Board member in the amount of €266k (prior year: €245k), which are covered by a relief fund.

Supervisory Board

Supervisory Board remuneration (HGB)

The remuneration of the Supervisory Board is specified in Section 8.16 of the Articles of Association of WashTec AG. It comprises fixed and variable remuneration components. By resolution of the Annual General Meeting of May 13, 2015, the Supervisory Board remuneration was revised commencing in fiscal year 2016. The basic fixed remuneration for an ordinary member of the Supervisory Board is €35,000 for each full fiscal year of membership of the Supervisory Board. The Deputy Chairman receives fixed remuneration of €70,000 for each full fiscal year, and the Chairman receives €100,000 for each full fiscal year of his membership of the Supervisory Board. In addition, each Supervisory Board member receives an attendance fee of €1,500 for each meeting of the Supervisory Board and its committees that they attend. Every Supervisory Board member also receives €500 for each cent by which consolidated earnings per share (IFRS-basis) exceeds the equivalent amount for the prior fiscal year.

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

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

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

The Company did not pay any remuneration or grant any benefits to members of the Supervisory Board in fiscal year 2016 for services provided individually (Section 5.4.6 of the Code).

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

The total remuneration of the Supervisory Board members in 2016 amounted to €662k (prior year: €1,639k). €310k (prior year: €310k) of this total related to fixed remuneration, €149k (prior year: €205k) to variable remuneration and €203k (prior year: €160k) to attendance fees. The fair value of the LTIP in the granting period was €970k.

Supervisory Board shareholdings developed as follows:

Shares held by members of the supervisory board (units)	**2016**	**2015**
Dr. Günter Blaschke	50,000	50,000
Ulrich Bellgardt	27,500	25,000
Jens Große-Allermann*	0	0
Dr. Sören Hein	5,000	0
Roland Lacher	5,000	0
Dr. Hans Liebler	5,000	0

* Mr. Große-Allermann sits on the management board of the investment company, Investmentaktiengesellschaft für langfristige Investoren TGV, which – according to the notification dated July 31, 2009 – held 758,358 voting shares (5.43%) of WashTec AG.

38. Notes after the balance sheet date

No significant events occurred after the balance sheet date.

Augsburg, March 15, 2017

WashTec AG

Dr. Volker Zimmermann
CEO

Karoline Kalb
Member of the Management Board

Rainer Springs
Member of the Management Board

Stephan Weber
Member of the Management Board

Responsibility Statement

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

Augsburg, March 15, 2017

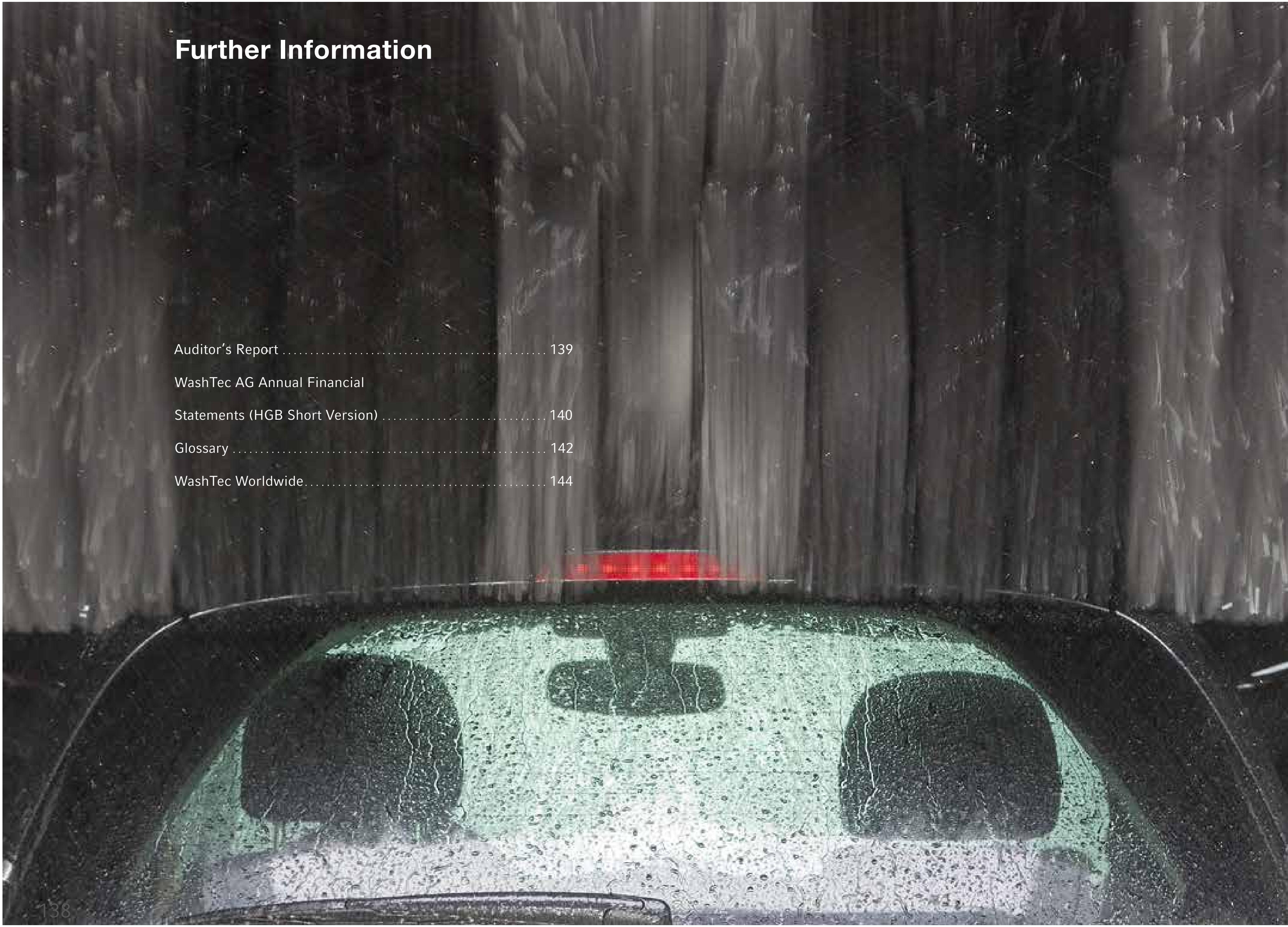
Dr. Volker Zimmermann
CEO

Karoline Kalb
Member of the Management Board

Rainer Springs
Member of the Management Board

Stephan Weber
Member of the Management Board

Further Information



Auditor’s Report

We have audited the consolidated financial statements prepared by the WashTec AG, comprising the consolidated income statement, statement of comprehensive income, consolidated balance sheet, consolidated cash flow statement, statement of changes in consolidated equity and the notes to the consolidated financial statements, together with the group management report of WashTec AG, which is combined with the management report of the company for the business year from January 1 to December 31, 2016. The preparation of the consolidated financial statements and the group management report in accordance with the IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a para. 1 HGB (»Handelsgesetzbuch«: German Commercial Code) is the responsibility of the parent Company’s Management Board. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group (combined) management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the 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 the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company’s Management Board, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit, the consolidated financial statements comply with the IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to § 315a para. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The combined management report is consistent with the consolidated financial statements and complies with the legal requirements and as a whole provides a suitable view of the Group’s position and suitably presents the opportunities and risks of future development.

Munich, March 15, 2017

PricewaterhouseCoopers GmbH

Wirtschaftsprüfungsgesellschaft

Andreas Eigel	per procura Sebastian Stroner
Wirtschaftsprüfer	Wirtschaftsprüfer

Financial Statements of WashTec AG – Balance Sheet (HGB)*

Assets	Dec 31, 2016	Dec 31, 2015
	€	€
A. Non-current assets		
I. Property, plant and equipment		
Fixtures and fittings	81,576	34,003
II. Financial assets		
Shares in associated companies	128,048,510	128,048,510
	128,130,086	**128,082,513**
B. Current assets		
I. Receivables and other assets		
1. Receivables from associated companies	31,907,415	23,369,313
2. Other assets	7,508,582	6,973,033
thereof more than one year € 0 (prior year € 49,810)		
	39,415,997	**30,342,346**
II. Cash	1,004	2,397
	1,004	**2,397**
C. Prepaid expenses	**42,461**	**55,056**
Total assets	**167,589,548**	**158,482,312**

Equity and Liabilities	Dec 31, 2016	Dec 31, 2015
	€	€
A. Equity		
I. Subscribed capital	**40,000,000**	**40,000,000**
Contingent capital	*8,000,000*	*8,000,000*
Treasury shares	–1,701,788	–1,701,788
	38,298,212	**38,298,212**
II. Capital reserve	**90,844,959**	**90,844,959**
III. Retained earnings	**30,538,309**	**22,983,637**
	159,681,479	**152,126,808**
B. Provisions		
1. Provisions for taxes	189,995	56,162
2. Other provisions	6,312,075	4,295,565
	6,494,070	**4,351,726**
C. Liabilities		
1. Trade liabilities	123,409	63,207
2. Liabilities to affiliated companies	25,968	815,379
3. Other liabilities	1,264,623	1,125,192
thereof from taxes € 1,253,227 (prior year € 1,112,203)		
thereof for social security € 10,167 (prior year € 9,648)	**1,414,000**	**2,003,779**
Total equity and liabilities	**167,589,548**	**158,482,312**

* Where first-time application of the Accounting Directive Implementing Act (BilRUG) in fiscal year 2016 resulted in changes in the recognition and measurement of balance sheet items, the prior-year amounts have not been adjusted for the change in recognition, measurement and presentation policies.

Financial Statements of WashTec AG – Income Statement (HGB)**

	Dec 31, 2016	Dec 31, 2015
	€	€
1. Revenue	2,784,963	3,478,163
2. Other operating income	47,343	487,325
thereof from affiliated companies €37,350 (prior year: €46,350)		
thereof from currency translation €198 (prior year: €61)		
	2,832,306	**3,965,489**
3. Cost of materials (cost of sales)		
a) Cost of purchased services	−8,534	0
4. Personell expenses		
a) Wages and salaries	−4,918,396	−4,649,685
b) Social security, pension and other benefit costs	−48,170	−59,456
thereof for old-age pensions €–12,631 (prior year: €–27,922)		
	−4,966,567	**−4,709,141**
5. Amortization, depreciation and impairment of intangible assets and property, plant and equipment	−10,258	−9,665
6. Other operating expenses	−2,511,471	−2,443,957
thereof from currency translation €–22,904 (prior year: €–24,527)		
	−7,496,829	**−7,162,763**
	−4,664,523	**−3,197,275**
7. Income from profit and loss pooling agreements	5,967,912	4,875,848
8. Expenses from profit and loss pooling agreements	0	−161,025
9. Income from participating interests	30,000,000	32,000,000
10. Other interest and similar income	123,060	93,795
thereof from affiliated companies €118,168 (prior year: €86,645)		
thereof from discounting €4,879 (prior year: €7,138)		
11. Interest and similar expenses	−6,073	−6,581
thereof to affiliated companies €–5,407 (prior year: €–6,547)		
	36,084,899	**36,802,036**
12. EBT	31,420,376	33,604,762
13. Income taxes	−1,114,189	−862,787
14. Net income	30,306,187	32,741,975
15. Other taxes	−1,564	0,0
16. Net income for the period	30,304,622	32,741,975
17. Profit carried forward	22,983,637	24,415,905
18. Appropriation of distributable profit	−22,749,951	−22,988,315
19. Deduction of difference on share buy-back	0	−11,185,929
20. Distributable profit	**30,538,309**	**22,983,637**

** Due to the redefinition of revenue, the Accounting Directive Implementing Act led to a change in the composition of the following income statement items: other operating income, cost of materials, cost of purchased services, and other operating expenses. There are no additions to the balance sheet format.

Glossary

AB	Aktiebolag (Swedish company form)
AG	Aktiengesellschaft (German company form)
AktG	Aktiengesetz (German Stock Corporation Act)
BV	Besloten Vennootschap met beperkte aansprakelijkheid (Dutch company form)
Capital employed	Net working capital plus property, plant and equipment plus any increase in goodwill and acquired intangible assets during the incentivization phase
Cash flow	Total inflows and outflows of cash and cash equivalents in a period
Corporate governance	Framework for responsible corporate management and control geared to sustainability
DCGK	German Corporate Governance Code (Deutscher Corporate Governance Kodex)
EBIT	Earnings before interest and taxes
EBIT margin	EBIT/revenue
EBITDA	Earnings before interest, taxes, depreciation and amortization
EBT	Earnings before taxes
EPS	Earnings per share; formula: Consolidated net income/ weighted average shares outstanding
Equity	Funds made available to the entity by owners by paying in and/or by contribution or from retained earnings
Equity ratio as of the reporting date	Equity/total assets
EURIBOR	Euro Interbank Offered Rate; system of reference interest rates in the euro market established under European Economic and Monetary Union
Financial covenants	Requirements to be complied with in connection with a loan
Free cash flow	Free cash flow available for dividend distributions, debt repayment or reinvestment; formula: [cash inflow from operating activities (net cash flow) – cash outflow from investing activities]
GmbH	Gesellschaft mit beschränkter Haftung (German company form)
HGB	Handelsgesetzbuch (German Commercial Code)
HS(S)E	Health, safety, (security), environment
HSE (as performance indicator)	Work accidents/million hours worked
IAS	International Accounting Standards
IASB	International Accounting Standards Board
ICS	Internal control system
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards; Internationally harmonized and applied financial reporting standards compiled by the International Accounting Standards Board (IASB)
IMF	International Monetary Fund
Inc.	Incorporated (American company form)

Linear technology	Patented technology where the brushes accompany the vehicle as it travels through the tunnel, enabling an intensive wash at high throughput
Ltd.	Limited (company form)
LTIP	Long-term incentive program
Managers' transactions	Managers' own transactions; directors' dealings until July 2, 2016 and managers' transactions from July 3, 2016
Net financial debt	Cash and cash equivalents less current and non-current financial liabilities
Net working capital	Current trade receivables + inventories – current trade payables
Pty Ltd.	Proprietary limited (South African company form)
RMS	Risk management system
ROCE	EBIT/capital employed
Roll-over	In a roll-over, the vehicle is washed and dried by a track-mounted gantry that passes back and forth over the standing vehicle in multiple passes
SA	Société Anonyme (French company form)
SAS	Société of par actions simplifiée (French company form)
Self-service car wash	Self-service washing bays, single or multiple bay wash systems where customers clean their vehicles themselves using a high-pressure lance or brush
SP zoo	Spółka z ograniczoną odpowiedzialnością (Polish company form)
Srl	Società a responsabilità limitata (Italian company form)
Sro	Společnost s ručením omezeným (Czech company form)
Tendering	Procedur common in the car wash industry where customers (mostly large oil companies) call for bids from multiple potential system suppliers; the submitted bids then provide the basis for negotiations and the listing of suppliers in framework agreements
Total shareholder return	[(Closing share price – opening share price) + dividend] / opening share price
WashTec	WashTec refers to the WashTec Group unless it is expressly indicated that it refers to a specific company
Wash tunnel	In a wash tunnel, the vehicle is transported by a conveyor through fixed washing and drying modules, making for higher throughput in vehicles per hour than a roll-over
Working capital	Formula: (Trade receivables + inventories + prepayments made) – (trade payables + prepayments received)
WpHG	Wertpapierhandelsgesetz (German Securities Trading Act)

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An up-to-date overview
of our international sales
partners can be found
online at www.washtec.de

Group Level Key Performance Indicators (KPIs)
2012 through 2016

		2016	2015	2014	2013	2012
Revenue	in €m	372.8	340.9	302.6	299.7	301.5
EBITDA	in €m	53.4	46.1	28.6	27.0	29.2
EBIT	in €m	44.1	36.4	18.4	17.1	19.2
EBIT margin	in %	11.8	10.7	6.1	5.7	6.4
EBT	in €m	43.6	35.9	17.7	15.8	16.5
Consolidated net income	in €m	30.6	24.6	12.7	11.2	10.1
Earnings per share[1]	in €	2.29	1.78	0.91	0.80	0.72
Free cash flow	in €m	20.8	26.2	25.1	15.7	19.6
Balance sheet total	in €m	218.1	190.0	185.8	174.2	183.6
Equity	in €m	87.4	80.3	90.9	87.8	84.4
Employees[2]		1,741	1,672	1,676	1,670	1,650

[1] Weighted average number of outstanding shares since Dec 31, 2009: 14.0m, since Dec 31, 2013: 13.9m, as of Dec 31, 2015: 13.8m.

[2] Average for the year

Financial Calendar

Mar 22, 2017	Annual Report 2016 Annual Press Conference Augsburg
Mar 28, 2017	Bankhaus Lampe Konferenz, Baden-Baden
May 3, 2017	Q1 Report 2017
May 3, 2017	Annual General Meeting Augsburg
July 28, 2017	Q2 Report 2017
Sep 19–21, 2017	Baader Bank Investment Konferenz, München
Oct 27, 2017	Q3 Report 2017

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