
Digital Transformation
Annual Report 2021
EBIT in €m, multi-year comparison
52.2
51.5
36.3
20.1
45.7
2017
2018
2019
2020
2021
EBIT by regions in €m*
Europe
€40.2m
+111.6%
North America
€4.6m
+475.0%
Asia/Pacific
€1.2m
+300.0%
2021
€45.7m
WashTec

Significant increase in revenue and earnings despite negative influences due to the pandemic and **challenges in the procurement market**

Rounding differences may occur		Jan 1 to Dec 31, 2021	Jan 1 to Dec 31, 2020	Change	
				absolute	in %
Revenue	€m	430.5	378.7	51.8	13.7
EBIT	€m	45.7	20.1	25.6	127.4
EBIT margin	in %	10.6	5.3	5.3	–
Adjusted EBIT*	€m	43.0	25.6	17.4	68.0
Adjusted EBIT margin*	in %	10.0	6.8	3.2	–
EBT	€m	44.8	18.8	26.0	138.3
Net income	€m	31.1	13.3	17.8	133.8
Employees at reporting date	persons	1,782	1.770	12	0.7
Number of shares	units	13,382,324	13,382,324	0	0
Earnings per share	€	2.32	0.99	1.33	133.8
Free cash flow**	€m	34.5	36.9	−2.4	−6.5
Capital expenditure	€m	3.4	0.7	2.7	385.7
Equity ratio	in %	36.9	39.4	−2.5	–
ROCE	in %	25.8	10.5	15.3	–

** Non-recurring item in the amount of €2.7m from US government support program (prior year: €–5.6m from one-off expenses)*
*** Including repayment of lease liabilities*

- Revenue of €430.5m back to pre-crisis level (prior year: €378.7m)
- EBIT more than doubled to €45.7m (prior year: €20.1m); EBIT margin 10.6%
- Free cash flow including repayment of lease liabilities of €34.5m on similar level to prior year, despite business volume-related increase in net working capital (prior year: €36.9m)

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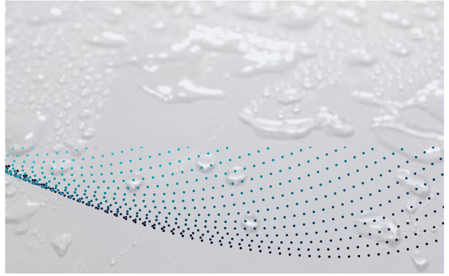
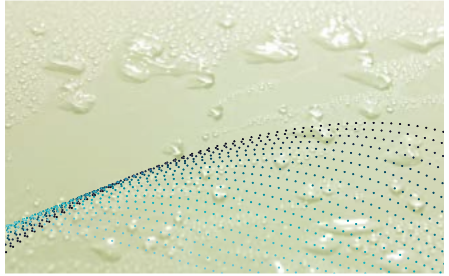
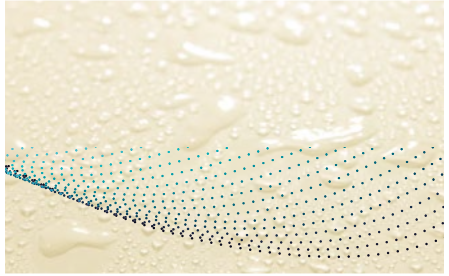


WashTec

Combined Management Report of WashTec AG and the Group



Annual and Consolidated Financial Statements of WashTec AG



Further Information

WashTec

Full service all around sustainable carwash

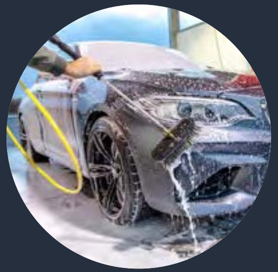
Wash tunnels

Services

Roll over systems

Water reclaim system

Self-service



Wash chemicals

Report of the Management Board

Dear Shareholders, Customers and Employees,

We can look back on a successful fiscal year.

Our Company generated revenue of €430.5m, 13.7% up on the prior year's €378.7m. Earnings before interest and taxes (EBIT) came to €45.7m. This makes for an EBIT margin of 10.6% (prior year €20.1m; EBIT margin 5.3%). The earnings figure includes a non-recurring item, and adjusted EBIT was €43.0m. That corresponds to an EBIT margin of 10.0%.

In Chemicals, despite a weak start to the year, we achieved growth of 9.6%. The Service business also showed a high single-digit percentage increase. This provided solid confirmation of our 7% growth target in Chemicals. We can be proud of this year, because we initially had to overcome a number of challenges:

I will not go into the operational impacts of the pandemic, as our hygiene measures and the vaccination campaign enabled us to regain a more-or-less normal everyday working routine.

Despite that, we made a slow start to fiscal year 2021. The pandemic and the resulting lockdowns had caused too much uncertainty among our customers.

While direct sales customers had already started coming back at a low level in the second half of 2020, key account business in Europe and North America only began growing rapidly again towards the end of the first quarter of 2021. This enabled us to upgrade our guidance in April and July.

The fact that the strong demand recovery would lead to supply shortages across all material categories was already expected from past economic cycles. We were therefore already prepared for this at the end of 2020, when we set up a task force to work with our suppliers and safeguard delivery schedules. This required us to invest considerable resources in procurement, scheduling and development – a huge effort, but one that was necessary and largely successful. Forward planning enabled us to install and commission systems at our customers in Europe and Asia with the usual lead time. However, customers in the USA had to accept extended delivery times.

We also have to address long-lasting supply chain disruption. Our task force will therefore have to continue safeguarding our ability to deliver in 2022.

Because the supply chain shortages led in some cases to drastic price rises, we had to respond with phased price increases of our own. We will see the effects of these at a time lag and not in the same reporting period.

Fiscal year 2021 saw us continue to pursue our strategic initiatives, which we refer to inside WashTec as "Obeyas". As part of these initiatives, we work in international teams that cut across segments and hierarchies on projects that will improve our overall performance on a lasting basis.

In the Chinese market, for example, we adapted our business model to the strong trend there towards key account business, thus laying the basis for future growth.

Regarding North America, we further optimized our service business and adjusted our product range in line with strong demand in the tunnels business. After currency effects, we generated sales there at a similar level to that in 2019 before the COVID crisis. The strong order backlog and earnings in this region confirm our path towards profitable growth in North America.

Our Operational Excellence team has worked on projects to raise profitability. We will continue to drive forward these cost-cutting activities in 2022, among other things to counteract the trend in material prices. Operational excellence is essential for growth and innovation and will always be an integral part of our strategy.

All of these important measures enabled WashTec to complete a successful year in 2021.

We have brought out new products for customers. These include our premium “SmartCare” product and our GreenCarCare chemicals range, which we launched on additional European markets. We have also fine-tuned our product strategy for the USA. Based on the SmartCare platform, for instance, we delivered a first selection of variants for the North American market. These are currently being tested at our US factory and with initial pilot customers. Introducing new processes needed to carry out development in conformity with the American UL Standard means that future products for the US market can be quickly certified.

We have also made great progress in the development of digital services. These smart services are based on our digital platform, myWashtec. We succeeded in both further improving existing services and implementing new ones. Successful digitalizers report to us that the platform represents best practice in machine engineering.

But digitalization, dear shareholders, also requires new business models.

These are being worked on by top-qualified employees at WashTec to identify the future potential of digital. In the journal section of our Annual Report, we showcase a cross-section of our digital offerings, which are closely integrated with our digital machines and sustainable chemicals.

Alongside digitalization, another area of increasing importance for our industry is sustainability.

Our customers want future carwashes to be environment-friendly. With our automated carwash systems, water treatment and GreenCarCare chemicals, we already have the products for this today. We see it as our corporate responsibility to constantly improve these and to develop the market in this direction.

Sustainability is also an integral part of our business processes going forward. This year, we are providing full transparency about our efforts in this regard by publishing our first standalone sustainability report. In it, we set out information about our activities and goals in terms of economic, environmental and social sustainability. We will revise these goals year after year. We consequently deliver on our corporate responsibility for the environment and our workforce and are open for dialog with our various stakeholders.

We work day by day to embed sustainability in our corporate culture. The pandemic has helped advance a number of developments in this regard. Lockdowns and hygiene measures, for example, have required us to show high degrees of flexibility and agility.

Remote working and digital meetings have become routine. By entering into a workplace agreement on mobile working as a complement to interdisciplinary in-person teamwork, we have locked-in this flexibility for the Company and the workforce for future years.

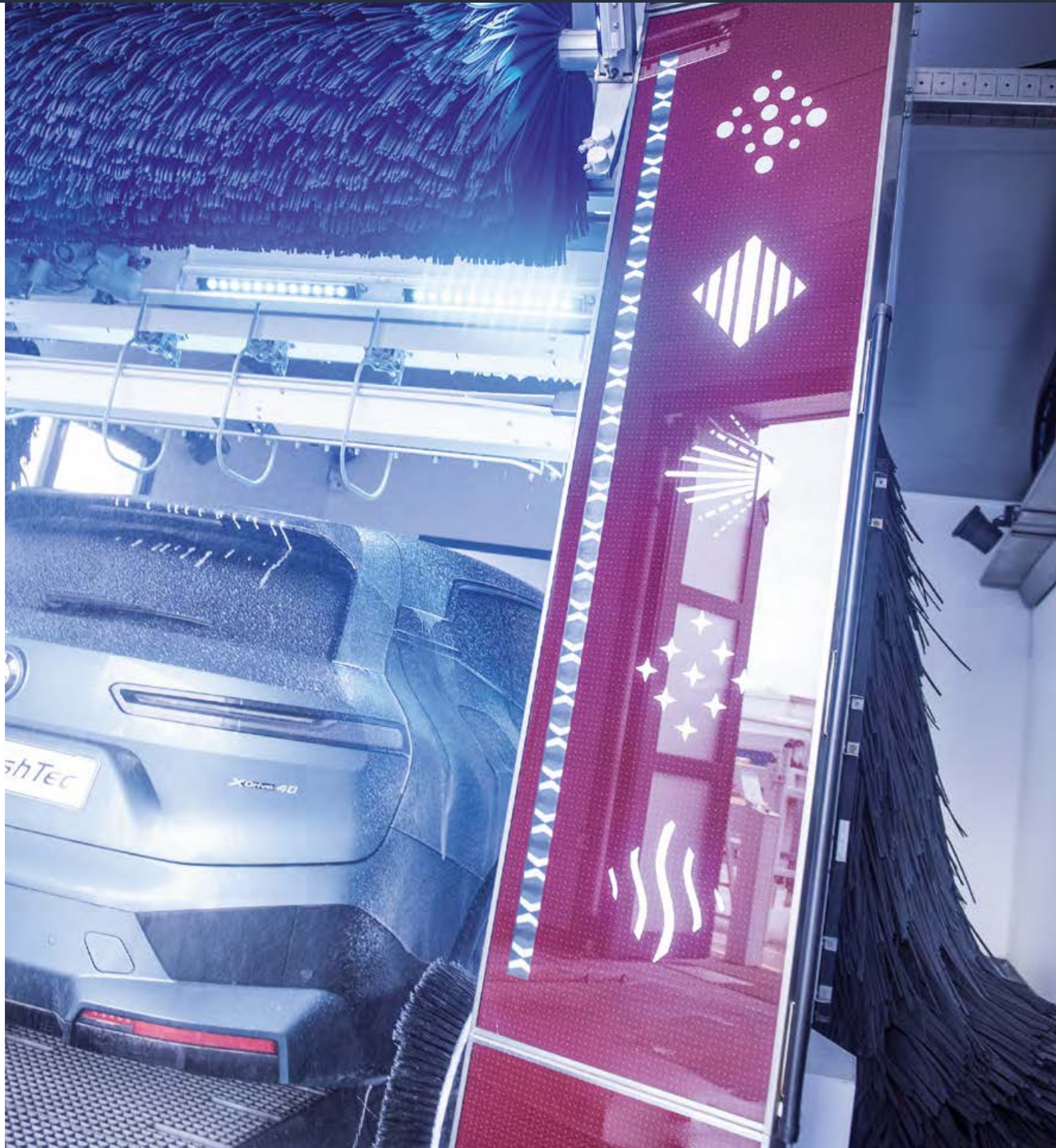
Moreover, WashTec's management firmly believes that teams that are as diverse as possible not only work together more successfully, but also improve our corporate culture. This is why we have established a Diversity Team to promote inclusion and equal opportunities across the Company.

On behalf of the entire Management Board, we would like to thank all employees for their dedicated hard work. We have surmounted these challenging times together, and I am certain that this has made us even closer as a team.

We have made very good use of the time during the pandemic to streamline and optimize our organization and processes. We have new products ready for launch and our Company is more agile and more digital than ever before. WashTec is in the course of a transformation which would not be possible without the trust and confidence granted to us by you, our shareholders. We will reap the benefits of that transformation in the years ahead.

Ralf Koeppe

Dr. Ralf Koeppe
Chief Executive Officer



Members of the Management Board

Dr. Ralf Koeppe (*1965)

CEO & CTO/Chairmann of the Management Board

Portfolio: Corporate Culture, Communication and Philosophy, HR, R&D, Production, Quality, Service Support, Sustainability

Ralf Koeppe holds a degree in mechanical engineering and obtained his doctorate at ETH Zurich. After holding various positions in the KUKA Group until 2014, he was most recently Vice President Engineering & Manufacturing and CTO of the Automation & Electrification business unit at Bosch Rexroth AG. Dr. Ralf Koeppe has been Member of the Management Board of WashTec AG since July 2019.

Dr. Kerstin Reden (*1969)

CFO/Member of the Management Board

Portfolio: Finance/Controlling, IT, Procurement, Investor Relations, WTFS, Legal, Risk Management/Compliance/Audit, Insurance

Kerstin Reden holds a doctorate in economics from the University of Trier and has passed her exams as auditor and tax consultant. After holding various positions at Deloitte & Touche, Schott AG and the Smartrac-Group, she became member of the Board of Smartrac-Group responsible for Finance, Human Resources and IT. Since August 2020, Mrs. Reden is a member of the Board of Management of WashTec AG.

Stephan Weber (*1963)

CSO/Member of the Management Board

Portfolio: Sales and Service worldwide, KAM/CWM, Marketing, Business Units/Product Management

Stephan Weber has a degree in engineering, majoring in wood engineering. After holding various 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.

Report of the Supervisory Board

Dr. Günter Blaschke
Chairman of the Supervisory Board

Ladies and Gentlemen,

Resilient business model:

During the coronavirus crisis, as during the 2008/2009 financial crisis, WashTec once again impressively demonstrated the ability to adapt with its business model very quickly, flexibly and successfully to a changing environment. The healthy mix of machine products, chemical consumables and technical customer service also helps significantly in cushioning negative impacts in times of crisis.

Using the crisis as an opportunity:

In addition, WashTec has increasingly made use of the crisis period for creative strategic and operational developments in areas such as digital transformation, innovation, sustainability/ESG and preventive maintenance. This makes the crisis a new opportunity for the future.

Attractive growth and earnings investment:

The shared goal of the Management Board and Supervisory Board is to ensure that WashTec continues to be a sustainably positioned growth and earnings investment with an attractive dividend policy.

Work of the Supervisory Board

During the reporting year, the Supervisory Board adhered diligently and conscientiously to the responsibilities imposed on it by law, the Company's Articles of Association and the Board's own internal rules of procedure. The Supervisory Board was directly involved in all decisions of fundamental significance to the Company. It regularly obtained updates on the condition of the Group throughout fiscal year 2021.

During fiscal year 2021, the Supervisory Board oversaw the work of the Management Board regularly reviewed the situation of the Group

The Supervisory Board also supervised the managerial activities of the Management Board of WashTec AG. This work was 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. Any departure of the actual business development from plans and targets was explained to the Supervisory Board in detail and examined by the Supervisory Board based on the documents presented. 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.

The Supervisory Board voted on all reports and draft resolutions submitted by the Management Board wherever 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 maintained constant contact with the Management Board and consulted between Supervisory Board meetings in numerous one-on-one discussions with the Management Board on the Company's strategy, planning, business development, risk situation, risk management and compliance. The remaining Supervisory Board members also exchanged information with the Management Board outside of meetings. All members of the Supervisory Board reported in detail to the remaining members on their one-on-one consultations with the Management Board. In fiscal year 2021, the plenary Supervisory Board held a total of eight meetings, two of which were extraordinary meetings conducted as teleconferences or video conferences. A large number of the meetings of the Supervisory Board and its committees were once again held as telephone or video conferences in the reporting year due to the situation under the ongoing COVID-19 pandemic.

At least one meeting was held each quarter. In addition, 13 committee meetings were held, and various resolutions were adopted outside of meetings by circulation. Attendance at the meetings of the Supervisory Board and its committees was 100%. In plenary meetings, the committee chairpersons regularly informed the Supervisory Board about the work of the committees. A separate report on the work of the committees is provided below. All members of the Supervisory Board and the Management Board additionally convened for a two-day strategy workshop. The Supervisory Board also regularly met without the Management Board.

Focal points in 2021:

- *Performance Program and Operational Excellence*
- *Sales and marketing strategy*
- *Digitalization*
- *Monitoring of ongoing projects*

Alongside Management Board and Supervisory Board matters, topics of regular Supervisory Board consultations included market trends, the competitive situation, product development, the development of revenue, earnings and human resources, finances, capital allocation, the main Group companies, the risk management system and the strategic orientation and development of the WashTec Group. The Management Board reported regularly and comprehensively to the Supervisory Board about corporate planning, the course of business, strategic development 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 such approval. The current business situation and the Company's financial performance, financial position and cash flows were discussed in relation to budgeted figures at all meetings.

Other individual topics addressed in meetings were as follows:

- Discussion, audit and adoption of the annual and consolidated financial statements, the combined management report and the non-financial statement of WashTec AG for fiscal year 2020 (first quarter)
- Use of net profit (first quarter)
- Resolution on the agenda for the Annual General Meeting (first quarter)
- Strategy workshop (second quarter)
- Consultation on interim reports (second, third and fourth quarters)
- Supervisory Board matters (ongoing)
- Management Board matters (ongoing)
- Management Board and Supervisory Board remuneration
- Changes on the Management Board (first quarter)
- Declaration of Conformity (first and fourth quarter) and regular compliance update
- Sales and marketing strategies and projects; global service
- Sustainability/ESG
- Performance Program
- Operational Excellence

- WashTec Obeya Initiative
- Status, strategy and processes in North America, China and Eastern Europe
- Product development, processes and projects, in particular with regard to SmartCare
- Digital transformation
- Annual planning for 2022 and medium-term planning

Key topics at the March 23, 2022 meeting for adoption of the financial statements, which was held as a hybrid event, comprised discussion of the annual financial statements of WashTec AG and of the consolidated financial statements for fiscal year 2021 together with adoption and approval of the annual and consolidated financial statements, and of the combined management report. The Supervisory Board also reviewed and approved the non-financial statement and the diversity policy. It also addressed the Remuneration Report for fiscal year 2021.

Report on the work of the committees

In the reporting year, there were five committees (Audit, Personnel, Nomination, Innovation and Sales Strategy Committee) whose primary purpose was 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 shown on page 89. A brief overview of the work of the committees in the reporting year is provided in the following.

The Audit Committee convened five times in the fiscal year under review. Three meetings were held with the auditor present. The Committee primarily consulted on the annual financial statements of WashTec AG and the consolidated financial statements along with the combined management report, the non-financial statement, supervision of the financial reporting process and the effectiveness of the internal control system, risk management system, the work of Internal Audit and capital allocation.

Without exception, the Audit Committee discussed the Group's quarterly reports and half-year financial report in detail prior to publication. It also defined the focal points of the audit for the reporting year, issued the audit engagement to the auditor, addressed new accounting and reporting requirements (EU taxonomy) and consulted on compliance matters.

The Personnel Committee met three times during the reporting year and resolved various matters by teleconference, video conference and email. Its meetings focused on implementation of the new requirements concerning Management Board and Supervisory Board remuneration and on short- and long-term variable remuneration for the Management Board.

There was no meeting of the Nomination Committee during the reporting year.

The Innovation Committee convened three times in the fiscal year under review. Its focus was primarily on organization, processes, strategic development projects, digitalization and product sustainability.

The Sales committee met three times during the reporting year. The main focus was on sales and marketing activities, development in a number of core markets and with the outlook for sales and marketing activities and targets for those activities in the second half of 2021.

Good collaborative working relationships were assured at all times.

Conflicts of interest

In accordance with Recommendation E.1 of the German Corporate Governance Code 2020, each member of the Supervisory Board must disclose any conflicts of interest to the Chairman of the Supervisory Board without delay. No such conflicts of interest were disclosed in the reporting period.

Corporate governance

The Management Board and the Supervisory Board regard corporate governance as an ongoing process and regularly address compliance with the stipulations of the German Corporate Governance Code. They have jointly reviewed corporate governance. On December 16, 2021, the Management Board and Supervisory Board submitted an updated Declaration of Conformity, which is reprinted on page 95. The Audit Committee also consulted in-depth on the compliance organization and corporate audits. Compliance updates are a regular topic of Audit Committee meetings.

The Company subscribed to a specialist periodical on initial and further training on behalf of the Supervisory Board in the 2021 reporting year. Supervisory Board members also took part in various further training events.

Remuneration system for the Management Board

In its meeting of March 24, 2021, the entire Supervisory Board updated and adopted the Management Board remuneration system. The remuneration system for the Management Board was approved by the 2021 Annual General Meeting.

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 sustained growth of the Company.

All remuneration components are structured in such a way that they are appropriate, both individually and in the aggregate, and do not encourage the taking of unreasonable risks. The remuneration of Management Board and Supervisory Board members is described in greater detail in the Remuneration Report, which is available on the Company's website.

Audit of the 2021 annual and consolidated financial statements

In accordance with the resolution of the Annual General Meeting on May 18, 2021, the Audit Committee engaged PricewaterhouseCoopers GmbH, Munich, to audit the annual financial statements of WashTec AG and the consolidated financial statements and combined management report of WashTec AG and the Group.

The auditor audited the annual financial statements for fiscal year 2021 prepared in accordance with the German Commercial Code (HGB), the consolidated financial statements prepared in accordance with the International Financial Reporting Standards (IFRS) applicable in the EU and the combined management report of WashTec AG and the Group, and issued an unqualified audit opinion in each case. In the process, the auditor addressed in depth the focal points of the audit specified for the reporting period in the audit engagement.

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

The Audit Committee verified and monitored the independence and qualification of the auditor and addressed audit quality both before and during the course of the audit.

In particular, the auditor verified and confirmed that the Management Board has established an appropriate monitoring system in accordance with Section 91 (2) of the German Stock Corporation Act (AktG) that is capable of identifying, at an early stage, any developments that might affect the Company's ability to continue as a going concern.

The Supervisory Board examined in detail the annual financial statements, the consolidated financial statements, the combined management report, the non-financial statement of WashTec AG and the Group and the Management Board's proposal on the appropriation of distributable profit. The auditor's audit reports were made available to all members of the Supervisory Board in good time and were discussed in detail both by the Audit Committee at its meeting on March 10, 2022 and at the Supervisory Board meeting for adoption of the financial statements on March 23, 2022. Both meetings were attended by the auditor. All questions posed by members of the Supervisory Board were answered in detail. During preparation and performance of the audit, the Supervisory Board regularly exchanged information with the auditor without the involvement of the Executive Board.

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 and the consolidated financial statements prepared by the Management Board. 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 the entire workforce, who in 2021 impressively demonstrated their ability to master even one of the biggest global crises in an exemplary and successful manner. For this we owe everyone our special respect and appreciation.

Augsburg, March 2022

On behalf of the Supervisory Board

Dr. Günter Blaschke
Chairman of the Supervisory Board

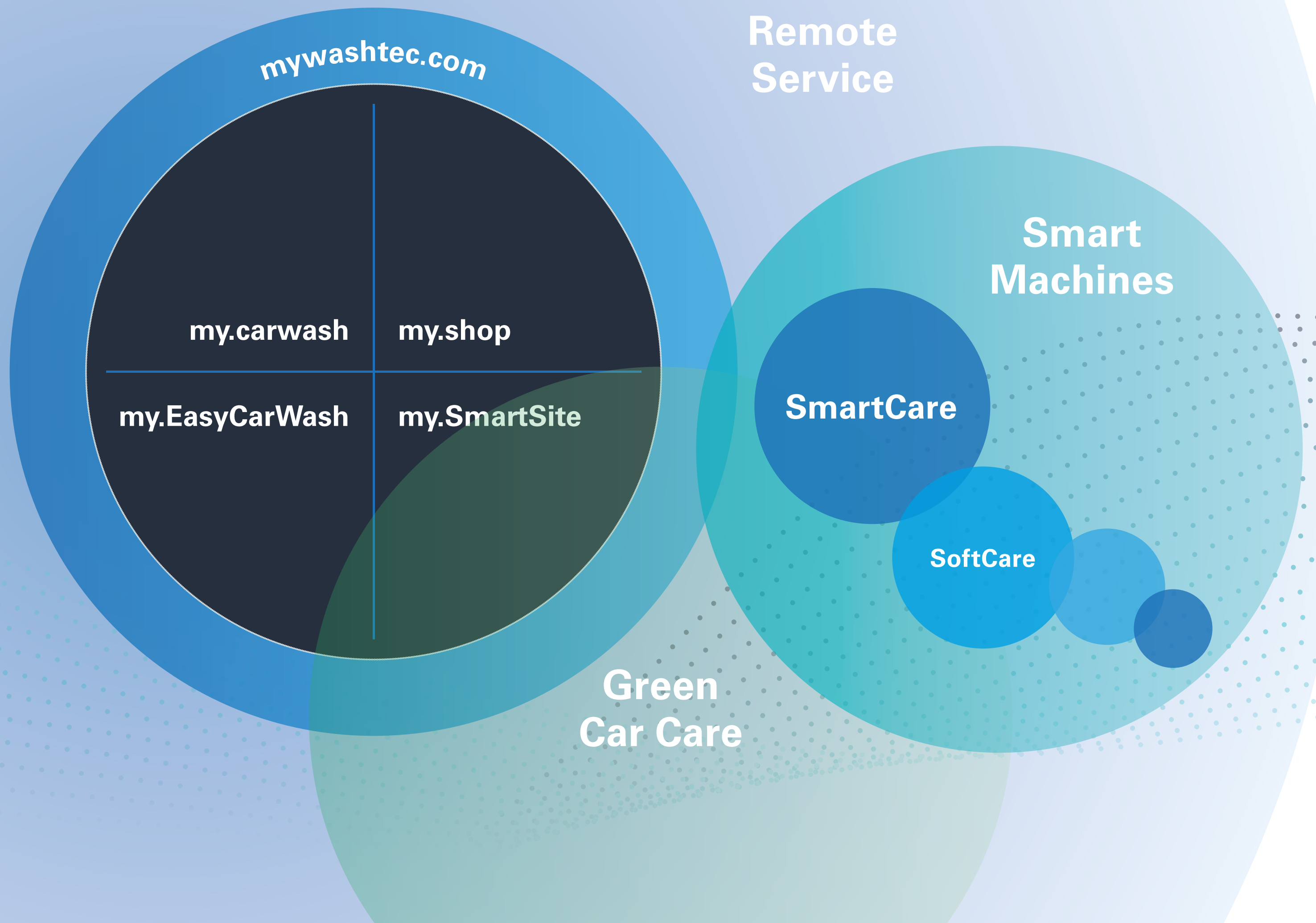
Digital transformation with smart services and smart technology

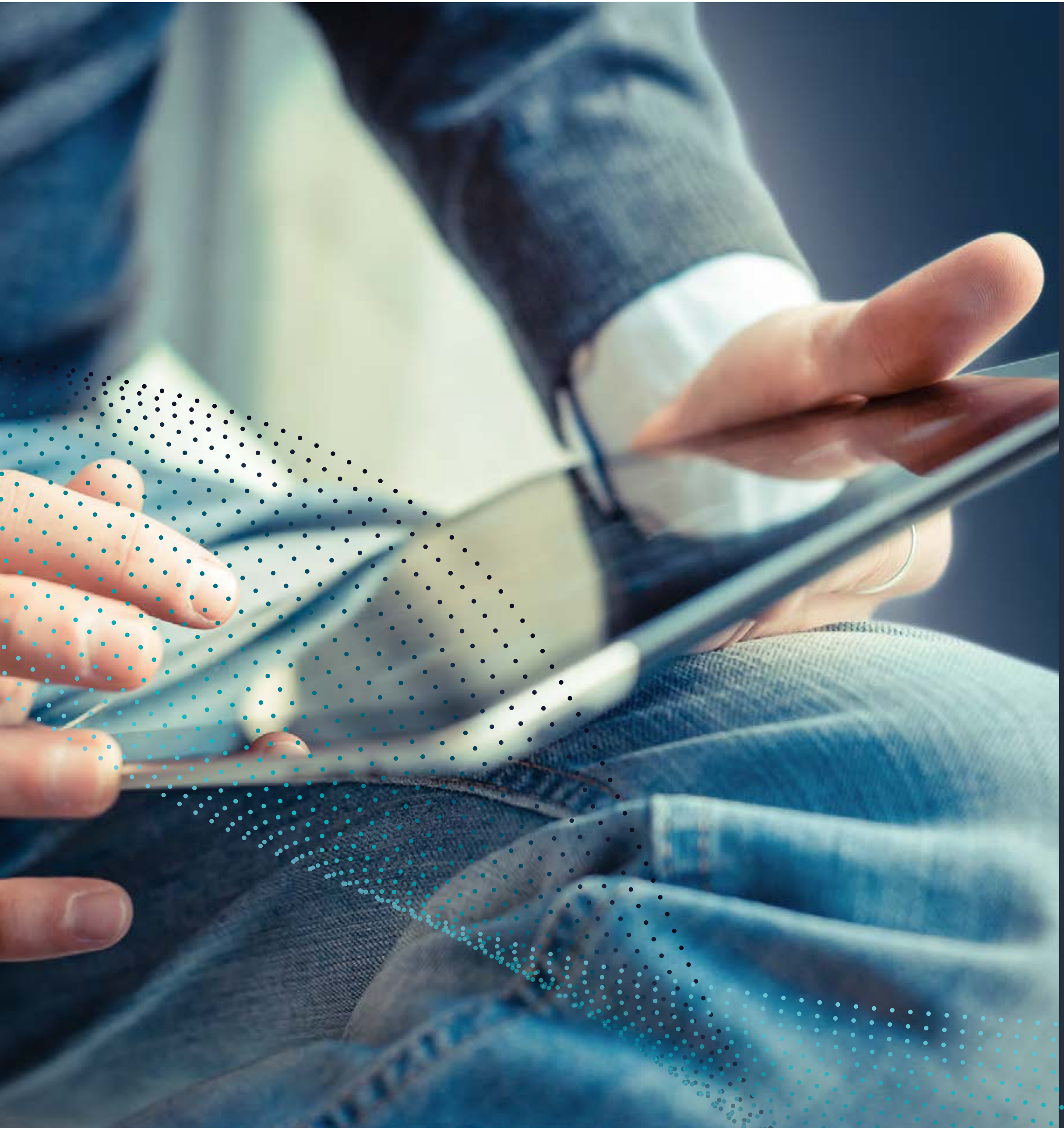
WashTec has digitalized its established business model – machines, chemicals, water recovery and service – and extended it with smart services. Cloud-based software solutions help station operators provide fast, flexible and convenient service with added value for their customers.

Smart technology optimizes car wash operation and allows operators to precisely meet customer needs.

Remote service enhances system availability and makes operating car washes even more profitable.

Our Green Car Care car wash chemicals are a totally innovative product range that is sustainable along the entire value chain, from raw material selection and production to application and waste disposal.





mywashtec.com

The digital gateway to car wash operation

More and more, car wash is going digital: Operators order simply and easily in an online store and control their car washes remotely online, while end customers book and pay for washes using their smartphone.

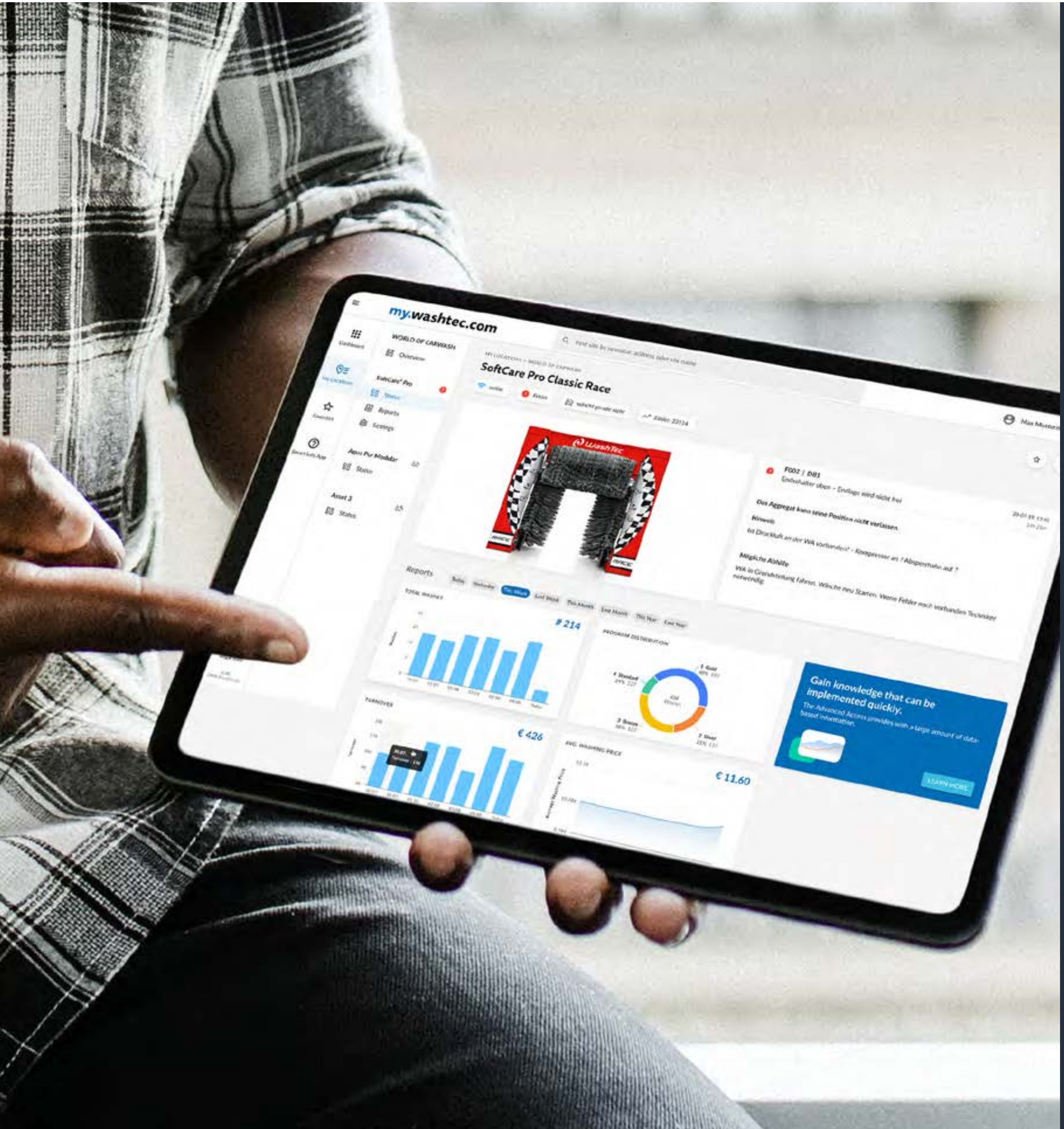
The WashTec package of seamless digital solution modules allows operators to benefit from these innovations and to manage and grow their business – anywhere, anytime.

mywashtec.com

The digital nerve center of car wash

One platform, endless benefits:

- Maximum uptime
- Smart purchasing
- Easy access to marketing services
- Quick support
- Connect quickly to new value added services
- Create new special customer offers
- Attract new clients
- All functionalities at a click



Market need:

Car wash operating data and analyses at your fingertips at any time

Operators need remote access to their car wash systems. They can then constantly monitor system performance, receive alerts in the event of a fault, and have digital access to a wide range of additional information without having to be physically on site.

WashTec solution:

my.carwash

The my.carwash user interface shows operators the current status of their car washes and automatically provides them with smart, data-driven reports on system operating status and profitability.

my.carwash shows at a glance:

- How many washes have been completed on a system in a specified period
- What wash programs were selected, including numerical distribution
- Average revenue

Precise troubleshooting instructions are shown in the event of a fault. For more serious malfunctions, help is at hand from the helpdesk. Using my.carwash, service technicians can check out the problem and where possible order spare parts right away.

"A true quantum leap in digital transparency."

Georg Wimmer, Senior Vice President Global Product Management

Market need:

End customer app for safe and contact-free carwash

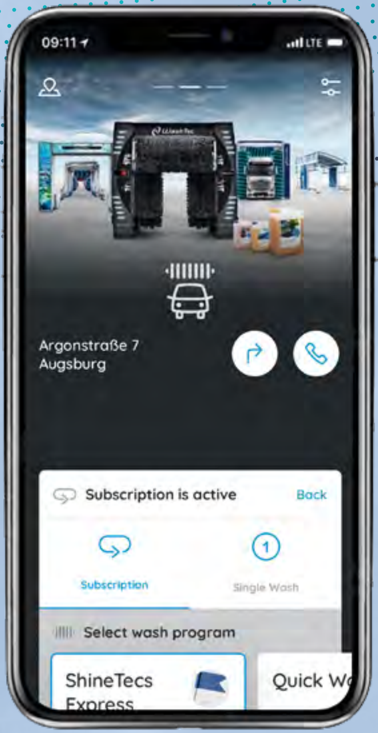
Car wash customers today want to book and pay for washes quickly and easily using an app. Free choice of wash program, contact-free service and a wide range of payment options are expected as a matter of course. The app also has to be intuitive to use.

WashTec solution:

my.EasyCarWash

The free EasyCarWash app lets customers choose from a wide selection of wash programs. Customers can book single washes or an unlimited plan. With an unlimited plan, they pay once and can use the car wash as frequently as they want. The plan can be canceled monthly. Customers also pay in the app. Drive-through systems let customers remain seated in their car during the car wash. The app is available for iOS and Android.

- Multiple payment methods
- Higher sales, higher profit
- Car wash business independent of weather
- Higher washing frequency
- Loyal customers through increased convenience
- Strong marketing support
- Greater customer loyalty
- Differentiation from the competition
- Safe, contact-free carwash



"Selling car wash subscriptions is a good idea because you still have a steady revenue stream on days when the car wash is not used."

Marc Andreasen, Lips Autoteknik, Denmark

Market need:

Ability to order chemicals and spare parts quickly and conveniently at any time

Spare parts, add-on products and car wash chemicals must be available to operators in an online store and easy to order 24/7. As well as on manufacturing quality, system availability depends on fast and reliable supply service.

WashTec solution:

my.shop

New functionality exclusive to registered WashTec and AUWA online store customers makes it easier for operators to reorder spare parts and chemicals. They can quickly and easily find and reorder AUWA products from past order lists in the online store.

my.shop offers great benefits:

- 24/7 availability
- Easy and fast ordering
- Express shipping available
- Free customer hotline
- Personal product recommendations
- Easy order tracking
- Saved shopping carts and past order lists for quick ordering

"This makes reordering chemicals really quick and easy."

Thomas Scherer, THS Waschen, Bonn

The quickest way to reorder chemicals:

Simply scan this QR code and log in with your personal account data.

Market need:

Car wash monitoring and control – anywhere, anytime

Car wash operators expect simple and intuitive monitoring and control for their self-service and gantry car washes, and the convenience of a remote app for worldwide access to their equipment. Key benefits include automatic event reports, consumption and utilization data analyses and monthly financial performance summaries by email.

WashTec solution:

SmartSite

SmartSite is a simple, practical and user-friendly platform for smart monitoring and control of car wash sites.

Simple remote monitoring and control of car wash facilities by smartphone or tablet lead to improved convenience and higher profit.

- Smooth operation of wash bays
- Safety in tech room
- Saving energy with washing water
- Optimum lighting in outdoor areas
- Opening times at a glance
- Smooth operation of self-service car washes
- Full overview of sales and energy use
- Outdoor heating for optimal operation

"I have several sites and SmartSite gives me the ability to monitor and remotely control my car wash lots from anywhere."

Bruno Besold, Auto Wasch Park Fürth

Market need:

Smart remote fault management for maximum uptime

For car wash operators, quick assistance in the event of a fault is vital. Continuous operation makes for maximum carwash utilization and productivity.

Remote diagnostics with digital support restores problem-free operation as quickly as possible. Fast fault rectification is a key driver of operator and end customer satisfaction.

WashTec solution:

Remote service

WashTec breaks new ground in remote diagnostics with its RemoteSupport+ service. Smart networking of telephone support and digital diagnostic programmes allows service measures to be significantly speeded up or even avoided.

Key benefits

- Time savings from rapid restoration of system operability
- Expensive and lengthy technician call-outs avoided
- Classification and prioritization by impact and urgency
- Analysis and diagnostics, immediate fault analysis and initiation of necessary steps for rectification
- Direct access to entire WashTec expertise (car wash and chemicals)
- Rectification and service restoration
- Service technician calls faster and optimised

"If a customer system has a problem, our Remote Support+ quickly gets it back in service."

Holger Ritzenofen, Senior Vice President Global Service

Smart technology for problem-free carwash operation

- **Maximum availability**
  RemoteAccess, RemoteMonitoring, RemoteDiagnosis, RemoteAssist and RemoteControl eliminate the need for a service technician and avoid downtimes

- **Maximum flexibility and freedom**
  Easy wash programme configuration, control and adjustment – perfectly customisable to car wash business at all times.

- **Remote control**
  Convenient and individual control of all settings online with RemoteControl – whether pricing, special offers or the creation of washing programmes

- **Intelligent and efficient control**
  for maximum washing quality, speed and sales

"The new SmartCare gantry car wash gives us more freedom, as it lets us control many settings from home. Our customers are delighted with the wash performance and come back again and again."

Tina Prandi, Wilde Taube BFT filling station, Germany

Market need:

Carwash with economical use of water and wash chemicals

Environment-friendly operation is a basic requirement for users today. Carwash operators also look for a compelling system design that minimizes resource use. Depending on the location, environmental criteria and economic considerations go together – for example regarding the cost of water. In many regions of the world, running a carwash is additionally subject to a strict catalog of legal requirements.

WashTec solution:

Sustainable Carwash

WashTec pursues a clear sustainability strategy. We have adopted a comprehensive sustainability program for our production sites, among other things to minimize our carbon footprint.

For our customers, environment-friendly carwash equipment and operation helps reduce their own environmental impact.

WashTec provides sustainability by:

- Optimized settings of the carwashes to individual conditions on site by our service
- Green Car Care: our product line of 75 cleaning and care products whose formulas contain 100% biogenic detergents and avoid the use of fossil inputs on the same scale
- Water recovery systems that recirculate wash water and reduce mains water consumption – according to system, wash program, wash volume and vehicle type – by up to 90%
- In selected markets, take-back of used equipment for maximum possible recycling of the materials used in carwashes.

"We provide customers with several ways of using carwash chemicals economically. AUWA Green Care is just one of them."

Dr. Albrecht Hoene, Senior Vice President R&D

Separate combined non-financial report

WashTec takes every opportunity in its business activities to create economic value while having due regard to environmental and social values. By systematically weighing and acting on opportunities, we secure our corporate future as part of the wider economy. With our durable capital goods, we also help our business partners implement their own sustainable business models.

In the development of our products, we exploit every potential for economical use of resources. This contributes towards safeguarding an intact environment for future generations. To drive our activities forward in this regard, the Management Board and Supervisory Board of WashTec AG developed the company's first sustainability strategy in fiscal year 2021. We have also set out our ambition in our newly formulated sustainability program. This will be set out in our extended Sustainability Report for fiscal year 2021, which we publish for the first time in standalone form. This will be publicly accessible on our homepage.

We based our preparation of the "separate combined non-financial report" on the Global Reporting Initiative Sustainability Reporting Standards (GRI Standards, 2016 version) and describe our policies in accordance with the requirements of GRI 103: "Management Approach".

Besides financial aspects, additional disclosures must also be provided on certain non-financial aspects to the extent that they are material within the meaning of Section 289c (3) of the German Commercial Code (HGB). The non-financial aspects on which information must be provided comprise environmental, employee and social matters, respect of human rights, and anti-corruption and bribery. We set out in the report whether each aspect is material to the company and the general public. The new reporting obligations under Article 8 of the Taxonomy Regulation can be found under "7. Disclosures on Article 8 of the EU Taxonomy Regulation".

For a detailed report on our risk management and a description of prevailing risks with the potential to have a material impact on the onward development of the WashTec Group, please see the combined management report in Section 4, "Outlook, opportunities and risk report", starting on page 72. No material risks from our business activities, business relationships, products and services have been identified for which it is highly probable that they have, or will have, severe adverse impacts on the above-mentioned aspects.

The content of the "separate combined non-financial report" is reviewed by the Supervisory Board.

1. Description of the business model and diversity policy

For a description of the business model, please see the combined management report under "General Information about the Group", section 1.1, "Business Model", beginning on page 46.

For a description of the diversity policy, please see the combined management report under "Corporate Governance Declaration", section 8.1, on page 89.

2. Foundations for ethical and sustainable business practices

In its Code of Ethics first published in 2005, WashTec has set out clear guidelines for doing business in compliance with the law and with high ethical standards. The Code includes key directives on how employees are expected to interact both with each other and with customers, suppliers, consultants and authorities. All WashTec Group managers and employees in sensitive areas such as Sales, Procurement, Human Resources and Finance receive regular training which is concluded with a test and certification.

Among other things, the WashTec Code of Ethics also sets out rules for **anti-corruption and bribery**. WashTec expects employees and business partners worldwide to comply with all legal requirements. The Code of Conduct for Suppliers additionally introduced in 2017 requires business partners to comply with high ethical standards, including clear requirements for **respect of human rights**. As a machinery and mechanical engineering company, we are subject to numerous international rules and regulations, all of which contribute to transparent and responsible supply chains. Most suppliers are located in Europe and America. WashTec thus largely operates with its production and supply chain in countries that maintain high standards of respect for human rights.

With their legally binding signature on the WashTec Code of Conduct for Suppliers, WashTec obtains the commitment of all material business partners to comply with the principles and rules it contains. Any divergence from the rules on responsibility and integrity in corporate governance is identified in audits – such as supplier audits – that are an integral part our business activities. In further support of the compliance system, a whistleblower system introduced in 2016 enables employees and others to raise concerns – anonymously if they prefer – and to flag up 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.

We consider the established processes to be appropriate and viable for the identification and elimination of questionable ethical and human rights matters.

3. Environmental matters

In our “separate combined non-financial report 2020”, we assessed environmental matters as material. This assessment remains valid for the present report.

The requirement of environmental compatibility in our activities is based on awareness of our social responsibility and the aim of making our business sustainable. We are also subject to statutory requirements regarding our environmentally relevant activities. These include EU requirements, national stipulations such as energy audits in accordance with FR EN 16247-1 and obligations listed in our own legal register.

A cross-functional environmental and energy team is responsible at WashTec for continuously analyzing environmental and energy-related issues during the year and for inferring and implementing measures to enhance sustainability. The human, financial and capital resources required in each case are specified and allocated as part of budget planning. On a higher level, country organization and cluster management teams are informed at regular meetings about our environment-related projects and their outcomes. Decision-making on environmental measures lies with the full Management Board.

Objective/policy

30% reduction in carbon emissions by 2025

WashTec has set itself the target of a 30% reduction in carbon emissions across all global production sites by 2025 relative to the 2019 base year. With the current figure of 7,257.6 t CO_2e, we have corrected our emissions data relative to the figures stated in the 2020 Annual Report. The figure now published additionally includes emissions data for all leased vehicles and thus covers all Scope 1 and Scope 2 emissions in accordance with the Greenhouse Gas Protocol (GHG). We have restated the figures for 2019 (the base year) and 2020 accordingly. For the period 2019 to 2021, we are able to report a reduction of our carbon emissions by 1,267.8 t CO_2e. This represents a 14.9% decrease.

Measures

We are implementing an array of measures in fleet management to reduce our carbon footprint as part of our Environment and Energy Roadmap 2025. Side by side with a new car policy from the first quarter of 2022 featuring an incentive system for fully electric vehicles, we have launched a project to establish the necessary charging infrastructure for electric cars and forklifts. Fleet electrification will be a major focus going forward. Diesel forklifts were already phased out in 2021.

Cars, vans and forklifts are only part of the company's mobility, and WashTec developed and begun implementing a mobility policy covering all business mobility for the Augsburg site in 2021. This includes national and international business travel, on-site transportation and employee commuting. The recommendations and measures in the mobility concept show the potential for improvement in the carbon footprint.

Implementation of the "zero-emission strategy" that follows from the operational mobility management policy has already begun and will make the vehicle fleet in Germany 100% carbon-neutral by 2030. Across Europe, the WashTec Group vehicle fleet is to consist of over 80% alternative propulsion vehicles by 2030.

Our production plants in Germany have been supplied exclusively with certified green electricity since the beginning of 2021.

We also plan to optimize our heating systems in Germany to help reducing the company's carbon footprint.

With a view to the fact that any continuous improvement process depends on data transparency, WashTec introduced energy data software in 2021. This will steadily grow in terms of metering and data points and provide the basis for further optimization measures and subsequent reviews. Once we have a complete full-year dataset across all metering and data points for 2022, we will be able to infer initial findings with regard to potential optimization measures.

We work continuously to increase awareness among employees and motivate them to take part in projects to reduce our carbon emissions.

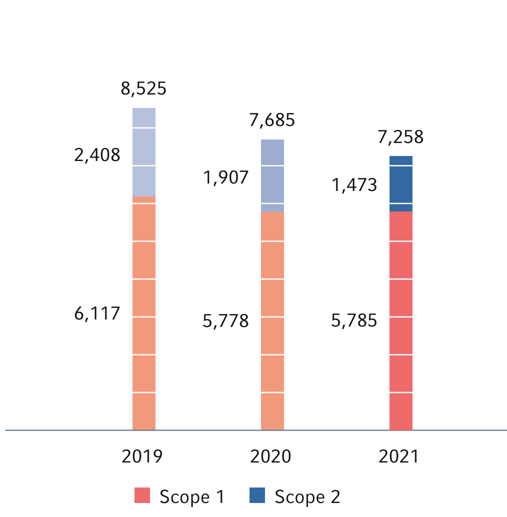
Processes/due diligence

The analysis of our global carbon footprint covers all global production sites, meaning in Germany, the Czech Republic, the United States and China. These figures are calculated on the basis of DIN EN ISO 14064-1 and using the "GEMIS" and "DEFRA" databases. In terms of the categories under DIN EN ISO 14064-1, the figures are limited to Scope 1 "Direct GHG emissions and removals" and Scope 2 "Indirect GHG emissions from imported energy". Specifically, these comprise emissions from in-house heat generation, the corporate vehicle fleet, air conditioning, purchased district heat and purchased electricity. They do not include Scope 3 "Indirect GHG emissions from transportation", Scope 4 "Indirect GHG emissions from products an organisation uses", Scope 5 "Indirect GHG emissions (use of products from the organisation)" and Scope 6 "Indirect GHG emissions (other sources)".

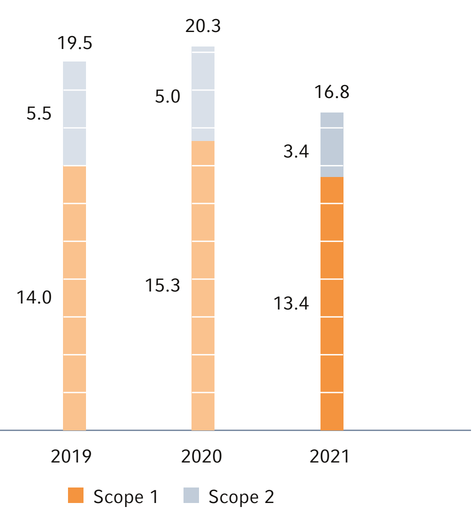
Outcomes

Three-year comparison of carbon emissions at our production sites in Germany, the Czech Republic, the United States and China:

CO_2e Tons total – Scope 1 & 2



CO_2e Tons/€m revenue – Scope 1 & 2



4. Employee matters

In our "separate combined non-financial report 2020", we assessed employee matters as material. This assessment remains valid for the present report. Close teamwork with our employees and related matters – notably workplace safety and health – are key factors in our corporate success.

Objective/policy

Attractive human resources policies are a basis of our business success and key to holding our market position. Our social responsibilities include providing and creating a supply of secure jobs and training places. We work here in compliance with the respective national legal requirements. In Germany, these include among others:

- The General Act on Equal Treatment
- The Act on Equal Participation of Women and Men in Leadership Positions in the Private and Public Sectors
- The Workplace Ordinance
- Requirements of employers' liability insurance institutions.

The safety and health of all employees in the workplace is a high priority, including both the WashTec workforce itself and teams serving the users of our carwash systems. Experience shows that whatever preventive measures are taken, a residual risk of a potential accident at work cannot be completely ruled out. The paramount goal remains to reduce the number of work-related accidents and to avoid them where possible.

Measures

Existing and new hazards are regularly assessed to prevent future accidents and near misses. On the basis of the identified potential hazards, measures are derived, planned and implemented. A further aim alongside occupational safety is to identify and implement aids that reduce physical effort as part of health management. These analyses are supported by training courses and workplace-specific instruction provided on a mandatory schedule in our training tool.

Processes/due diligence

We manage all activities to ensure our high standards of occupational safety via the WashTec Safety App. This tool includes both regular risk assessments and provision for reporting accidents and near misses. On the basis of the reported incidents, we identify scope for improvement and risks in order to take targeted action to enhance occupational safety. The entire process for ensuring high occupational safety standards is part of our Integrated Management System.

Outcomes

A key metric in our management reviews is the accident rate, which is the relevant indicator for employee matters and is determined for the entire Group. Continuous improvement of HSE processes and management systems over the years has ensured that the number of occupational accidents is consistently below the industry average reported by employers' liability insurance association. There were no occupational accidents in fiscal year 2021 with fatal or serious injuries, meaning with lasting injury or resulting in a pension entitlement.

In the 2021 reporting year, the number of occupational accidents per million hours worked, at 4.94, was slightly higher than in the prior year (4.49) but significantly below the industry average of the recent years reported by the employers' liability insurance association. The COVID-19 pandemic did not have any impact on the "accident rate" non-financial performance indicator in fiscal year 2021.

5. Social matters

All activities surrounding responsible management of our working relationship with employees fit together in a closely interlocking package of measures. Factors shaping our strategy in human resources policy include the all-important globalization of our activities, rapid adaptation of work processes, workforce age structure and needs relating to digitalization and new ways of working. In collaboration with management at our individual operating sites, we obtain a detailed picture of the measures needed.

Resilient corporate development is rooted in in-depth awareness of the needs and potential of our workforce at all locations. The Human Resources (HR) function, which is under the direction of the CEO, manages all cross-cutting tasks for each individual site. Individual measures are determined by local HR officers. The principles guiding the development of our HR policy are based on our Code of Ethics and national legal requirements at our operating locations.

In 2021, working closely together with employees, we formulated a "WashTec diversity policy". This sets out all rules for respectful working relationships. We address all relevant matters arising in relation to the workforce in a newly established diversity committee, which is made up of two diversity officers and three additional members from the Management Board, the Works Council and HR. This work is complemented with our diversity ambassadors. In this way, the subject of diversity is disseminated together with related guidance across all corporate units and levels.

Specific areas of our HR development activities include:

- A consistent and long-term employment policy
- Constructive communication between employer and employees
- Increased initial and further training
- Equal treatment, equal opportunities and diversity.

In addition to our employee development activities, we have also selected a number of social projects for support. We consider it important to follow a regional approach in this regard. An example is our regular commitment to Bunter Kreis e.V., an Augsburg-based organization that provides children who have disabilities or severe illnesses, together with their families, with comprehensive psychological, social, medical and financial support. There is not an integrated policy focusing on social programs.

6. Impacts of the COVID-19 pandemic

The economy recovered far more rapidly than initially expected in 2021. This was also reflected in the course of business over the year. Nevertheless, the WashTec Group still continued to face knock-on effects of the COVID-19 pandemic. These mostly took the form of operational challenges relating to material availability and the financial impact of significantly higher material prices.

The "Corona Crisis Team" established early in 2020 at the onset of the COVID-19 pandemic also continued its work in fiscal year 2021. Key tasks comprised the ongoing development of the existing hygiene concepts and adapting guidance to changing legal requirements.

The "Corona Crisis Team" provided the workforce with regular, up-to-date information on the implications of the COVID-19 situation for personal protection and on the rules to be followed in the workplace.

Remote working also continued during fiscal year 2021 as a result of the pandemic. A workplace agreement on mobile working adopted in this connection laid down uniform, binding stipulations on the scope for and use of remote working for all locations in Germany.

The digital communication solutions implemented worldwide in the previous year have continued to prove their worth in day-to-day operations. As a result, business travel continues to be replaced in some cases by virtual meetings. The WashTec Group consequently plans for business travel to remain at lower levels in future years relative to the years before the crisis. This has not had any direct impact on financial performance indicators.

There were no further impacts of the COVID-19 pandemic at the WashTec Group in 2021 with regard to matters such as structural changes to the business model, distribution channels or supply chains.

7. Disclosures on Article 8 of the EU-Taxonomy Regulation

Overview

With the Sustainable Finance Action Plan of March 2018, the European Commission aims to reorientate capital flows towards sustainable investments. A key measure towards this goal is the introduction of the "EU-Taxonomy", a uniform classification system for environmentally sustainable economic activities. Article 8 of the Taxonomy Regulation, adopted in June 2020, creates new reporting obligations for business enterprises.

As well as financial undertakings such as banks and funds, the new reporting obligations also affect non-financial undertakings. These must now disclose non-financial information in accordance with the CSR Directive (EU-Directive 2014/95/EU).

It is required to disclose, with reference to six specified environmental objectives, how and to what extent their business activities are associated with economic activities that qualify as environmentally sustainable. In particular, non-financial reporting must include the following performance indicators:

- The proportion of turnover (i.e., revenue) derived from products or services associate with economic activities that qualify as environmentally sustainable under the Taxonomy Regulation.
- The proportion of capital expenditure and the proportion of operating expenditure related to assets or processes associated with economic activities that qualify as environmentally sustainable under the Taxonomy Regulation.

The six environmental objectives in the EU-Taxonomy Regulation are:

I. Climate change mitigation

II. Climate change adaptation

III. Sustainable use and protection of water and marine resources

IV. Transition to a circular economy

V. Pollution prevention and control

VI. Protection and restoration of biodiversity and ecosystems

Disclosures are to be made on environmental objectives I and II for the first time for the 2021 reporting period and on environmental objectives III to VI for the first time for the 2022 reporting period.

Initial reporting

Initial application is mandatory for reports published from the 2022 calendar year and relating to the 2021 reporting period. For reporting on 2021, an exemption applies under Article 10(2) of the Delegated Act on Article 8 of the EU-Taxonomy Regulation, in which the reporting obligations under Article 8 of the EU-Taxonomy Regulation are specified in further detail.

Under the exemption, for the period January 1 to December 31, 2021, it is only necessary to disclose the proportion of "taxonomy-eligible economic activities" and "taxonomy non-eligible economic activities" in turnover, capital and operational expenditure together with the required qualitative information. The corresponding disclosures on "taxonomy-aligned economic activities" therefore do not have to be made. The WashTec Group makes use of the above exemption.

Economic activities

On the basis of its business model, the WashTec Group has assessed all taxonomy-eligible economic activities listed for the two environmental objectives “climate change mitigation” and “climate change adaptation” in Annexes I and II of the Delegated Act on the two environmental objectives.

The WashTec Group’s economic activities as defined in Annexes I and II of the Delegated Act on the two environmental objectives are based on the segmentation in accordance with IFRS 8. This segmentation is as follows:

- The development, manufacture and sale of carwash systems, including peripherals, and water recovery systems together with related services (hereafter “Equipment and Service”)
- The development, manufacture and sale of carwash chemicals (hereafter “Chemicals”)
- Others

A detailed review of the WashTec Group’s economic activities has shown that they do not fall under the economic activities listed for the two environmental objective in Annex I and II of the Delegated Act on the two environmental objectives and are consequently taxonomy non-eligible.

The two environmental objectives “climate change mitigation” and “climate change adaptation” essentially relate to those economic activities and sectors which have the greatest potential to reduce greenhouse gas emissions. Sectors to which the first two environmental objectives relate include the manufacturing and production of goods in certain industries, construction, and the energy and transport sectors. The business model of the WashTec Group does not fall under these sectors.

Based on current knowledge, the WashTec Group is proceeding on the assumption that its economic activities will fall in part under the further environmental objectives to be reported on from the 2022 reporting period. In addition, it is expected that the EU-Taxonomy will be supplemented in future years with a social and a governance component. The WashTec Group also currently expects to fall within their scope.

Accounting policy

The WashTec Group has determined the performance indicators under the EU-Taxonomy, comprising turnover, capital expenditure and operating expenditure, 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 interpretations of the IFRS IC (IFRIC), how to be applied in the European Union.

The economic activities of the WashTec Group are not yet taxonomy-eligible in relation to environmental objectives I and II. For this reason, no disclosures are provided in the following on categories (a) and (b) of points 1.1.2.2 and 1.1.3.2 of Annex I of the Delegated Act on Article 8 of the EU-Taxonomy Regulation. The measures set out in the following relate to the purchase of intermediate products or services from taxonomy-aligned economic activities that lead to greenhouse gas reductions (category (c) of points 1.1.2.2 and 1.1.3.2 of Annex I of the Delegated Act on Article 8 of the EU-Taxonomy Regulation). The measures were identified on the basis of the WashTec Group’s Environment and Energy Roadmap 2025 (see also under heading 2, Environmental matters) and the environmental objectives under the EU-Taxonomy.

Double counting in the allocation of turnover, capital expenditure and operating expenditure in the numerator to economic activities is avoided by allocating the various measures to the individual environmental objectives and by applying the IFRS recognition criteria for property, plant and equipment and for intangible assets.

Performance indicators

For the 2021 reporting period, the three performance indicators turnover, capital expenditure and operating expenditure must be disclosed in relation to taxonomy-eligible and taxonomy non-eligible economic activities (Article 10(2) of the Delegated Act on Article 8 of the EU- Taxonomy Regulation).

The **turnover** performance indicator is calculated as the proportion derived from products or services associated with economic activities that qualify as environmentally sustainable under the Taxonomy Regulation (numerator), divided by the consolidated revenue in fiscal year 2021 (denominator) (point 1.1.1 of Annex I of the Delegated Act on Article 8 of the EU-Taxonomy Regulation).

As the economic activities of the WashTec Group are not yet taxonomy-eligible in relation to the first two environmental objectives, there is no taxonomy-eligible turnover and the numerator is 0.

The denominator is net turnover within the meaning of Article 2, point (5), of Directive 2013/34 and is €430,532k (see "Revenue" in the Consolidated Income Statement).

The **capital expenditure** performance indicator is calculated as the proportion relating to assets or processes that are associated with economic activities that qualify as environmentally sustainable under the Taxonomy Regulation (numerator), divided by the total additions to property, plant and equipment and intangible assets in fiscal year 2021 (denominator) (point 1.1.2 of Annex I of the Delegated Act on Article 8 of the EU-Taxonomy Regulation).

The WashTec Group has invested in two laser welding systems to improve the energy efficiency of the metalworking processes at its plants in Augsburg and the Czech Republic. The new systems reduce electricity consumption. They also reduce compressed air consumption, which further reduces electricity consumption. Prepayments of €296k were made for this purpose in fiscal year 2021. The total capital expenditure amount is €2,102k. This qualifies as a measure in accordance with category (c) of point 1.1.2.2 of Annex I of the Delegated Act on Article 8 of the EU-Taxonomy Regulation. The economic activity to which the measure is allocated in accordance with Annexes I and II of the Delegated Act on the two environmental objectives is 3.6 Manufacture of other low carbon technologies.

The numerator comprising relevant capital expenditure in accordance with the EU-Taxonomy is €296k.

The denominator comprising capital expenditure consists of additions to property, plant and equipment and intangible assets in fiscal year 2021 and is €4,264k (see Notes to the Consolidated Financial Statements, Note 17, under additions to cost).

The operating expenditure performance indicator is calculated as the proportion relating to assets or processes that are associated with economic activities that qualify as environmentally sustainable under the Taxonomy Regulation (numerator), divided by operating expenditure for fiscal year 2021 in accordance with point 1.1.3 of Annex I of the Delegated Act on Article 8 of the EU-Taxonomy Regulation (denominator). This covers direct non-capitalized costs that relate to research and development, building renovation measures, short-term lease, maintenance and repair, and any other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment that are necessary to ensure the continued and effective functioning of such assets.

To enhance efficiency, reduce electricity costs and improve environmental sustainability and operational environmental protection, the WashTec Group has continued the project already launched in the past to convert all lighting at its German sites to LED lighting.

The operating expenditure incurred for this purpose amounts to €98k. The latter figure was determined on the basis of the costs recorded in the relevant maintenance account. This qualifies as a measure in accordance with category (c) of point 1.1.3.2 of Annex I of the Delegated Act on Article 8 of the EU-Taxonomy Regulation. The economic activity to which the measure is allocated in accordance with Annexes I and II of the Delegated Act on the two environmental objectives is 7.3 Installation, maintenance and repair of energy efficiency equipment.

The numerator comprising relevant capital expenditure in accordance with the EU-Taxonomy is €98k.

The denominator comprising operating expenditure as defined above is €15,836k.

The proportions of taxonomy-eligible economic activities or measures relating to the purchase of intermediate products or services from taxonomy-aligned activities that lead to greenhouse gas reductions are as follows for each of the three performance indicators:

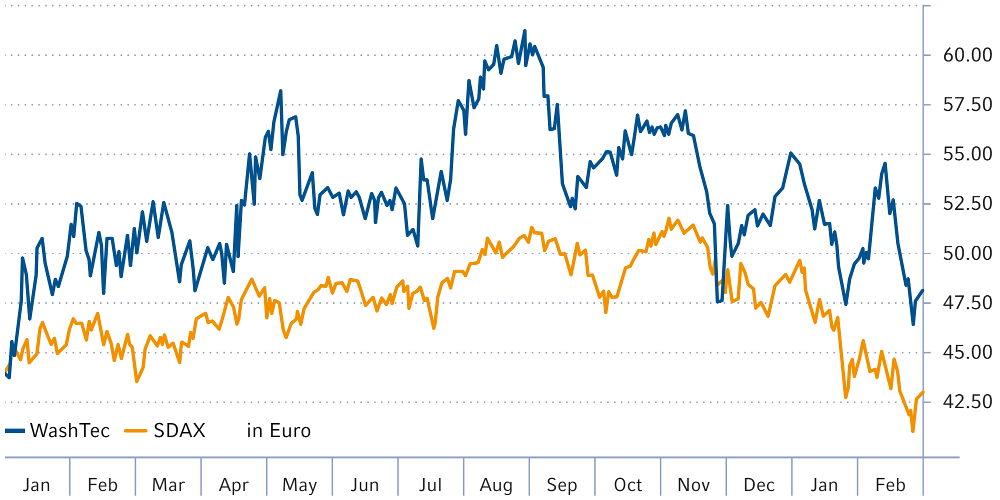
Performance indicator	Total (€k)	Proportion of taxonomy-eligible economic activities (%)	Proportion of taxonomy non-eligible economic activities (%)
Turnover	430,532	0%	100%
Capital expenditure	4,264	7%	93%
Operating expenditure	15,836	1%	99%

The WashTec **Share**

Stock market performance in 2021

The global economy recovered comparatively quickly from the brief but severe recession at the beginning of 2020. Extensive fiscal policy measures in many industrialized countries together with expansionary monetary policy made for a strong upward trend. Supply shortages, lack of transport capacity and rising Covid infections had a negative impact on economic growth, especially during the third quarter. This led to a weakening of the economic momentum. The ongoing recovery will continue to be affected by Covid infection rates and resulting restrictions on public life and the economy.

Price performance of WashTec shares 2021/2022 compared to the SDAX (indexed)



Driven by good economic data and high corporate profits, many stock markets showed very positive price performance in 2021. Indices reached new levels in industrialized countries in particular. Germany's DAX, for example, exceeded 16,000 points for the first time in November. At the end of the year, it showed a full-year gain of almost 16%. The Euro Stoxx 50 recorded even stronger growth of 24.1%.

WashTec AG share performance in 2021

The WashTec share price began 2021 at €42.95 and marked its low for the year on January 6, 2021 at €42.81. The share price attained its high point for the year of €61.10 on August 30, 2021 and closed the year at €55.00. This is 29.07% up on the prior year-end closing price and well above the 11.17% gain in the SDAX. These figures relate to closing prices on the Xetra trading platform.

As of February 28, 2022, WashTec shares were trading at €48.00 per share.

Attractive dividend policy

Pursuant to a resolution adopted by the Annual General Meeting on May 18, 2021, the Company paid its shareholders a dividend of €0.99 per share for fiscal year 2020 and a special dividend of €1.31. Dividend distributions thus totaled €30.8m in 2021. Based on the year-end share price, the dividend yield was 4.18%. This places WashTec among the strongest performers on the German stock market in terms of dividend yield.

WashTec aims to maintain an attractive dividend policy under which shareholders duly participate in the Company's success.

The Management Board and Supervisory Board are proposing a dividend of €2.10 for fiscal year 2021. In addition to this dividend, distribution of a special dividend of €0.80 per share is proposed.

Changes in shareholder structure

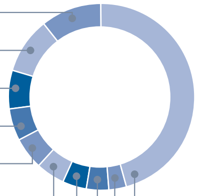
The majority of WashTec AG shares are held by institutional investors. WashTec AG received the following voting rights notifications under the Securities Trading Act (Wertpapierhandelsgesetz) in fiscal year 2021. All changes or secondary offerings were price-neutral without any material impact on the share price:

Wellington Management Group LLP, Boston, Massachusetts, USA, notified WashTec AG that its share of the voting rights on February 22, 2021 was now 3.01% instead of previously 2.99%.

Carne Global Fund Managers (Luxembourg) S.A., Luxembourg, Luxembourg, notified WashTec AG that, due to a change in the AIF management agreement between Paradigm Capital Value Fund and Carne Global Fund Managers (Luxembourg) S.A., Paradigm Capital Value Fund's share of the voting rights on June 2, 2021 was now 0.00% instead of previously 4.58%.

Shareholder structure as of December 31, 2021

10.42%	EQMC Europe Development Capital Fund plc.[1]
9.60%	Kempen Oranje Participaties N.V.
6.82%	Dr. Kurt Schwarz[2]
5.53%	Union Investment Privatfond GmbH
5.43%	Investment AG für langfristige Investoren, TGV
4.99%	Axxion S.A.
4.25%	Treasury shares
4.00%	Diversity Industrie Holding AG
3.01%	Wellington Management Group LLP
45.95%	Other



Source: Notifications pursuant to WpHG

*[1] Alantra EQMC Asset Management, SGIIC, S.A.
Alantra EQMC Asset Management, SGIIC, S.A., Madrid, Spain, as investment manager, notified WashTec AG that on February 22, 2022, EQMC Europe Development Capital Fund plc's share of the voting rights was 15,12%.*
[2] Leifina GmbH & Co. KG et al.

Five investors consequently currently each hold at least 5.00% of the voting rights. To the knowledge of the Management Board, 45.95% 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 88.93%, as treasury shares and the shares held by Dr. Kurt Schwarz are deducted.

Managers' transactions

The following managers' transactions were reported to the Company under the WpHG:

Mr. Ulrich Bellgardt, member of the Supervisory Board, purchased 685 shares on May 19, 2021 and a further 2,245 shares on May 20, 2021.

Mr. Stephan Weber, member of the Management Board, purchased 500 shares on September 16, 2021.

Dr. Ralf Koeppe, Chief Executive Officer, purchased 1,200 shares on September 24, 2021.

Dr. Kerstin Reden, member of the Management Board, purchased 206 shares on November 30, 2021.

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 results. At the virtual Annual General Meeting on May 18, 2021, the Management Board shared its detailed position on the current market situation, business development and strategy and discussed these matters with the shareholders. Shareholders were also kept up to date in a timely manner about all important events. During 2021, WashTec continued its investor relations activities and participated in virtual capital market conferences such as the Equity Forum in Frankfurt.

WashTec shares are covered by independent analysts

In addition, numerous virtual investor calls were held in order to provide individual investors with an impression of the "world of WashTec". These met with strong interest.

WashTec shares are covered by analysts at several financial institutions (Hauck & Aufhäuser, HSBC Trinkaus & Burkhardt and MM Warburg).

Key data on WashTec shares

		2021	2020	2019
Closing price[1]	€	55.00	49.00	53.70
High	€	61.10	56.00	74.40
Low	€	42.81	31.80	41.95
Opening price	€	42.95	54.00	60.90
Number of shares as of Dec. 31[2]	million	13.4	13.4	13.4
Free float as of Dec. 31[3]	%	45.95	44.38	38.57
Market capitalization as of Dec. 31	€m	736.0	655.7	718.6
Performance over the year	%	29.07	–19.73	–11.9
SDAX for comparison	%	11.17	18.01	28.86
Earnings per share	€	2.32	0.99	1.66
Dividend per share	€	2.90[4]	2.30	–

[1] Based on Xetra closing prices
[2] Excluding 594,646 treasury shares
[3] shares are held by shareholders whose stakes are below the notification threshold in accordance with WphG
[4] Dividend proposal to the Annual General Meeting 2022: Dividend for the fiscal year 2021 in the amount of € 2.10 and special dividend in the amount of € 0.80

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 5584-5555
Fax +49 821 5584-1135
E-mail ir@washtec.com

Combined Management Report
of WashTec AG and the Group

2021 at a glance

Overview of group and regions

WashTec Group*

- Revenue of €430.5m or 13.7% higher than prior year (13.6% adjusted for exchange rates)
- EBIT of €45.7m up 127.4% on prior year; EBIT margin 10.6%
- Adjusted EBIT** €43.0m; adjusted EBIT margin 10.0%
- Free cash flow including repayment of lease liabilities €34.5m (prior year: €36.9m).

Europe

- Revenue: €348.7m (+14.1%); EBIT: €40.2m
- Significant increase in revenue and EBIT due to higher business volume

North America

- Revenue: €77.5m (+16.9%), USD 91.2m (+20.3%); EBIT: €4.6m
- Significant increase in revenue and EBIT, largely due to strong return of key account business

Asia/Pacific

- Revenue: €18.1m (+2.3%); EBIT: €1.2m
- Positive business performance due to successful restructuring in Australia

** Regional data without consolidation*
*** Adjusted for non-recurring item of €2.7m*
Rounding differences may occur

Key financial performance indicators by quarter

**Including repayment of lease liabilities*

1 General information about the Group

1.1 Business model

WashTec is the leading provider of innovative solutions for carwash 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. As specialists in environment-friendly vehicle wash systems, we work continuously on innovations that contribute to sustainable mobility for today and tomorrow. WashTec also offers comprehensive servicing packages and digital smart service solutions spanning the entire product life cycle, including equipment maintenance, chemicals, equipment take-back, financing arrangements and operator management. The main revenue driver is the Equipment and Service and the Chemicals product range.

Revenue by product

Equipment and Service

- Roll-over wash equipment
- Self-service wash equipment
- Commercial vehicle wash equipment
- Wash tunnels
- Water reclaim systems
- Full maintenance agreements
- On-call service maintenance agreements
- Service projects and upgrades
- Spare parts
- Digital solutions such as "EasyCarWash" subscription plans

€ 373.2 million
(prior year € 324.0 million)

Chemicals

- Detergents
- Care products
- Special products

€ 51.0 million
(prior year € 46.6 million)

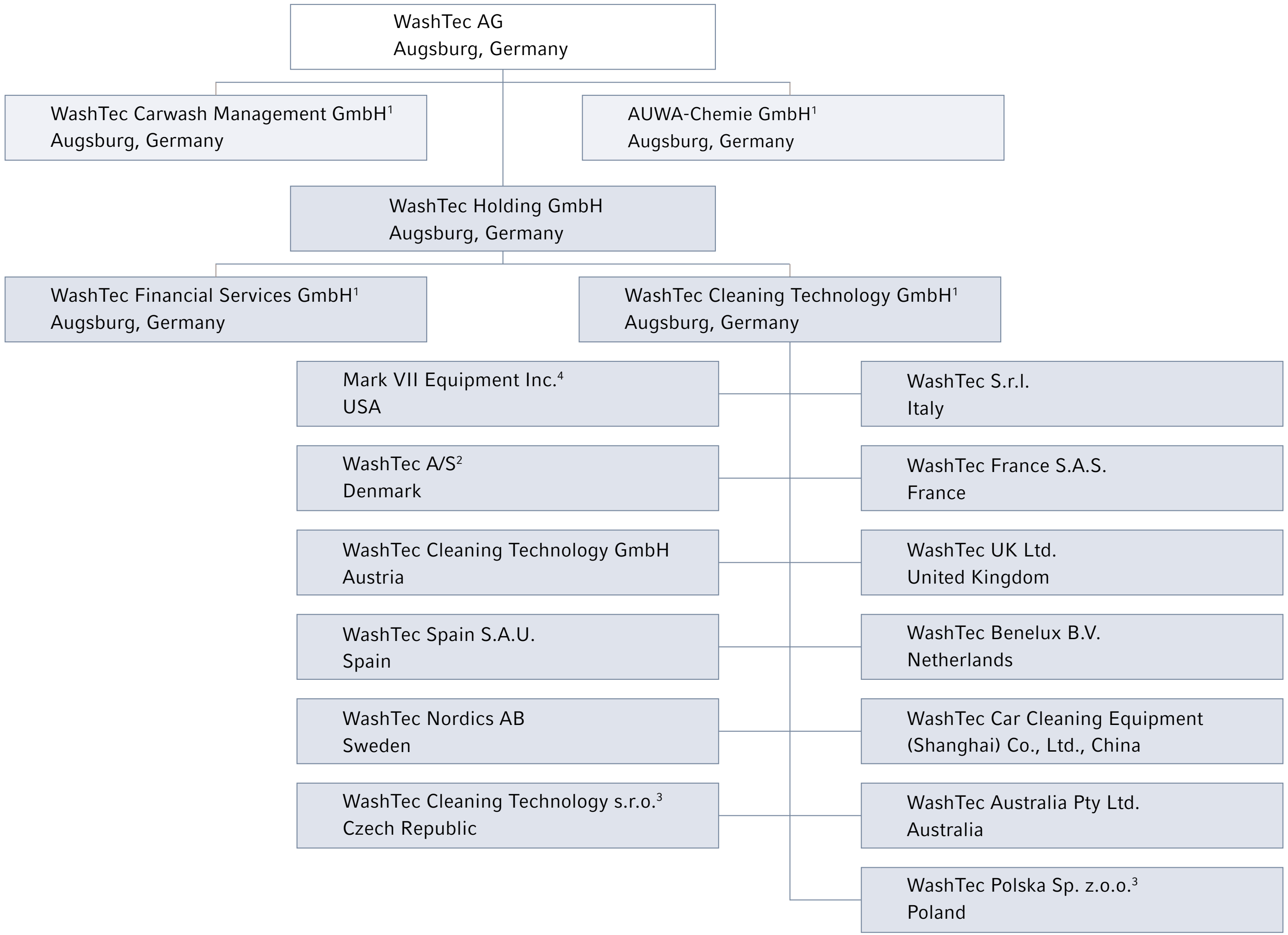
Others

- WashTec Carwash Management
- WashTec Financial Services (financing and leasing solutions)

€ 6.3 million
(prior year € 8.1 million)

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] *Includes subsidiary WashTec Bilvask AS, Norway*

[3] *WashTec Cleaning Technology GmbH 90%, WashTec Holding GmbH 10%*

[4] *Includes subsidiary WTMVII Cleaning Technologies Canada, Inc., Canada*

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 financial position, financial performance and cash flows are determined solely by the business performance of its subsidiaries. The information set out below therefore mainly relates to the Group. WashTec AG is discussed separately in section 2.6. 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, North American and Asia/Pacific markets. Subsidiaries in the US, Canada, Australia, China, Spain, the UK, France, 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

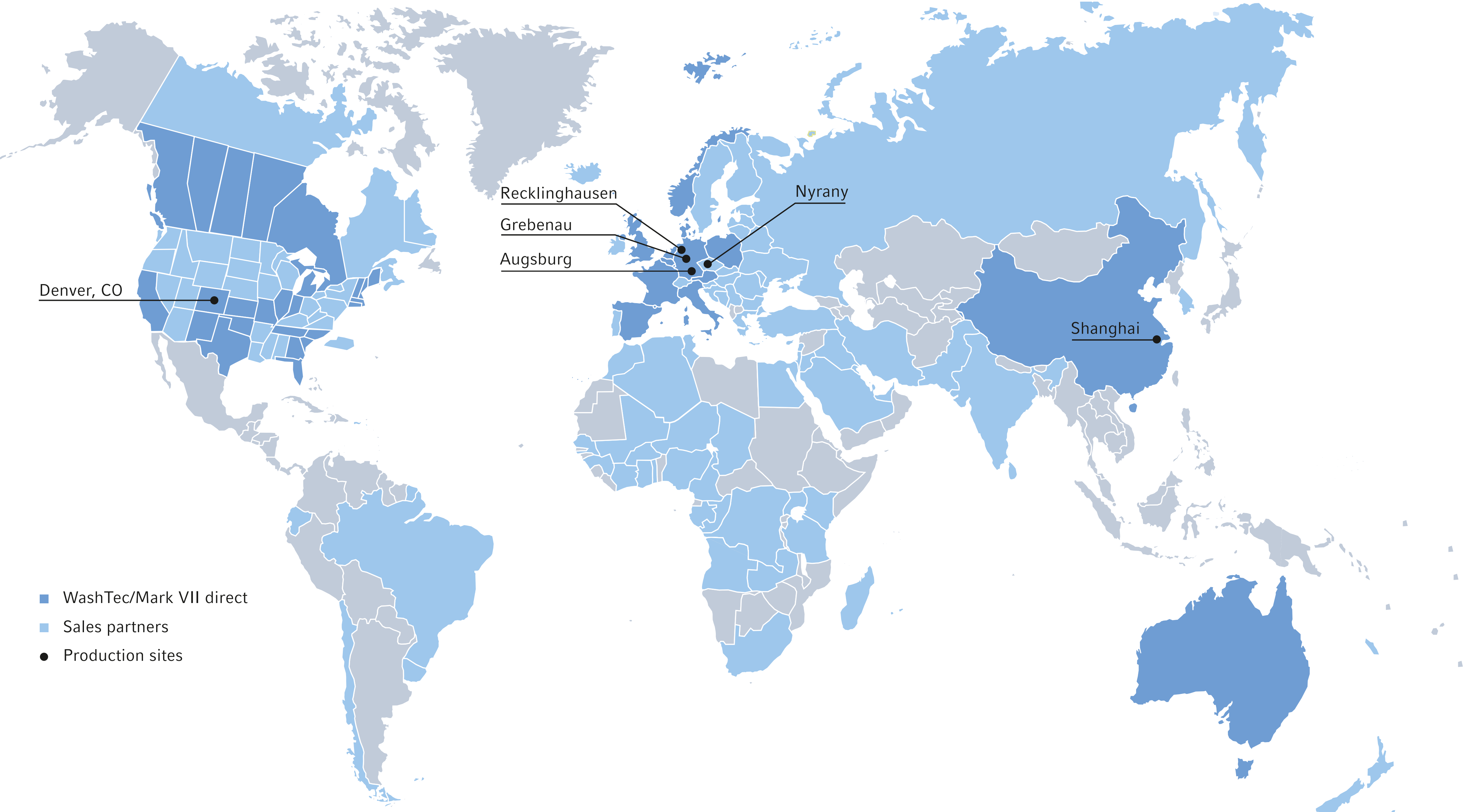
WashTec Financial Services GmbH brokers bespoke financing arrangements for WashTec products. It receives commission from the lenders – mostly leasing companies – involved in the financing arrangements.

AUWA-Chemie GmbH

AUWA-Chemie GmbH produces chemical products for carwash equipment. Distribution is via WashTec subsidiaries and independent distributors in Germany and Europe.

WashTec Carwash Management GmbH

WashTec Carwash Management GmbH provides a comprehensive range of services on behalf of and for the account of its customers, up to and including the operation of carwashes. The company also offers numerous other services such as profitability and location analysis.


Recklinghausen
Grebenau
Augsburg
Nyrany
Denver, CO
Shanghai
WashTec/Mark VII direct
Sales partners
Production sites

1.1.2 Locations

Internationality is a global competitive advantage

WashTec's global footprint is a clear competitive advantage. The Group has around 1,800 employees worldwide and branches in all major markets including Europe, North America and Asia/Pacific.

WashTec also has a broad network of independent sales partners and is thus on the map today in over 80 countries throughout the world.

1.1.3 Production, sourcing and logistics

Augsburg Flagship plant "Factory of the Year 2017" in location development category

WashTec has a global procurement and production chain with production facilities in Germany, the Czech Republic, China and the USA. Most of the equipment worldwide, except gantry carwashes for China and North America, is assembled at the main plant in Augsburg, Germany. Gantry carwashes are produced for the North American market in Denver (USA) and for Asian markets, according to the product, in Shanghai (China) or in Augsburg (Germany). Much of the sheet metal production takes place in the Czech Republic, where components are also preassembled and the basic gantry carwash system is assembled. The Company has two other sites in Germany producing control units for the entire Group (Recklinghausen) and wash chemicals (Grebenau).

1.1.4 Reporting by segment

WashTec's global business is divided into three geographical regions. The "Europe" region pools the activities of the WashTec Group in Western Europe and Eastern Europe including Russia. The "North America" region comprises the activities in the USA and Canada. The "Asia/Pacific" region primarily encompasses 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 resulting in sustained growth in shareholder value. The Company's internal management and control pursues this aim through a value-oriented management system. This encompasses an integrated planning and control 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 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 at headquarters with the main divisional heads, regular international management meetings with heads of the operating companies, strategic and annual planning including capital expenditure, production and capacity planning, regular reporting and forecasting, ongoing market analysis, and regular analyses of revenue, sales, order backlog and market share. All capital expenditure projects are continuously reviewed and monitored in the same connection.

1.1.6 External factors influencing the business

Key market drivers

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

Growing vehicle numbers and regulation as drivers for automated carwash

Key factors influencing the increasing popularity of automated carwash 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 (Sources: VDA, Shell).

Higher wages, rising per capita incomes and worldwide growth vehicle numbers create lasting global market potential. This applies most of all to regions that are transitioning from manual washing to various forms of automated washing.

Customer expectations: Increasing demands on wash speed, convenience, quality and experience

Compared to manual washing, automated washing generally yields better wash quality and is less abrasive to car finish. An automated carwash is also far less time-consuming than manual washing.

Sustainability: Increasing importance among all stakeholders

Companies' contribution to sustainability is increasingly important to all stakeholders, creating a growing need for information and transparency. As well as the environmental performance of products, this also includes companies' carbon footprint.

The use of recirculating water reclaim systems in automated vehicle washing significantly reduces the consumption of mains water compared to hand washing. In wash chemicals, the Green Car Care product range uses biogenic detergents without any fossil resources. With a binding commitment to reducing its own carbon footprint, WashTec contributes to global efforts to limit global warming (for further information, please see under "1.2 Corporate objective and strategy").

Additional trends and influences

The major economic and social trend toward individualization is a key driver of continued growth in demand for mobility. The resulting traffic volumes are still largely based on individual travel. This individual mobility takes the form of people traveling in vehicles of their own along with alternatives such as car sharing and hire services. A major driver of transformational change in mobility is the need to reduce carbon emissions.

These developments are also reflected in the ongoing forecasts of globally rising new registrations. Vehicles need to be cleaned no matter how they are powered and regardless of the ownership model. Providers and users tend to wash vehicles deployed in alternative individual mobility arrangements more frequently than private cars. Accordingly, WashTec continues to operate on the basis that clean cars will remain a key quality criterion and hence a driver of the business model and that filling stations will not lose importance in the medium term.

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

1.2 Corporate objective and strategy

Our corporate philosophy defines our top-level objective as "Maximum Customer Benefit". This, for us, means being the best partner to carwash operators worldwide. Generating customer benefit requires specialization, combined with a profound understanding of application and of related processes and technologies. The same specialization is therefore a requirement for true customer benefit-oriented innovation.

Our efforts in this regard target end customers and operators alike in order to promote the attractiveness of carwash and improve profitability for operators. Continuous management and employee development at WashTec is built around this basic strategic orientation. Each and every WashTec employee contributes as an entrepreneur to the company's development. Clear focus on customer benefit enables us to further extend our competitive advantage on a lasting basis and create value for customers, the Company and our shareholders.

Environmental sustainability is a high priority for WashTec and relates both to our operations and to the environmental impact of our products. WashTec has set itself the target of a 30% reduction in carbon emissions for its production sites in Germany, the Czech Republic, the USA and China by 2025 relative to the 2019 base year. On the product side, WashTec actively enhances sustainability by reducing the amount of water used by carwashes operated by customers and by the efficient use and composition of carwash chemicals.

1.3 Control system

1.3.1 Financial and non-financial 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
- Free cash flow (including repayment of lease liabilities)
- ROCE

Free cash flow is defined as cash inflow from operating activities (net cash flow) less cash outflow from investing activities including repayment of lease liabilities.

ROCE (return on capital employed) is defined as the ratio of EBIT to capital employed. We define capital employed as non-current assets (total tangible and intangible non-current assets including goodwill and right-of-use assets) plus net operating working capital (NOWC). NOWC is defined as the sum of inventories and trade receivables less trade payables and prepayments on orders.

Key non-financial performance indicator

The following non-financial performance indicator is used at Group level:

- Accident rate: Work accidents/million hours worked

The “Separate Combined Non-financial Report” contains a detailed description of WashTec’s key non-financial performance indicator, the accident rate (see “Non-financial report” beginning on page 31).

1.3.2 Non-financial report in accordance with Sections 289b (3) and 315b (3) HGB

The “Separate Combined Non-financial Report” in accordance with Sections 289b (3) and 315b (3) HGB is available as a separate section of the Annual Report 2021 at *https://ir.washtec.de/websites/washtec/English/3000/publications.html*.

1.3.3 Opportunities and risk management

Responsible management of business risk is one of the basic principles of good corporate governance. The Management Board has at its disposal 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 and 315a 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

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

- Optimizing washing and drying processes,
- Enhancing ease of use,
- Improving product availability and efficiency,
- Developing innovative digital solutions.

In total, some 70 employees work in research and development at the WashTec headquarters in Augsburg. We place high priority on protecting innovations with patents.

Total operating research and development expenditure in the WashTec Group amounted to approximately €14.3m in 2021 (prior year: €12.7m).

The Group’s capitalized development costs came to €0.1m in fiscal year 2021 (prior year: €0.1m). Added to this is €1.5m (prior year: €1.1m) which was unable to be capitalized.

2 Report on economic position

2.1 Overall economic and industry-specific environment and conditions

2.1.1 Overall economic development

Global economic growth (as of January 25, 2022)

Development of the gross domestic product

	Forecast 2021	Actual 2021	Forecast 2022
Germany	3.5%	2.7%	3.8%
Eurozone	4.2%	5.2%	3.9%
USA	5.1%	5.6%	4.0%
China	8.1%	8.1%	4.8%
Developing and Ermerging Markets	6.3%	6.5%	4.8%
World	5.5%	5.9%	4.4%

The global economy recovered in 2021 from the previous year's pandemic-related slump but was held back by material and capacity shortages. According to the International Monetary Fund ("IMF"), these are more pronounced and will be more prolonged than originally expected. Disruptions in global supply chains are expected to continue holding back industrial production in the coming year. This has notably reduced the growth forecast for 2022. In addition, the Russia-Ukraine war and related economic sanctions are leading to further uncertainties and negative influences on economic development.

The IMF expects growth of 3.8% for Germany and 3.9% for the eurozone. Key effects on the development of the economy include the ongoing disruptions to global supply chains, steeply rising energy prices and the economic sanctions imposed in connection with the Russia-Ukraine war. These factors also significantly influence the onward trend in inflation, both in Germany and in the European Union as a whole.

The two largest economies, the USA and China, are also recovering more slowly than previously assumed. For the USA, as a result of ongoing supply chain disruptions and increasingly restrictive monetary policy in response to the sharp rise in inflation, the IMF forecasts growth of 4.0%. The IMF forecast for China is 4.8%. Causes cited for the lower growth here compared to the prior year include ongoing problems in the real estate sector, regional lockdowns in connection with the zero-Covid strategy and lower consumer demand.

Industry environment (mechanical engineering & chemicals)

The mechanical engineering sector achieved an extraordinarily strong recovery in the past year. Following the sharp fall in orders in 2020, order books filled rapidly again in 2021. According to the German Mechanical Engineering Industry Association (VDMA), mechanical engineering companies in Germany increased orders in real terms relative to the prior year by 32% overall, by 18% domestically and by 39% internationally. The industry consequently entered 2022 with an above-average order backlog. This gives the sector security, even though the VDMA expects that the present shortages of intermediate products and raw materials will continue for some time and obstruct the processing of orders.

Despite the COVID-19 pandemic and supply shortages combined with recent surges in energy and raw material prices, the chemical and pharmaceutical industry performed strongly in 2021. This reflected a continuation of the recovery by the sector's industrial customers across all continents. Global demand for chemicals developed correspondingly positively. The German Chemical Industry Association (VCI) expects the industry to continue its positive development in the year ahead, both in Germany and abroad.

2.1.2 Market for carwash equipment

Customer groups
WashTec's customers are predominately operators of filling stations that offer on-site carwashes, with which they generate a substantial part of their earnings. These customers include multinational petroleum companies, retailers (convenience stores), individual filling station operators and filling station operator chains. Additional key customer groups include carwash operators, automobile repair shops, supermarket chains, road freight companies and public transport operators.

Competition
WashTec is the global market leader with an installed base of 40,000 units. In Europe – a developed market with intense competition – WashTec's own research shows the Company to lead the market by a wide margin in terms of market coverage and market share. The developed North American market, with a large proportion of wash tunnels, is more fragmented on the customer and supplier side than Europe. The task in China is to develop the market. In Australia, European and American competitors contend for a developed market.

Sales markets
Germany and the rest of Europe remain the largest sales markets. Based on our strategy, North America and Asia/Pacific are planned to account for a higher percentage of the Group's total revenue in the long term.

2.2 Business performance

The following section examines the 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 transfers made by WashTec Carwash Management GmbH and AUWA-Chemie GmbH. The following discussion therefore primarily relates to the WashTec Group. WashTec AG is discussed separately in section 2.6.

Rounding differences may occur		2020	Guidance 2021	Revised guidance 2021*	2021	Change
Revenue	€m	378.7	stable	significant increase	430.5	13.7%
EBIT	€m	20.1	significant increase		45.7	127.4%
Free cash flow**	€m	36.9	significant decrease		34.5	−6.5%
ROCE	%	10.5	significant increase		25.8	–
Accident rate (work accidents/ million hours worked)		4.5	significant decrease		4.9	–

** Revised guidance issued July 13, 2021.*
*** Including repayment of lease liabilities*

Revenue and business development
The WashTec Group recorded a 13.7% increase in revenue to €430.5m in 2021 (prior year: €378.7m). Adjusted for exchange rate effects, the growth in revenue was 13.6%. This means the target of stable revenue performance relative to the prior year, as communicated in the Annual Report 2020, was significantly exceeded. The revised guidance for 2021 issued mid-year forecast a significant increase in revenue by over 9%. That guidance was exceeded with the final figures for 2021.

The general economic environment improved significantly over the course of the year compared to the prior year. Impacts of the pandemic continued to be clearly felt in the reporting year and affected the development of the economy. However, the economy recovered significantly faster than was expected at the beginning of the year. This notably also led to a change in investment confidence among our customers.

Revenue increased year-on-year in all major business segments. Growth in the Equipment and Service segment was driven in particular by key accounts business returning to normal. The direct sales business also performed positively and likewise significantly increased in volume.

Services and Chemicals revenue also developed very well, with the result that it not only exceeded 2020 – which was hit hard by the COVID-19 pandemic – but also the pre-crisis level from 2019.

With the revenue growth, **EBIT** went up 127.4% to €45.7m (prior year: €20.1m). This includes a €2.7m positive non-recurring item resulting from the recognition in profit or loss of a prior-year loan under the US government support program. In the prior year, EBIT was reduced by one-off expenses in the amount of €5.6m. Adjusted for these effects, EBIT was €43.0m (EBIT margin: 10.0%), compared with €25.7m in the prior year (EBIT margin: 6.8%). This means the WashTec Group once again also delivered a double-digit EBIT margin on an adjusted basis. It consequently achieved the target of a significant increase communicated in the Annual Report 2020.

Along with the economy as a whole, the WashTec Group was increasingly affected in the second half of the fiscal year, and particularly in the fourth quarter, by challenges relating to material availability and rising material prices. The unpredictable and in some cases very rapidly changing situation presented the Company with special challenges. We are proud that the WashTec Group was able to meet all delivery obligations. Available resources had to be reallocated in some cases and projects reprioritized. In particular, this meant implementation delays for future optimization projects. Production was also unable to operate as efficiently as usual during this challenging period.

The WashTec Group responded to the rising purchase prices with corresponding price increases on the selling side. Due to the usual lead times for fulfilling orders, however, this had only a minor impact on earnings for the year. That impact is reflected in particular in the fourth-quarter EBIT margin, which decreased from 13% in the prior year to 10%. At the beginning of fiscal year 2022, the Company expects that the tight situation on the procurement market and the resulting financial impacts and operating challenges will continue.

Free cash flow including repayment of lease liabilities decreased by 6.5% to €34.5m (prior year: €36.9m). This matched the forecast of a significant decrease in free cash flow.

ROCE came to 25.8% (prior year: 10.5%). The targeted significant increase in ROCE was thus achieved. This was mainly due to the positive effect of the rise in EBIT. The denominator, capital employed, decreased by €14.1m (7.4%) year-on-year despite the higher business volume.

The number of work accidents per million hours worked, at 4.9, was below the industry average reported for recent years by the employers' liability insurance associations (Berufsgenossenschaften). However, the target for 2021 of a significant reduction in accidents was not attained. WashTec targets further reductions in the number of occupational accidents.

Overall, it can be said that although the WashTec Group's business performance continued to be affected in 2021 by the impacts of the COVID-19 pandemic and the special challenges on the procurement market, the Company was able to close the year with very positive results. The business model has been shown to be robust and the Company's ability to continue as a going concern was not at risk at any time in fiscal year 2021. Further process optimization efforts and capital expenditure, particularly in the area of digitalization, will have a positive effect on business performance in the future.

2.3 Position

Multi-year comparison of key performance indicators

Rounding differences may occur		2019	2020	2021
Revenue	€m	436.5	378.7	430.5
EBIT	€m	36.3	20.1	45.7
Free cash flow*	€m	6.4	36.9	34.5

**Including repayment of lease liabilities*

2.3.1 Order backlog

The Group's year-end order backlog was significantly larger than in 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 business development in the months ahead.

2.3.2 Results of operations

2.3.2.1 Income statement

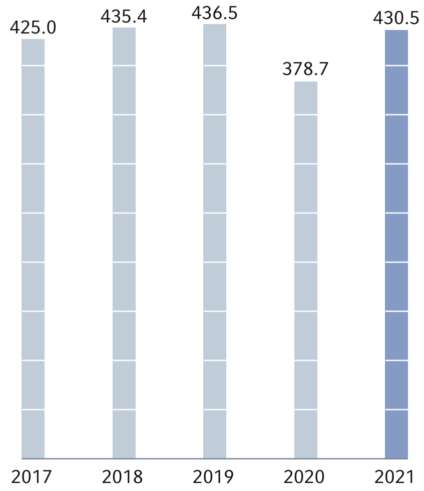
The following table shows the income statement of the WashTec Group:

In €m Rounding differences may occur	2021	2020	Change	
			absolute	in %
Revenue	430.5	378.7	51.8	13.7
Cost of sales	−303.8	−274.5	29.3	10.7
Gross profit	126.7	104.1	22.6	21.7
Gross profit margin in %	29.4	27.5	1.9	–
Research and development expenses	−13.0	−14.0	1.0	7.1
Selling expenses	−55.2	−52.5	−2.7	−5.1
Administrative expenses	−16.8	−17.0	0.2	1.2
Other income and expenses	3.9	−0.7	4.6	657.1
EBIT	45.7	20.1	25.6	127.4
EBIT margin in %	10.6	5.3	5.3	–
Adjusted EBIT	43.0	25.6	17.4	68.0
Adjusted EBIT margin in %	10.0	6.8	3.2	–
Financial result	−0.9	−1.3	0.4	30.8
EBT	44.8	18.8	26.0	138.3
Taxes	−13.7	−5.5	−8.2	−149.1
Net income	31.1	13.3	17.8	133.8
Earnings per share (€)	2.32	0.99	1.33	133.8

2.3.2.2 Revenue development

The WashTec Group's revenue totaled €430.5m and was therefore higher (by €51.8m or 13.7%) than the prior year figure of €378.7m.

Revenue development in €m



Revenue at pre-crisis levels in 2021

Adjusted for exchange rate effects, full-year revenue was €430.1m, an increase of 13.6% on the prior year (€378.7m). In Europe, exchange rate effects had a positive impact of €1.5m on revenue due to changes in the exchange rates for the British pound and Norwegian krone. In North America, exchange rate changes resulted in a negative effect of €1.8m compared to the prior year. Exchange rate effects on revenue in the Asia/Pacific region were positive at €0.7m. Detailed discussion of the development of the individual segments is provided under Segment Reporting in section 2.3.3.

Revenue by products

In €m Rounding differences may occur	2021	2020	Change	
			absolute	in %
Equipment and Service	373.2	324.0	49.2	15.2
Chemicals	51.0	46.6	4.4	9.4
Others	6.3	8.1	−1.8	−22.2
Total	**430.5**	**378.7**	**51.8**	**13.7**

Equipment and Service revenue was €373.2m, 15.2% above the prior-year figure of €324.0m. Revenue growth compared to the prior year was in the double-digit range in both the key accounts and the direct sales business. Key accounts showed a stronger increase particularly in the second half of the year. After a slow start in the first quarter, key accounts revenue recorded significant, double-digit growth rates in the remaining three quarters. Equipment and Service revenue was still around 2% down on 2019, the year before the crisis, mostly due to the lower volume of business with major customers.

Chemicals revenue was 9.4% up year-on-year. Revenue in the Chemicals business was 8.3% higher in the reporting year than the pre-crisis 2019 level.

Other revenue accounts for only around 1.5% of the WashTec Group's total revenue.

2.3.2.3 Expense items and results

2.3.2.3.1 Gross profit

Gross profit increased significantly by €22.6m. When comparing with the prior year, it should be noted that the prior year included a non-recurring item of €5.2m from impairment losses recognized on own work capitalized from product development. Adjusted for this item, the increase in gross profit was €17.4m or 15.9%. This means gross profit increased more strongly year-on-year than revenue, despite the negative impact of higher material costs. The adjusted gross profit margin improved from 28.9% to 29.4%. In addition to volume-related fixed cost recovery, this improvement is mainly due to the optimization measures initiated and implemented in previous years.

2.3.2.3.2 Expense items

Research and development expenses
Research and development expenses fell by €1.0m year-on-year. When comparing with the prior year, it should be noted that the prior-year figures included a €1.3m provision for restructuring. The personnel measures for which the provision was recognized were not implemented in 2021. It was possible to redeploy the employees in other roles that generate value for the Company, as a result of which the provision was reversed in 2021. Reversing the provision had no impact on WashTec Group earnings, as restructuring expenses were incurred in the same amount elsewhere. Adjusted for these items, research and development expenses increased by €1.6m from €12.7m in the prior year to €14.3m in fiscal year 2021. This increase is largely due to a significant intensification of development activities for digital solutions and digital products.

Selling expenses
The increase in selling expenses is mainly due to higher freight costs (€12.0m; prior year: €10.0m) in connection with the increase in sales volume. Additional expenses of €0.5m were incurred in connection with trade fairs.

Administrative expenses
Administration expenses, at €16.8m in the reporting year, were on the same level as in the prior year (prior year: €17.0m).

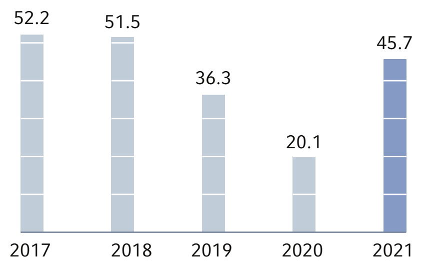
Other income and expenses
Other income and expenses improved by €4.6m to €3.9m (prior year: €–0.7m). The cost reduction here mainly relates to lower loss allowances on trade receivables following an improvement in the aging structure and to income from the US government support program recognized in this item in the reporting year.

This item also includes a positive impact on earnings in the amount of approximately €0.2m (prior year: €–0.7m) from the measurement of foreign currency-denominated assets and liabilities as of the reporting date.

2.3.2.3.3 EBIT

Earnings before interest and taxes (EBIT) were up 127.4% to €45.7m (prior year: €20.1m).

EBIT in €m, multi-year comparison



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

2.3.2.3.4 EBIT margin

The EBIT margin increased to 10.6% (prior year: 5.3%). Adjusted for the non-recurring item accounted for in earnings, the EBIT margin in the reporting year was 10.0% (prior year: 6.8%)

2.3.2.3.5 Financial result

The financial result was €–0.9m (prior year: €–1.3m). The change mainly relates to a provision recognized in this item in the prior year for interest payable as a result of a tax audit.

Analysis of financial result

Rounding differences may occur, €m	2021	2020
Other interest income	0.1	0.1
Financial income	**0.1**	**0.1**
Interest-bearing loans	0.5	0.5
Interest expense from discounting lease liabilities	0.4	0.5
Other interest expense	0.1	0.5
Financial expense	**1.0**	**1.4**
Financial result	**–0.9**	**–1.3**

2.3.2.3.6 EBT

Earnings before tax (EBT) increased to €44.8m (prior year: €18.8m).

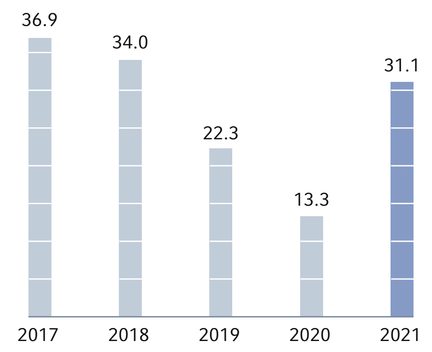
2.3.2.3.7 Taxes

The taxes of €13.7m (prior year: €5.5m) consist of current tax expense and deferred taxes mainly relating to temporary differences. The tax rate (relative to EBT) was 30.6%, slightly higher than in the prior year (29.2%).

2.3.2.3.8 Consolidated net income

Consolidated net income went up by €17.8m to €31.1m (prior year: €13.3m). On the basis of the average number of shares (13,382,324), earnings per share (basic = diluted) rose significantly by 133.8% to €2.32 (prior year: €0.99).

Consolidated net income in €m, multi-year comparison



2.3.2.4 Use of funds/dividends

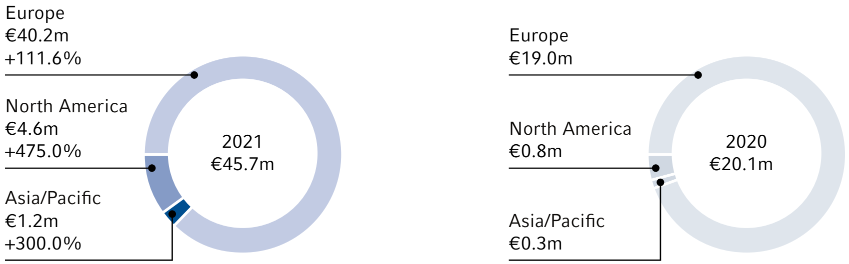
WashTec will continue to pursue an attractive dividend policy going forward. The Management Board and Supervisory Board intend to recommend to the Annual General Meeting, which is scheduled for May 16, 2022, to appropriate the distributable profit of €40,306,406.55 shown in the Company’s annual financial statements for fiscal year 2021 as follows: Payment of a dividend in the amount of €2.90 per eligible share, totaling €38,808,739.60, with the remaining distributable profit of €1,497,666.95 to be carried forward. The proposal for distribution of a dividend to shareholders in the amount of €2.90 per eligible share includes a special dividend of €0.80 in addition to the dividend of €2.10 for fiscal year 2021.

2.3.3 Reporting by region

Revenue by regions in €m*

** Consolidation effects are disregarded.*

EBIT by regions in €m*



** Consolidation effects are disregarded.*

2.3.3.1 Europe

Europe region key figures

Rounding differences may occur		2021	2020	Change (in %)
Revenue	€m	348.7	305.5	14.1
EBIT	€m	40.2	19.0	111.6
EBIT margin	in %	11.5	6.2	–
Employees (as of Dec 31)		1,457	1,458	−0.1

Market environment

Alongside North America, the wash equipment market in Europe is one of the most developed vehicle wash markets in the world. It has the highest number of installed carwashes and well-developed provider services and distribution structures.

WashTec's customers in Europe are predominately operators of filling stations that offer on-site carwashes, with which they generate a substantial part of their earnings. These customers include multinational petroleum companies, retailers (convenience stores), individual filling station operators and filling station operator chains. Additional key customer groups include carwash operators, supermarket chains, car dealerships and repair shops, road freight companies and public transport operators.

Competition in Europe is intense and limited to only a small number of manufacturers. A key factor is a market-wide service network and installed base. 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 sales and service network and by far the largest installed base of gantry carwashes in Europe's core markets.

Business development Europe

Rounding differences may occur		2020	Guidance 2021	2021	Change (in %)
Revenue	€m	305.5	stable	348.7	14.1
EBIT	€m	19.0	significant increase	40.2	111.6

Revenue development

At €348.7m, revenue in Europe developed significantly more positively relative to the prior year (€305.5m) than was expected at the beginning of the year. The stable revenue growth forecast at the beginning of the year was significantly exceeded.

The revenue growth related to both the key account and the direct sales business. It is particularly encouraging that direct sales business in the reporting year regained the strong level of 2019, the year before the crisis. By contrast, revenue in the key account segment were still somewhat down on the pre-crisis year. Services and Chemicals also developed very positively. Revenue likewise increased very significantly here and also exceeded pre-crisis levels.

Earnings development

EBIT in Europe rose from €19.0m in the prior year to €40.2m. The EBIT margin was 11.5% (prior year: 6.2%). When comparing with the prior year, it should be noted that the prior-year EBIT was reduced by one-off expenses in the amount of €6.5m. Adjusted for this item, EBIT increased by €14.7 or 57.6% year-on-year.

Earnings performance thus exceeded guidance issued at the beginning of the year.

Segment earnings do not include any effect of national support programs in connection with the COVID-19 pandemic. An effect of €0.4m was included in this connection in the prior year.

2.3.3.2 North America

North America region key figures

Rounding differences may occur		2021	2020	Change (in %)
Revenue	€m	77.5	66.3	16.9
EBIT	€m	4.6	0.8	475.0
EBIT margin	in %	5.9	1.2	–
Employees (as of Dec 31)		269	248	11.2

Market environment

New registrations of cars and “light trucks” have increased significantly in North America in recent years. Slight population growth and growth in the number of vehicles continue to be expected for the years ahead.

The key customer groups in North America – alongside a number of major customers – are independent small or medium-size carwash chains. The share of wash tunnels relative to gantry carwashes and growth in this product segment are above the global average. The market outlook is positive for the long term.

Business development North America

Rounding differences may occur		2020	Guidance 2021	2021	Change (in %)
Revenue	€m	66.3	stable	77.5	16.9
EBIT	€m	0.8	significant increase	4.6	475.0

Revenue development

Revenue in North America went up significantly from €66.3m in the prior year to €77.5m. In US dollars, revenue was USD 91.2m (prior year: USD 75.8m). The stable revenue growth forecast at the beginning of the year was exceeded. The reason for the significantly more positive business performance is that key account business returned earlier than initially expected.

Earnings development

Earnings in North America increased significantly by €3.8m to €4.6m (prior year: €0.8m). The originally communicated target of a significant increase in EBIT was thus exceeded. This includes a €2.7m positive non-recurring item resulting from the recognition in profit or loss of a prior-year loan under the US government support program. Adjusted for this item, EBIT was €1.9m in 2021 (prior year: €0.8m). This improvement in earnings is attributable to the optimization projects and cost-cutting measures launched in previous years. The rise in material costs was felt in this region in particular in the second half of the year and reduced the positive impact of the implemented measures.

Segment earnings include €2.9m (prior year: €0.3m) from national support programs in connection with the COVID-19 pandemic.

2.3.3.3 Asia/Pacific

Asia/Pacific region key figures

Rounding differences may occur		2021	2020	Change (in %)
Revenue	€m	18.1	17.7	2.3
EBIT	€m	1.2	0.3	300.0
EBIT margin	in %	6.6	1.7	–
Employees (as of Dec 31)		56	64	−11.1

Market environment

The Chinese market for car washes is generally dominated by hand washes. Continuously rising wage levels and the rapidly growing numbers of cars on the road combined with greater environmental awareness and the possibility of paying for carwashes simply and easily on a smartphone will further increase the automated carwash share. At the same time, luxury and premium automobiles, especially from German manufacturers, are growing in popularity and number. Since 2008, WashTec has had a plant of its own near Shanghai. Market entry by additional competitors and increased supply of carwashes, particularly in the low-price segment, may also develop as a further challenge in this as-yet underdeveloped carwash market. However, the expected trend in the mid-range and premium price segment also offers new opportunities.

On the Australian market, the major American and European manufacturers are in direct competition.

Business development Asia/Pacific

Rounding differences may occur		2020	Guidance 2021	2021	Change (in %)
Revenue	€m	17.7	stable	18.1	2.3
EBIT	€m	0.3	stable	1.2	300.0

Revenue development in Asia/Pacific

At €18.1m, Asia/Pacific revenue was slightly higher than in the prior year (€17.7m). Adjusted for exchange rates, revenue in the region was €17.4m. The start-of-year forecast of stable revenue performance was therefore attained.

As already mentioned in the Annual Report 2020, development on the Australian market stabilized following the loss of a major customer and showed a marked positive trend. This resulted in growing business volume in Australia during fiscal year 2021.

In China, the WashTec Group had already begun to see a change in the market at the end of the prior year, with increasing numbers of filling stations offering free washes. This makes operators, especially in the direct sales business, less willing to invest as the market environment is reducing the expected return on investment. Key account customers in the region avoid direct investment in carwashes and prefer a rental model. For the WashTec Group, going along with this would have inevitably led to a significant increase in the amount of capital tied up in the region. The Company considered this model to be too high-risk, resulting in a fall in revenue in the country. WashTec sought alternative solutions in the course of the past year to strengthen its position in the market. The basis has now been laid here and the WashTec Group is consequently confident about business development in China for the years ahead.

Earnings development

EBIT increased significantly to €1.2m (prior year: €0.3m). The forecast of stable EBIT for 2021 was thus achieved. This significant improvement in earnings was the result of the positive trend in the Australian market. EBIT in the reporting year also included a positive effect of €0.6m from the measurement of assets and liabilities denominated in foreign currencies.

Segment earnings include an effect of €0.1m (prior year: €0.7m) from government support programs in connection with the COVID-19 pandemic.

2.3.4 Financial position

2.3.4.1 Asset and capital structure

Condensed consolidated balance sheet

Rounding differences may occur, €m	Dec 31, 2021	Dec 31, 2020
Non-current assets (incl. right-of-use assets)	92.8	95.7
Receivables and other assets	94.3	85.4
Inventories	57.1	38.5
Deferred tax assets	4.8	4.6
Cash and cash equivalents	18.1	19.9
Equity	98.4	96.2
Interest-bearing loans	13.5	19.1
Other liabilities and provisions	118.2	108.7
of which provisions (including income taxes)	30.8	28.9
of which trade payables	16.1	10.5
Contract liabilities	35.5	18.9
Deferred tax liabilities	1.3	1.0
Balance sheet total	**267.0**	**244.0**

The WashTec Group’s **balance sheet total** went up from €244.0m to €267.0m.

2.3.4.1.1 Assets

As in previous years, the WashTec Group's **non-current assets** include goodwill totaling €42.3m. Property, plant and equipment primarily consists of the items "land and buildings" in the amount of €12.9m (prior year: €13.4m) and "technical equipment and machinery" in the amount of €7.7m (prior year: €9.0m). "Intangible assets (excluding goodwill)" total €6.2m (prior year: €6.6m). Also included are right-of-use assets in the amount of €19.3m (prior year: €19.5m).

Receivables and other assets went up from €85.4m to €94.3m as of the reporting date. This increase is mainly due to trade receivables, which rose by €7.8m to €71.4m (prior year: €63.6m) as a result of the higher volume of business.

At €57.1m, **inventories** were significantly higher at the end of the year than in the prior year (€38.5m). The main reasons for the increase are higher inventories of finished goods due to existing customer orders for units scheduled for completion by the end of the year and deliberate stockpiling for production due to the uncertainties on procurement markets. The significantly higher level of working capital in inventories was offset by an increase in prepayments from customers.

Deferred tax assets totaling €4.8m (prior year: €4.6m) mainly related to temporary differences between the tax base and IFRS carrying amounts.

Cash and cash equivalents went down from €19.9m in the prior year to €18.1m.

2.3.4.1.2 Liabilities and equity

Solid equity ratio of 36.9%

Equity increased from €96.2m to €98.4m. Details regarding income and expenses recognized directly in equity in accordance with IFRS are shown in the Consolidated Statement of Changes in Equity (page 103). The equity ratio decreased to due to the €30.8m dividend distribution to 36.9% (prior year: 39.4%).

Interest-bearing loans fell compared to December 31, 2020 from €19.1m to €13.5m.

WashTec had **cash and cash equivalents** totaling €18.1m as of the year-end. These were countered by interest-bearing loans in the amount of €13.5m and lease liabilities in the amount of €20.2m. The year's high positive free cash flow meant that, despite the €30.8m dividend payment, net financial debt (cash and cash equivalents less current and non-current financial liabilities) decreased by €3.7m to €15.7m.

Trade payables rose from €10.5m to €16.1m.

Contract liabilities increased, mainly due to higher prepayments received, by €16.6m to €35.5m (prior year: €18.9m).

Deferred tax liabilities increased slightly to €1.3m (prior year: €1.0m).

Provisions (including income tax liabilities) primarily consist of provisions for personnel, phased retirement obligations, warranties and buy-back obligations. As of the reporting date, provisions totaled €30.8m (prior year: €28.9m).

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 about the wash process itself 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, 2021, the Group had a credit line for a total amount of €122.6m (prior year: €122.5m).

The undrawn amount of the credit line available for future operating activities and to meet obligations was €102.4m as of the reporting date (prior year: €96.9m).

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 expenditure, depreciation and amortization and impairment testing

At €4.3m, capital expenditure was at a very low level in the reporting year. The focus of capital expenditure was on Europe (€4.1m). It mainly related to spending on modernization of operating locations and investment in modern equipment. Additional capital expenditure was incurred in North America (€0.1m) and Asia/Pacific (€0.1m).

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.

Goodwill is not amortized but is tested annually for impairment. The impairment test is based on a three-year medium-term forecast at Group level.

Recognized intangible assets were tested for impairment. The impairment testing did not lead to the recognition of any impairment losses.

2.3.5.3 Cash flow statement

Rounding differences may occur, €m	2021	2020	Change	
			absolute	in %
EBT	44.8	18.8	26.0	138.3
Net cash flows from operating activities	45.7	46.3	−0.6	−1.3
Net cash flows from investing activities	−3.4	−0.7	−2.7	−385.7
Free cash flow*	34.5	36.9	−2.4	−6.5
Net cash flows from financing activities**	−31.6	−0.8	−30.8	–
Net change in cash funds	2.9	36.1	−33.2	−92.0
Cash funds as of December 31	4.5	0.8	3.7	462.5

** Including repayment of lease liabilities*
*** Excluding repayment of lease liabilities*

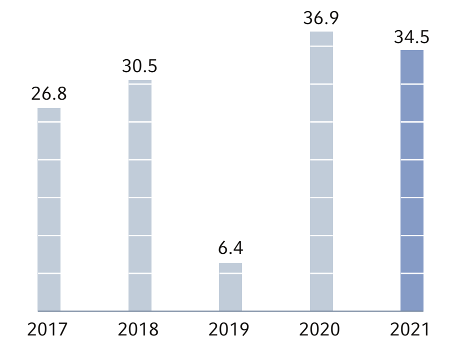
The **cash inflow from operating activities (net cash flow)** decreased slightly by €0.6m to €45.7m (prior year: €46.3m). This primarily reflected the change in net operating working capital (NOWC), which increased by €4.3m. That increase was mainly due to the rise in trade receivables in connection with the growth in business and higher inventories. In the prior year, NOWC decreased by €11.7m.

Net operating working capital (trade receivables + inventories – trade payables – prepayments on orders) increased by €6.3m from €80.6m to €86.9m. This resulted in a significant increase in inventories.

The **net cash outflow from investing activities** was €3.4m in fiscal year 2021 (prior year: €0.7m). Payments for capital expenditure were slightly below the prior-year level at €4.3m (prior year: €4.7m).

Free cash flow including repayment of lease liabilities (cash outflow from operating activities (net cash flow) – cash outflow from investing activities – repayment of lease liabilities) decreased to €34.5m (prior year: €36.9m).

Free cash flow* in €m



** Including repayment of lease liabilities*

The **cash outflow from financing activities (excluding repayment of lease liabilities)** was €31.6m (prior year: €0.8m). The increase relates to the dividend payment of €30.8m (prior year: €0.0m).

Cash funds (net) increased, due to the increase in free cash flow, to €4.5m as of December 31, 2021 (prior year: €0.8m). The Company was able to meet its payment obligations at all times.

2.4 Non-financial performance indicator

Accident rate

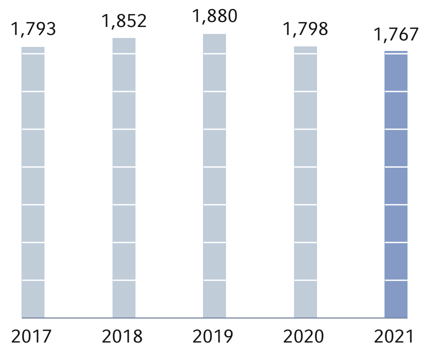
Rounding differences may occur	2020	Guidance 2021	2021	Change absolute
Work accidents/ million hours worked	4.5	significant decrease	4.9	0.4

WashTec uses the number of work accidents per million hours worked as a non-financial performance indicator. The figure of 4.9 for 2021 was significantly below the industry average reported for recent years by the employers' liability insurance associations (Berufsgenossenschaften). However, it means that the target for 2021 of a significant reduction in the accident rate was not attained. WashTec targets further reductions in the number of occupational accidents.

2.5 Employees

The number of employees rose by 12 to 1,782 as of December 31, 2021 (prior year: 1,770). The average number of employees at WashTec during the year was 1,767 (prior year: 1,798).

Average number of employees by year



In Germany, the WashTec Group is subject to collective agreements with trade union IG Metall. Collective agreements with trade union IG Bergbau, Chemie, Energie serve as benchmarks at AUWA-Chemie GmbH.

The WashTec workforce is key to the WashTec Group's business success. Expenditure for continuing education and training increased by 43% in the reporting 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, financial position and cash flows 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". The stable earnings growth forecast for the reporting year was significantly exceeded due to the higher investment result.

2.6.1 Results of operations

Income Statement of WashTec AG (condensed)

Rounding differences may occur, €m	2021	2020	Change	
			absolute	in %
Revenue	2.9	1.8	1.1	61.1
Personnel expenses	4.2	1.5	2.7	180.0
Other operating expenses	2.1	2.1	0.0	–
Investment result	43.0	10.9	32.1	294.5
EBT	40.1	10.2	29.9	293.1
Net income for the period	39.9	8.6	31.3	364.0
Profit carried forward	0.4	22.6	−22.2	−98.2
Distributable profit	**40.3**	**31.2**	**9.1**	**29.2**

Revenue at WashTec AG – HGB-basis, meaning as measured in accordance with the German Commercial Code – increased to €2.9m (prior year: €1.8m) and related to management costs charged on to subsidiaries.

WashTec AG's **personnel expenses** (HGB-basis) of €4.2m (prior year: €1.5m) include Management Board remuneration and personnel expenses for the Legal and Investor Relations functions. In 2021, this item additionally includes the employee bonus of €1.5m paid to all employees of the WashTec Group in recognition of the successful fiscal year 2021.

Other operating expenses (HGB-basis), at €2.1m, were at the same level as in the prior year (prior year: €2.1m).

Net income for the period (HGB-basis) went up from €8.6m to €39.9m.

The **investment result** (HGB-basis) primarily includes income under control and profit and loss pooling agreements in the amount of €2.9m (prior year: €4.9m) and interest income in the amount of €0.1m (prior year: €0.1m). In addition, WashTec Holding GmbH paid a dividend in the amount of €40.0m (prior year: €6.0m).

2.6.2 Financial position and cash flows

Balance Sheet of WashTec AG (condensed)

Rounding differences may occur, €m	Dec 31, 2021	Dec 31, 2020	Change	
			absolute	in %
Non-current assets	128.2	128.1	0.1	0.1
Receivables, other assets	54.2	39.6	14.6	36.9
Equity	169.4	160.3	9.1	5.7
Provisions	3.6	3.5	0.1	2.9
Liabilities	9.3	3.9	5.4	138.5
Balance sheet total	**182.4**	**167.7**	**14.7**	**8.8**

Non-current assets (HGB-basis) mainly consist of shares in affiliated companies in the amount of €128.1m (prior year: €128.1m). Management tests the shares in affiliated companies annually for impairment. There are no indications of impairment.

The **receivables and other assets** (HGB-basis) in the amount of €54.2m (prior year: €39.6m) primarily result from general clearing transactions with affiliated companies under profit and loss pooling agreements.

High equity ratio of WashTec AG 92.9%

Equity (HGB-basis) was €169.4m (prior year: €160.3m). This yields an equity ratio of 92.9% (prior year: 95.6%).

Provisions (HGB-basis) stood at €3.6m (prior year: €3.5m) and mainly related to employee bonuses, legal and consulting expenses, auditing costs, Management Board remuneration and Supervisory Board remuneration.

WashTec AG is financed by means of cash pooling with WashTec Cleaning Technology GmbH, Augsburg.

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. That section also provides a description of the internal control system as required under the pre-amendment Section 289f (1) HGB.

WashTec AG's main risks relate to the recoverability of the carrying amount of investments and the size of profit distributions.

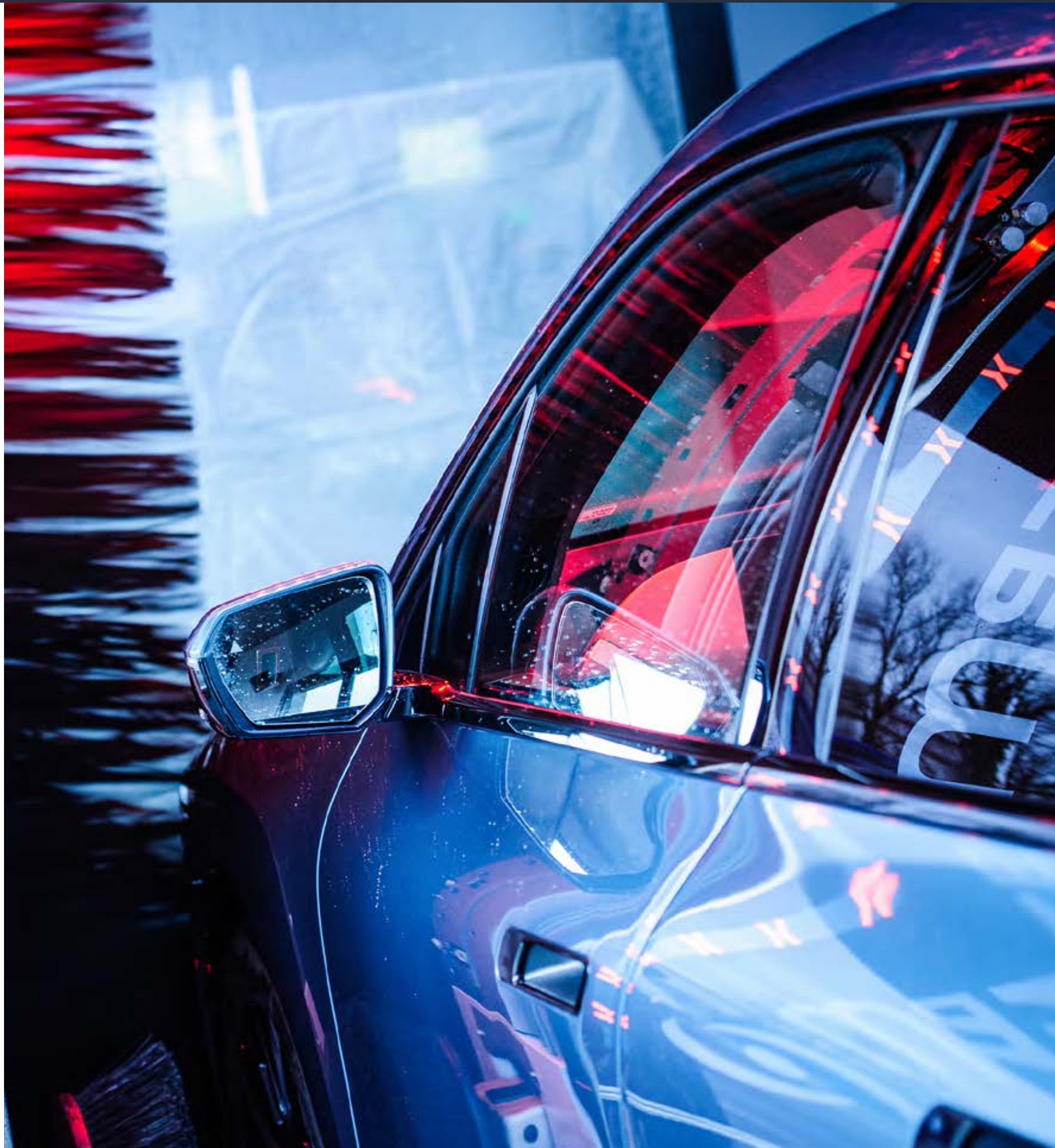
2.6.4 Miscellaneous

The salient features of the remuneration system for the Management Board members and the members of the Supervisory Board are explained in the Notes to the Consolidated Financial Statements (Note 40).

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 under section 4.1.4 "WashTec Business Development" also apply to the business development of WashTec AG as the ultimate Group parent company. The financial performance indicator for the business development of WashTec AG is net income for the period.



3 Report on subsequent events

Significant events after the balance sheet date

The Company is closely monitoring the development of the Russia-Ukraine war. The WashTec Group generates less than 2% of Group revenue in these countries. No production sites or other assets are located there. Consequently, any direct financial impact from business transacted in the two countries on the revenue and earnings of the WashTec Group would not be material. However, further developments may significantly impact the overall economic situation elsewhere and lead to further increases in raw material and energy prices. The factual situation is currently too volatile for a final assessment of the potential consequences on a global basis.

4 Outlook, opportunities and risk report

4.1 Outlook

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

4.1.1 Business policy and strategy

For 2022 and the years ahead, the WashTec Group continues to pursue its strategy of maximizing customer benefit and extending its market and technology leadership in the carwash industry.

4.1.2 Markets and products

The Group intends to further increase its global presence and market share in all sales regions and product segments. This applies to all markets in which WashTec intends to occupy a leading position with maximum customer benefit in every customer and product segment. WashTec generates a significant portion of revenue in Europe and aims to further extend its market position. There is additional potential for the WashTec Group given its smaller market share in North America and in the still underdeveloped Asian market.

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 a more positive development of the economic environment and the world economy compared with the two prior years, which were dominated by the COVID-19 pandemic.

The current development of the Russia-Ukraine war and the resulting sanctions could have a further significant impact on raw material and energy prices as well as on general economic development. In addition, the situation could have a significant impact on the WashTec Group's activities in the Russian and Ukrainian markets, even though the direct financial impact on the revenue and earnings of the WashTec Group will not be material.

4.1.4 WashTec business development

The outlook for 2022 is subject to uncertainties that could have a material effect on budgeted revenue and earnings performance.

While the development of the economy in the first few months of 2022 will still be affected by measures to contain the omicron wave, the Company assumes that this will not have any lasting effect on business development for the WashTec Group in fiscal year 2022. The trend in procurement markets and material prices is hard to predict. This depends to a great extent on the development of the global economy and could continue to have an additional impact on the WashTec Group's business development in the year ahead. WashTec has already taken adequate action to address the currently known and foreseeable developments.

The current forecast has been prepared on the assumption of a further recovery in the economic situation in 2022. A solid order backlog from the end of 2021 provides a good basis for the budgeted growth in the coming year. Compared to 2021, the WashTec Group expects rising costs, particularly in the expense categories advertising, trade fairs and travel. These were significantly down in the past two years due to restrictions during the COVID-19 pandemic. The Company expects that these expenses will normalize, although below pre-crisis levels overall due to the use of digital communication solutions that have become established in the meantime. Inflation-related increases in the prices of transportation, energy and motor vehicles and negotiated pay rises will further add to the Company's cost base. To secure the Company's long-term growth, WashTec is also investing in additional capacity on the sales side. Despite these factors, the Company expects the business to develop positively in the year ahead. This forecast does not make allowance for any further significant worsening of the economic situation due to the Russia-Ukraine war.

It is the Management Board's aim to actively further the development of the Group's strategy together with the entire workforce and to continuously improve operating performance. The focus for 2022 will be on further optimizing existing processes and investing in the development of digital solutions and products.

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

		2021	Guidance 2022
Revenue	€m	430.5	450–470
EBIT	€m	45.7	45–48
Adjusted EBIT	€m	43.0	45–48
Free cash flow*	€m	34.5	28–32
ROCE	in %	25.8	25–27
Accident rate (work accidents/million hours worked)		4.9	<4

** Including repayment of lease liabilities*

WashTec aims for revenue growth of 5%–9% for the Group in fiscal year 2022, with a double-digit EBIT margin. When comparing with EBIT guidance for 2021, it should be noted that the prior-year figure included a positive non-recurring item of €2.7m. Adjusted for this effect, the forecast increase in adjusted EBIT is 5%–12%. EBIT is thus expected to increase more strongly than revenue in the coming year.

At around 4%–5%, the revenue growth in the Europe region is below the growth expected for the WashTec Group. Revenue growth in the North America and Asia/Pacific regions is expected to be in the double-digit range.

EBIT in the Europe region is expected to increase in step with the targeted Group performance. In North America, EBIT in 2022 is expected to be down on the prior year, as the 2021 figure there included a non-recurring item in the amount of €2.7m. Adjusted for the non-recurring item, EBIT in the region will increase. EBIT performance in the Asia-Pacific region is expected to be level with the prior year.

The Company expects free cash flow including repayment of lease liabilities to decrease despite the higher earnings. This is mainly due to an expected significant increase in capital expenditure in the coming year.

Our goal as a company is to employ the capital available to us profitably and efficiently. Return on capital employed (ROCE) is our central measure of capital efficiency. In the medium term, the WashTec Group continues to aim for ROCE of over 25%. For this year, ROCE is expected to improve compared to the prior year.

The Company aims to further reduce the accident rate in the coming year.

The forecast described for the WashTec Group also applies to the business development of WashTec AG as the ultimate Group parent company.

4.2 Opportunities and risk report

New multi-stage system established for identifying and monitoring risks

Risks are possible future developments or events that could lead to negative variation from projections or targets for the Company. Risk is intrinsic to any business venture.

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.

4.2.1 Opportunities and risk management

Risk management

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 (36 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. A new risk management system was introduced throughout the Group in fiscal year 2021. This enables systematic risk recording, documentation, assessment and aggregation on the basis of recognized statistical methods.

All identified risks are routinely reported by divisional heads and analyzed within the risk system. Risks are assessed for EBIT impact – either as an absolute maximum impact figure or a three-point estimation of a best-case, expected and worst-case impact figure – and for probability of occurrence and the effectiveness of any countermeasures. Risks are assessed using uniform criteria. The EBIT impacts are presented in a gross/net analysis. The gross figure is the amount before any measures taken. Risk mitigation measures may comprise, for example, existing provisions, insurance policies, or planned projects and activities for preventive risk minimization. They are specified, implemented and monitored for effectiveness by divisional managers.

In the risk analysis, all net individual risks are simulated using Monte Carlo simulation. They are simulated and aggregated both at Group level and at risk category level. Any correlations are taken into account. The simulation is used to determine both the expected loss (net) and value-at-risk with a confidence level of 95%. Value-at-risk represents the WashTec Group's overall potential risk and is used to determine risk-bearing capacity. Risk-bearing capacity is assessed in relation to liquidity, equity and earnings. This is done by comparing value-at-risk with the corresponding risk coverage potential.

In individual risk analysis, individual risks and opportunities that have a similar cause-effect relationship are aggregated in the risk analysis.

The simulated expected loss (net) per risk category is classified according to financial impact and probability of occurrence as follows:

Financial impacts on Group EBIT in €k:		
1	Insignificant	< 499
2	Minor	500–4,999
3	Material	5,000–9,999
4	Serious	10,000–19,999
5	Existential threat	> 20,000

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, all risks, aggregated by risk category, 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				
Impacts	1–15%	15–40%	40–60%	60–85%	85–99%
Existential threat	R	M	M	S	S
Serious	R	R	M	M	M
Material	R	R	M	M	M
Minor	N	R	R	R	M
Insignificant	N	N	R	R	R

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

The assessment of opportunities and risks relating to the COVID-19 pandemic has changed in the reporting year relative to fiscal year 2020. Impacts of the pandemic continued to be clearly felt in the reporting year and affected the development of the economy. The economy recovered far more rapidly in the past year than initially expected. This also had a positive effect on the development of the WashTec Group. Although there is still a risk of new virus mutations and new infection waves as a result, the risk is currently considered to be significantly more minor than at the beginning of the year.

The risks relating to rising raw material prices have grown significantly compared to the trend already anticipated at the beginning of the year. Especially since the second half year, the Company has been confronted with rising material prices. There are also significant restrictions in the availability of materials. The Company expects that this situation will continue throughout 2022.

With regard to the Russia-Ukraine war, the Company does not expect any significant direct financial impact, but impacts on the overall economic situation may affect the WashTec Group’s business.

In addition, ransomware attacks and cyber crime have also recently proliferated worldwide. Accordingly, the risks in this area are now rated higher than at the end of 2020.

Opportunities and risks as of the December 31, 2021 balance sheet date that could have a material impact on the onward development of the WashTec Group are described in the following.

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.

The general economic environment improved significantly over the course of 2021 compared to the prior year. Impacts of the COVID-19 pandemic continued to be clearly felt in the reporting year and affected the development of the economy. However, the economy recovered significantly faster than was expected at the beginning of the year. This notably also led to a change in investment confidence among our customers, with key account customers in particular returning to normal ordering levels. Overall, the course of the year in 2021 has shown the carwash market to be relatively crisis-proof. Revenue increased year-on-year in all business segments.

However, there is still uncertainty as to the development of the global economy with a view to the pandemic. Above all, a renewed intensification of the COVID-19 pandemic caused by new virus variants could negatively impact the recovery that has been achieved so far.

In the second half of 2021, worsening material shortages and rising material prices posted a significant risk in terms of revenue potential and cost structure, both for the WashTec Group and for the global economy as a whole. WashTec expects that the shortages on the procurement market and the possibility of production delays will persist in fiscal year 2022. Further significant price increases in material sourcing would adversely affect the cost structure and have a negative financial impact.

The current development of the Russia-Ukraine war and the resulting sanctions could have a further significant impact on raw material and energy prices as well as on general economic development. In addition, the situation could have a significant impact on the WashTec Group's activities in the Russian and Ukrainian markets, even though the direct financial impact on the revenue and earnings of the WashTec Group will not be material.

The sharp rise in inflation, particularly in the final quarter of 2021, could have further negative impacts on demand.

Opportunities

The European Central Bank's ongoing low interest rate policy is supportive of new investment spending. Although the situation is currently changing, mainly due to high inflation, the Company does not currently expect that the ECB will adjust interest rates in the near future.

In parallel with the negative impacts, the pandemic has also had the effect of accelerating digitalization. Continuing to advance digitalization can place WashTec in a better position both internally and externally relative to competitors.

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 carwash activity and, accordingly, reduce capital spending on vehicle wash equipment.

New legal requirements in connection with environmental matters could require equipment to be adapted in order to comply with them. This could lead to an increase in manufacturing costs that cannot be fully passed on to customers.

Beyond this, the WashTec Group does not anticipate any significant physical risks from climate change, such as severe weather events and the effects of rising temperatures, as our business activities are concentrated in temperate climate zones. Transition risks such as political changes and economic consequences of efforts to reduce greenhouse gas emissions are likewise not considered to be decisive for WashTec's business development. Consequences known so far in the form of legislative and policy changes such as carbon pricing are ranked as minor. The WashTec Group does not currently consider shifts in consumer preferences towards low-emission or zero-emission products to be significant with regard to the carwash business model, as more conscious consumer behavior only affects the choice of means of propulsion and is of secondary importance for how frequently cars are washed. We also believe that potential changes in the way vehicles are utilized in the future, such as the increase in car-sharing models, will not affect WashTec's business model in the short term. In the medium term, such changes could lead to a shift from individual washing in gantry car washes to autonomous washing in wash tunnels.

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 carwash 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 carwash 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 carwash equipment.

WashTec further contributes to environmental sustainability as a pioneer in the development of eco-friendly carwash chemicals.

4.2.2.3 Customers, competition and market

Risks
A freeze on capital spending by individual oil 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. The resulting risks may have an impact on revenue performance in the coming year.

Uncertainties in the current political situation and the possibility of renewed restrictions in connection with the COVID-19 pandemic could also make our customers hesitant to invest.

In addition, negotiations for new global agreements with various major oil companies are due in the coming year, resulting in higher risks overall in this area.

Current uncertainties with regard to the automotive industry, among other things due to prolonged delivery lead times, and thus also to WashTec's important car dealer segment may affect investment confidence among such customers.

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 increasing scarcity and the rising cost of fossil fuels combined with 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.

A similar risk can arise if major customers sell some or all of their (filling station) 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 trend towards high-quality automated car washing will continue, including in regions outside of the European Union. 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 internally budgeted figures 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 oil companies' filling station networks, then this trend could lead to a further improvement in WashTec's global market position.

Customers placing an increased focus on climate change mitigation and sustainability could benefit WashTec, as our product range includes proven products both for water reclamation and environment-friendly wash chemicals.

Closer collaboration with our independent sales partners in countries where WashTec does not have branches of its own 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 expected, leading to a misallocation of investment spending. Such misallocation could encumber the financial position, financial performance and cash flows of the WashTec Group due to interest on tied-up capital and/or due to impairments. A significant increase in the duration of investment projects can also have a negative impact on the Company as a result of tied-up resources and/or cost overruns. 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. These include – depending on the type of capital expenditure – opportunities to strengthen WashTec's market and competitive position and/or to improve earnings. Investment in digitalization in particular could open up new opportunities in terms of products and solutions for our customers.

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 inventions as patents and receive patent protection.

Product innovations also carry the risk of not being taken up by the market as expected. This could result in innovations not performing and generating revenue as expected and in them falling short of market expectations. To avoid this, WashTec keeps a close watch on new market launches and tests product effectiveness at an early stage.

For any company, launching new products on the market involves additional effort and risks. As well as the additional product placement effort and the aforementioned customer acceptance risk, there is further risk potential from the phase-out of previous products and from quality issues that do not arise until a product is on the market.

Competitor innovations, developments in the car industry and the development of new disruptive innovations in sectors outside of the carwash business could have a substantial and long-lasting impact on demand for WashTec products.

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 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 IT security and processes

Risks

IT security and process risks can arise in connection with new product launches and with changes to internal processes and the introduction of new IT systems. The Company's operating processes critically depend on continuous availability of all technical systems. Were this to be at risk, it would have an overall negative impact on WashTec.

Cyber risks are all risks to which computer and information networks and all IT-assisted business and production processes are exposed. The use of IT inevitably entails risks, which cannot ultimately be ruled out, for the stability of business processes and for the availability, confidentiality and integrity of information and data. Cyber and ransomware attacks are currently becoming significantly more frequent and more professional worldwide. We are also seeing an increase in targeted attacks on our IT networks at WashTec. The risk in connection with cyber crime is therefore rated significantly higher than it was at the year-end 2020.

WashTec has taken appropriate measures to reduce these risks as far as possible. The stability of the business systems in the last few years of operation indicates from the Company's perspective that this risk should be manageable. Despite this, significant effort and investment will continue to be made in the coming year to reduce these risks as far as possible.

Moreover, working in collaboration with customers, WashTec continues to actively develop its very high health, safety and environment (HSE) standards.

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 that were not factored into normal planning.

4.2.2.7 Suppliers

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.

The risks relating to the development of raw material prices and material availability have grown significantly compared to the trend already anticipated at the beginning of the year. The WashTec Group considers the resulting risk to be significantly higher than in the prior year. For some inputs, the Company faces a doubling of prices. There are also significant restrictions in the availability of materials. The enormous global demand growth coupled with the fact that capacities have not yet fully ramped back up is leading to supply shortages and delivery problems.

While the shortages were successfully managed in the reporting year, and particularly at the beginning of the second half year, the situation is not currently expected to ease in 2022. If this situation further deteriorates, it could lead to delivery delays for our customers and additional operational challenges.

Such risk was reduced by rigorous supplier and procurement management and by risk assessment, particularly with regard to strategic suppliers.

The WashTec Group responded to the rising purchase prices with corresponding price increases on the selling side. Due to the lead times for fulfilling orders, however, the effect of this will only be felt in fiscal year 2022.

In addition, 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.

In the current situation, successful management in the procurement market can also give WashTec a competitive advantage by being more successful in this regard than our competitors.

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. The fact that sales volumes are higher in the final months of the year creates particular challenges in production planning.

In the current pandemic situation, and specifically with regard to quarantine rules, it may occur that multiple team members have to go into quarantine at the same time in the event of an outbreak in production. This would abruptly reduce capacity for several days.

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.

Demand growth is met by continuous improvement of production processes and by timely capacity expansion through capital expenditure.

4.2.2.9 Takeover risks or changes in ownership structure

If its stock market valuation fails to sufficiently reflect the Company's long-term intrinsic value or the WashTec 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 loan agreements) include a change of control clause.

4.2.2.10 Financial and legal risks

Risks
The base interest rate on the existing borrowings is variable and linked to EURIBOR. Potential future interest rate rises would negatively impact the WashTec Group's earnings.

WashTec also faces risks that result from different product-specific and country-specific laws, rules and directives and that affect business activities and processes. There is the possibility of new legal disputes arising and of existing disputes with contracting parties being settled. The Group addresses these risks by recognizing appropriate provisions, with legal expertise and with the help of external specialists.

Opportunities
With its current financing arrangements, the Company has a high degree of flexibility on attractive terms. As a precautionary measure to safeguard the WashTec Group's liquidity in connection with the impacts of the COVID-19 pandemic, the credit lines were increased in 2020 by €35.0m to €122.5m. This amount remained available in fiscal year 2021. In view of the successful course of the past year, the Company plans to scale the credit lines back down in the coming year to broadly previous levels.

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 have an influence on operating performance. In addition, fluctuations in the exchange rate may have an effect on the Group's income statement due to the measurement of open foreign currency positions. To mitigate such effects when necessary, WashTec hedges against major risk with derivatives. Operational risks arising from other individual transactions in foreign currencies are immaterial to the Group due to their small volume.

Opportunities
A weakening of the euro could yield positive currency effects on revenue 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. Undrawn 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.

Existing credit lines can be extended in the event that the development of the business results in additional financing requirements.

With regard to liquidity risks, the company considers itself well positioned. With the currently available credit lines, the Company has sufficient liquid resources and borrowing lines to be able to respond flexibly to any extended lockdowns and also to invest in future growth.

4.2.2.13 Credit and default risks

The WashTec Group exclusively conducts business with creditworthy third parties. To minimize credit risk, order limits are imposed in cases 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.

The carwash business proved robust and the Group did not observe any increase in bad debts during the past two years of the pandemic. Hard lockdowns in a number of countries merely led to certain delays in customer payment behavior during the first year. Overall, there were no significant defaults and no further increase in default risk.

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 could arise due to pending tax audits at various Group subsidiaries. Corporate management views this risk as low because all new tax calculations were performed in cooperation with local tax consultants. Due to the international nature of the WashTec Group's business activities, however, risks cannot be ruled out until tax audits have been concluded.

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 difficulty finding qualified employees could have an adverse effect on WashTec's financial position, financial performance and cash flows.

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, labor walkouts in production or service could delay revenue realization. WashTec attempts to minimize this risk through active communication with employee representatives.

A change in the conditions for employing temporary labor 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 following table shows the risks aggregated by risk category:

	Probability of occurrence	Possible financial impact	Overall assessment
Overall economic development	possible	minor	relevant
Climate and environmental risks	possible	minor	relevant
Customers, competition and market	possible	material	relevant
Capital expenditure risks	unlikely	minor	relevant
Innovations and patents	unlikely	minor	relevant
IT security and process risks	possible	minor	relevant
Supplier risks	possible	material	material
Capacity risks	unlikely	minor	relevant
Takeover risks	very unlikely	material	relevant
Financial and legal risks	possible	minor	relevant
Currency risks	possible	insignificant	relevant
Liquidity risks	very unlikely	insignificant	negligible
Credit and default risks	very unlikely	insignificant	negligible
Tax risks	unlikely	insignificant	negligible
Employee risks	possible	minor	relevant

4.2.4 Overall risk assessment

The established risk management system is appropriate in the assessment of the Management Board and is subject to continuous improvement. The solid business model also limits business risks and opens up additional opportunities. Aggregation of the most significant individual risks across all corporate divisions and functions provides an indication of the Group's overall risk assessment, even though it is unlikely that the individual risks will materialize simultaneously.

The expected loss (net) across all risks is €23.1m as of the end of 2021. The comparative figure, comprising all risks times their probability of occurrence at the end of 2020, was €24.0m. The expected loss (net) has thus slightly decreased year-on-year.

Based on the individual risks set out above, the overall assessment is as follows:

There has been a slight increase in total number of risks that could have a material effect on the WashTec Group. Risks relating to the development of resource and material prices increased significantly in the reporting year. In addition, risks relating to supply shortages and the associated delivery difficulties and bottlenecks are considered a key risk for the WashTec Group. Uncertainty concerning the further path of the COVID-19 pandemic also persists but is now classified only as general pandemic risk.

The Management Board is not presently aware of any risks that cast doubt about the Company's ability to continue as a going concern.

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. The audit showed that the Management Board has taken the measures required in accordance with Section 91 (2) of the German Stock Corporation Act (AktG), in particular for the establishment of a monitoring system in suitable form, and that in all material respects the monitoring system is capable of ensuring, with reasonable assurance, timely identification of any risks that may raise doubt about the Company's ability to continue as a going concern. 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) encompasses the principles, procedures and measures for ensuring that financial reporting is effective, cost-efficient, in proper order and compliant with the law. 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 adjustments made as necessary following internal review. 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 between the balance sheet date and the management report preparation date.

6 Risk reporting in relation to the use of financial instruments

The risks for the WashTec Group arising from derivative financial instruments comprise cash flow, liquidity, currency, credit and default risks. Company policy is to avoid or limit such risk as far as possible. The management of currency, liquidity, credit and default risks has already been addressed in the risk report. When necessary, the Company also considers the use of derivative financial instruments to hedge interest rate and market price risks. 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. In accordance with Group policy, there is no trading in derivatives.

7 Takeover-related disclosures

Disclosures in accordance with Section 289a and 315a HGB: Explanatory report by the Management Board

The following text contains the disclosures required under Section 289a and 315a 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 obligations, including 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.

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.

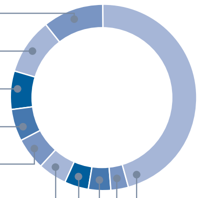
Direct and indirect shareholdings

To the knowledge of the Management Board, 45.95% of the Company's shares (as of December 31, 2021) are held by shareholders whose stakes are below the notification threshold. According to the notifications filed under the German Securities Trading Act (WpHG), direct and indirect shareholdings above 10% of voting rights are held by EQMC Europe Development Capital Fund plc., Ireland (10.42%). Direct and indirect shareholdings close to but below 10% of voting rights are held by Kempen Oranje Participations N.V., Netherlands (9.60%).

The Company's voting rights are currently distributed as follows:

Shareholder structure as of December 31, 2021

10.42%	EQMC Europe Development Capital Fund plc.[1]
9.60%	Kempen Oranje Participaties N.V.
6.82%	Dr. Kurt Schwarz[2]
5.53%	Union Investment Privatfond GmbH
5.43%	Investment AG für langfristige Investoren, TGV
4.99%	Axxion S.A.
4.25%	Treasury shares
4.00%	Diversity Industrie Holding AG
3.01%	Wellington Management Group LLP
45.95%	Other



Source: Notifications pursuant to WpHG

[1] Alantra EQMC Asset Management, SGIIC, S.A.
Alantra EQMC Asset Management, SGIIC, S.A., Madrid, Spain, as investment manager, notified WashTec AG that on February 22, 2022, EQMC Europe Development Capital Fund plc's share of the voting rights was 15,12%.
[2] Leifina GmbH & Co. KG et al.

Holders of shares with special control rights

There are no holders of shares with special control rights.

System of control of any employee share scheme

To the Company's knowledge, there are no employees participating in the capital who do not directly exercise their control rights.

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 Company's Articles of Association read in conjunction with the current Management Board rules of procedure, the Management Board currently comprises three members. 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 9.12 and 9.13 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 9.12 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.

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 April 29, 2019, 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 June 30, 2022 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. 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 this authorization 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.

Share buy-back

Unless expressly permitted by law, the Company cannot acquire or make use of treasury shares except with authorization from the Annual General Meeting. By resolution of the Annual General Meeting of April 29, 2019, the Company is authorized to acquire, on or before June 30, 2022 and for purposes other than to trade in the Company's own shares, the Company's own shares in the amount of up to 10% of the share capital of €40,000,000 at the time of the resolution or – if lower – at the time the authorization is exercised. 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 2019 Invitation to the Annual General Meeting of WashTec AG. 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.

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 Statement

in accordance with Sections 289f and 315d of the German Commercial Code

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 289f and 315d of the German Commercial Code (Handelsgesetzbuch, or HGB) on corporate governance at WashTec AG and in the WashTec Group. The Corporate Governance Statement includes, in particular, the declaration on the German Corporate Governance Code (the “Code”) in accordance with Section 161 of the German Stock Corporation Act (Aktiengesetz, or AktG).

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

The Management Board and Supervisory Board regularly direct their attention to satisfying the Code’s requirements, which comprise principles, recommendations and suggestions. The recommendations of the Code are largely complied with. The exceptions are disclosed by the Management Board and Supervisory Board in the Declaration of Conformity with the Code dated December 16, 2021.

The remuneration system for members of the Management Board in accordance with Section 87a (1) and (2) sentence 1 AktG, which was adopted by the Annual General Meeting of May 18, 2021, and the resolution on remuneration for the members of the Supervisory Board adopted in accordance with section 113 (3) AktG by the Annual General Meeting of May 18, 2021 are publicly available online in the Investor Relations section of the website *www.washtec.de*.

The remuneration report and the auditor’s report in accordance with Section 162 AktG are publicly available at the same Internet address.

8.1 Corporate and governance structure, Management Board and Supervisory Board procedures and information on corporate governance practices

Supervisory Board

The Supervisory Board is composed of six members elected by the Annual General Meeting. 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, a Sales Strategy Committee and an Innovation and Production Committee. The Supervisory Board additionally decided in March 2022 to establish a Corporate Strategy and Sustainability 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. Selent (Chairman), Mr. Große-Allermann and Dr. Liebler.
- Dr. Blaschke acts as chairman of the Personnel Committee, with Mr. Bellgardt and Dr. Selent serving as additional members.
- The Nomination Committee consisted in the 2021 reporting year of Messrs. Große-Allermann (Chairman), Dr. Liebler and Dr. Hein. Since January 1, 2022, the Nomination Committee has consisted of Dr. Blaschke (Chairman), Mr. Bellgardt and Mr. Große-Allermann.
- The members of the Innovation and Production Committee are Mr. Bellgardt (Chairman), Dr. Blaschke and Dr. Hein.
- The Sales Strategy Committee consists of Dr. Blaschke (Chairman) and Mr. Bellgardt.
- The members of the Corporate Strategy and Sustainability Committee (since March 2022) are Mr. Bellgardt (Chairman), Dr. Blaschke and Dr. Selent.

Name	Member of the Supervisory Board from
Dr. Günter Blaschke	June 4, 2014
Ulrich Bellgardt	June 4, 2014
Jens Große-Allermann	May 10, 2012
Dr. Sören Hein	May 10, 2012
Dr. Hans-Friedrich Liebler	May 10, 2012
Dr. Alexander Selent	May 3, 2017

The Supervisory Board has six members and several committees

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 Recommendation C.1 of the Code, the Supervisory Board has set specific objectives with regard to its composition and has confirmed the profile of skills and expertise for the Supervisory Board as a whole. This is to ensure that the Supervisory Board collectively has the knowledge, skills and experience considered material to WashTec in light of its activities. These include, among other things, knowledge and experience in the areas of technology and innovations (including engineering and digitalization), production, sales and marketing, finance, compliance and human resources. In addition, the Supervisory Board is also required to have knowledge of the capital market and investment management.

In the future, at least one member of the Supervisory Board and of the Audit Committee must have expertise in accounting and at least one other member must have expertise in auditing (Sections 100 (5) and 107 (4) sentence 3 AktG). The Chair of the Audit Committee is required to have specific knowledge and experience in applying accounting principles and internal control procedures and to be familiar with audits. In view of the company's international nature, the Supervisory Board is also required to include persons with long-standing international experience, and in particular management experience in internationally oriented companies. The members as a whole must be familiar with the sector in which the company operates. In its nominations for election, the Supervisory Board also has due regard to diversity in the sense of a plurality of opinions and experience on the part of those nominated, for example with regard to age, gender, educational or professional background and internationality.

The Supervisory Board is also required to include what it regards as an appropriate number of independent members. For this purpose, more than half of the shareholder representatives is required to be independent from the company and the Management Board. If the company has a controlling shareholder, at least two shareholder representatives are required to be independent from the controlling shareholder. The Chair of the Supervisory Board, the Chair of the Audit Committee, as well as the Chair of the Personnel Committee, are required to be independent from the company and the Management Board. The Chair of the Audit Committee must also be independent from any controlling shareholder.

In its current composition, considering Section 12 (6) of the Introductory Act to the Stock Corporation Act (EGAktG), the Supervisory Board already meets these objectives. Specifically, as Chairman of the Audit Committee, Dr. Selent assumes the role of "financial expert" within the meaning of the German Stock Corporation Act and the Code. Taken together, the members of the Supervisory Board possess the knowledge, skills and professional experience required for the proper execution of their duties.

The Supervisory Board is composed of six shareholder representatives. In this connection, the Supervisory Board includes what it regards as an appropriate number of independent members. In its assessment, all present members of the Supervisory Board are independent within the meaning of the aforementioned Code criteria – namely Dr. Blaschke, Mr. Bellgardt, Mr. Große-Allermann, Dr. Hein, Dr. Liebler and Dr. Selent.

The Supervisory Board will also take the specified objectives into account in its nominations for the next regular Supervisory Board election or in the event a Supervisory Board member resigns before his or her term has ended, and will fulfill the profile of skills and expertise accordingly. The same applies for any applications for the appointment of Supervisory Board members by court order.

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 on the Company's strategy and its implementation. The Supervisory Board reviews the Company's quarterly statements and half-year report 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, among other things, the remuneration system for the Management Board (Principle 23 of the Code), on the basis of which the specific remuneration of individual Management Board members is determined. The Supervisory Board submitted a revised remuneration system for members of the Management Board to the 2021 Annual General Meeting of WashTec AG for approval. 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 rules of procedure are available on the Company's website at: *Rules of Procedure for the Supervisory Board – WashTec AG*

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 Supervisory Board regularly reviews the efficiency of its work in a self-assessment. The findings of the self-assessment carried out in fall 2020 on the basis of the established questionnaire – which had been updated and revised in accordance with the requirements of the Code – were presented and discussed in detail in the second quarter of 2021. Those findings confirm a professional, constructive working relationship characterized by a high degree of trust and openness both within the Supervisory Board and in its dealings with the Management Board. A number of suggestions were also taken up and put into practice during the course of the year. No notable deficits were identified.

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, in furtherance of which it 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.

The members of the Management Board in the reporting period were Dr. Ralf Koeppe, Dr. Kerstin Reden and Mr. Stephan Weber.

- As CEO, Dr. Koeppe's portfolio comprises Corporate Culture, Communication and Philosophy, HR, R&D, Production, Quality, Service Support and Sustainability.
- Dr. Reden's management portfolio comprises Finance/Controlling, IT, Procurement, Investor Relations, WTFS, Legal, Risk Management/Compliance/Audit, Insurance.
- Mr. Weber is responsible for Sales and Service worldwide, KAM/CWM, Marketing, Business Units/Product Management.

Together with the Management Board, the Supervisory Board ensures that there is long-term succession planning for the Management Board. The CEO and the Chairman of the Supervisory Board hold regular discussions on this topic as part of such planning. This issue is also regularly addressed by the Supervisory Board in its meetings. Long-term succession planning is based in particular on discussions between the Supervisory Board and the members of the Management Board and on contacts with senior executives of the Company. Terms of office and extension options for currently serving Management Board members are discussed along with potential successors. In connection with filling vacant Management Board positions, the Supervisory Board compiles a requirements profile and conducts interviews with suitable candidates. Based on this, the Supervisory Board decides on appointments to vacant Management Board positions taking into account the specific qualification requirements. Where necessary, the Supervisory Board and the Personnel Committee are aided by outside consultants in the compiling requirements profiles and selecting candidates.

Managers' transactions

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 related financial instruments once the purchase and sale transactions reach a total amount of €20,000 within a calendar year.

Transaction date	Person	Transaction type	Publication date	Quantity	Price € (avg.)	Total €
May 20, 2021	Ulrich Bellgardt	Share purchase (joint custody account with spouse)	May 21, 2021	2245	53.0000	118,985.00
May 19, 2021	Ulrich Bellgardt	Share purchase (joint custody account with spouse)	May 21, 2021	685	52.8000	36,168.00
Sep 16, 2021	Stephan Weber	Share purchase	Sep 21, 2021	500	53.6000	26,800.00
Sep 24, 2021	Dr. Ralf Koeppe	Share purchase (joint custody account with spouse)	Sep 28, 2021	1200	54.3125	65,175.00
Nov 30, 2021	Dr. Kerstin Reden	Share purchase	Nov 30, 2021	206	48.4000	9,970.40

All 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, 2021, the members of the Supervisory Board held shares of WashTec AG as follows: Dr. Günter Blaschke 52,060 shares, Mr. Ulrich Bellgardt 31,000 shares, Dr. Hans-Friedrich Liebler 5,500 shares, Dr. Sören Hein 5,450 shares and Dr. Alexander Selent 1,500 shares.

As of December 31, 2021, the members of the Management Board held shares of WashTec AG as follows: Dr. Kerstin Reden 417* shares, Dr. Ralf Koeppe 3,000 shares and Mr. Stephan Weber 4,330 shares.

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 position, financial performance and cash flows to its shareholders in the form of financial reports, in individual discussions and at investor conferences.

The Annual General Meeting of WashTec AG is generally held in the second quarter of the year in conjunction with or following publication of the quarterly results. 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.

*This includes a securities transaction not subject to reporting requirements concerning the acquisition of 211 shares.

WashTec AG made use of the option of holding the Annual General Meeting as a virtual Annual General Meeting in 2021 and published all documents of relevance to the 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.

Diversity policy

WashTec aims as a matter of policy for the composition of the Management Board and the Supervisory Board to be based on qualification. The composition of the Supervisory Board reflects the Company's purpose and size, the composition of the workforce and WashTec's international business activities.

The Supervisory Board pays particular attention to diversity as part of the selection process for new Management Board members. The Management Board had one woman member, Dr. Kerstin Reden, in the reporting year.

Given suitable experience, people of all age groups can be members of the Management Board and Supervisory Board. An exception with regard to the composition of the Supervisory Board is that 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 normal age limit for members of the Management Board is 65.

In appointments to the Management Board and Supervisory Board, efforts are made to ensure that candidates have experience in the same or a similar industry. The members of the Supervisory Board as a whole must also be familiar with the sector in which the company operates.

Targets for the percentage of women on the Boards

The Supervisory Board is required to set targets for the percentage of women on the Company's Supervisory Board and Management Board together with dates for their achievement. The WashTec AG Management Board has a corresponding obligation with regard to the two management levels below it.

During the 2018 financial year, the Management Board and the Supervisory Board set new targets to be achieved by 30 June 2023. On July 26, 2018, the Supervisory Board resolved to set a target of at least 25% as the female quota for the Management Board. With the appointment of Dr. Kerstin Reden as of August 1, 2020, the target for the percentage of women on the Management Board (25%) was met in the reporting year.

On July 26, 2018, the Supervisory Board resolved to set a target of 0% as the 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. There were no women members of the Supervisory Board in the 2021 reporting year.

The Management Board considers diversity when making appointments to executive positions. On December 20, 2018, the Management Board set a target of at least 10% for each of the two management levels below it to be achieved by June 30, 2022. Taking into account the specific circumstances and conditions at WashTec – notably the objects of the Company, its size, workforce composition and international business activities – the Management Board believes these percentages are reasonable as they provide flexibility in terms of filling positions on the basis of qualification. The figures in the 2021 reporting year were 14.29% at the first management level below the Management Board and 16.94% at the second management level below the Management Board.

8.2 Compliance

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, the annual press conference and 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 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*.

Compliance organization subject to continuous improvement

WashTec has established a Group-wide 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 AG 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.

All managers receive regular training on the WashTec Code of Ethics

The members of the Supervisory Board observe the rules to the extent that they apply to them. All WashTec Group managers and employees in sensitive areas such as Sales, Procurement, Human Resources and Finance receive regular online training on the Code of Ethics, with a concluding test and certification. Regular online training, likewise with a concluding test, is also provided on the General Data Protection Regulation, especially for new employees. In further support of the compliance system, a whistleblower system introduced in 2016 enables employees and others to raise concerns – anonymously if they prefer – and to flag up 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.

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 are informed about their duties in relation to directors' dealings and were provided with comprehensive training following the change in the law on entry into force of the Market Abuse Regulation (EU) No 596/2014.

8.3 Declaration of Conformity

The Declaration of Conformity in accordance with Section 161 AktG as submitted by the Management Board and Supervisory Board on December 16, 2021 is reprinted below. All submitted declarations are published in the Investor Relations section of the Company's website at *www.washtec.de*.

"WashTec AG, Augsburg

Declaration of Conformity of December 16, 2021 under Section 161 AktG

The Management Board and Supervisory Board submitted the last Declaration of Conformity on December 17, 2020 and an updated Declaration of Conformity on March 24, 2021.

The Management Board and Supervisory Board hereby declare that since submission of the updated Declaration of Conformity on March 24, 2021, WashTec AG has complied with the recommendations of the German Corporate Governance Code (the "Code") issued by the Government Commission on the German Corporate Governance Code as amended on December 16, 2019, and will continue to comply with those recommendations in the future, with the following exceptions:

In the first sentence of Recommendation G.10, the Code recommends predominantly share-based variable remuneration for the Management Board. The long-term variable remuneration under the Long Term Incentive Program (LTIP) contains significant share price-based components. These include the total shareholder return target weighted at 30% under the LTIP, which is used to assess the share price performance over the duration of the three-year incentive period. In light of this, the Management Board and Supervisory Board, as a purely precautionary measure, declare an exception from the first sentence of

Continued on next page

Code Recommendation G.10. It should be noted in this connection that the LTIP provides for the possibility, subject to fulfillment of specified conditions, of increasing the remuneration under the LTIP by up to a maximum of twofold by means of a corresponding personal investment in WashTec AG shares. This option provides a clear incentive for members of the Management Board to take a stake in the risks and rewards of the share price performance.

Furthermore, the second sentence of Code Recommendation G.10 recommends that granted long-term variable remuneration amounts should be accessible to Management Board members only after a period of four years. The incentive period under the LTIP is three years and is based on the regular term of Management Board contracts, which is likewise three years. In view of this three-year cycle, the Management Board and the Supervisory Board consider a three-year period under the LTIP to be appropriate. Accordingly, the Supervisory Board and Management Board declare an exception from the second sentence of Code Recommendation G.10. The Code is complied with to the extent that one-sixth of the final cash award from the personal investment LTIP component is subject to an obligation to purchase shares with a three-year holding period.

The remuneration system for the remuneration of members of the Management Board of WashTec AG adopted by the Supervisory Board in its meeting of March 24, 2021 and approved by the Annual General Meeting of WashTec AG of May 18, 2021 applies to all Management Board contracts entered into or renewed after the Annual General Meeting on May 18, 2021. The applicable LTIP for the Management Board, which includes a negative bonus/clawback arrangement, was adopted effective January 1, 2021 and applies to all members of the Management Board. In all other respects, the current Management Board contracts with the incumbent members of the Management Board of WashTec AG will continue to end of their appointed term under the conditions specified therein. Recommendations G.11 sentence 2 (retention and reclaiming of variable remuneration) and G.13 sentence 2 of the Code (severance payment taken into account against compensation payments in the event of a post-contractual non-compete clause) are not implemented in these current Management Board contracts. This is due to the fact that the current Management Board contracts were entered into on the basis of the previous remuneration system adopted by resolution of the Supervisory Board on December 19, 2019.

The second sentence of Code Recommendation G.18 specifies that any performance-related remuneration for the Supervisory Board should be geared to the long-term development of the Company. The Supervisory Board of WashTec AG is granted annual performance-based remuneration under the Articles of Association and long-term performance-based remuneration in accordance with the resolution of the 2018 Annual General Meeting ("Supervisory Board LTIP"). In addition, the Annual General Meeting of May 18, 2021 adopted a new Long Term Incentive Program for the Supervisory Board for period January 1, 2022 to December 31, 2024. The Management Board and the Supervisory Board are proceeding on the assumption that the recommendation will be complied with and, as a precautionary measure, declare that the maximum achievable cash award under the Supervisory Board LTIP, broken down pro rata for each year, will generally exceed the maximum achievable annual performance-based remuneration.

Augsburg, December 16, 2021

Management Board and Supervisory Board"

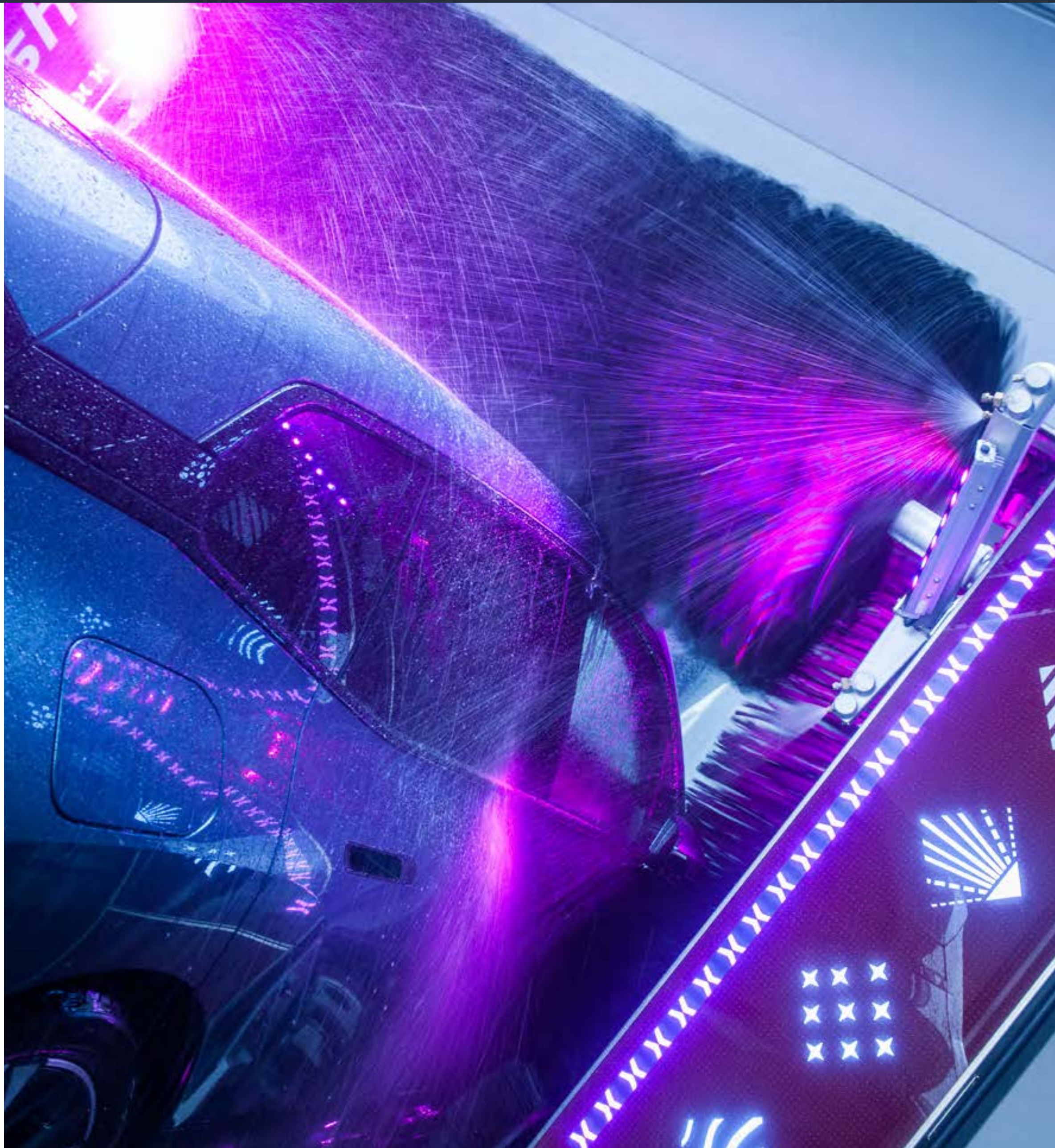
Further information about corporate governance can be found on the Internet at www.washtec.de. Corporate governance statements, corporate governance reports and declarations of conformity that are no longer current remain accessible on the website for a period of at least five years.

Augsburg, March 23, 2022

Dr. Ralf Koeppe
Chief Executive Officer

Dr. Kerstin Reden
Management Board member

Stephan Weber
Management Board member



Consolidated Financial Statements **of WashTec AG**

Consolidated Income Statement

in €k	Note	Jan 1 to Dec 31, 2021	Jan 1 to Dec 31, 2020*
Revenue	7	430,532	378,672
Cost of sales	8	−303,802	−274,505
Gross profit		**126,730**	**104,167**
Research and development expenses	9	−12,964	−13,978
Selling expenses	10	−55,244	−52,491
Administrative expenses	11	−16,759	−16,963
Other income	12	7,115	6,078
Other expenses	12	−3,186	−6,745
EBIT		**45,691**	**20,068**
Financial income		73	130
Financial expenses		−971	−1,421
Financial result	13	**−898**	**−1,291**
EBT		**44,793**	**18,776**
Income taxes	14	−13,716	−5,474
Net income		**31,077**	**13,302**
Average number of shares in units		**13,382,324**	13,382,324
Earnings per share (basic = diluted) in €	15	**2.32**	**0.99**

Further information on the Consolidated Income Statement is provided in the Notes to the Consolidated Financial Statements.

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

Rounding differences may occur.

** With the beginning of the fiscal year 2021, the cost of sales method was applied. The prior year was adjusted accordingly.*

Consolidated Statement of Comprehensive Income

in €k	Jan 1 to Dec 31, 2021	Jan 1 to Dec 31, 2020
Net income	**31,077**	13,302
Actuarial gains/losses from defined benefit obligations and similar obligations	46	−77
Deferred taxes	−20	30
Items that will not be reclassified to profit or loss	**26**	−47
Adjustment item for currency translation of foreign subsidiaries	1,457	−1,193
Exchange differences on net investments in subsidiaries	484	−471
Deferred taxes	−159	178
Items that may be subsequently reclassified to profit or loss	**1,782**	−1,486
Other comprehensive income	**1,808**	−1,533
Total comprehensive income	**32,885**	11,769

Further information on the Consolidated Statement of Comprehensive Income is provided in the Notes to the Consolidated Financial Statements.

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Rounding differences may occur.

Consolidated Balance Sheet Assets

in €k	Note	Dec 31, 2021	Dec 31, 2020
Non-current assets			
Property, plant and equipment	17	24,966	27,268
Goodwill	17	42,312	42,312
Intangible assets	17	6,212	6,596
Right-of-use assets	18	19,275	19,532
Non-current trade receivables	22	4,211	6,487
Other non-current financial assets	23	199	198
Other non-current non-financial assets	23	520	502
Deferred tax assets	19	4,753	4,583
Total non-current assets		**102,449**	**107,479**
Current assets			
Inventories	20	57,083	38,464
Current trade receivables	22	67,236	57,075
Tax receivables	21	18,699	18,160
Other current financial assets	23	1,617	1,116
Other current non-financial assets	23	1,836	1,812
Cash and cash equivalents	24	18,085	19,872
Total current assets		**164,555**	**136,499**
Total assets		**267,004**	**243,979**

Further information on the Consolidated Balance Sheet is provided in the Notes to the Consolidated Financial Statements.

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 €k	Note	Dec 31, 2021	Dec 31, 2020
Equity			
Subscribed capital	25	40,000	40,000
Capital reserves	26	36,463	36,463
Treasury shares	27	−13,177	−13,177
Other reserves and currency translation effects	28	−5,074	−6,977
Profit carried forward		9,158	26,635
Net income		31,077	13,302
		98,448	**96,247**
Non-current liabilities			
Non-current lease liabilities	32	12,803	13,148
Provisions for pensions	29	10,196	10,787
Other non-current provisions	30	4,297	4,136
Other non-current financial liabilities	33	203	185
Other non-current non-financial liabilities	33	1,073	132
Non-current contract liabilities	34	1,901	1,597
Deferred tax liabilities	19	1,299	989
Total non-current liabilities		**31,773**	**30,975**
Current liabilities			
Interest-bearing loans	31	13,547	19,107
Current lease liabilities	32	7,444	7,023
Trade payables	33	16,123	10,486
Income tax liabilities		5,436	2,850
Other current financial liabilities	33	20,574	21,586
Other current non-financial liabilities	33	29,169	27,299
Other current provisions	30	10,902	11,081
Current contract liabilities	34	33,589	17,325
Total current liabilities		**136,783**	**116,757**
Total equity and liabilities		**267,004**	**243,979**

Further information on the Consolidated Balance Sheet is provided in the Notes to the Consolidated Financial Statements.

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

Rounding differences may occur.

Consolidated Statement of Changes in 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, 2020	**13,382,324**	**40,000**	**36,463**	**−13,177**	**−5,445**	**26,635**	**84,478**
Income and expenses recognized directly in equity					−1,741		−1,741
Taxes on transactions recognized directly in equity					208		208
Dividend						0	0
Net income						13,302	13,302
As of December 31, 2020	**13,382,324**	**40,000**	**36,463**	**−13,177**	**−6,977**	**39,937**	**96,247**
As of January 1, 2021	**13,382,324**	**40,000**	**36,463**	**−13,177**	**−6,977**	**39,937**	**96,247**
Income and expenses recognized directly in equity					1,987		1,987
Taxes on transactions recognized directly in equity					−179		−179
Share-based payment					96		96
Dividend						−30,779	−30,779
Net income						31,077	31,077
As of December 31, 2021	**13,382,324**	**40,000**	**36,463**	**−13,177**	**−5,074**	**40,235**	**98,448**

Further information on the Consolidated Statement of Changes in Equity is provided in the Notes to the Consolidated Financial Statements.

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	Jan 1 to Dec 31, 2021	Jan 1 to Dec 31, 2020
EBT		**44,793**	**18,776**
Amortization, depreciation and impairment		14,507	21,753
Gain/loss from disposals of non-current assets		−268	−393
Other gains/losses		1,832	1,038
Financial income		−73	−130
Financial expenses		971	1,421
Movements in provisions		−634	1,530
Income tax paid		−11,663	−14,542
Gross cash flow		**49,465**	**29,453**
Increase/decrease in trade receivables		−6,439	24,199
Increase/decrease in inventories		−17,496	−1,288
Increase/decrease in trade payables		5,345	−10,031
Increase/decrease in prepayments on orders		14,261	−1,201
Increase/decrease in net operating working capital		**−4,329**	**11,679**
Changes in other net working capital		526	5,141
Net cash inflow from operating activities		**45,662**	**46,273**
Purchase of property, plant and equipment (without leases)		−4,264	−4,664
Proceeds from sale of property, plant and equipment		864	3,990
Net cash outflow from investing activities		**−3,400**	**−675**
Dividend payout		−30,779	0
Interest received		73	130
Interest paid		−888	−981
Repayment of lease liabilities		−7,795	−8,692
Net cash outflow from financing activities		**−39,389**	**−9,543**
Net increase/decrease in cash and cash equivalents		**2,873**	**36,055**
Net foreign exchange difference		**900**	**−585**
Cash and cash equivalents at January 1		**765**	**−34,706**
Cash and cash equivalents at December 31	24	**4,538**	**765**

Further information on the Consolidated Cash Flow Statement is provided in the Notes to the Consolidated Financial Statements.

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 2021

General

To improve the information value of the published figures, particularly in international comparison, the income statement is presented and published using the cost of sales method from fiscal year 2021. The prior year has been restated accordingly.

1. General information on the Group

The consolidated financial statements of the WashTec Group for the fiscal year January 1 to December 31, 2021 were prepared and submitted to the Supervisory Board for review on March 23, 2022. They were approved at the Supervisory Board meeting on March 23, 2022 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 of the local court for the City of Augsburg, Germany, 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 carwash products, as well as leasing and all related services and financing solutions required in order to operate carwash 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 (IFRSs) of the International Accounting Standards Board (IASB) in force as of the balance sheet date together with the interpretations of the IFRS IC (IFRIC). They comply with the accounting standards applicable in the European Union for fiscal year 2021 and are also supplemented by additional information required under section 315e of the German Commercial Code (Handelsgesetzbuch, or HGB) and by the Group Management Report.

The requirements under Section 315e 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 non-current trade receivables and derivative financial instruments, which are measured at fair value. The consolidated financial statements are presented in euros and, unless otherwise indicated, all figures rounded to the nearest thousand (€k); this may result in rounding differences. The fiscal year is the calendar year.

As in the prior year, the WashTec Group's business development and its financial position and financial performance were affected in fiscal year 2021 by the **COVID-19 pandemic**. Material business transactions originating in fiscal year 2020 changed as follows in fiscal year 2021:

- The WashTec Group's earnings include the effects of support measures in individual states to offset the impact of the COVID-19 pandemic. Support under such measures was claimed in the states where the criteria were met for claiming it. This essentially comprises various grants under support measures. Government grants received and recognized in income as of December 31, 2021 amount to €3,110k (prior year: €1,357k). The prior-year loan under the US government support program was recognized in other income in the amount of €2,746k as the administration's final review decision was issued at the end of the third quarter 2021 and the conditions for conversion into a non-repayable grant were met. The remaining government grants in the amount of €364k were offset in personnel expenses. No asset was recognized under other assets as of December 31, 2021 for short-time work allowance not yet reimbursed or for social insurance expenditure reimbursement claims (prior year: asset of €4k recognized).
- In the prior year, the COVID-19 pandemic resulted in an increase in the expense from loss allowances on trade receivables. This was mainly due to delayed customer payments. The carwash business proved robust and there were no significant defaults and no further increase in default risk.
- Goodwill and capitalized development costs were tested for impairment as of December 31, 2021. There were no indications of impairment for goodwill or capitalized development costs in the reporting period.
- With regard to the prior-year increase in credit lines to safeguard the WashTec Group's liquidity in connection with the impacts of the COVID-19 pandemic, WashTec plans to scale the credit lines back down to broadly pre-crisis levels in fiscal year 2022 in view of the successful course of the past year.
- All balance sheet items were examined with regard to potential impacts of the COVID-19 pandemic. This did not result in any significant changes, including material changes in estimates, assumptions or judgments.

The **impacts of climate change** on the WashTec Group's business model and its active contribution to environmental sustainability have become a high-profile topic among all stakeholders, with an increasing need for information and transparency.

The major economic and social trend toward individualization is a key driver of continued growth in demand for mobility. The resulting traffic volumes are still largely based on individual travel. This individual mobility takes the form of people traveling in vehicles of their own and of alternatives such as car sharing and hire services. A major driver of transformational change in mobility is the need to reduce carbon emissions.

These developments are also reflected in the ongoing forecasts of globally rising new registrations. Vehicles need to be cleaned no matter how they are powered and regardless of the ownership model. Providers and users tend to wash vehicles deployed in alternative individual mobility arrangements more frequently than private cars.

Accordingly, the WashTec Group continues to operate on the basis that clean cars will remain a key quality criterion and hence a driver of the business model. However, the WashTec Group consequently expects changes in the operating environment, in particular with regard to the future importance and conceptual design of existing operator sites. At the same time, further opportunities are seen in this development, most of all from the provision of digital, environment-friendly solutions for carwash.

WashTec has set itself the target of a 30 % reduction in carbon emissions across all global production sites by 2025 relative to the 2019 base year.

The impacts of climate change affect the financial position, financial performance and cash flows of the WashTec Group as follows:

- Measures to reduce carbon emissions focus on capital expenditure on charging infrastructure and heating systems in Germany and on the purchase of green electricity for all global production sites.
- The property, plant and equipment and intangible assets of relevance for replacement are fully depreciated or amortized as of fiscal year 2021. Consequently, there is currently no indication of any impact on useful lives or residual values.
- With regard to the recoverability of inventories, order-based production and procurement enables the minimisation of impairment risks beyond those arising in the normal course of business.
- In addition, there is currently no indication of any need to recognize provisions for environmental or dismantling obligations.
- All climate-related factors that could affect value in use have been assessed in goodwill impairment testing. In addition to possible effects on the WashTec Group's business model, this assessment also included risks arising from the introduction of new laws or regulations that could, for example, increase raw material and energy prices due to the sanctioning of fossil fuels or harmful raw materials.
- Overall, there are no material effects on the financial position, financial performance and cash flows of the WashTec Group based on estimates, assumptions or judgments.

For this reason, with regard to the further impacts of the COVID-19 pandemic and of climate change, the management does not consider that there is any uncertainty regarding the ability to continue as a going concern. No significant judgments were required to be made in the course of this assessment.

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 when WashTec AG is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries cease to be consolidated when the parent company no longer has control.

All intragroup 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, 2021. Figures for companies in Germany are based on annual financial statements prepared in accordance with German commercial law; for foreign companies they are generally based on IFRS financial statements before consolidation.

Shareholdings in accordance with section 315e read in conjunction with section 313 (2) of the German Commercial Code

Consolidated entities	Shareholding in %	Parent	Business activity	Equity at Dec 31, 2021 in €k	Profit/loss for 2021 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	82,622	26,463
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., Boigny sur Bionne, France	100	C	VI	8,576	491
Mark VII Equipment Inc., Arvada, USA	100	C	I	22,648	2,352
WashTec S.r.l., Casale, Italy	100	C	VI	1,342	43
WashTec UK Ltd., Great Dunmow, United Kingdom	100	C	VI	4,283	325
WashTec A/S, Hedehusene, Denmark	100	C	VI	2,675	568
WashTec Bilvask AS, Billingstad, Norway 4)	100	F	VI	3,430	554
WashTec Cleaning Technology GmbH, Vienna, Austria	100	C	VI	3,521	514
WashTec Spain S.A.U., Madrid, Spain	100	C	VI	2,580	604
WashTec Car Cleaning Equipment (Shanghai) Co. Ltd., Shanghai, China	100	C	VII	−2,576	−563
WashTec Cleaning Technology s.r.o., Nyrany, Czech Republic	100	D	VII	5,185	324
WTMVII Cleaning Technologies Canada Inc., Grimsby, Ontario, Canada 5)	100	E	VI	−7,030	781
WashTec Australia Pty Ltd., Sydney, Australia	100	C	VI	2,078	510
WashTec Benelux B.V., Zoetermeer, Netherlands 3)	100	C	VI	1,975	212
WashTec Nordics AB, Bollebygd, Sweden	100	C	VI	1,574	1,014
WashTec Polska Sp. z o.o., Warsaw, Poland	100	D	VI	372	90

1) Profit/loss absorbed by WashTec Holding GmbH

2) Profit/loss absorbed by WashTec AG

3) Subsidiary WashTec Benelux N.V., Brussels, Belgium, was sold and accordingly deconsolidated as of January 1, 2021.

4) Indirect shareholding via WashTec A/S, Hedehusene, Denmark

5) Indirect shareholding via 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

F) WashTec A/S, Hedehusene, Denmark

I) Production, sales and service entity

II) Holding company

III) Carwash rental

IV) Arrangement of finance for carwashes

V) Development, production and sale of chemical products

VI) Sales and service entity

VII) Production entity

Subsidiaries WashTec Carwash Management GmbH, Augsburg, and AUWA-Chemie GmbH, Augsburg, which are included in the consolidated financial statements, make use of the optional exemption from disclosure of annual financial statements under Section 264 (3) of the German Commercial Code (HGB).

4. Effects of new financial reporting standards

New or amended financial reporting standards entered into force in the period under review. The WashTec Group applied the following new and revised IFRS Standards and Interpretations in fiscal year 2021:

Standards applied and amendments to existing standards

Standard/ interpretation	Title	Mandatory application	EU endorsement	Material effects on the Group
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform (Phase 2)	January 1, 2021	January 14, 2021	None
IFRS 4	Amendments to IFRS 4 – Deferral of IFRS 9	January 1, 2021	December 16, 2020	None
IFRS 16	Amendments to IFRS 16: Covid-19-Related Rent Concessions beyond 30 June 2021	April 1, 2021	August 31, 2021	None

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 2021 and/or have not yet been endorsed by the European Union.

The WashTec Group had not elected early adoption of these standards as of December 31, 2021. First time adoption of the standards is planned when they are recognized and endorsed by the European Union.

Standards and amendments not yet applied

Standard/ interpretation	Title	Mandatory application	EU endorsement	Material effects on the Group
IFRS	Annual Improvements to IFRS (2018-2020 cycle)	January 1, 2022	July 2, 2021	None
IFRS 3	Amendments to IFRS 3 – Reference to the Conceptual Framework	January 1, 2022	July 2, 2021	None
IAS 16	Amendments to IAS 16 – Proceeds before Intended Use	January 1, 2022	July 2, 2021	None
IAS 37	Amendments to IAS 37 – Onerous Contracts: Cost of Fulfilling a Contract	January 1, 2022	July 2, 2021	None
IFRS 17	Insurance Contracts, including amendments to IFRS 17	January 1, 2023	November 23, 2021	None
IFRS 17	Amendments to IFRS 17 – Initial Application of IFRS 17 and IFRS 9 – Comparative Information	January 1, 2023	Yet to be determined	None
IAS 1	Amendments to IAS 1 – Classification of Liabilities as Current or Non-Current	January 1, 2023	Yet to be determined	None
IAS 1	Amendments to IAS 1 – Disclosure of Accounting Policies	January 1, 2023	March 3, 2022	None
IAS 8	Amendments to IAS 8 – Definition of Accounting Estimates	January 1, 2023	March 3, 2022	None
IAS 12	Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023	Yet to be determined	None

5. Accounting policies

The adopted accounting policies are (except as stated below) consistent with those applied in prior years. For the accounting policies applied in the prior year, please see the prior-year Notes to the Consolidated Financial Statements.

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 normally its 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 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. These are recognized in other comprehensive income until disposal of the net investment, when 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 measured at historical cost in a foreign currency are translated using the exchange rate at the transaction date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. 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 accounted for 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 average exchange rate for the fiscal year. Resulting exchange differences 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. 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
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 fair value of the consideration transferred, meaning the sum of the assets transferred, equity instruments issued and liabilities assumed at the acquisition date. Acquisition-related costs are normally accounted for as expense.

Goodwill is initially measured at cost. It is measured as the excess of the cost of the business combination over the acquirer'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 mainly 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. In 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 comprise all directly attributable costs (mainly personnel expenses) as well as allocated overheads. They 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 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. The asset is amortized over the period of the expected future economic benefits. During the development phase, when the useful life is indefinite, the asset is tested annually for impairment.

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 model. 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 an 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 profit or loss.

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

Goodwill is tested for any impairment by estimating the recoverable amount of the cash generating unit to which the goodwill has been allocated. The Group's cash generating units 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. Initial recognition takes place when the Company becomes a party to the contractual provisions of the financial instrument.

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

Financial assets

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

Financial assets are classified as at "amortized cost" (AC), at "fair value through other comprehensive income" (FVthOCI) or at "fair value through profit or loss" (FVthP/L). They are categorized on initial recognition on the basis of the company's business model for managing financial assets and of the contractual cash flow characteristics of each financial asset, and are measured at fair value. Financial assets not subsequently measured at fair value through profit or loss are initially measured at fair value plus transaction costs directly attributable to the acquisition or issue of the financial asset.

Financial assets at amortized cost (AC): This category comprises financial assets held within a business model whose objective is to hold financial assets in order to collect contractual cash flows where the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. After initial recognition, the financial assets are measured at amortized cost less any accumulated impairment losses. Receivables with a significant financing component are discounted at current market interest rates if the effect is material. Such receivables are subsequently measured at amortized cost using the effective interest method less any accumulated impairment losses. Gains and losses on derecognition or impairment of the financial assets are recognized in profit or loss.

Cash and cash equivalents comprise cash on hand and bank balances that have a term of less than three months from the date of acquisition and are carried at face value. For the purposes of the consolidated cash flow statement, cash funds consist of cash and cash equivalents as defined above plus any utilized bank overdrafts.

Financial assets at fair value through profit or loss (FVthP/L): Financial assets not measured at “amortized cost” (AC) or at “fair value through other comprehensive income” (FVthOCI), and derivatives not designated as hedging instruments for which hedge accounting is applied, are measured at “fair value through profit or loss” (FVthP/L). In addition, financial assets can be voluntarily designated in certain circumstances as at “fair value through profit or loss” (FVthP/L). The Group does not currently make use of this option. All changes in fair value are recognized in profit or loss.

Impairment of financial assets: The Group tests financial assets, and groups of financial assets not at fair value through profit or loss, as of each balance sheet date for impairment.

A risk allowance is normally recognized on the basis of the general approach using a three-stage model in relation to changes in the default risk on a financial asset. On initial recognition, all financial assets are normally classified in stage 1 and their 12-month expected credit loss determined. If the credit risk on a financial asset has significantly increased since the previous reporting date, the asset is transferred to stage 2. Where there is additionally objective evidence of impairment, a financial asset is transferred to stage 3. Objective evidence of impairment includes the initiation of legal action and receivables past due by more than one year. In stage 2 and 3, the risk allowance is recognized in the amount of the lifetime expected credit losses.

Impairment losses on trade receivables without a significant financing component are accounted for using the simplified approach. In addition, an entity can likewise elect to apply the simplified approach to trade receivables with a significant financing component. For this purpose, the risk allowance is recognized in the amount of the lifetime expected credit losses. The Group makes use of this election for trade receivables with a significant financing component and calculates the impairment losses on the basis of an impairment table.

Trade receivables have similar credit risk characteristics. For the measurement of lifetime expected credit losses, trade receivables are grouped based on days past due. The impairment rates are based on credit loss rates over the past three years and are adjusted for forward-looking macroeconomic factors affecting customer solvency.

The risk allowance for other financial assets and cash and cash equivalents is recognized using the general approach. Expected credit losses on other financial assets and on cash and cash equivalents are immaterial and are not recognized.

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 or the financial asset is transferred and the transfer meets the criteria for derecognition under IFRS 9. If there is objective evidence of impairment, receivables are classified as uncollectible and are derecognized.

Financial liabilities

Financial liabilities mainly comprise liabilities to credit institutions, trade payables, derivatives with a negative market value and other financial liabilities.

Financial liabilities are classified as at “amortized cost” (FLAC) or at “fair value through profit or loss” (FVthP/L).

Financial liabilities are normally initially recognized at fair value and subsequently measured at “amortized cost” (FLAC) using the effective interest method. Financial liabilities at fair value through profit or loss, derivatives with a negative market value and financial liabilities designated on initial recognition at fair value through profit or loss are subsequently measured at “fair value through profit or loss” (FVthP/L). Financial liabilities not subsequently measured at fair value through profit or loss are initially measured at fair value less transaction costs.

Derecognition of financial liabilities: A financial liability is derecognized when the obligation specified in the contract is discharged, canceled or expires.

Derivative financial instruments and hedging

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. Changes in fair value are accounted for according to whether a derivative financial instrument is designated in an effective hedge. In the case of a cash flow hedge, if the hedge is determined to be effective, the effective portion of changes in fair value is recognized in other comprehensive income. The ineffective portion of changes in fair value is recognized in profit or loss. If there is no effective hedge, changes in fair value are recognized in profit or loss. The Group does not currently apply hedge accounting. An assessment is carried out as of each balance sheet date.

Net investments in foreign operations

A monetary item in the form of an outstanding receivable from a foreign operation for which settlement is neither planned nor likely is a part of the net investment in that foreign operation. Such monetary items are non-current receivables from foreign subsidiaries of the Group. Exchange differences arising on a monetary item that forms part of a net investment in a foreign operation are recognized in profit or loss in the separate financial statements of the subsidiary. In the consolidated financial statements, such exchange differences are recognized in other comprehensive income and reclassified to profit or loss on disposal of the subsidiary.

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

The cost of any treasury shares purchased by WashTec AG 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 whose timing or amount is uncertain. 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 if it is virtually certain. 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 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 29.

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 an 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

IFRS 2 distinguishes between equity-settled share-based payments and cash-settled share-based payments. For their service, the Management Board and Supervisory Board of WashTec AG receive cash-settled share-based remuneration comprising both components.

In the case of cash-settled share-based remuneration, the resulting liability is recognized at fair value through profit or loss in the period in which the service is performed. Fair value is estimated using a suitable option price model. Conditions relating to the WashTec AG share price ("market conditions") are included in measurement. Performance-related exercise conditions are also included. The equity-settled share-based payment component is recognized directly in equity. Obligations from cash-settled share-based payment are recognized in other liabilities at fair value taking into account the remaining duration of the program. Please see Note 40 for further details.

Leases

A lease is a contract that conveys the right to control the use of an asset (the underlying asset) for a certain period of time in exchange for consideration. For all leases, the Group normally recognizes a right-of-use asset and a lease liability for the lease payments. Leases are recognized as a right-of-use asset and a corresponding lease liability at present value from the time the underlying asset is made available to the Group.

Lease liabilities comprise fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate and are initially measured using the index or rate as at the commencement date, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if it is reasonably certain to be exercised and payments of penalties for terminating the lease if the lease term reflects the lessee exercising an option to terminate the lease.

Lease payments are discounted at the lessee's incremental borrowing rate. The lessee's incremental borrowing rate is determined over various maturities on the basis of a risk-free interest rate plus a margin and a country-specific risk premium. Each lease payment is separated into principal and interest components. The interest expense is recognized in profit or loss in each period over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date, less any lease incentives received, any initial direct costs incurred by the lessee and the estimated cost relating to dismantling obligations.

Most leases are entered into for fixed terms of one to three years. Some leases of office and warehouse buildings are for longer terms. Leases may also include implicit extensions or extension and termination options. The Group makes use of such arrangements to obtain maximum operational flexibility. Either party can exercise the existing extension and termination options. The notice periods agreed for the termination options are sufficient for alternatives to be found in good time where necessary.

When determining the lease term for buildings, Management considers all facts and circumstances that create an economic incentive to exercise any options to extend or not to exercise any option to terminate. The main factors considered are the terms, satisfaction with the working relationship with the lessor and logistical considerations in connection with the Group's forward strategy. If the Group is satisfied with the working relationship and these factors are also expected to be compatible with the corporate strategy looking ahead, it is considered reasonably certain that the leases will be extended/not terminated. Changes in the lease term due to the exercise of options to extend or options to terminate are only included in the lease term if it is reasonably certain that the option to extend will be exercised or the option to terminate will not be exercised.

This is reassessed upon the occurrence of any significant event or any significant change in circumstances that affects the previous assessment and is in the control of the lessee. Lease terms are negotiated individually and include a large variety of different conditions.

In the subsequent measurement of lease liabilities, the carrying amount is increased by the interest expense for a lease liability and reduced by the lease payments made. For potential future increases in variable lease payments that depend on an index or rate, the lease liability and the right-of-use asset are remeasured when the adjustment to the lease payments takes effect.

Right-of-use assets are subsequently measured at amortized cost. They are depreciated on a straight-line basis over the shorter of useful life and lease term. If a purchase option is reasonably certain to be exercised, they are depreciated over the useful life of the asset underlying the lease.

In the case of leases that include an extension or termination option, the lease liability is remeasured and the right-of-use asset adjusted if a significant event or significant change in circumstances occurs that is within the Group's control and was assessed differently on initial measurement.

The Group makes use of the exemptions for short-term leases and for leases of low-value assets that are not short-term leases and recognizes their lease payments on a straight-line basis as an expense in profit or loss. In addition, the provisions of IFRS 16 are not applied to leases of intangible assets.

In order to provide customers, and in particular large operator groups or oil companies, with equipment as part of the carwash management business in return for compensation based on the number of washes, equipment manufactured by WashTec is sold to a leasing company and repurchased under sale and leaseback transactions or hire purchase agreements. For these transactions, a right-of-use asset and a lease liability are recognized for the equipment concerned. No revenue is recognized from the sale of the equipment. Under the contracts with the customers, revenue is realized on the basis of the number of washes and the right-of-use asset is depreciated.

WashTec also sells equipment to leasing companies that lease it out to customers. Some of these contracts feature rights of return relating to the obligation to take back previously sold equipment. In these cases, revenue from the sale of the equipment is recognized in the amount of the service performed, meaning that revenue is reduced by the amount of the right of return. Additionally, a corresponding adjustment is made to the cost of the service performed, which is accounted for in other receivables as a receivable in the amount of the net investment in the lease.

Please refer to Notes 13, 18 and 32 for information on right-of-use assets, lease liabilities, depreciation and interest expense.

Contract liabilities

Performance obligations that are satisfied over time are recognized as contract liabilities in the balance sheet (see also Revenue Recognition). The items presented as contract liabilities in the Group are prepayments on orders and deferred income, which mostly relate to full maintenance, extended guarantees and prepaid service agreements.

Income taxes

The current income tax charge is calculated for the consolidated financial statements on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where subsidiaries operate and generate taxable net income. For recognized tax provisions, the expected tax payment is used as a best estimate. Deferred tax assets and deferred tax 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, based on the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Current and deferred taxes are recognized in profit or loss unless tax relates to transactions that are recognized in other comprehensive income or directly in equity.

Deferred taxes are recognized for temporary differences at consolidated entities between IFRS-basis carrying amounts of assets or liabilities and their tax base and for consolidation adjustments in profit or loss.

Deferred tax assets are recognized for unused tax loss carryforwards and unused tax credits to the extent that it is probable that taxable profit will be available against which the unused tax losses and unused tax credits can be utilized.

Deferred tax liabilities are not recognized for temporary differences if the temporary differences arise from the initial recognition of an asset or liability in a transaction which at the time of the transaction affects neither IFRS-basis accounting profit (before income taxes) nor taxable profit and which is not a business combination. In addition, deferred tax liabilities are not recognized for temporary differences arising from the initial recognition of goodwill.

Deferred tax liabilities are recognized for all taxable temporary differences associated with investments in subsidiaries unless the entity holding the investment is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future ("outside basis differences").

Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax balances relate to the same taxation authority.

Revenue recognition

Revenue is recognized when a performance obligation has been satisfied by transfer of a promised good or promised service (i.e., an asset) to a customer. An asset is transferred when the customer obtains control of the asset.

Performance obligations from the sale of equipment, accessories, merchandise and services are satisfied at a point in time when the promised asset has been transferred and/or the customer has obtained control of the asset. This is normally the case when finished goods or merchandise are delivered, sent or collected and when equipment is installed. The payment period usually granted is 30 days. An exception is a once-only financing program with one major customer, which includes a significant financing component. In that instance, when determining the transaction price, the promised consideration was adjusted for the time value of money and part of the transaction price accounted for under interest expenses.

For financing components, the Group makes use of the practical expedient of not taking into account the effects of a financing component if the period between when the goods or services are transferred and when the customer pays for them is one year or less.

Performance obligations mainly arising from full maintenance agreements, extended guarantees and prepaid service agreements are satisfied over time and accounted for as contract liabilities. The customer simultaneously receives and consumes the benefits provided by performance as it is performed. The WashTec Group determines progress towards completion using an output method based on elapsed time. Satisfaction of performance obligations is dependent on contract terms and is usually on a monthly basis. This provides a faithful depiction of the output. The revenue is recognized and billed when the performance obligation is satisfied. Contract liabilities are reversed to profit or loss accordingly. The payment period usually granted is 30 days, although some service agreements are prepaid.

Revenue from the carwash management business is not recognized until a carwash is completed. This also applies if a carwash is first sold to an independent leasing company.

In order to provide customers, and in particular large operator groups or oil companies, with equipment in the carwash management business in return for compensation based on the number of washes, equipment manufactured by WashTec is sold to a leasing company. Some contracts between WashTec and leasing companies feature rights of return relating to the obligation to take back previously sold equipment. In these cases, revenue from the sale of the equipment is recognized in the amount of the service performed, meaning that revenue is reduced by the amount of the right of return.

The amount recognized as revenue corresponds to the transaction price and comprises the consideration that the WashTec Group is expected to receive in exchange for the transfer of the promised goods or services to a customer. It does not include value added tax or sales tax. Deductions such as rebates, discounts and bulk discounts are accounted for as variable consideration in determination of the transaction price if it is highly probable that the revenue will not be reversed. They are estimated on the basis of expected value. Bulk discounts are accounted for as other financial liabilities.

The transaction price is allocated to the individual performance obligations on the basis of the relative stand-alone selling price. Any discount is normally allocated proportionately to all performance obligations in a contract unless there is evidence that all or part of the discount relates to one or more, but not all, performance obligations in the contract. As there are no directly observable prices at which the WashTec Group would sell a promised good or promised service separately in similar circumstances and to similar customers, the stand-alone selling price is estimated at contract inception using the expected cost plus a margin approach.

The WashTec Group makes use of the practical expedient of recognizing those costs of obtaining a contract and costs to fulfill a contract when incurred if the amortization period of the asset that would otherwise have been recognized is one year or less. This applies at WashTec to all such costs.

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

Cost of sales

Cost of sales comprises the cost of producing or providing sold products and services. In addition to directly attributable material, labor and energy costs, this also includes production and service overheads. Overheads include depreciation of property, plant and equipment and inventory write-downs.

Government grants

Government grants are recognized at fair value if there is reasonable assurance that they will be received and the Group will comply with all conditions attaching to them.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes the expenses that the grants are intended to compensate.

Government grants received under support measures and recognized in income are offset with the corresponding expenses or recognized in other income. There are no unfulfilled conditions or other contingencies attaching to the grants. The Group has not directly benefited from other forms of government assistance.

Earnings per share

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.

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

Segment reporting

In accordance with IFRS 8, operating segments are identified using the “management approach”. Under that approach, external segment reporting is based on the internal group organizational and management structure and on internal reporting 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 that is subject to risks and returns that differ from those of components operating in other economic environments.

6. Significant estimates, assumptions and judgments

In preparing the consolidated financial statements, it is necessary to make certain assumptions, estimates and judgments that may affect the presentation of the financial position, financial performance and cash flows. 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 in order to determine value in use. 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.

Impairment of financial assets

In application of the simplified approach for trade receivables without a significant financing component and for trade receivables with a significant financing component, lifetime expected credit losses are determined. For this purpose, trade receivables are grouped based on days past due. The impairment rates are based on credit loss rates over the past three years and are adjusted for forward-looking macroeconomic factors affecting customer solvency.

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 net income and the expected timing. For further details, please see Note 19.

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 29 and 30.

Share-based payment

Cash-settled share-based payment is recognized at fair value at each balance sheet 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 volatility of the share price and the risk-free rate of interest for the remaining term. The assumptions and techniques used are shown in Note 40.

Provisions

Provisions for termination benefits 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 Group sells some of its wash systems to major customers through leasing companies. Some of the contracts contain rights of return. Under these, WashTec undertakes to take back the wash systems at the end of the lease term if required. The provision for contracts with rights of return comprises the expected expenses from contractual obligations to take back the equipment sold and is measured on a rolling basis. Measurement of the provision involves estimation of the probability that the system will have to be taken back at the end of the lease term. The leasing company's right of return is accounted for in other receivables as a receivable in the amount of the net investment in the lease. This is based on an estimation of the probability that the system will have to be taken back at the end of the lease term and is measured on a rolling basis.

7. Notes on segment reporting

Segmentation within the Group using the "management approach" is by sales territories. Reflecting market conditions, the sales territories are defined as the regions "Europe", "North America" and "Asia/Pacific" and correspond to the respective domiciles of the Group companies. The individual segments are controlled on the basis of revenue and EBIT. Segment results consist of income and expenses directly attributable to each reporting segment and to Group charges for cross-divisional functions. The "Consolidation" column contains consolidation adjustments to eliminate transactions in profit or loss between operating segments. This mainly relates to the elimination of intercompany income from sales of goods. The sum of the reportable segments corresponds, after consolidation adjustments, to consolidated net income. Transfer prices between individual Group entities are established on an "arm's length" basis. They take into account market-specific and economic conditions in the individual segments. The measurement principles for segment reporting are based on the IFRS principles used in the consolidated financial statements.

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

By segment 2021 in €k	**Europe**	**North America**	**Asia/Pacific**	**Consolidation**	**Group**
Revenue	**348,683**	**77,451**	**18,076**	**−13,677**	**430,532**
of which with third parties	335,164	77,320	18,048	0	430,532
of which with other segments	13,519	131	28	−13,677	0
EBIT	**40,207**	**4,583**	**1,206**	**−304**	**45,691**
EBIT margin in %	11.5	5.9	6.7	–	10.6
Financial income					73
Financial expenses					971
EBT					**44,793**
Income taxes					13,716
Net income					**31,077**
Capital expenditure on intangible assets, property, plant and equipment and right-of-use assets	10,302	1,190	333	0	11,825
Amortization, depreciation and impairment of intangible assets, property, plant and equipment and right-of-use assets	12,457	1,412	638	0	14,507

By segment 2020 in €k	**Europe**	**North America**	**Asia/Pacific**	**Consolidation**	**Group**
Revenue	**305,451**	**66,345**	**17,725**	**−10,849**	**378,672**
of which with third parties	294,779	66,182	17,711	0	378,672
of which with other segments	10,672	163	14	−10,849	0
EBIT	**18,957**	**782**	**268**	**62**	**20,068**
EBIT margin in %	6.2	1.2	1.5	–	5.3
Financial income					130
Financial expenses					1,421
EBT					**18,776**
Income taxes					5,474
Net income					**13,302**
Capital expenditure on intangible assets, property, plant and equipment and right-of-use assets	11,402	1,167	132	0	12,701
Amortization, depreciation and impairment of intangible assets, property, plant and equipment and right-of-use assets	19,587	1,517	649	0	21,753

Disaggregation of revenue from contracts with customers by satisfaction of the performance obligation and recognition of revenue:

January to December 2021 in €k	Europe	North America	Asia/ Pacific	Consolida- tion	Group
Recognition at a point in time	346,091	76,022	18,076	−13,677	426,511
Recognition over time	2,592	1,429	0	0	4,021

January to December 2020 in €k	Europe	North America	Asia/ Pacific	Consolida- tion	Group
Recognition at a point in time	302,852	63,569	17,725	−10,849	373,297
Recognition over time	2,599	2,776	0	0	5,375

The consolidated revenue was generated in the following products:

in €k	2021	2020
Equipment and Service	373,250	324,008
Chemicals	51,006	46,553
Others	6,277	8,111
Total	**430,532**	378,672

The Group generates approximately 77.9% (prior year: approximately 80%) of external sales in European countries. Germany and France make up the largest share of total revenue. After consolidation, Germany accounts for 28.7% (prior year: 31.7%) of consolidated revenue, relating to the products Equipment and Service, Chemicals, Carwash Management Business and Others. France accounts for 14.2% (prior year: 13.7%) of consolidated revenue. External sales outside of Europe are primarily generated in North America and are mostly attributable to the United States. Transactions with one major customer in the Europe and North America segments marginally exceeded 10% of total revenue. In the prior year, there were no instances in which revenue from transactions with major customers exceeded 10% of total revenue.

The allocation of Group assets to segments is based on their geographical location. Sales to external customers shown for each geographical segment are assigned to the segments based on customers' geographical location. The Group has no assets in other countries because it does not have its own sales organizations in other countries. Revenue with other countries is generated through exports to independent dealers.

Group assets can be broken down into the following segments:

2021 in €k	Germany	Europe	North America	Asia/ Pacific	Group
Property, plant and equipment	20,698	3,418	421	429	24,966
Capital expenditure on property, plant and equipment	*2,124*	*1,256*	*105*	*92*	*3,577*
Intangible assets including goodwill	44,427	4,080	0	17	48,524
Capital expenditure on intangible assets	*668*	*17*	*0*	*2*	*687*
Right-of-use assets	6,202	9,204	2,789	1,080	19,275
Capital expenditure on right-of-use assets	*1,891*	*4,347*	*1,084*	*239*	*7,561*

2020 in €k	Germany	Europe	North America	Asia/ Pacific	Group
Property, plant and equipment	22,539	3,349	884	496	27,268
Capital expenditure on property, plant and equipment	*1,610*	*860*	*415*	*149*	*3,034*
Intangible assets including goodwill	44,793	4,096	3	16	48,908
Capital expenditure on intangible assets	*1,599*	*23*	*0*	*8*	*1,630*
Right-of-use assets	7,558	8,456	2,311	1,207	19,532
Capital expenditure on right-of-use assets	*3,963*	*3,305*	*752*	*17*	*8,037*

Notes to the Consolidated Income Statement

8. Cost of sales

in €k	2021	2020
Cost of raw materials, consumables and supplies, and purchased services	182,507	154,729
Personnel expenses	85,768	82,174
Depreciation and amortization	10,426	16,933
Vehicle costs	5,728	4,562
Temporary workers and purchased services	4,297	2,353
Marketing expenses	2	2
Travel expenses	2,575	2,207
Maintenance/repairs and rent	2,493	2,115
Legal and consulting fees	371	404
Energy costs	1,730	1,591
IT/ERP costs	2,065	2,241
Other costs	5,839	5,194
Total	**303,802**	**274,505**

Other costs include costs of recruitment, training and office supplies, communication expenses, local taxes, as well as patent and storage costs.

9. Research and development expenses

in €k	2021	2020
Cost of raw materials, consumables and supplies, and purchased services	329	555
Personnel expenses	7,756	9,064
Depreciation and amortization	709	1,250
Vehicle costs	45	19
Temporary workers and purchased services	184	585
Travel expenses	19	20
Maintenance/repairs and rent	78	50
Legal and consulting fees	4	370
Energy costs	45	39
IT/ERP costs	2,209	1,033
Other costs	1,697	1,106
Own work capitalized	–112	–113
Total	**12,964**	**13,978**

Other costs include costs of recruitment, training and office supplies, communication expenses, local taxes, purchased research and development services as well as storage costs.

In the prior year, personnel expenses included a provision for restructuring in the amount of €1.3 million. This was reversed in fiscal year 2021 as the personnel measures provided for were not implemented.

10. Selling expenses

in €k	2021	2020
Freight costs	12,009	9,952
Personnel expenses	31,935	32,095
Depreciation and amortization	2,309	2,481
Vehicle costs	1,587	1,742
Temporary workers and purchased services	118	151
Marketing expenses	2,021	1,502
Travel expenses	945	1,170
Maintenance/repairs and rent	723	671
Legal and consulting fees	647	454
Energy costs	271	304
IT/ERP costs	475	494
Other costs	2,204	1,476
Total	**55,244**	**52,491**

Marketing expenses mainly include expenses for participation in trade fairs, promotional materials and advertisements. Other costs include costs of recruitment, training, office supplies, communication expenses, local taxes, patent and storage costs.

11. Administrative expenses

in €k	2021	2020
Personnel expenses	10,812	9,587
Depreciation and amortization	1,063	1,090
Vehicle costs	0	151
Temporary workers and purchased services	136	222
Travel expenses	93	120
Maintenance/repairs and rent	450	451
Legal and consulting fees	1,571	1,716
Energy costs	108	120
IT/ERP costs	435	535
Other costs	2,091	2,971
Total	**16,759**	**16,963**

Other costs mainly comprise costs of recruitment, training and office supplies, communication expenses, local taxes and audit costs.

12. Other income and expenses

Other income and other expenses comprise all income and expenses that are not directly attributable to functions.

Other income

in €k	2021	2020
Income from derecognized receivables	16	18
Income from the sale of scrap	995	466
Income from insurance settlements	298	482
Income from exchange rate differences	1,977	2,228
Income from the disposal of non-current assets	311	919
Other income	3,518	1,964
Total	**7,115**	6,078

Other income for the reporting year includes income of €2,746k from the recognition in income from grants under the US government support program.

Other expenses

in €k	2021	2020
Expense from loss allowances on trade receivables	–91	1,930
Expense from exchange rate differences	1,805	2,898
Losses from the disposal of non-current assets	111	526
Insurance expenses	1,053	1,115
Expenses from claims	267	240
Other expenses	41	37
Total	**3,186**	6,745

13. Financial result

in €k	2021	2020
Other interest income	73	130
Financial income	**73**	**130**
Expense from interest-bearing loans	456	485
Interest expense from discounting lease liabilities	413	482
Other interest expense	102	454
Financial expenses	**971**	**1,421**
Financial result	**–898**	**–1,291**

Other interest expense includes interest of €81k (prior year: €440k) relating to a provision for a tax audit that is still in progress.

Of the interest income and interest expense, a total of €–485k (prior year: €–809k) is classified in the categories financial assets at “amortized cost” (AC) and “financial liabilities at amortized cost” (FLAC).

Analysis of interest income and interest expenses by IFRS 9 categories:

in €k	IFRS 9 category	2021	2020
Interest income	AC	16	47
	FLAC	57	83
Interest expense	FLAC	558	940

14. Income taxes

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

The table below shows a reconciliation of expected and actual income tax expense. To calculate the expected tax expense, earnings before taxes were multiplied by the Group tax rate of 31.9% (prior year: 31.9%). The Group tax rate is based on the tax rate faced by the parent company. The WashTec Group's effective tax rate is 30.6% (prior year: 29.2%).

in €k	2021	2020
Expected income tax expense	14,303	5,995
Differences from foreign tax rates	−808	−764
Non-deductible expenses	661	812
Deferred taxes not recognized on temporary differences and tax loss carryforwards	−548	1,038
Utilization of loss carryforwards from for which no deferred tax assets recognized	−815	−941
Recognition of deferred taxes on temporary differences and tax loss carryforwards	−928	0
Adjustment for tax from prior years	1,772	−623
Other	79	−42
Income taxes	**13,716**	**5,474**

Tax expense consists of the following:

in €k	2021	2020
Actual tax expense (+)/income (–)	13,741	9,629
Deferred tax expense(+)/income (–)	−25	−4,155
Income taxes	**13,716**	**5,474**

15. Earnings per share

Calculation of basic earnings per share for 2021 and 2020:

in €/€k/number of shares	2021	2020
Consolidated net income	31,077	13,302
Weighted average number of shares outstanding	13,382,324	13,382,324
Earnings per share (basic = diluted)	**2.32**	**0.99**

The Management Board and Supervisory Board will recommend to the Annual General Meeting, which is due to be held on May 16, 2022, to appropriate the distributable profit of €40,306,406.55 shown in the Company's annual financial statements for fiscal year 2021 as follows: Payment of a dividend in the amount of €2.90 per eligible share, totaling €38,808,739.60, with the remaining distributable profit of €1,497,666.95 to be carried forward.

16. Personnel expenses

Personnel expenses consist of the following:

in €k	2021	2020
Wages and salaries	114,331	111,307
Social security contributions	10,662	10,821
Employer share of statutory andvoluntary pension insurance (defined contribution)	9,224	8,749
Pension and partial retirement	2,053	2,043
Total	**136,271**	**132,919**

Personnel expenses in fiscal year 2021 and 2020 include the effects of national support measures to offset the impact of the COVID-19 pandemic. Government grants received and recognized in income and offset in personnel expenses as of December 31, 2021 amount to €365k (prior year: €1,357k).

The average number of employees by function is as follows:

Average number of employees	2021	2020
Sales, marketing and servicing	1,054	1,075
Production, technology and development	548	558
Finance and administration	165	165
Total	**1,767**	**1,798**

Notes to the Consolidated Balance Sheet

17. Property, plant and equipment and intangible assets

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

in €k	Cost					
	Jan 1, 2021	Additions	Disposals	Reclassifications	Currency translation effects	Dec 31, 2021
Land, land rights and buildings	**47,054**	213	37	0	219	**47,450**
Technical plant and machinery	**33,953**	1,001	1,019	86	347	**34,368**
Other plant, fixtures and fittings	**19,412**	868	2,313	25	440	**18,432**
Prepayments and construction in progress	**445**	1,494	11	−931	19	**1,016**
Property, plant and equipment	**100,863**	**3,577**	**3,380**	**−820**	**1,025**	**101,265**
Internally generated development costs	**21,470**	112	0	0	−17	**21,564**
Licenses and software acquired	**17,292**	574	183	32	29	**17,744**
Patents, technologies and other intangible assets	**4,157**	2	421	0	−22	**3,716**
Goodwill	**82,253**	0	0	0	1,389	**83,642**
Prepayments and development projects in progress	**0**	0	0	552	0	**552**
Intangible assets	**125,172**	**687**	**604**	**584**	**1,380**	**127,219**
Total fixed assets	**226,035**	**4,264**	**3,984**	**−236**	**2,405**	**228,484**

in €k	Cost					
	Jan 1, 2020	Additions	Disposals	Reclassifications	Currency translation effects	Dec 31, 2020
Land, land rights and buildings	**47,072**	195	122	96	−188	**47,054**
Technical plant and machinery	**40,496**	1,583	10,447	2,586	−264	**33,953**
Other plant, fixtures and fittings	**21,599**	996	2,722	27	−490	**19,412**
Prepayments and construction in progress	**1,849**	259	413	−1,250	0	**445**
Property, plant and equipment	**111,016**	**3,034**	**13,703**	**1,459**	**−942**	**100,863**
Internally generated development costs	**12,510**	113	0	8,815	32	**21,470**
Licenses and software acquired	**15,475**	1,518	291	605	−15	**17,292**
Patents, technologies and other intangible assets	**4,109**	0	0	0	48	**4,157**
Goodwill	**83,788**	0	0	0	−1,535	**82,253**
Prepayments and development projects in progress	**8,815**	0	0	−8,815	0	**0**
Intangible assets	**124,696**	**1,630**	**291**	**605**	**−1,470**	**125,172**
Total fixed assets	**235,712**	**4,664**	**13,994**	**2,064**	**−2,412**	**226,035**

Depreciation, amortization and impairment						Carrying amount		in €k
Jan 1, 2021	Additions	Disposals	Reclassifica-tions	Currency trans-lation effects	Dec 31, 2021	Jan 1, 2021	Dec 31, 2021	
33,689	751	49	0	184	**34,575**	13,365	12,875	Land, land rights and buildings
24,926	2,128	730	0	298	**26,621**	9,028	7,746	Technical plant and machinery
14,981	1,729	1,995	0	389	**15,103**	4,431	3,329	Other plant, fixtures and fittings
0	0	0	0	0	**0**	445	1,016	Prepayments and construction in progress
73,595	**4,607**	**2,775**	**0**	**871**	**76,299**	**27,268**	**24,966**	**Property, plant and equipment**
18,073	513	0	0	−17	**18,569**	3,396	2,995	Internally generated development costs
14,105	1,139	182	0	28	**15,090**	3,187	2,654	Licenses and software acquired
4,144	4	421	0	−22	**3,706**	13	11	Patents, technologies and other intangible assets
39,941	0	0	0	1,389	**41,331**	42,312	42,312	Goodwill
0	0	0	0	0	**0**	0	552	Prepayments and development projects in progress
76,263	**1,656**	**603**	**0**	**1,379**	**78,695**	**48,908**	**48,524**	**Intangible assets**
149,859	**6,263**	**3,379**	**0**	**2,250**	**154,994**	**76,176**	**73,490**	**Total fixed assets**

Depreciation, amortization and impairment						Carrying amount		in €k
Jan 1, 2020	Additions	Disposals	Reclassifica-tions	Currency trans-lation effects	Dec 31, 2020	Jan 1, 2020	Dec 31, 2020	
33,106	869	121	0	−165	**33,689**	13,966	13,365	Land, land rights and buildings
29,033	2,587	7,430	947	−212	**24,926**	11,463	9,028	Technical plant and machinery
15,639	2,307	2,542	0	−424	**14,981**	5,960	4,431	Other plant, fixtures and fittings
0	0	0	0	0	**0**	1,849	445	Prepayments and construction in progress
77,778	**5,764**	**10,093**	**947**	**−800**	**73,595**	**33,238**	**27,268**	**Property, plant and equipment**
11,716	6,326	0	0	32	**18,073**	795	3,396	Internally generated development costs
12,837	1,577	294	0	−15	**14,105**	2,638	3,187	Licenses and software acquired
4,105	1	10	0	48	**4,144**	4	13	Patents, technologies and other intangible assets
41,476	0	0	0	−1,535	**39,941**	42,312	42,312	Goodwill
0	0	0	0	0	**0**	8,815	0	Prepayments and development projects in progress
70,133	**7,903**	**304**	**0**	**−1,469**	**76,263**	**54,563**	**48,908**	**Intangible assets**
147,912	**13,667**	**10,397**	**947**	**−2,269**	**149,859**	**87,801**	**76,176**	**Total fixed assets**

Intangible assets

In the prior year, the rise in development costs mainly related to the capitalization of new product development costs. Development costs were tested as of the year-end 2020 for impairment, which resulted in the recognition of an impairment loss of €5,200k. The entire amount was accounted for in the prior year in “Europe” segment earnings. The impairment was due to a change in expected future cash flows due to the economic impact of the COVID-19 pandemic and a restructuring of the research and development area. Assumptions as to volumes and the associated potential savings were revised downwards over the amortization period, resulting in a reduction in the expected future cash flows.

Research and development costs in the amount of €1,471k (prior year: €1,084k) were not capitalized as the criteria for capitalization under IAS 38 were not met.

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

Goodwill

The total goodwill with a carrying amount of €42,312k (prior year: €42,312k) is allocated in accordance with IFRS 8 to the “Europe” operating segment.

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 planning for 2022 through 2027.

Planning is primarily based on 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 4.4% p.a. in the Europe segment and between 8.8% and 9.2% in the remaining segments
- Cost increases of 2–4% p.a.
- Wage and salary cost increases of approximately 3–5% p.a.

Assumptions made for discounting purposes were a pre-tax discount rate of 7.5% (prior year: 7.3%) and a long-term growth rate in perpetuity of 1.0% (prior year: 1.0%).

The discount rate is based on a weighted cost of debt of 1.0% (prior year: 0.5%), the weighted cost of equity and the capital structure. The cost of equity is based on a risk-free rate of return averaging 0.1% (prior year: –0.2%) and a beta of 1.2 (prior year: 1.3).

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.

18. Right-of-use assets

The recognized leases primarily relate to rented buildings and leasing of service vehicles. They are included in right-of-use assets for other equipment, furniture and fixtures, and office equipment. The right-of-use assets for machinery relate to equipment manufactured by WashTec and sold to leasing companies and repurchased under sale and leaseback transactions or hire purchase agreements.

The table below shows the right-of-use assets recognized for leased assets:

in €k	Dec 31, 2021	Dec 31, 2020
Right-of-use assets – land and buildings	12,568	12,816
Right-of-use assets – other plant, fixtures and fittings	5,996	5,536
Right-of-use assets – machinery	712	1,180
Total	**19,275**	**19,532**

Additions to right-of-use assets in fiscal year 2021 amounted to €7,561k (prior year: €8,037k) and disposals or reclassifications to €26k (prior year: €–1,607k). Currency translation effects account for €400k (prior year: €–299k).

Depreciation of right-of-use assets is made up as follows:

in €k	2021	2020
Right-of-use assets – land and buildings	4,301	4,211
Right-of-use assets – other plant, fixtures and fittings	3,617	3,432
Right-of-use assets – machinery	326	443
Total	**8,244**	**8,086**

Please see Note 32 for further information on lease liabilities.

19. Deferred Taxes

There are deferred tax assets in the amount of €4,753k (prior year: €4,583k) and deferred tax liabilities in the amount of €1,299k (prior year: €989k) relating to temporary differences.

Deferred tax liabilities are not recognized for “outside basis differences” as the entity holding the investment is able to control the timing of the reversal of the temporary differences and it is not probable that the temporary differences will reverse in the foreseeable future. The tax base of the unrecognized deferred tax liabilities is €2,271k (prior year: €1,295k).

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 planning for 2022 through 2027.

To the extent that it is not probable that loss carryforwards will be able to be utilized against future taxable net income, no deferred tax assets are recognized for them. Deferred tax assets were therefore not recognized in the reporting year in relation to loss carryforwards in the amount of €11,275k (prior year: €17,253k) and temporary differences in the amount of €8,790k (prior year: €11,577k). This corresponds to €3,312k (prior year: €4,339k) in deferred tax assets not recognized for loss carryforwards and €2,245k (prior year: €2,846k) in deferred tax assets not recognized for temporary differences.

Some of the loss carryforwards have no time restrictions with regard to their utilization. Loss carryforwards in the amount of €6,695k have time restrictions with regard to utilization. Of this total, €2,177k will expire between 2022 and 2027 and €4,518k will expire between 2032 and 2035 if they cannot be utilized.

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

in T€	Deferred tax assets		Deferred tax liabilities	
	Dec 31, 2021	Dec 31, 2020	Dec 31, 2021	Dec 31, 2020
Tax loss carryforwards	928	0	0	0
Property, plant and equipment	288	323	–1,223	–1,242
Intangible assets	0	0	–1,800	–1,863
Right-of-use assets	0	0	–4,106	–4,488
Inventories	1,963	2,476	–149	–8
Receivables	95	617	–651	–403
Lease liabilities	4,055	4,343	0	0
Provisions	2,649	2,811	0	0
Other liabilities	1,533	1,354	–17	–25
Contract liabilities	179	149	0	–180
Other	1	30	–291	–298
Total	**11,691**	**12,103**	**–8,237**	**–8,507**
of which non-current	*5,995*	*4,969*	–3,427	–4,860
of which current	*5,696*	*7,134*	–4,810	–3,648

Deferred tax receivables and liabilities totaling €6,938k (prior year: €7,520k) were offset in accordance with the offsetting rules in IAS 12.

€-178k (prior year: €208k) in deferred taxes were recognized in equity in the reporting year. The aggregate amount of deferred taxes recognized in equity is consequently €1,849k (prior year: €2,027k).

The following table shows the income and expenses recognized directly in other comprehensive income together with the changes in deferred taxes relating to them:

in €k	Dec 31, 2021			Dec 31, 2020		
	Change before tax	Change in deferred taxes	Change after tax	Change before tax	Change in deferred taxes	Change after tax
Adjustment item for currency translation of foreign subsidiaries	1,457	0	1,457	–1,193	0	–1,193
Exchange differences on net investments in subsidiaries	483	–158	325	–470	178	–292
Changes in actuarial gains and losses	46	–20	26	–77	30	–47
Changes recognized directly in other comprehensive income	**1,986**	**–178**	**1,808**	**–1,740**	**208**	**–1,532**

20. Inventories

in €k	Dec 31, 2021	Dec 31, 2020
Raw materials, consumables and supplies, including merchandise	26,198	21,964
Work in progress	20,602	9,519
Finished goods	9,584	6,690
Prepayments	698	291
Total	**57,083**	**38,464**

Additions to write-downs on inventories came to €128k in the reporting year (prior year: €249k).

21. Tax receivables

in €k	Dec 31, 2021	Dec 31, 2020
Current tax receivables	18,699	18,160
Total	**18,699**	**18,160**

The tax receivables are primarily claims against tax authorities based on deductible investment income withholding tax.

22. Trade receivables

in €k	Dec 31, 2021	Dec 31, 2020
Non-current trade receivables	4,211	6,487
Current trade receivables	67,236	57,075
Total	**71,448**	**63,562**

The payment period usually granted for current trade receivables is 30 days.

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

The gross carrying amounts of trade receivables total €77,215k (prior year: €70,005k). This includes €729k (prior year: €1,254k) in gross carrying amounts on credit-impaired trade receivables as of the balance sheet date. The gross carrying amounts, likewise included in the total, of trade receivables for which loss allowances are measured at an amount equal to the lifetime expected credit losses are as follows:

in €k

Year	Not past due	Over 30 days past due	Over 60 days past due	Over 120 days past due	Total
Dec 31, 2021	60,459	2,922	2,143	10,963	76,486
Dec 31, 2020	52,048	2,813	2,302	11,589	68,752

Impairments of trade receivables are as follows:

in €k	2021	2020
As of January 1	**6,443**	5,245
Change in impairment for credit losses recognized in profit or loss	142	1,560
Amounts written off as uncollectible in the fiscal year	−354	−147
Unused amount reversed	−463	−215
As of December 31	**5,768**	**6,443**

23. Other assets

in €k	Dec 31, 2021	Dec 31, 2020
Other non-current financial assets	199	198
Other non-current non-financial assets	520	502
Other current financial assets	1,617	1,116
Other current non-financial assets	1,836	1,812
Total	**4,171**	**3,630**
of which non-financial prepaid expenses	*1,399*	*1,350*

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

24. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and bank balances that have a term of up to three months from the date of acquisition. Credit balances held at banks earn interest at variable interest rates based on daily bank account rates. There was no objective evidence of impairment of cash and cash equivalents in the reporting year.

The carrying amount of the cash and cash equivalents is €18,085k (prior year: €19,872k) and is equal to their fair value.

The cash flow statement shows how cash funds 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 the purposes of the consolidated cash flow statement, cash funds comprise the following as of the end of the year:

in €k	Dec 31, 2021	Dec 31, 2020
Cash and cash equivalents	18,085	19,872
Overdrafts/current interest-bearing loans	−13,547	−19,107
Cash funds	**4,538**	**765**

Liabilities from financing activities changed as follows:

in €k	2021	2020
As of January 1	**20,171**	**21,691**
Repayment of lease liabilities	−7,795	−8,692
Recording of lease liabilities	7,541	8,037
Disposal of lease liabilities	−189	−490
Adjustment item from currency translation	520	−374
Other changes		
Interest expense from discounting lease liabilities (presented as operating cash flow)	413	482
Interest paid	−413	−482
As of December 31	**20,248**	**20,171**

The cash-effective change in lease liabilities amounts to € 8,208k (prior year: € 9,174k), the non-cash-effective change amounts to € 8,285k (prior year: € 7,655k).

For information regarding interest-bearing loans, see Note 31. For the interest expense from discounting lease liabilities, please see Note 13.

Equity

25. 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.

	Dec 31, 2021	Dec 31, 2020
Ordinary shares (thousand)	13,977	13,977
Share capital per share (€)	2.86	2.86

As of December 31, 2021, the average weighted number of issued and outstanding shares was 13,382,324 (prior year: 13,382,324 shares).

The Annual General Meeting of WashTec AG on May 18, 2021 resolved to appropriate the distributable profit of €31,174,580.45 shown in the Company's German Commercial Code (HGB)-basis annual financial statements for fiscal year 2020 as follows: Payment of a dividend of €2.30 per eligible share, totaling €30,779,345.20, with the remaining distributable profit of €395,235.25 to be carried forward. The distribution of a dividend to shareholders for fiscal year 2020 included a special dividend of €1.31 in addition to the dividend of €0.99 for the year.

Authorized capital

By resolution of the Annual General Meeting on April 29, 2019, 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 June 30, 2022 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. The shareholders must normally be granted preemptive rights in this connection.

The Management Board is authorized, subject to the consent of the Supervisory Board, to exclude the preemptive rights of shareholders:

- for fractional amounts;
- if the new shares are issued in exchange for a non-cash contribution, including in connection with the acquisition of companies, parts of companies or interests in companies;
- in the event of capital increases in exchange for cash contributions if at the time of the final fixing of the issue price by the Management Board the issue price of the new shares is not significantly lower, within the meaning of section 203 (1) and (2) and section 186 (3) sentence 4 AktG, than the stock market price of existing publicly listed shares of the same class and with the same features, and the pro rata amount of the share capital attributable in total to the new shares on which preemptive rights are excluded does not exceed 10% at the time the authorization becomes effective or, if the pro rata amount is then lower, at the time the authorization is exercised;
- to the extent necessary in order to grant the holders of warrant-linked and/or convertible bonds issued by the Company or its subsidiaries a right to subscribe for new shares in the scope to which they would be entitled if they exercised their option or conversion right or fulfilled their conversion or option obligations.

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.

The Supervisory Board is authorized to revise the text of Section 5.1 of the Articles of Association after full or partial implementation of the capital increase from Authorized Capital.

26. 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. Capital reserves were reduced in 2009 when treasury shares were retired in the amount of €9,464k.

27. Treasury shares

As in the prior year, WashTec AG held treasury shares in the amount of €13,177k as of December 31, 2021. This corresponds to 594,646 shares.

Purchase and use of treasury shares

By resolution of the Annual General Meeting of April 29, 2019, the Company is authorized pursuant to Section 71 (1) 8 AktG, on or before June 30, 2022 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 share capital at the time of the resolution or – if lower – at the time the authorization is exercised.

Other than by way of sale on the stock exchange or by way of an offer to all shareholders, the Management Board is authorized, subject to the consent of the Supervisory Board, to make use of treasury shares acquired on the basis of the authorization granted at the Annual General Meeting on April 29, 2019 or on the basis of a previously granted authorization as follows:

They may

- be offered and transferred to third parties as consideration in connection with the direct or indirect acquisition of companies, parts of companies or interests in companies or in connection with business combinations;
- be used to service options issued in a stock option program to members of the management of companies affiliated with the Company and to employees of the Company or of companies affiliated with the Company; or
- be used in other ways provided that the Company's treasury shares are utilized against cash payment and at a price that is not significantly lower than the stock exchange price of the Company's shares at the time of disposal. This authorization is additionally restricted to shares with a pro rata amount of the share capital that may not exceed a total of 10% of the share capital at the time the authorization becomes effective or, if lower, at the time the authorization is exercised.

The Supervisory Board is authorized to use the treasury shares acquired on the basis of this authorization to service options issued in a stock option program to members of the Management Board of the Company.

The aforementioned authorizations for use other than by way of sale on the stock exchange or by way of an offer to all shareholders may be exercised in whole or in part and on one or more occasions. The use made may be for one or more of the aforementioned purposes. Shareholders' preemptive rights to treasury shares are excluded to the extent that, in accordance with the above authorizations, the shares are used other than by way of sale on the stock exchange or by way of an offer to all shareholders.

The Management Board is authorized, subject to the consent of the Supervisory Board, to cancel shares acquired on the basis of the above authorization or a previously granted authorization, in whole or in part, without the cancellation or its execution requiring a further resolution of the Annual General Meeting. Cancellation results in a reduction in capital. In departure from this, the Management Board may stipulate that instead of a reduction in capital, the pro rata share of the share capital attributable to each remaining share is increased. In this event, the Management Board is authorized to revise the number of shares in the Company's Articles of Association.

28. Other reserves and currency translation effects

in €k	Jan 1, 2021	Change in income and expenses recognized directly in equity	Change in deferred taxes	Change in share-based payment	Dec 31, 2021
Hedge reserve	−500	0	0	0	−500
Exchange differences on net investments in subsidiaries	−2,010	483	−159	0	−1,686
Actuarial gains/losses	−3,845	46	−20	0	−3,820
Other equity transaction	0	0	0	96	96
Other reserves	**−6,356**	**529**	**−179**	**96**	**−5,910**
Currency translation effects	−621	1,457	0	0	836
Total	**−6,977**	**1,986**	**−179**	**96**	**−5,074**

in €k	Jan 1, 2020	Change in income and expenses recognized directly in equity	Change in deferred taxes	Dec 31, 2020
Hedge reserve	−500	0	0	−500
Exchange differences on net investments in subsidiaries	−1,718	−470	178	−2,010
Actuarial gains/losses	−3,798	−77	30	−3,845
Other reserves	**−6,017**	**−547**	**208**	**−6,356**
Currency translation effects	572	−1,193	0	−621
Total	**−5,445**	**−1,740**	**208**	**−6,977**

29. 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 dependents. The pension plan provides for retirement benefits (from the age of 63), early retirement benefits or 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 0.8% (prior year: 0.4%). The annual salary and cost-of-living increases were measured at 1.6% (prior year: 1.5%). The anticipated return from reimbursement claims due to the existing liability insurance policies amounts to 0.8% (prior year: 0.4%). The Prof. Dr. Klaus Heubeck “2018 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, 2021 was 223 employees (prior year: 221 employees), and the total number of all persons holding a pension commitment is 328 employees (prior year: 371 employees). The new valuations include the effects of experience adjustments in the amount of €−88k (prior year: € −60k).

All actuarial gains and losses were recognized in other comprehensive income. Actuarial gains and losses before deferred taxes in the fiscal year under review were €46k (prior year: €−77k). In total, actuarial gains and losses of €−5,558k (prior year: €−5,604k) have been recognized in other comprehensive income as of December 31, 2021.

The present value of the defined benefit obligation developed as follows in fiscal years 2020 and 2021:

in €k	2021	2020
As of January 1	10,787	10,938
Expected return	15	14
Pensions paid	–436	–433
Service cost in the reporting period	–167	129
Interest expense	43	62
Actuarial gains and losses	–46	77
As of December 31	**10,196**	**10,787**

Details of changes in actuarial gains and losses:

in €k	Provisions for pensions at present value	Reimbursement rights at fair value	Total
Expected return	0	–15	**–15**
Gains and losses from changes in financial assumptions	–139	0	**–139**
Gains and losses from portfolio changes	108	0	**108**
Total	**–31**	**–15**	**–46**

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, equities or similar. The development of reimbursement rights is shown in the following table:

in €k	2021	2020
Fair value of reimbursement rights as of January 1	502	486
Expected return	18	16
Fair value of reimbursement rights as of December 31	**520**	**502**

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 and changes in the discount rate, which lead 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.

		Effect on the defined benefit obligation (DBO)	
Assumptions	**Changes**	**2021**	2020
Life expectancy	Increase by one year	5.5%	5.5%
Increase in living costs	Increase by 0.25%	1.9%	2.3%
Interest rate	Increase by 0.25%	–2.3%	–2.5%
Interest rate	Decrease by 0.25%	2.4%	2.6%

The average remaining duration of the pension obligations is approximately 10 years (prior year: approximately 10 years).

The following table shows the expected payments for pension benefits:

in €k	< 1 year	1–5 years	> 5 years	Total
Pension benefits	653	2,449	7,268	10,371

30. Other provisions

in €k		Jan 1, 2021	Addition	Utilization	Reversals	Exchange differences	Dec 31, 2021	of which current	of which non-current	Provisions Dec 31, 2020 of which current	Provisions Dec 31, 2020 of which non-current
Partial retirement		1,844	911	–341	0	0	2,414	640	1,775	511	1,334
Warranty		6,342	6,403	–4,469	–556	70	7,790	7,764	26	6,326	15
Repurchase obligations		2,888	282	–645	0	0	2,525	579	1,946	645	2,243
Legal and consulting fees		956	215	–157	–435	1	580	580	0	956	0
Termination benefits		2,416	756	–1,083	–1,047	2	1,044	1,044	0	2,416	0
Other		771	251	–29	–146	0	847	295	551	227	544
Total	**Dec 31, 2021**	**15,216**	**8,818**	**–6,723**	**–2,184**	**73**	**15,200**	**10,902**	**4,297**	**–**	**–**
	Dec 31, 2020	**13,529**	**9,385**	**–6,666**	**–960**	**–71**	**15,216**	**–**	**–**	**11,081**	**4,136**

The provision for partial retirement was measured in accordance with IAS 19 (revised). The calculation was based on an interest rate of –0.2% (prior year: –0.3%) and annual salary increases of 1.5% (prior year: 1.5%).

The provision for warranty obligations is recognized based on experience. The assumptions used in calculating the provision for warranty obligations were based 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 the costs will be incurred during the warranty period after the balance sheet date.

The provision for contracts with rights of return comprises the expected expenses from contractual obligations to take back equipment previously sold to oil companies and is measured on a rolling basis. In general, these obligations are secured by bank guarantees.

The provision for termination benefits in the amount of €1,044k (prior year: €2,416k) relates to provisions for personnel measures.

The other provisions totaling €847k (prior year: €771k) mainly relate to provisions for potential claims in the amount of €672k (prior year: €679k).

31. Interest-bearing loans

The WashTec Groups financing is based on bilateral agreements with various banks. The main borrower is WashTec Cleaning Technology GmbH and has credit lines totaling €121,500k (prior year: €121,500k) at its disposal, consisting of demand facilities totaling €90,000k (prior year: €90,000k) and facilities with a remaining term of up to nine months totaling €31,500k (prior year: €31,500k). These may be drawn on both as credit and as guarantee facilities. There is also a short-term interest-bearing loan relating to the subsidiary in China. The WashTec Group has a credit line for a total of €122,612k (prior year: €122,497k).

As of December 31, 2021, there were short-term loans in the amount of €13,547k (prior year: €19,107k) that, as in the prior year, consisted entirely of overdraft borrowings. In addition, the guarantee facility was drawn in the amount of €6,690k (prior year: €6,518k). The undrawn amount of the credit line available for future operating activities and to meet obligations was €102,375k as of the reporting date (prior year: €96,871k).

The facilities provided by the banks are not tied to any financial covenants. The interest rate on the credit lines is variable and linked to changes in EURIBOR plus a contractually agreed margin. The credit lines carry interest according to the applicable conditions of the relevant banks at the time they are utilized. The interest rates ranged between 0.45% and 0.66% in the reporting year (prior year: between 0.44% and 0.68%).

32. Leases

in €k	Dec 31, 2021	Dec 31, 2020
Current lease liabilities	7,444	7,023
Non-current lease liabilities	12,803	13,148
Total	**20,248**	**20,171**

To obtain a low fixed cost base, some leases for Group locations feature variable lease payments that rise incrementally on attainment a specified volume of carwashes or revenue. The lease payments are recognized in profit or loss in the period in which the condition that triggers them occurs. Future cash outflows that are not reflected in the measurement of lease liabilities as of December 31, 2021 relate to variable lease payments in the amount of €0k (prior year: €0k).

A number of property leases contain extension and termination options. No lease payments related to these as the optional periods are in the future. Potential future cash outflows in the amount of €2,975k (prior year: €2,977k) were not included in the lease liabilities as the leases are not reasonably certain to be extended.

Total cash outflows for leases were €8,208k in fiscal year 2021 (prior year: €9,174k). Future cash outflows arising from leases not yet commenced to which the WashTec Group committed in fiscal year 2021 amount to €77k (prior year: €489k). Profits from sale and leaseback transactions amount to €20k (prior year: €105k).

The other rental expenses include €266k (prior year: €83k) in expenses for leases of low-value assets that are not short-term leases. Low-value assets mainly comprise IT equipment. Also recognized is €0k (prior year: €0k) in expenses for variable lease payments not taken into account in the measurement of lease liabilities.

For the right-of-use assets recognized for leased assets and the related depreciation, please see Note 18. For the interest expense from discounting lease liabilities, please see Note 13.

33. Other liabilities

in €k	Non-current (> 1 year)		Current (< 1 year)	
	Dec 31, 2021	Dec 31, 2020	Dec 31, 2021	Dec 31, 2020
Accrued liabilities	0	0	13,516	11,582
Liabilities to trading partners	0	0	5,041	4,726
Debtors with credit balances	0	0	933	1,775
Other	203	185	1,084	3,503
Total other financial liabilities	**203**	**185**	**20,574**	**21,586**
Liabilities to employees	996	132	15,820	15,143
Taxes and levies	0	0	8,610	7,238
Liabilities for social security	0	0	2,174	2,671
Other	76	0	2,564	2,248
Total other non-financial liabilities	**1,073**	**132**	**29,169**	**27,299**
Total	**1,276**	**317**	**49,743**	**48,886**

The accrued liabilities in the amount of €13,516k (prior year: €11,582k) mainly relate to outstanding invoices for services already rendered and for credit notes yet to be issued in the Service business. The liabilities for taxes and levies primarily consist of unremitted value added tax.

34. Contract liabilities

Liabilities relating to contracts with customers:

in €k	Dec 31, 2021	Dec 31, 2020
Prepayments on orders	25,555	10,929
Deferred income for full maintenance, extended guarantees and prepaid service agreements	9,935	7,993
Total	**35,490**	**18,922**

Management expects that 94.6% (prior year: 91.6%) of these unsatisfied (or partially unsatisfied) performance obligations will be recognized as revenue in fiscal year 2022. The remaining 5.4% (prior year: 8.4%) are expected to be recognized as revenue in fiscal year 2023. The amount stated does not include any variable consideration components that are constrained.

Revenue recognition in relation to contract liabilities:

in €k	2021	2020
Revenue recognized in the fiscal year included in the balance of contract liabilities at the beginning of the period		
Prepayments on orders	10,929	12,424
Deferred income for full maintenance, extended guarantees and prepaid service agreements	6,396	7,401

This information does not include contracts in which the right to consideration from the customer is in an amount that corresponds with the value of the performance obligation satisfied to date by the WashTec Group and/or whose original expected duration is one year or less.

35. Financial risk management objectives and methods

The risks for the Group arising from derivative financial instruments comprise credit and liquidity risk along with market price risk in the form of interest and currency risk. Company policy is to avoid or limit such risk as far as possible. Substantially all hedging is coordinated and undertaken centrally. For example, the Group regularly identifies all items that are subject to interest and exchange rate risk, assesses the probability of occurrence of negative developments and makes any decisions required to avoid or reduce variation in the corresponding interest and/or currency positions. 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.

Credit risk

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. Impairments recognized on receivables are expected to be sufficient to cover actual risk. Please see Note 22 for further information.

For some trade receivables, the WashTec Group in some cases requires collateral in the form of guarantees or letters of credit to which the Group can have recourse under the contract terms in the event of payment default by the counterparty.

There is presumed to be a concentration of credit risk if a single customer or oil company makes up more than 10% of revenue. Revenue with one major customer marginally exceeded 10% of consolidated revenue in fiscal year 2021. This revenue is covered by credit loss insurance. In addition, for selected customers, insolvency coverage is taken out with reputable credit insurers when receivables exceed a certain level. There is therefore no enhanced credit risk in this regard.

The COVID-19 pandemic resulted in an increase in credit and default risks in the prior year. These were mainly due to delayed customer payments. The carwash business proved robust and there were no significant defaults and no further increase in default risk.

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

Liquidity risk

A key business objective is to ensure that Group companies are solvent at all times. The implemented cash management systems enable the Group to identify potential shortfalls in good time and take appropriate action. The current and future liquidity situation is controlled in a timely manner on an annual basis based on a monthly rolling consolidated liquidity plan. Undrawn credit lines ensure the supply of liquidity. The credit lines have been granted under bilateral agreements between WashTec Cleaning Technology GmbH and various banks subject to joint and several liability on the part of WashTec AG. Further information is provided in Note 31.

The table below shows all contractually agreed undiscounted payments of principal and interest on financial liabilities recognized as of December 31, 2021 for future fiscal years.

The table includes all instruments held as of the balance sheet date for which payments were already agreed. Foreign currency amounts are translated at closing rates. Variable interest payments on the financial instruments, primarily on loans, 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	Cash flows		
	Dec 31, 2021	2022	2023–2026	2027 ff.
Interest-bearing loans	13,547	13,587	0	0
Lease liabilities	20,248	7,705	11,980	1,112
Trade payables	16,123	16,123	0	0
Other financial liabilities	20,777	20,574	203	0

in €k	Carrying amount	Cash flows		
	Dec 31, 2020	2021	2022–2025	2026 ff.
Interest-bearing loans	19,107	19,585	0	0
Lease liabilities	20,171	7,292	12,083	1,458
Trade payables	10,486	10,486	0	0
Other financial liabilities	21,771	21,586	185	0

Market price risk

The main sources of market price risk facing the Group relate to exchange rate movements between the euro and other currencies and interest rate movements on the international money and capital markets.

Currency risk

Movements in the USD/EUR and CAD/USD exchange rates could have a material effect on consolidated net income because a portion of the operating business is conducted in the North America segment. In addition, there are long-term loan receivables in USD and CAD. One German subsidiary has a long-term loan receivable against subsidiary Mark VII Equipment Inc., Arvada, USA, which is designated as a net investment in a foreign operation in the amount of USD 7.3m (prior year: USD 7.3m). American subsidiary Mark VII Equipment Inc., Arvada, USA, has a long-term CAD loan receivable against its Canadian subsidiary, which is designated as a net investment in a foreign operation in the amount of CAD 7.8m (prior year: CAD 7.8m). The translation effects of the loan receivables, which are attributable in each case to the net investment in a foreign operation, are recognized in other comprehensive income.

The following sensitivity analysis shows how EBT and equity would change had the currencies identified as price risk variables moved differently as of the balance sheet date. All other variables are held constant.

2021	Impact on EBT	Impact on equity
Currency: USD		
+5%	30	−322
−5%	−30	322
Currency: CAD		
+5%	414	−346
−5%	−414	346

2020	Impact on EBT	Impact on equity
Currency: USD		
+5%	132	−297
−5%	−132	297
Currency: CAD		
+5%	341	−343
−5%	−341	343

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

Interest rate risk

Interest rate risk in the Group is primarily connected with the drawn interest-bearing loans as the base interest rate for the credit lines is based on EURIBOR. A 10 base point increase in EURIBOR would not currently have a material impact on the Group.

There were no interest rate swaps either in the reporting year or in the prior year.

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 its capital using appropriate financial ratios. Net financial liabilities comprise interest-bearing loans and lease liabilities less cash and cash equivalents. At the end of 2021, net financial liabilities amounted to €15,710k (prior year: €19,407k). The facilities provided by the banks are not tied to any financial covenants.

36. Financial instruments-additional disclosures

The table below shows the carrying amounts and fair values of relevant balance sheet items by measurement category.

Carrying amounts, measurement and fair value by category

in €k	IFRS 9 category	Carrying amount Dec 31, 2021	Measurement under IFRS 9		Measurement under IFRS 16	Fair value Dec 31, 2021**	IFRS 13 level
			Amortized cost	At fair value through profit or loss:			
Assets							
Cash and cash equivalents	AC*	18,085	18,085	–	–	–	–
Current trade receivables	AC*	67,236	67,236	–	–	–	–
Non-current trade receivables	AC*	4,211	4,211	–	–	–	–
Other current financial assets	AC*	1,617	1,617	–	–	–	–
Other non-current financial assets	AC*	199	199	–	–	–	–
Equity and liabilities							
Trade payables	FLAC*	16,123	16,123	–	–	–	–
Interest-bearing loans	FLAC*	13,547	13,547	–	–	–	–
Other current financial liabilities	FLAC*	20,574	20,574	–	–	–	–
Other non-current financial liabilities	FLAC*	203	203	–	–	–	–
Lease liabilities	n/a	20,248	–	–	20,248	–	–
Aggregated presentation by measurement category in accordance with IFRS 9							
Financial assets measured at amortized cost	AC*	91,348	91,348	–	–	–	–
Financial liabilities measured at amortized cost	FLAC*	50,447	50,447	–	–	–	–

**AC: financial assets at amortized cost; FLAC: financial liabilities at amortized cost*
*** For current financial instruments at amortized cost, the carrying amount at the reporting date is assumed to approximate fair value. The effect on non-current financial instruments at amortized cost is not material.*

in €k	IFRS 9 category	Carrying amount Dec 31, 2020	Measurement under IFRS 9		Measurement under IFRS 16	Fair value Dec 31, 2020**	IFRS 13 level
			Amortized cost	At fair value through profit or loss:			
Assets							
Cash and cash equivalents	AC*	19,872	19,872	–	–	–	–
Current trade receivables	AC*	57,075	57,075	–	–	–	–
Non-current trade receivables	AC*	6,487	6,487	–	–	–	–
Other current financial assets	AC*	1,116	1,116	–	–	–	–
Other non-current financial assets	AC*	198	198	–	–	–	–
Equity and liabilities							
Trade payables	FLAC*	10,486	10,486	–	–	–	–
Interest-bearing loans	FLAC*	19,107	19,107	–	–	–	–
Other current financial liabilities	FLAC*	21,586	21,586	–	–	–	–
Other non-current financial liabilities	FLAC*	185	185	–	–	–	–
Lease liabilities	n/a	20,171	–	–	20,171	–	–
Aggregated presentation by measurement category in accordance with IFRS 9							
Financial assets measured at amortized cost	AC*	84,749	84,749	–	–	–	–
Financial liabilities measured at amortized cost	FLAC*	51,364	51,364	–	–	–	–

**AC: financial assets at amortized cost; FLAC: financial liabilities at amortized cost*
*** For current financial instruments at amortized cost, the carrying amount at the reporting date is assumed to approximate fair value. The effect on non-current financial instruments at amortized cost is not material.*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. If there is no active market, fair value is established using valuation techniques.

In the IFRS 13 “fair value hierarchy”, financial instruments are classified into three levels on the basis of the input factors used. Level 1 input factors have the highest priority and unobservable inputs the lowest. The three levels are explained in the following.

Level 1: The fair value of financial instruments traded in active markets (such as listed derivatives and equity instruments) is based on quoted market prices at the end of the reporting period. The quoted market price of financial assets held by the Group is the current bid price. These instruments are classified in level 1.

Level 2: The fair value of financial instruments not traded in an active market (such as OTC derivatives) is determined using valuation techniques that maximize the use of observable market data and minimize the use of company-specific estimates. If all significant inputs for measurement of an instrument at fair value are observable, the instrument is classified in Level 2.

Level 3: If one or more of the significant inputs are not observable, the instrument is classified in Level 3. This applies to unquoted equity instruments.

There were no reclassifications of recurring fair value measurements between the individual levels during the fiscal year. Reclassifications into and out of levels in the fair value hierarchy are made at the end of the reporting period.

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

There were no currency forwards either in the reporting year or in the prior year.

Net gains and losses by category

The following table shows the net gains and losses on financial instruments based on the IFRS 9 categories:

in €k	2021	2020
Financial assets at amortized cost (AC)	−151	−191
Financial liabilities at amortized cost (FLAC)	−635	−1,728

The net gains or losses in the financial assets at “amortized cost” category are primarily attributable to foreign currency measurement and those in the “financial liabilities at amortized cost” category are primarily attributable to interest expenses and foreign currency measurement.


WashTec

Other information

37. Declaration of Conformity under § 161 AktG

WashTec AG has issued the declaration required under Section 161 AktG for fiscal year 2021 and has made it available to shareholders on *www.washtec.de*.

The Management Board approved the consolidated financial statements on March 23, 2022 and presented them directly to the Supervisory Board for review.

The separate financial statements are to be adopted and the consolidated financial statements of WashTec AG approved at the Supervisory Board meeting on March 23, 2022.

38. Auditor's fees

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

in €k	2021	2020
Annual accounts auditing	593	533
Tax services	14	9
Other services	3	0
Total	**610**	542

The annual accounts audit fees relate to the audit of the consolidated financial statements of the WashTec Group, the statutory audits of the separate financial statements of WashTec AG and of the subsidiaries included in the consolidated financial statements. The tax consulting services relate to the preparation of benchmark studies and the other services relate to the disclosures on Article 8 of the EU Taxonomy Regulation.

39. Information about the Company's governing bodies

Management Board

Dr. Ralf Koeppe	
Profession, place of residence	CEO and CTO/Chairman of the Management Board, Augsburg
Management Board portfolio	Corporate Culture, Communication and Philosophy, HR, R&D, Production, Quality, Service Support, Sustainability

Dr. Kerstin Reden	
Profession, place of residence	CFO, Augsburg/Stuttgart
Management Board portfolio	Finance/Controlling, IT, Procurement, Investor Relations, WTFS, Legal, Risk Management/Compliance/ Audit, Insurance

Stephan Weber	
Profession, place of residence	CSO, Werther
Management Board portfolio	KAM/CWM, Global Sales and Service, Marketing, Business Units/ Product Management

Supervisory Board

Dr. Günter Blaschke	
Profession, place of residence	Chairman of the Supervisory Board, Buchloe
Memberships in other statutory supervisory boards	■ Leifheit AG, Nassau (Chairman of the Supervisory Board)
Memberships in comparable domestic and international supervisory bodies of business enterprises	■ None

Ulrich Bellgardt	
Profession, place of residence	Diplom degree in engineering, Hubersdorf, Switzerland
Memberships in other statutory supervisory boards	■ KROMI Logistik AG, Hamburg (Chairman of the Supervisory Board)
Memberships in comparable domestic and international supervisory bodies of business enterprises	■ None

Jens Große-Allermann	
Profession, place of residence	Member of the Management Board of Investmentaktiengesellschaft für langfristige Investoren TGV and Member of the Management Board of Fiducia Treuhand AG, Bonn
Memberships in other statutory supervisory boards	■ GESCO AG, Wuppertal (Member of the Supervisory Board) ■ Kromi Logistik AG, Hamburg (Deputy Chairman of the Supervisory Board)
Memberships in comparable domestic and international supervisory bodies of business enterprises	■ None

Dr. Sören Hein	
Profession, place of residence	Partner, MIG Capital AG (formerly MIG Verwaltungs AG), Munich
Memberships in other statutory supervisory boards	■ APK AG, Merseburg (Chairman of the Supervisory Board)
Memberships in comparable domestic and international supervisory bodies of business enterprises	■ Konux, Inc., Delaware, USA (Member of the “Board of Directors”) ■ Liva Healthcare Holding ApS, Copenhagen, Denmark (Member of the Board of Directors) ■ Liva Healthcare A/S, Copenhagen, Denmark (subsidiary of Liva Healthcare Holding ApS) (Member of the Board of Directors) ■ Efficient Energy GmbH, Feldkirchen (Member and Deputy Chairman, Advisory Board) ■ Innatera Nanosystems BV, Delft, Netherlands (member of the Supervisory Board) ■ Zadient Technologies SAS, Sainte-Hélène-du-Lac, France (Member of the Supervisory Board since February 12, 2021)

Dr. Hans-Friedrich Liebler	
Profession, place of residence	Managing Director of Lenbach Capital GmbH, Gauting
Memberships in other statutory supervisory boards	■ None
Memberships in comparable domestic and international supervisory bodies of business enterprises	■ autowerkstattgroup N.V., Amsterdam, Netherlands (Member of the Supervisory Board)

Dr. Alexander Selent	
Profession, place of residence	Supervisory Board, Limburgerhof
Memberships in other statutory supervisory boards	■ None
Memberships in comparable domestic and international supervisory bodies of business enterprises	■ None

40. Related party disclosures

Management Board remuneration

The Management Board remuneration system is geared to promoting the corporate strategy and the long-term development of the Company and its affiliates. This is achieved among other things by means of a simple and clear incentive structure in Management Board remuneration. The remuneration system and the uniform remuneration structure for all Management Board functions are designed to prevent inappropriate incentives, both from outside and from within the Company. In particular, they aim to prevent Management Board decision-making that is calculated to maximize remuneration in the short term but is not conducive to the long-term success of the business.

At its meeting on March 24, 2021, the Supervisory Board, after due deliberation, adopted the system for the remuneration of the members of the Management Board of WashTec AG in accordance with the requirements of the German Stock Corporation Act resulting from the German Act Implementing the Second Shareholder Rights Directive (ARUG II) and taking into account the revised German Corporate Governance Code dated December 16, 2019 (the "2020 Code"). With regard to the recommendations of the German Corporate Governance Code, reference is made to the Declaration of Conformity published in the combined management report, section 8.3.

This remuneration system was approved by the 2021 Annual General Meeting pursuant to Section 120a (1) AktG and applies to all Management Board contracts entered into or renewed after the Annual General Meeting on May 18, 2021. In accordance with the 2020 Code and Section 26j of the Introductory Act to the Stock Corporation Act (EG-AktG), all current Management Board contracts continue be subject to the previous remuneration system (see also the Declaration of Conformity of December 16, 2021 submitted by the Management Board and Supervisory Board in accordance with Section 161 AktG). The applicable long-term variable remuneration in the form of the Long Term Incentive Program (LTIP) 2021-2023 for the Management Board was adopted effective January 1, 2021 and applies to all members of the Management Board. In all other respects, the current Management Board contracts with the incumbent members of the Management Board of WashTec AG will continue to end of their appointed term under the conditions specified therein.

The total remuneration of members of the Management Board is made up of non-performance-based and performance-based remuneration components and is linked overall to sustained growth of the Company. The non-performance-based remuneration components consist of fixed remuneration and incidental benefits, notably comprising the provision of company cars and insurance coverage. The performance-based remuneration components include both a short-term and a long-term component.

The short-term variable remuneration is based on Company targets and individual performance targets. The Company targets relate to the Group's key financial performance indicators. These are revenue, EBIT, free cash flow and ROCE. The individual performance targets comprise operational or strategic targets, including non-financial targets, primarily from the areas of product innovation, sustainability, process optimization, digitalization and customer benefit.

The long-term variable remuneration is structured as share-based payment with a one-time cash award (Long Term Incentive Program/LTIP) and has a term from January 1, 2021 to December 31, 2023. The LTIP ensures long-term performance and sustainability under the corporate strategy with the two performance targets return on capital employed (ROCE) and total shareholder return (TSR).

Total remuneration granted in fiscal year 2021 to the Management Board (DRS 17) amounted to €5,010k (prior year: €1,652k). €934k (prior year: €873k) of this total consisted of non-performance-related components, €656k (prior year: €779k) of performance-related components and €3,420k (prior year: €0k) of components with a long-term incentive effect.

The members of the Management Board active in each reporting year were granted total remuneration as follows (HGB):

in €k	2021	2020
Fixed remuneration	890	830
Incidental benefits	44	43
Total (fixed)	**934**	**873**
Single-year variable remuneration	614	479
Fair value of multi-year variable remuneration at grant date	3,420	0
Bonus	42	300
Total (variable)	**4,076**	**779**
Total remuneration	**5,010**	**1,652**

Management Board **shareholdings** developed as follows:

units	Dec 31, 2021	Dec 31, 2020
Dr. Ralf Koeppe	3,000	1,800
Dr. Kerstin Reden	417	0
Stephan Weber	4,330	3,740

Remuneration of former members of the Management Board

There are pension obligations to a former Management Board member and to surviving dependents of a former Management Board member in the amount of €284k (prior year: €293k), which are covered by a relief fund.

Supervisory Board remuneration (HGB)

Supervisory Board remuneration is specified in Section 8.16 of the Articles of Association of WashTec AG and comprises fixed and variable remuneration components. The 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.

Each member of a committee (with the exception of the Audit Committee) receives additional fixed remuneration of €2,500. The chairperson 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.

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.

The fixed and variable 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, that for the Deputy Chairman of the Supervisory Board to a maximum total of €150,000 and that for the Chairman of the Supervisory Board to a maximum total of €200,000. The long-term variable remuneration is added to the remuneration in accordance with the Articles of Association.

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

The General Meeting may resolve to establish one or more long-term variable remuneration components for the Supervisory Board that are added to the remuneration under the Articles of Association.

The Company did not pay any remuneration or grant any benefits to members of the Supervisory Board in fiscal year 2021 for services provided individually, including for consulting or referral services.

The Annual General Meeting 2018 resolved long-term variable remuneration in the form of a Long Term Incentive Program (LTIP) for the Supervisory Board with an incentive period running from January 1, 2019 to December 31, 2021. As a condition for participation, the program stipulates a personal investment in WashTec shares on or before July 31, 2019 (Chairman: 4,000 shares maximum; all others: 2,000 shares maximum). A Supervisory Board member can also participate in the LTIP with shares already purchased by the member prior to the Company's Annual General Meeting in fiscal year 2018. In that case, invested shares can also be shares with which the Supervisory Board member participated in LTIP 2015. The stipulated performance targets were an EPS target, a ROCE target and a free cash flow target. The reference base for the targets comprises the key performance indicators for fiscal year 2018. Depending on whether one, several or all of the targets are fulfilled, a different multiplier applies for the bonus payment. This is calculated by multiplying a multiplier with the number of invested shares multiplied by the reference share price. 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, Dr. Liebler and Dr. Selent are participating in the LTIP. As the agreed performance targets for the 2018 Long Term Incentive Program (LTIP) were not able to be achieved due to the COVID-19 pandemic, the entire amount recognized for this purpose in other liabilities was reversed to profit or loss in the prior year and no cash award will be paid in fiscal year 2022.

The Annual General Meeting 2021 resolved long-term variable remuneration in the form of a Long Term Incentive Program (LTIP) for the Supervisory Board with an incentive period running from January 1, 2022 to December 31, 2024. As a condition for participation, the program stipulates a personal investment in WashTec shares on or before July 31, 2022 (Chairman: 4,000 shares maximum; all others: 2,000 shares maximum). A Supervisory Board member can also participate in LTIP with shares already purchased prior to the Company's Annual General Meeting in fiscal year 2021. In such a case, invested shares may also include those acquired by a Supervisory Board Member under LTIP 2018. The stipulated performance targets were an EPS target, a ROCE target and a free cash flow target. The reference base for the targets comprises the key performance indicators for fiscal year 2021. Depending on whether one, several or all of the targets are fulfilled, a different multiplier applies for the cash award. This is calculated by multiplying a multiplier with the number of invested shares multiplied by the reference share price. 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, Dr. Liebler and Dr. Selent are participating in the LTIP.

The total remuneration granted to the Supervisory Board members for fiscal year 2021 amounted to €675k (prior year: €591k). €368k (prior year: €368k*) of this total related to fixed remuneration, €135k (prior year: €0k) to variable remuneration and €173k (prior year: €224k*) to attendance fees. In the prior year, the impacts of the COVID-19 pandemic on assessment of the probability of attaining the agreed performance conditions for long-term variable remuneration for fiscal years 2019 to 2021 resulted in the reversal of the entire amount recognized in other liabilities for this purpose.

**In fiscal year 2021, there was a change in the presentation of fixed remuneration for committee memberships or chairpersonships. This was previously presented as attendance fees and is now presented as fixed remuneration. The prior year figures have been restated accordingly.*

Supervisory Board shareholdings developed as follows:

units	Dec 31, 2021	Dec 31, 2020
Dr. Günter Blaschke	52,060	52,060
Ulrich Bellgardt	31,000	28,070
Jens Große-Allermann*	0	0
Dr. Sören Hein	5,450	5,450
Dr. Hans-Friedrich Liebler	5,500	5,500
Dr. Alexander Selent	1,500	1,500

**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.*

Management Board and Supervisory Board remuneration (IAS 24)

In relation to fiscal year 2021, the 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 €2,585k (prior year: €1,628k). €934k (prior year: €873k) consisted of fixed remuneration, €42k (prior year: €300k) of short-term benefits and €614k (prior year: €286k) to single-year variable remuneration. An amount of €967k (prior year: €0k) was recognized as expense for long-term share-based payment for fiscal years 2021 to 2023. A total of €886k (prior year: €0k) was recognized in other liabilities and €81k (prior year: €0k) directly in equity for the future disbursement of long-term share-based payment for the members of the Management Board active as of December 31, 2021. In addition, the total expenses include €28k (prior year: €170k) in connection with early termination of a Management Board contract in the fiscal year 2019, relating in its entirety to non-compete compensation for a post-contractual non-compete covenant.

Supervisory Board remuneration is specified in Section 8.16 of the Articles of Association of WashTec AG. It comprises fixed and variable remuneration components. The Annual General Meeting 2018 additionally resolved a Long Term Incentive Program (LTIP) for the Supervisory Board with an incentive period running from January 1, 2019 to December 31, 2021. That Long Term Incentive Program expired on December 31, 2021. The Annual General Meeting 2021 resolved a new Long Term Incentive Program for the Supervisory Board with a term from January 1, 2022 to December 31, 2024. The long-term variable remuneration component is added to the remuneration in accordance with the Articles of Association. Further information on the structure of Supervisory Board remuneration is provided in Note 40 under "Share-based payment (IFRS 2)".

The total expense recognized for remuneration of the Supervisory Board in accordance with IFRS was €767k (prior year: €591k). The expense recognized for fixed remuneration was €368k (prior year: €368k*) and that recognized for single-year variable remuneration was €135k (prior year: €0k). Other remuneration, predominantly attendance fees, amounted to a total of €173k (prior year: €224k*). An amount of 92k (prior year: €0k) was recognized as expense for long-term share-based payment for fiscal years 2022 to 2024 adopted by the 2021 Annual General Meeting. In addition, €76k (prior year: €0k) was recognized in other liabilities and €15k (prior year: €0k) directly in equity for future disbursements. In the prior year, the impacts of the COVID-19 pandemic on assessment of the probability of attaining the agreed performance conditions for long-term variable remuneration for fiscal years 2019 to 2021 resulted in the reversal of the entire amount recognized for this purpose in other liabilities.

**In fiscal year 2021, there was a change in the presentation of fixed remuneration for committee memberships or chairpersonships. This was previously presented as attendance fees and is now presented as fixed remuneration. The prior year figures have been restated accordingly.*

Share-based payment (IFRS 2)

There are contracts in place with the members of the Management Board that provide for share-based payment in the form of a Long Term Incentive Program (LTIP). A share-based payment arrangement in the form of a Long Term Incentive Program (LTIP) for the Supervisory Board was established by resolution of the 2018 and 2021 Annual General Meetings and is made use of by Supervisory Board members Dr. Blaschke, Mr. Bellgardt, Dr. Hein, Dr. Liebler and Dr. Selent. This is intended to give members of the Management Board and Supervisory 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.

The Supervisory Board share-based payment arrangement adopted by the 2018 Annual General Meeting has an incentive period from January 1, 2019 to December 31, 2021. The amount paid out depends in each case on percentage target attainment of certain performance targets over the term and on personal investment in Company shares. As the agreed performance targets were not able to be achieved due to the COVID-19 pandemic, the amount recognized for this purpose in other liabilities was reversed to profit or loss in the prior year and no cash award will be paid in fiscal year 2022.

In order to enable the Supervisory Board to participate in WashTec AG's long-term development, the Annual General Meeting of May 18, 2021 adopted a new share-based payment arrangement for the Supervisory Board with an incentive period from January 1, 2022 to December 31, 2024. In order to participate in the new share-based payment arrangement, a Supervisory Board member is required to already have held a personal investment in shares in the Company or to have made such an investment by July 31, 2022 (Chairman: 4,000 shares maximum; all others: 2,000 shares maximum). A Supervisory Board member can also participate in LTIP with shares already purchased prior to the Company's Annual General Meeting in fiscal year 2021. In such a case, invested shares may also include those acquired by a Supervisory Board Member under LTIP 2018. The amount paid out depends on percentage target attainment of certain performance targets over the term and on personal investment in Company shares. The stipulated performance targets were an EPS target, a ROCE target and a free cash flow target. The reference base for the targets comprises the key performance indicators for fiscal year 2021. Depending on whether one, several or all of the targets are fulfilled, a different multiplier applies for the cash award. This is calculated by multiplying a multiplier with the number of invested shares multiplied by the reference share price. 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. Payment is made on the day following the Company's Annual General Meeting in fiscal year 2025. Entitlement to payment is subject to the resolutive condition that one-sixth of the cash award received under the LTIP is reinvested in shares in the Company by the eligible Supervisory Board member within three months subsequent to the Company's Annual General Meeting in fiscal year 2025 and the Supervisory Board member holds those shares for at least three years after acquiring them. The requirement to hold the shares ends if the eligible Supervisory Board member leaves the Supervisory Board during the three-year holding period.

The current share-based payment arrangement for the Management Board has an incentive period from January 1, 2021 to December 31, 2023 and consists of two components: a non-personal-investment component and an optional personal investment component. At full target achievement, the non-personal-investment component corresponds in amount to the single-year variable remuneration per year of the plan term. The second component makes is possible to double the non-personal-investment component. This requires a personal investment to be made, or to have been made in the past, in the amount of the full variable target income for 2021 and corresponds to the maximum personal investment. If the personal investment does not equal the full variable target income for 2021, the second component is reduced proportionately to the size of the maximum personal investment. A personal investment for the purposes of this program means (euro) amounts invested in shares in the Company held personally by the Management Board member on June 30, 2023 (the cut-off date). The long-term share-based payment is paid at the end of the incentive period. The amount paid depends on the achievement of agreed performance targets for return on capital employed (ROCE) and total shareholder return (TSR). The two performance targets must each reach the minimum threshold of 81% set by the Supervisory Board in order to count. If the Management Board member makes use of the personal investment component, payment is subject to the resolutive condition that one-sixth of the gross cash award under the LTIP with personal investment is reinvested in shares in the Company by the Management Board member within three months of the cash award falling due and that the Management Board member remains invested with that quantity of shares for at least three years after acquiring them. There are exemptions to the reinvestment requirement and the holding period in the event of the Management Board member leaving office.

These obligations were measured at fair value as required for share-based payment in accordance with IFRS 2. The material assumptions used in measuring the fair value of Management Board long-term share-based payment are based on an expected volatility of the share price of 60.4% and a risk-neutral interest rate of –0.5% with a remaining duration of two years. The grant date for the Supervisory Board share-based payment arrangement with the incentive period from January 1, 2022 to December 31, 2024 is the date of the Annual General Meeting in fiscal year 2021. The material assumptions used in measuring the fair value of Supervisory Board long-term share-based payment are based on an expected volatility of the share price of 54.1% and a risk-neutral interest rate of −0.6% with a remaining duration of three years.

Both programs constitute equity-settled share-based payment transactions in the amount of the required reinvestment of one sixth of the cash award, with the remaining portion comprising cash-settled share-based payment transactions. The equity-settled share-based payment component is recognized directly in equity. The portion comprising a cash-settled share-based payment transaction is recognized in other liabilities. The obligations from share-based payment are recognized in non-current other liabilities at fair value taking into account the remaining duration of the program.

The obligations recognized in other liabilities for the Long Term Incentive Program (LTIP) are as follows:

in €k	Dec 31, 2021	Dec 31, 2020
LTIP obligations	962	0
Total	**962**	**0**

The obligation recognized directly in equity for the Long Term Incentive program (LTIP) is as follows:

in €k	Dec 31, 2021	Dec 31, 2020
Portion of LTIP obligation recognized directly in equity	96	0
Total	**96**	**0**

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

in €k	2021	2020
LTIP expenses	1,058	0
Total	**1,058**	**0**

41. Events after the balance sheet date

The Company is closely monitoring the development of the Russia-Ukraine war. The WashTec Group generates less than 2% of Group revenue in these countries. No production sites or other assets are located there. Consequently, any direct financial impact from business transacted in the two countries on the revenue and earnings of the WashTec Group would not be material. However, further developments may significantly impact the overall economic situation elsewhere and lead to further increases in raw material and energy prices. The factual situation is currently too volatile for a final assessment of the potential consequences on a global basis.

Augsburg, March 23, 2022

Dr. Ralf Koeppe	Dr. Kerstin Reden	Stephan Weber
Chief Executive Officer	Management Board	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 23, 2022

Dr. Ralf Koeppe	Dr. Kerstin Reden	Stephan Weber
Chief Executive Officer	Management Board	Management Board

Further Information

“Independent Auditor’s Report

To WashTec AG, Augsburg

Report on the Audit of the Consolidated Financial Statements and of the Group Management Report

Audit Opinions

We have audited the consolidated financial statements of WashTec AG, Augsburg, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of comprehensive income, consolidated statement of profit or loss, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of WashTec AG for the financial year from 1 January to 31 December 2021. In accordance with the German legal requirements, we have not audited the content of those parts of the group management report listed in the “Other Information” section of our auditor’s report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2021, and of its financial performance for the financial year from 1 January to 31 December 2021, and
- the accompanying group management report as a whole provides an appropriate view of the Group’s position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of those parts of the group management report listed in the “Other Information” section of our auditor’s report.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as “EU Audit Regulation”) in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report“ section of our auditor’s report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matter of most significance in our audit was as follows:

1 Recoverability of goodwill

Our presentation of this key audit matter has been structured as follows:

1. Matter and issue
2. Audit approach and findings
3. Reference to further information

Hereinafter we present the key audit matter:

1 Recoverability of goodwill

(1) In the Company's consolidated financial statements Goodwill amounting in total to EUR 42,312 thousand (15.8% of total assets) is reported. Goodwill is tested for impairment by the Company once a year or when there are indications of impairment to determine any possible need for write-downs. Impairment testing is carried out at the level of the groups of cash-generating units to which the relevant goodwill has been allocated. The carrying amount of the relevant cash-generating units, including goodwill, is compared with the corresponding recoverable amount in the context of the impairment test. The calculation of the recoverable amount generally employs the value in use. The present value of the future cash flows from the respective group of cash-generating units normally serves as the basis of valuation. Present values are calculated using discounted cash flow models. For this purpose, the adopted medium-term business plan of the Group forms the starting point for future projections based on assumptions about long-term rates of growth. Expectations relating to future market developments and assumptions about the development of macroeconomic factors as well as the expected effects of the ongoing Corona crisis on the business activities of the Group are also taken into account. The discount rate used is the weighted average cost of capital for the relevant group of cash-generating units. The impairment test determined that no write-downs were necessary.

The outcome of this valuation exercise is dependent to a large extent on the estimates made by the executive directors with respect to the future cash inflows from the respective group of cash-generating units, the discount rate used, the rate of growth and other assumptions, and is there-fore also against the background of the effects of the Corona crisis, subject to considerable uncertainty. Against this background and due to the complex nature of the valuation, this matter was of particular significance in the context of our audit.

(2) As part of our audit, we assessed the methodology employed for the purposes of performing the impairment test, among other things. After matching the future cash inflows used for the calculation against the adopted medium-term business plan of the Group, we assessed the appropriateness of the calculation, in particular by coordinating it with general and sector-specific market expectations. In this connection, we also evaluated the assessment of the executive directors regarding the effects of the Corona crisis on the business activities of the Group and examined how they were taken into account in determining the future cash flows. We discussed and examined supplementary adjustments to the medium-term business plan for the purposes of the impairment test with the members of the Company's staff responsible. We also assessed whether the basis for including the costs of Group functions was accurate. In the knowledge that even relatively small changes in the discount rate applied can have a material impact on the value of the entity calculated in this way, we focused our testing in particular on the parame-

ters used to determine the discount rate applied, and evaluated the measurement model. In order to reflect the uncertainty inherent in the projections, we assessed the sensitivity analyses performed by the Company and carried out our own sensitivity analyses with respect to those groups of cash-generating units whose carrying amount was only slightly greater than the recoverable amount. Taking into account the information available, we determined that the carrying amounts of the cash-generating units, including the goodwill, were adequately covered by the discounted future cash flows.

Overall, the measurement inputs and assumptions used by the executive directors are in line with our expectations and are also within the ranges considered by us to be reasonable.

3 The Company's disclosures on the "Goodwill" balance sheet item are contained in sections 5, 17 in the notes to the consolidated financial statements.

Other Information

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the group management report:

- the statement on corporate governance pursuant to § 289f HGB and § 315d HGB included in section "Corporate Governance Declaration" of the group management report

The other information comprises further

- the separate non-financial report pursuant to § 289b Abs. 3 HGB and § 315b Abs. 3 HGB
- all remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information mentioned above and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report disclosures audited in terms of content or with our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are

based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB

Assurance Opinion

We have performed assurance work in accordance with § 317 Abs. 3a HGB to obtain reasonable assurance as to whether the rendering of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the electronic file WashTec_AG_KA_KLB_ESEF_2021-12-31.zip and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the electronic file identified above.

In our opinion, the rendering of the consolidated financial statements and the group management report contained in the electronic file identified above and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from 1 January to 31 December 2021 contained in the "Report on the Audit of the Consolidated Financial Statements and on the Group Management Report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the electronic file identified above.

Basis for the Assurance Opinion

We conducted our assurance work on the rendering of the consolidated financial statements and the group management report contained in the electronic file identified above in accordance with § 317 Abs. 3a HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering, of Financial Statements and Management Reports, Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB (IDW AsS 410 (10.2021)) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility in accordance therewith is further described in the "Group Auditor's Responsibilities for the Assurance Work on the ESEF Documents" section. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic renderings of the consolidated financial statements and the group management report in accordance with § 328 Abs. 1 Satz 4 Nr. [number] 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 Abs. 1 Satz 4 Nr. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of § 328 Abs. 1 HGB for the electronic reporting format, whether due to fraud or error.

The supervisory board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

Group Auditor's Responsibilities for the Assurance Work on the ESEF Documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also:

- Identify and assess the risks of material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance work on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version in force at the date of the consolidated financial statements on the technical specification for this electronic file.
- Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited consolidated financial statements and to the audited group management report.

- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, in the version in force at the date of the consolidated financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 18 May 2021. We were engaged by the supervisory board on 28 December 2021. We have been the group auditor of the WashTec AG, Augsburg, without interruption since the financial year 2008.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

Reference to an other matter – use of the auditor's report

Our auditor's report must always be read together with the audited consolidated financial statements and the audited group management report as well as the assured ESEF documents. The consolidated financial statements and the group management report converted to the ESEF format – including the versions to be published in the Federal Gazette – are merely electronic renderings of the audited consolidated financial statements and the audited group management report and do not take their place. In particular, the "Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB" and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

German public auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Holger Graßnick.

Munich, March 23 2022

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Holger Graßnick
Wirtschaftsprüfer
(German Public Auditor)

Ralph Jakobi
Wirtschaftsprüfer
(German Public Auditor)

Financial Statements of WashTec AG – Balance Sheet (HGB)

Assets	Dec 31, 2021	Dec 31, 2020
in €k, rounding differences may occur		
A. Non-current assets		
I. Intangible assets		
Purchased concessions, industrial and similar rights and assets, and licenses in such rights and assets	49	0
II. Property, plant and equipment		
Fixtures and fittings	100	57
III. Financial assets		
Shares in affiliated companies	128,049	128,049
	128,198	**128,106**
B. Current assets		
I. Receivables and other assets		
1. Receivables from affiliated companies	40,105	26,402
2. Other assets	14,048	13,155
	54,153	**39,557**
II. Cash and cash equivalents	0	0
	0	**0**
C. Prepaid expenses	**10**	**45**
Total assets	**182,360**	**167,708**

Equity and Liabilities	Dec 31, 2021	Dec 31, 2020
in €k, rounding differences may occur		
A. Equity		
I. Subscribed capital	**40,000**	**40,000**
Treasury shares (notional amount)	–1,702	–1,702
	38,298	**38,298**
II. Capital reserves	**90,845**	**90,845**
III. Retained earnings	**40,306**	**31,175**
	169,450	**160,318**
B. Provisions		
1. Tax provisions	675	1,510
2. Other provisions	2,960	1,960
	3,635	**3,471**
C. Liabilities		
1. Trade payables	26	130
2. Liabilities to affiliated companies	7,409	2,710
3. Other liabilities	1,840	1,080
of which taxes €1,839k (prior year: €1,077k)		
of which for social security €0k (prior year: €2k)		
of which liabilities to shareholders		
€1k (prior year: €1k)		
	9,275	**3,920**
Total equity and liabilities	**182,360**	**167,708**

Financial Statements of WashTec AG – Income Statement (HGB)

in €k, rounding differences may occur	2021	2020
1. Revenue	2,871	1,849
2. Other operating income	643	1,197
of which from affiliated companies €74k (prior year: €143k)		
of which from currency translation €0k (prior year: €0k)		
	3,514	**3,046**
3. Cost of materials (cost of sales)	–30	– 34
Cost of purchased services		
4. Personnel expenses		
a) Wages and salaries	–4,163	–1,484
b) Social security, pension and other benefit costs	–48	–64
of which for pensions €–7k (prior year: €–13k)		
	–4,210	**–1,548**
5. Amortization, depreciation and impairment of intangible assets and property, plant and equipment	–24	–12
6. Other operating expenses	–2,119	–2,094
of which from currency translation €–1k (prior year: €0k)		
	–6,383	**–3,688**
	–2,869	**–642**
7. Income from profit and loss pooling agreements	3,125	4,915
8. Expenses from profit and loss pooling agreements	–195	0
9. Income from participating interests	40,000	6,000
of which from affiliated companies €40,000k (prior year: €6,000k)		
10. Other interest and similar income	112	109
of which from affiliated companies €112k (prior year: €109k)		
of which from discounting €0k (prior year: €0k)		
11. Interest and similar expenses	–50	–139
of which to affiliated companies €–50k (prior year: €–19k)		
	42,993	**10,885**
EBT	40,124	10,242
12. Income taxes	–200	–1,637
13. Net income	39,924	8,605
14. Other taxes	–13	–12
15. Net income for the period	39,911	8,593
16. Profit carried forward	395	22,581
17. Distributable profit	**40,306**	**31,175**

Glossary

AB	Aktiebolag (Swedish company form)
Accident rate	Work accidents/million hours worked
AG	Aktiengesellschaft (German public limited company)
AktG	Aktiengesetz (German Stock Corporation Act)
A/S	Aktieselskab (Danish company form)
B.V.	Besloten Vennootschap met beperkte aansprakelijkheid (Dutch company form)
CAGR	Compound Annual Growth Rate
Capital employed	NOWC + fixed assets, calculated as an average over five quarters
Cash and cash equivalents	Cash and cash equivalents comprise cash and cash equivalents as well as short-term interest-bearing loans
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
CSR	Corporate social responsibility
DCGK	Deutscher Corporate Governance Kodex (German Corporate Governance Code)
Earnings per share (EPS)	Consolidated net income/weighted average number of shares outstanding
EBIT	Earnings before interest and taxes
EBIT margin	EBIT/revenue
EBT	Earnings before taxes
Equity	Funds made available to the entity by owners by paying in and/or by contribution or from retained earnings
Equity ratio	Equity/total assets
EU	European Union
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; free cash flow is calculated as [cash inflow from operating activities – cash outflow from investing activities]
GmbH	Gesellschaft mit beschränkter Haftung (German company form)
HGB	Handelsgesetzbuch (German Commercial Code)
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)
Inc.	Incorporated (American company form)
IMF	International Monetary Fund

Glossary

Ltd.	Limited (United Kingdom company form)
LTIP	Long-Term Incentive Program
Managers’ transactions	Managers’ own transactions
Net financial debt	Cash and cash equivalents less current and non-current financial liabilities
NOWC	Net operating working capital; NOWC is calculated as (trade receivables + inventories) – (trade payables + prepayments on orders)
Pty Ltd.	Proprietary limited (Australian company form)
RMS	Risk management system
ROCE	EBIT/capital employed
Roll-over system	In a roll-over system, washing and drying is performed by a railed gantry that moves back and forth several times over the stationary vehicle
S.A.	Société Anonyme (French company form)
S.A.S.	Société of par actions simplifiée (French company form)
S.A.U.	Sociedad Anónima Unipersonal (Spanish company form)
Self-service car wash	Self-service wash bays, single or multiple-bay wash systems where customers wash their vehicles themselves using a high-pressure lance or brush
SP. z.o.o.	Spółka z ograniczoną odpowiedzialnością (Polish company form)
S.r.l.	Società a responsabilità limitata (Italian company form)
S.r.o.	Společnost s ručením omezeným (Czech company form)
Total shareholder return	(Closing share price – opening share price + dividend)/opening share price
USA	United States of America
USD	United States Dollar, US-Dollar
Wash tunnel	In wash tunnel systems, the vehicle is transported by a conveyor past fixed washing and drying equipment; this makes for increased vehicle throughput per hour compared with a roll-over system
WashTec	WashTec refers to the WashTec Group unless it is expressly indicated that it refers to a specific company
WpHG	Wertpapierhandelsgesetz (German Securities Trading Act)

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An up-to-date list of our international sales partners can be found online at *www.washtec.de*

Group Level Key Performance Indicators (KPIs)
2017 through 2021

		2017	2018	2019	2020	2021
Revenue	€m	425.0	435.4	436.5	378.7	430.5
EBIT	€m	52.2	51.5	36.3	20.1	45.7
EBIT margin	in %	12.3	11.8	8.3	5.3	10.6
EBT	€m	51.6	50.8	35.7	18.8	44.8
Net income	€m	36.9	34.0	22.3	13.3	31.1
Earnings per share	in €	2.76	2.54	1.66	0.99	2.32
Dividend per share	in €	2.45	2.45	–	2.30	2.90[1]
Free cash flow[2]	€m	26.8	30.5	6.4	36.9	34.5
Balance sheet total	€m	233.9	237.2	274.9	244.0	267.0
Equity	€m	94.2	95.4	84.5	96.2	98.4
Employees[3]	people	1,793	1,852	1,880	1,798	1,767

[1] Dividend proposal to the Annual General Meeting 2022: Dividend for the fiscal year 2021 in the amount of € 2.10 and special dividend in the amount of € 0.80

[2] Including repayment of lease liabilities

[3] Average for the year

Financial Calendar

Mar 31, 2022	Annual Report 2021
Apr 07, 2022	Investors' Day
Apr 28, 2022	Quarterly statement Q1 2022
May 16, 2021	Annual General Meeting 2022
Jul 28, 2022	Q2 Report 2022
Oct 27, 2022	Quarterly statement Q1–3 2022
Nov 28–30, 2022	Equity Forum, Frankfurt

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