WashTec AG
Augsburg
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Statement by the Management Board and the Supervisory Board of WashTec AG on the request for an addition to the agenda

Augsburg, April 22, 2021

The Management Board and Supervisory Board of WashTec AG state their position as follows with regard to the request made by shareholder Paradigm Capital Value Fund SICAV for an addition to the agenda of the Annual General Meeting of WashTec AG on May 18, 2021, and with regard to the resolutions proposed in that request, and draw attention to the following points:

The request for an addition to the agenda and the proposed resolutions – namely, firstly, to allocate EUR 50 million of the restricted capital reserves to share capital and, secondly, to reduce the increased share capital immediately back down again, in order then to transfer the free amount of EUR 50 million to the free capital reserves under Section 272 (2) No. 4 of the German Commercial Code (HGB) – have the objective, based on their substance and their express justification, of distributing the amount in future – in whole or part – to shareholders, either as a dividend or by way of a share repurchase. The reason stated by way of justification is WashTec AG's high equity ratio.

It should first be noted in this connection that our focus is on creating added value for our company. Our current capital structure gives us sound standing in dealings with customers, suppliers, employees and banks. In particular, that includes a solid equity and liquidity position. However, this has to be viewed at Group level and not, as stated in the request for an addition to the agenda, at the level of the balance sheet of WashTec AG. There is no overcapitalization.

As of December 31, 2020, the Group's equity ratio was 39.4%. Over the last three fiscal years, the Group's equity ratio averaged 36.8%, and approximately 30% intra-year after dividend payments. The 95.6% equity ratio stated in the request for an addition to the agenda, however, relates to the separate balance sheet of WashTec AG, which is not relevant in this regard. As parent and holding company, WashTec AG is not suitable for the purpose of assessing the financial strength and the adequacy of the capital structure of the Group and of the operating business.

It is true that the proposed capital increase from company funds and subsequent capital reduction would not initially result in any change in the equity base. However, the move suggests to shareholders an impending reduction in equity by way of special dividends or share repurchases, with serious impacts on our business.

Converting the restricted reserves into free reserves, as proposed in the request for an addition to the agenda, would clear the way for a capital reduction by EUR 50.0 million. We would like to draw attention to the fact that such a move would reduce the Group’s equity ratio below 20% and increase the dynamic gearing ratio to over 2, because special dividends and share repurchases can only be financed by borrowing. It is our understanding that the Company would then no longer meet the criteria for an investment grade ranking, and that could have negative consequences in relation to banks, customers, employees and business partners.

An increase in our financial risk would result in a downgrade from investment grade and thus to poorer borrowing terms and the imposition of financial covenants, which we are free of so far because of our sound finances. There could also be a negative operational impact on our company, for example because WashTec would no longer be able to present itself as a sound business partner when bidding for contracts from major international customers. This also applies to long-term service contracts with key accounts.

Equity also serves as a safeguard for difficult times and provides the basis for future investment.

The current capital structure has so far allowed the company to pursue an attractive dividend policy. In the last three years, over 90% of consolidated net income and, on average, an amount greater than the free cash flow has been distributed to shareholders. The company thus has no “excess cash” at its disposal. The latitude provided by the current capital structure is fully sufficient for the attractive dividend policy to continue.

Alongside an attractive dividend policy, we target profitable growth in the interests of the company, its shareholders and the workforce by investing in value-driving innovations. This investment, for example in digitalization, supplements the business model with smart services that make use of data to create significant added value for operators and end customers and increase the efficiency and cost-effectiveness of our technical services. A further focus of our investment policy is to further advance carwash technology by means of robotics. This makes for enhanced carwash with greater personalization. Innovations both on the chemicals side and in water treatment add even more value for customers in terms of sustainability. To continue pursuing and implementing these investments and innovations on a long-term basis, we need adequate equity and liquidity resources.

Our planned revenue growth will also initially involve additional working capital.

The Management Board and the Supervisory Board recommend that shareholders reject the request for an addition to the agenda. In view of the explicit justification stated for the proposed resolution, the adoption of the resolution could on its own have negative impacts on the company.

For the Supervisory Board of WashTec AG

Dr. Günter Blaschke
Chairman of the Supervisory Board

For the Management Board of WashTec AG

Dr. Ralf Koeppe
Chairman of the Management Board