Annual Report 2022

Digital.
Sustainable.
Successful.

WashTec

Significant revenue growth with EBIT margin of 7.9% in a challenging economic environment

		Jan 1 to Dec 31, 2022	Jan 1 to Dec 31, 2021	Change	
				absolute	in %
Revenue	€m	482.2	430.5	51.7	12.0
EBIT	€m	38.0	45.7	−7.7	−16.8
EBIT margin	%	7.9	10.6	−2.7	–
Adjusted EBIT*	€m	38.0	43.0	−5.0	−11.6
Adjusted EBIT margin*	%	7.9	10.0	−2.1	–
EBT	€m	37.3	44.8	−7.5	−16.7
Consolidated net income	€m	26.4	31.1	−4.7	−15.1
Employees at reporting date	persons	1,824	1,782	42	2.4
Number of shares	units	13,382,324	13,382,324	–	–
Earnings per share	€	1.97	2.32	−0.35	−15.1
Free cash flow**	€m	16.2	42.3	−26.1	−61.7
Net cash outflow from investing activities	€m	−6.5	−3.4	−3.1	91.2
Equity ratio	%	31.0	36.9	−5.9	–
ROCE	%	20.2	25.8	−5.6	–

Adjusted EBIT in the prior year included a €2.7m positive non-recurring item resulting from the recognition in profit or loss of a loan granted in 2020 under the US government support program in connection with the COVID-19 pandemic.

*** Free cash flow including repayment of lease liabilities is €7.4m (prior year: €34.5m).*

Figures in this report are rounded. Because of this, individual figures may not add up to the stated totals and percentages may not precisely correspond to the absolute figures they relate to.

- Revenue of €482.2m significantly higher than prior year (€430.5m), among other things due to price increases and exchange rate effects
- EBIT of €38.0m down on prior year (€45.7m), mainly due to rising material and material procurement costs; EBIT margin 7.9%
- Free cash flow of €16.2m down on prior year (€42.3m) due to decline in operating business and higher net operating working capital as a result of supply chain disruptions

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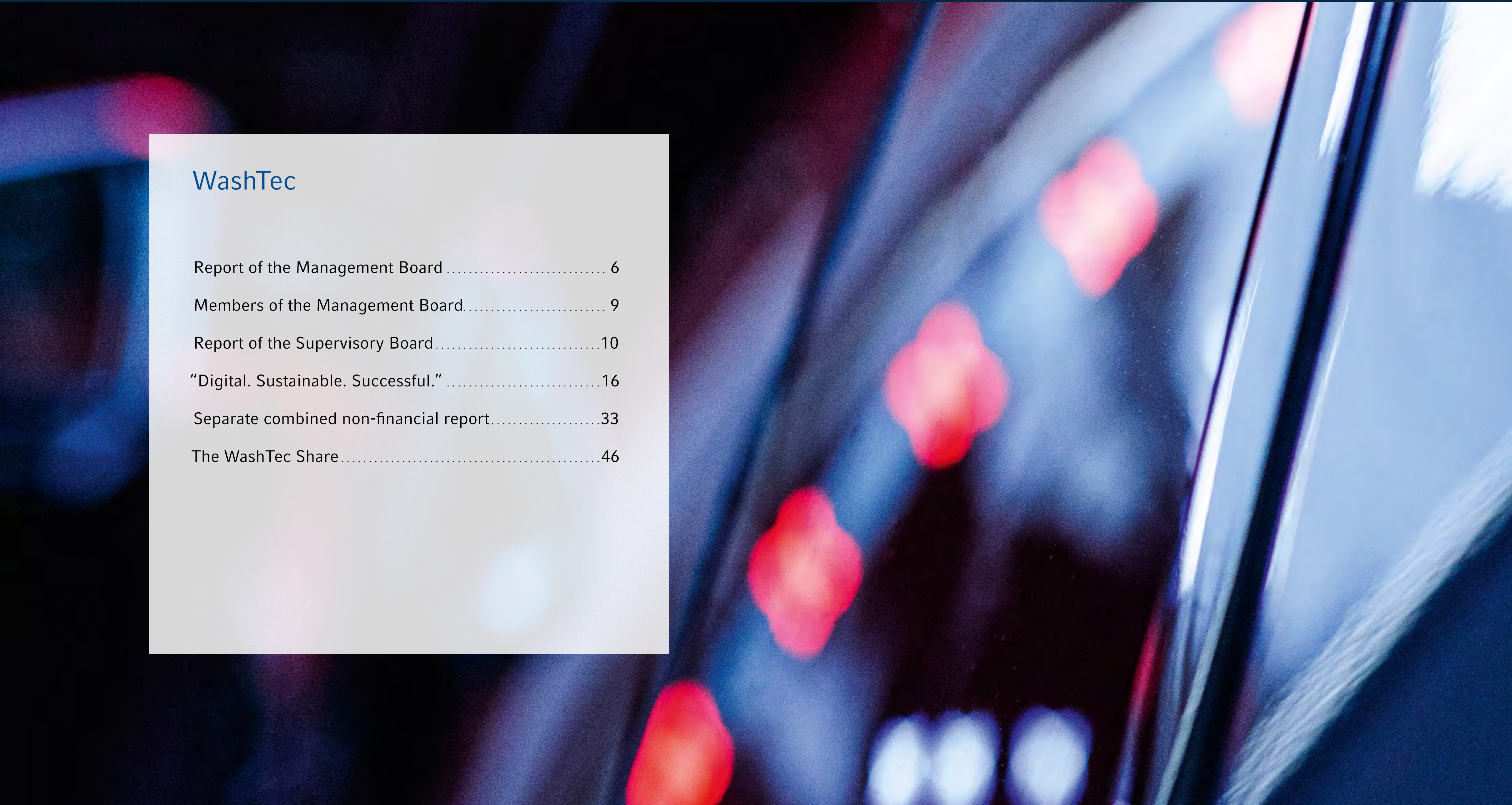


Full service all around sustainable carwash

Wash tunnels

Services

gantry car wash

Water recycling

Self-service

GREEN CAR CARE

Wash chemicals

Report of the Management Board

Dear Shareholders,
Ladies and Gentlemen,

Fiscal year 2022 was a challenging year for us. Nevertheless, we started the year expecting an economic recovery. We thought the COVID-19 pandemic was largely behind us and looked forward to powering ahead. But the Russian war of aggression against Ukraine, the threat to energy supplies in Germany and across Europe, high inflation, the zero-Covid policy in China and the disruptions to international supply chains made last year another year of difficult conditions.

Our Company generated revenue of €482.2m, up 12.0% from €430.5m in the prior year. The increase in revenue was partly due to price increases and positive currency effects. Earnings before interest and taxes (EBIT) amounted to €38.0m. That corresponds to an EBIT margin of 7.9% (prior year: EBIT €45.7m; EBIT margin 10.6%). This result is in line with our guidance, which we revised in July to reflect economic conditions.

The order backlog remains at a high level. At constant exchange rates, it was slightly higher at the end of 2022 than a year earlier. This ensures capacity utilization for the first few months of the new fiscal year.

We achieved growth of 11.6% in the chemicals business. The service business also grew at a double-digit rate. Both of these figures include price increases. In terms of volume growth, the chemicals business met our expectations, while the service business was stable in a difficult environment.

The equipment business was slightly weaker than the prior year in terms of unit sales. Within this, the key account business was significantly stronger, while the direct sales business performed less strongly due to the economic uncertainties.

Due to the energy crisis caused by the war in Ukraine and the unstable situation in China because of COVID-19, material and freight costs again increased sharply compared to the prior year. The rate of increase was significantly higher than in 2021. We responded with further price increases in our direct sales business and renegotiated existing contracts with our major customers to reflect the new conditions. However, the price increases are taking time to implement, especially in the equipment business.

We faced many different challenges in the equipment business. With a record order backlog, we had to deal with staff shortages caused by an unexpectedly high rate of sick leave due to COVID-19. We bypassed supply chain disruptions in procurement and throughout the supply chain. This was only possible through very focused crisis work, which meant significant extra effort of staff. Thanks to the extraordinary commitment of the WashTec team, we were able to quickly reduce all part shortages.

In North America, we were confronted with even higher material price increases than in Europe. Supply chains there were also unstable. Our sheet metal production team in Augsburg was able to support the US plant by supplying complete frames, thus mitigating supply shortages and material price increases. We also benefited from the flexibility measures we already implemented in 2021 to be prepared for any supply bottlenecks. As in Europe, the price increases in North America also took time to take effect, which increased the pressure on profitability over time. In North America, too, we are implementing a rigorous program with a large number of additional and targeted measures to sustainably improve profitability.

Despite the challenging conditions, we maintained our ability to deliver at all times in 2022. As the market leader, we have achieved steady gains in customer loyalty and have been increasingly successful at attracting new customers in recent years. This is an achievement of which we in management are very proud. We are successful because our primary corporate objective is maximum customer benefit. This we achieve through superior products, our digital service portfolio and the goal of providing the most sustainable carwash with our products. With our approach based on sales and service excellence, we work customer-centric and provide the largest service network in the industry.

At the UNITI trade show in Stuttgart, we unveiled our expanded SmartCare platform. The competition-beating SmartCare digital carwash offers outstanding washing and drying performance. State-of-the-art control technology enables a further significant improvement in washing times. These performance gains, along with the expanded digital programming and control capabilities, are now available to our major customers.

Car washing in North America differs in detail from that in Europe. We have successfully adapted SmartCare to take this into account. The first SmartCare systems have been installed and tested at customer sites in the United States. Water treatment is also important in this market. Together with US customers, we have qualified our Aquapur Modular water treatment product range. This gives us a product with excellent performance characteristics for the US market.

For our customers with self-service carwashes, also known as JetWash, we have been able to provide the option of converting to cold water operation, thus helping to save energy in carwash operation. This requires wash chemicals that are suitable for use with cold water. Our Green Car Care range of chemicals meets this requirement.

We also have something new to offer our customers in terms of digitalization: We have developed our myWashTec platform into a digital control center for our customers and partners. On myWashTec, all information on a system can be viewed live. Our customers receive premium service with fast response times. They can check every detail of their current service agreements and access our web store. Over 50% of our chemical orders are now placed through our online store. The data can be used in product development to continuously improve our products and sustainably increase customer benefit.

In addition to digitalization, another area of increasing importance for our industry is sustainability. End customers want to wash their cars in the most environmentally friendly way possible. We meet this expectation. With our automated carwashes, water treatment and Green Car Care chemicals, we provide customers with the products they need for this purpose. Our corporate responsibility and ambition is to continuously improve – and to further develop the sustainability aspects of our business model.

Sustainability is also an integral part of our business processes. In this context, we initiated a comprehensive sustainability reporting process in fiscal year 2022 and published a voluntary sustainability report, which is available on the Company's website at *https://ir.washtec.de/en/sustainability/*. This provides information on our activities and goals in the areas of economic, environmental and social sustainability.

We have received a great deal of positive feedback, both from our clients and from investment professionals, regarding the transparency and rigorous presentation of our measures in the report. In recognition of this, we won the Augsburg Business School's "ESG Company of the Year" award. We see this as a reward for our ongoing efforts and as inspiration to continue in the same direction. Our next voluntary sustainability report will be published later this year. Because sustainability means security for the future.

As 2022 has shown, we are likely to face crises of various kinds for some time to come. To address the potential impacts of the energy crisis, we have established an Energy Task Force to prepare the Company for a range of emergency scenarios. We have also implemented energy-saving measures. Most of these we have been able to implement on a permanent basis, reducing our energy consumption by approximately 20%.

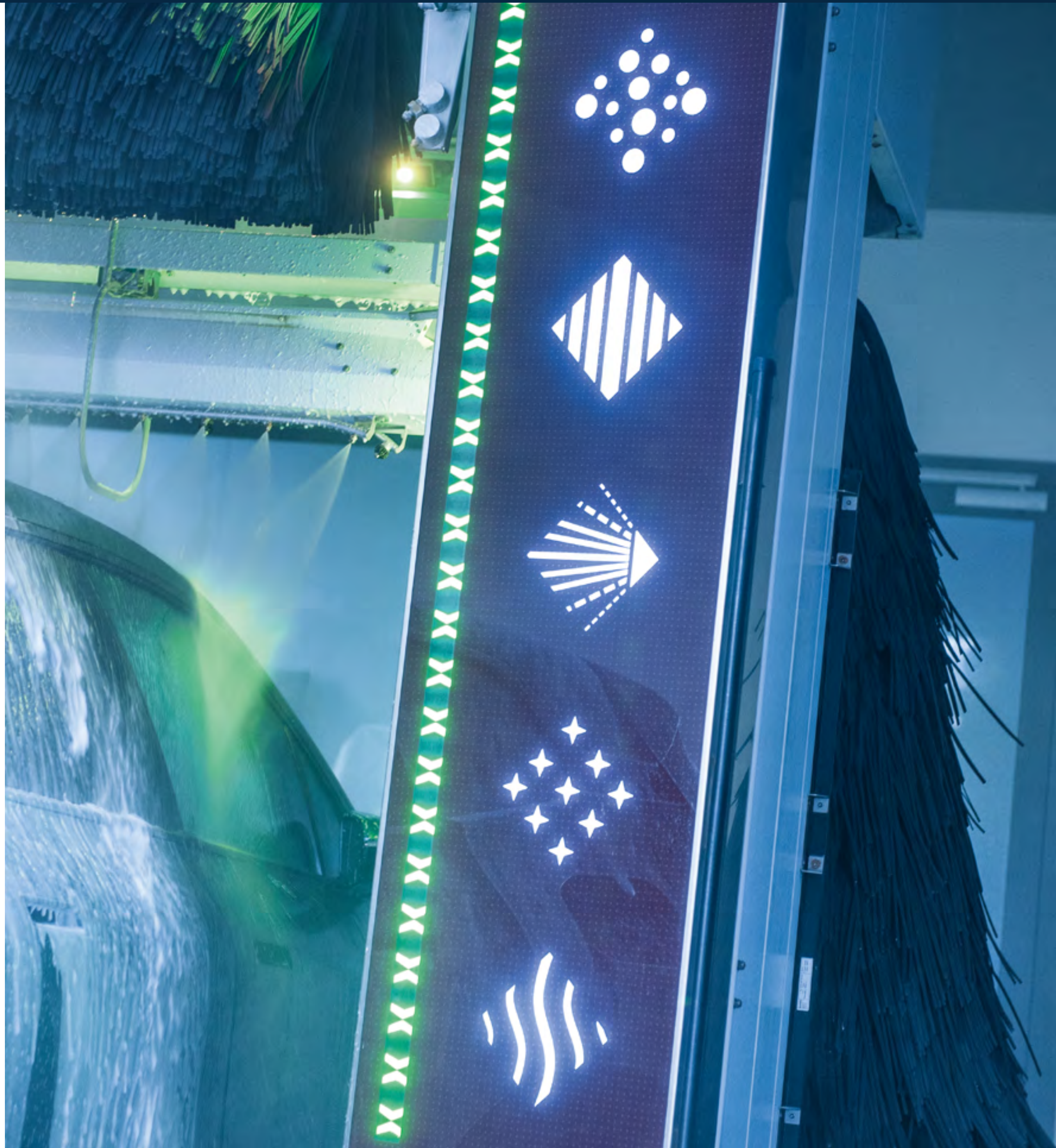
On behalf of the entire Management Board team, I would like to thank all our employees for their dedication and hard work in 2022. In yet another year of crisis, they have stood with us through challenging times. I would like to thank them for their tireless commitment, which has once again shown me that dedication is part of our corporate culture. The WashTec team can be relied on, also in times of crisis.

Dear Shareholders,

Fiscal year 2022 was challenging. Nevertheless, we were able to supply our customers at all times and launched further innovations. In order to return our Company to a double-digit EBIT margin in the coming years, we have taken the necessary measures in the form of a strict cost-cutting program, efficiency improvements and an organization geared to profitability.

Thank you for trust and loyalty.

Dr. Ralf Koeppe
Chief Executive Officer



Members of the Management Board

Dr. Ralf Koeppe (*1965)

CEO & CTO/Chairman of the Executive Board

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

Dr. Ralf Koeppe holds a degree in mechanical engineering and obtained his doctorate at ETH Zurich. Following 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.

Sebastian Kutz (*1979)

CSO/Member of the Management Board

Portfolio: Sales and Service, Product Management and Marketing

Sebastian Kutz holds a degree in business administration. After holding various positions in national and international sales and marketing at RATIONAL AG until 2019, he was most recently Executive Vice President Sales and Service DACH at WashTec. Sebastian Kutz has been Member of the Management Board of WashTec AG since March 2023.

Andreas Pabst (*1973)

CFO/Member of the Management Board

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

Andreas Pabst holds a business degree and is a qualified tax adviser (Steuerberater). After beginning his professional career at KPMG and various positions in accounting at listed companies, he moved to KUKA. There, he held various commercial positions of increasing responsibility and was Group CFO from 2018 to 2021. Mr. Pabst most recently worked for Midea. Andreas Pabst has been Member of the Management Board of WashTec AG since October 2022.

Report of the Supervisory Board

Dr. Günter Blaschke
Chairman of the Supervisory Board

Ladies and Gentlemen,

One unimaginable global event after another, and the creation of a new normal:

Covid not yet over, supply chains collapsing, war in Europe, price shocks in energy and raw materials, inflation soaring and purchasing power declining at a rate not seen for years. In response, the global economy is realigning. The same goes for WashTec AG.

Flexible adaptation of all structures, functions and processes to the emerging new normal is and will remain the key challenge.

Attractive growth and earnings investment:

The shared goal of the Management Board and Supervisory Board is to ensure that, in that new normal, 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 2022.

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 2022, notably in light of the global macroeconomic crises, the plenary Supervisory Board held a total of fourteen meetings. Due to the ongoing COVID-19 pandemic, a large number of the meetings of the Supervisory Board and its committees were once again held as hybrid meetings, meaning in person with the possibility of virtual participation (three in-person meetings, two virtual meetings by video conference and nine hybrid meetings).

The Supervisory Board and its committees held at least one meeting in each quarter. In addition, various resolutions were adopted outside of meetings by circulation. 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.

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 on a regular basis in relation to budgeted figures.

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 2021 (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)
- Personnel matters (first, second and third quarters)
- Management Board and Supervisory Board remuneration
- Declaration of Conformity and regular compliance update
- Sales and marketing strategies and projects; global service
- Sustainability/ESG
- 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 2023 and medium-term planning

Key topics at the March 27, 2023 meeting for adoption of the financial statements comprised discussion of the annual financial statements of WashTec AG, of the consolidated financial statements for fiscal year 2022 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 2022.

Composition of the Supervisory Board

The terms of office of Dr. Sören Hein, Dr. Hans Liebler, Jens Große-Allermann and Dr. Alexander Selent came to an end during the reporting year. Dr. Liebler and Dr. Selent were re-elected for a further term of office at the 2022 Annual General Meeting. Mr. von Portatius and Mr. Wiedemann were also elected to the Supervisory Board of WashTec AG.

Immediately following the Annual General Meeting on May 16, 2022, a Supervisory Board meeting was held. At that meeting, Dr. Blaschke was unanimously confirmed as Chairman of the Supervisory Board and Mr. Bellgardt as Deputy Chairman of the Supervisory Board.

Report on the work of the committees

In the reporting year, there were six committees (Audit Committee, Personnel Committee, Nomination Committee, Innovation and Production Committee, Sales Strategy Committee and Corporate Strategy and Sustainability 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 98. 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. Two meetings of the committee were held in person and three were held as hybrid meetings. Two 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 seven times during the reporting year. One meeting of the committee was held in person and six meetings were held as virtual meetings by video conference. Its meetings focused on changes on the Management Board.

The **Nomination Committee** met twice in the reporting year in view of expiration of the terms of office of Supervisory Board members Dr. Sören Hein, Dr. Hans Liebler, Jens Große-Allermann and Dr. Alexander Selent. Both meetings were held as a virtual meetings by video conference. The Nomination Committee decided to recommend that the Supervisory Board should nominate Mr. Heinrich von Portatius and Mr. Peter Wiedemann for election and Dr. Liebler and Dr. Selent for re-election at the 2022 Annual General Meeting.

The **Innovation and Production Committee** convened three times in the fiscal year under review. One meeting of the committee was held in person and two meetings were held as hybrid meetings. The focus was primarily on organization, processes, strategic product development projects, digitalization and product sustainability.

The **Sales committee** met three times during the reporting year, each time in person. The main focus was on sales and marketing activities, development in a number of core markets and the outlook for sales and marketing activities and targets for those activities, especially in the North America region.

The **Corporate Strategy and Sustainability Committee** met twice during the reporting year, each time in person. In addition to the further development of WashTec's sustainability strategy and the continuous improvement of sustainability reporting, key topics included the preparation of the annual strategy workshop.

Good collaborative working relationships were assured at all times.

Individualized disclosure of meeting attendance

Members' attendance at the meetings of the Supervisory Board and its committees was 98%. The attendance of the members of the Supervisory Board at the meetings of the Supervisory Board and of the committees is disclosed on an individual basis in the following:

	Supervisory Board		Audit Committee		Personnel Committee		Nomination Committee		Innovation and Production Committee		Sales Committee		Corporate Strategy and Sustainability Committee	
Meetings attended/total number of meetings	Number	in %	Number	in %	Number	in %	Number	in %	Number	in %	Number	in %	Number	in %
Dr. Günter Blaschke (Chairman)	14/14	100%			7/7	100%	2/2	100%	3/3	100%	3/3	100%	2/2	100%
Ulrich Bellgardt (Deputy Chairman)	14/14	100%			7/7	100%	2/2	100%	3/3	100%	3/3	100%	2/2	100%
Dr. Hans Liebler	13/14	93%	5/5	100%										
Heinrich von Portatius[1]	10/10	100%	2/2	100%										
Dr. Alexander Selent	13/14	93%	5/5	100%	7/7	100%							2/2	100%
Peter Wiedemann[1]	9/10	90%							2/2	100%				
Jens Große-Allermann[2]	4/4	100%	3/3	100%			2/2	100%						
Dr. Sören Hein[2]	4/4	100%							1/1	100%				
		96%		100%		100%		100%		100%		100%		100%

[1] *Member of the Supervisory Board from May 16, 2022*
[2] *Member of the Supervisory Board until May 16, 2022*

Conflicts of interest

In accordance with Recommendation E.1 of the German Corporate Governance Code 2022, 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 15, 2022, the Management Board and Supervisory Board submitted an updated Declaration of Conformity, which is reprinted on page 94. 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 2022 reporting year. Supervisory Board members also took part in various further training events. As part of the onboarding process for the newly elected members of the Supervisory Board, the Company provided onboarding information and personal discussions were held with members of the Management Board. The new members also had the opportunity to have discussions with senior management.

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 2022 annual and consolidated financial statements

In accordance with the resolution of the Annual General Meeting on May 16, 2022, 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 2022 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 by the Audit Committee for the reporting period in the audit engagement. No material weaknesses were reported in the internal control and risk management systems.

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 addition, 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 1, 2023 and at the Supervisory Board meeting for adoption of the financial statements on March 27, 2023. 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 and the Audit Committee regularly exchanged information with the auditor without the involvement of the Management Board. The Chairman of the Audit Committee regularly discussed the progress of the audit with the auditor and reported on this to the Audit Committee.

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.

On behalf of the Supervisory Board, I would like to thank the members of the Management Board and all of our employees for their active commitment and constructive teamwork during the past fiscal year.

Augsburg, March 2023

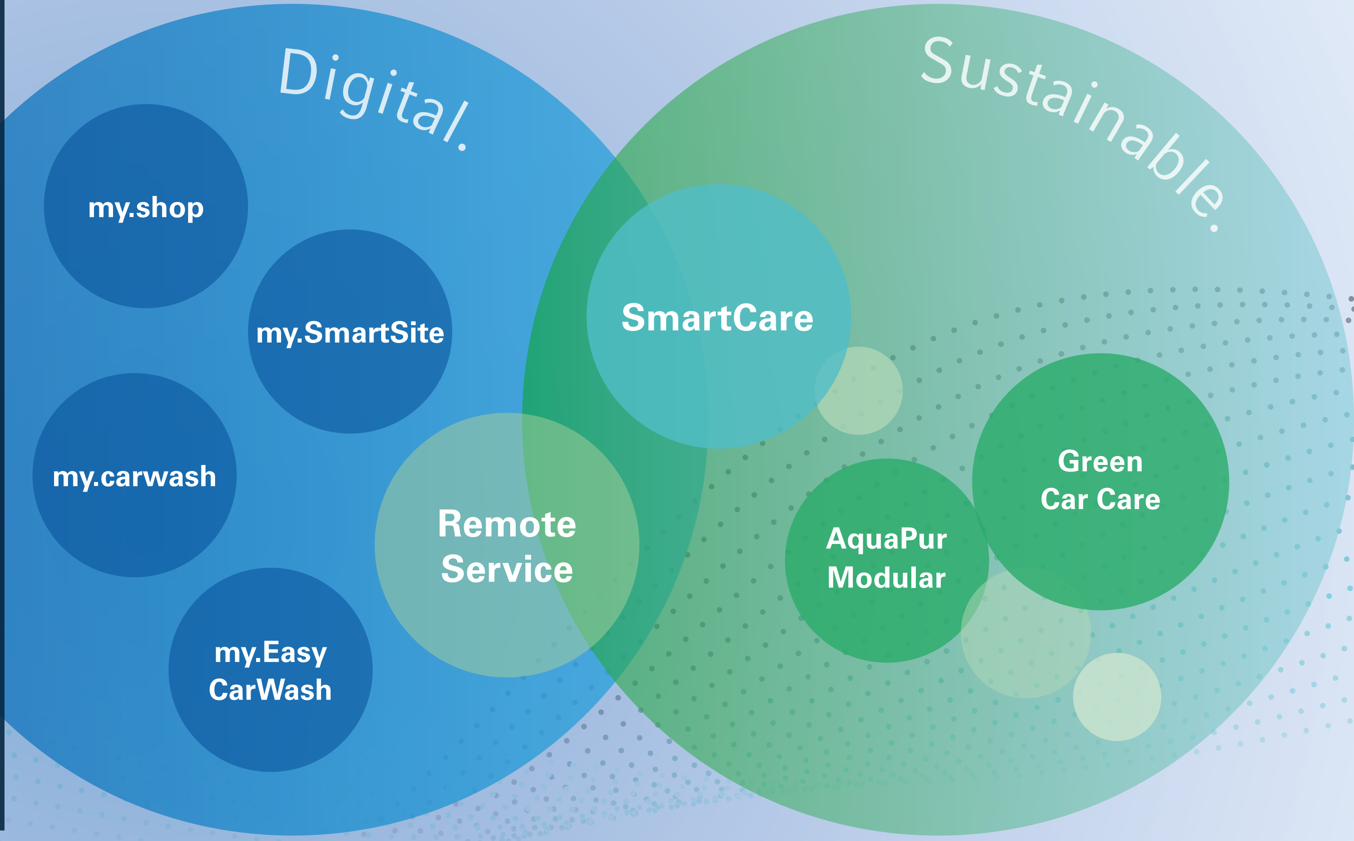
On behalf of the Supervisory Board

Dr. Günter Blaschke
Chairman of the Supervisory Board

Customer-focused.
Digital. Sustainable. Successful.

The megatrends of digitalization and sustainability are becoming increasingly important – including for car wash operators. WashTec is always one step ahead, with innovations that drive our customers' car wash business to new heights.

Car wash operators who use our remote-access digital products benefit from increased system availability, higher sales and even better customer satisfaction – all with less time commitment. Sustainable solutions from WashTec help protect the environment.



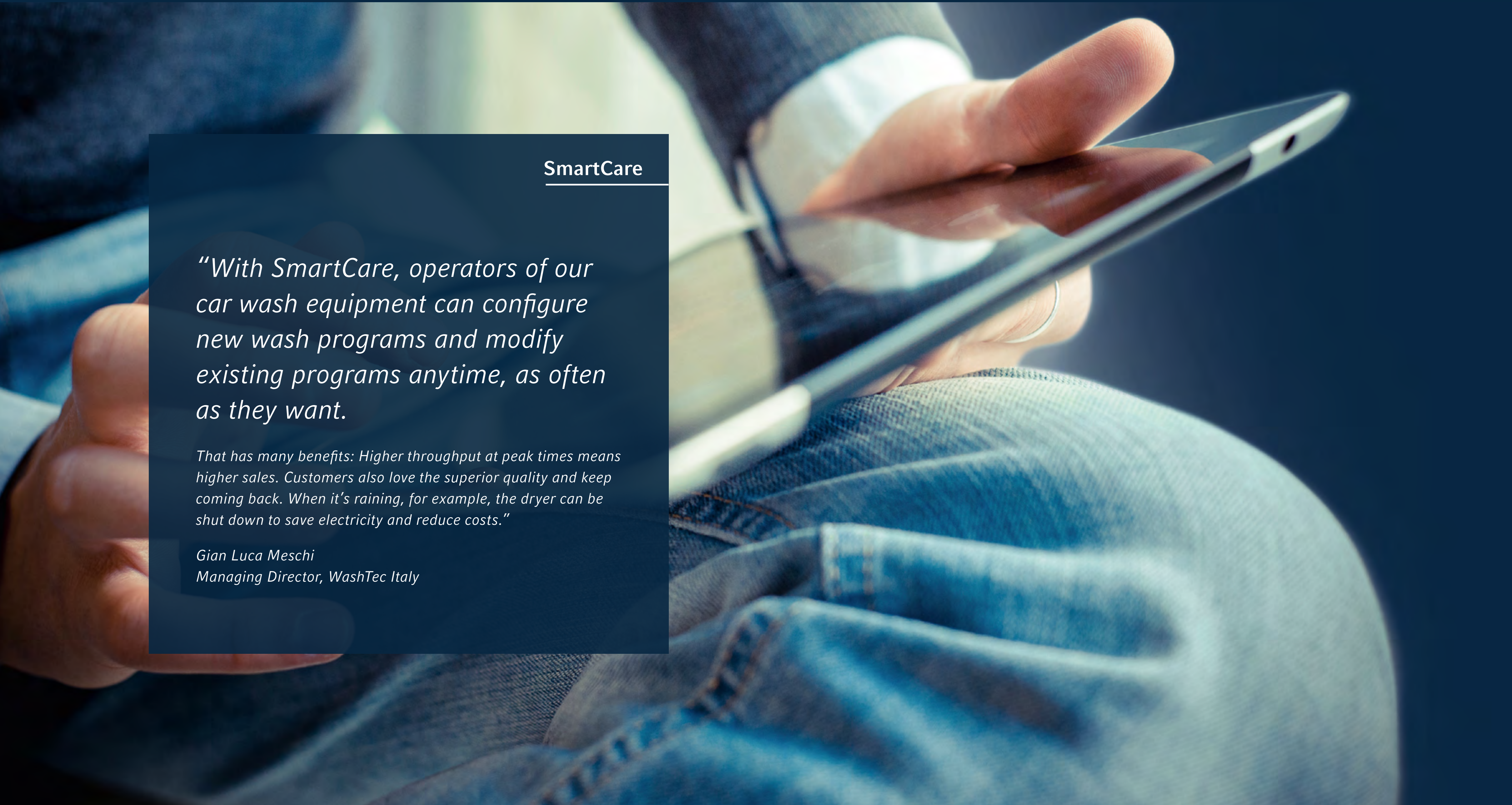
SmartCare

Maximum flexibility: the SmartCare platform for full control of the car wash business

SmartCare is the first equipment platform consistently developed for the digital age. Remote programming and monitoring make for maximum flexibility and availability – and higher sales. SmartCare also beats the competition in washing and drying performance.

Full control also means that our operators can configure their car wash to maximize car wash business every single day.

Operators adjust the wash program themselves to determine washing speed and intensity. Making the settings takes seconds and does not require expert knowledge.

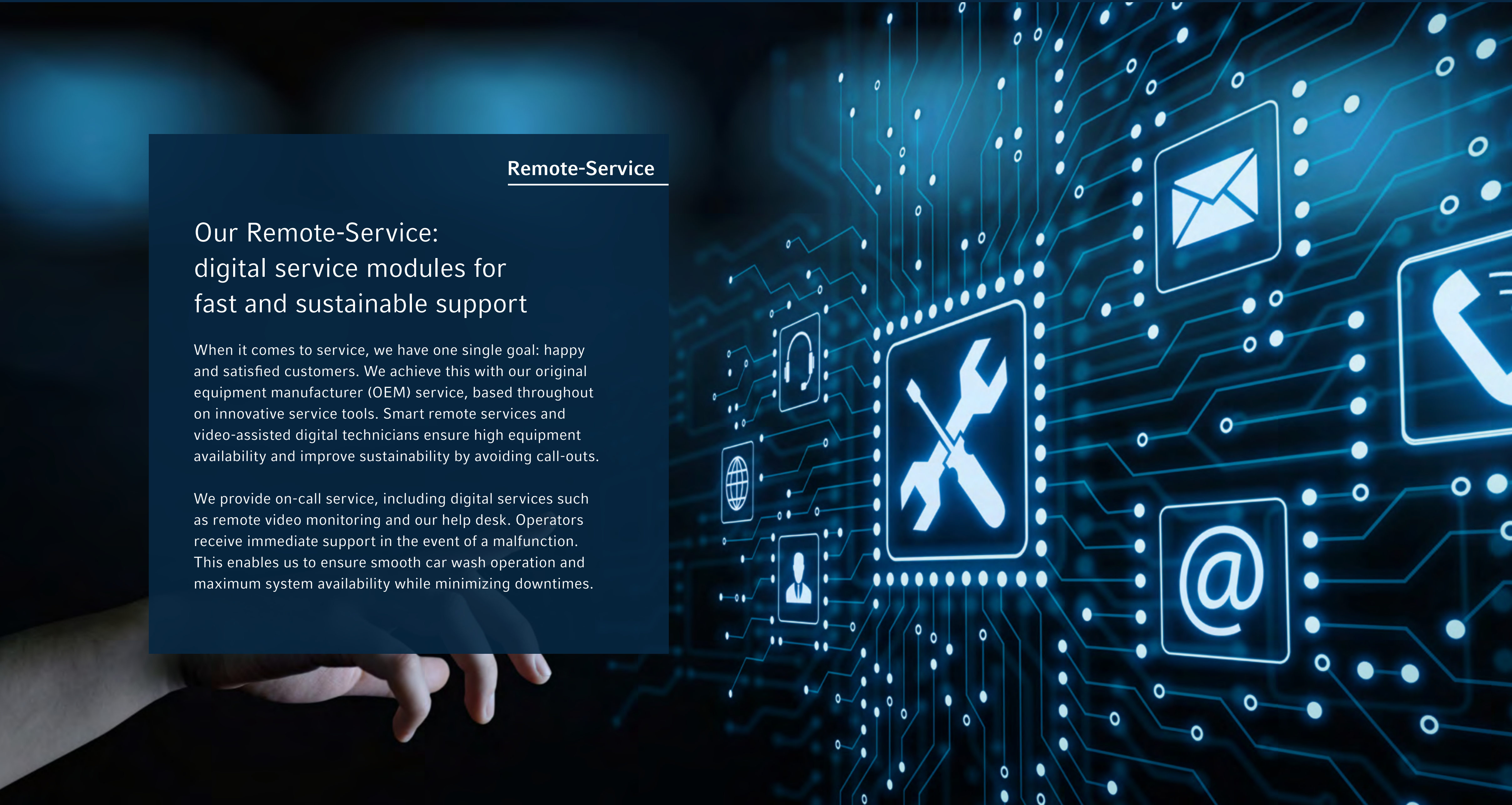


SmartCare

“With SmartCare, operators of our car wash equipment can configure new wash programs and modify existing programs anytime, as often as they want.

That has many benefits: Higher throughput at peak times means higher sales. Customers also love the superior quality and keep coming back. When it’s raining, for example, the dryer can be shut down to save electricity and reduce costs.”

Gian Luca Meschi
Managing Director, WashTec Italy

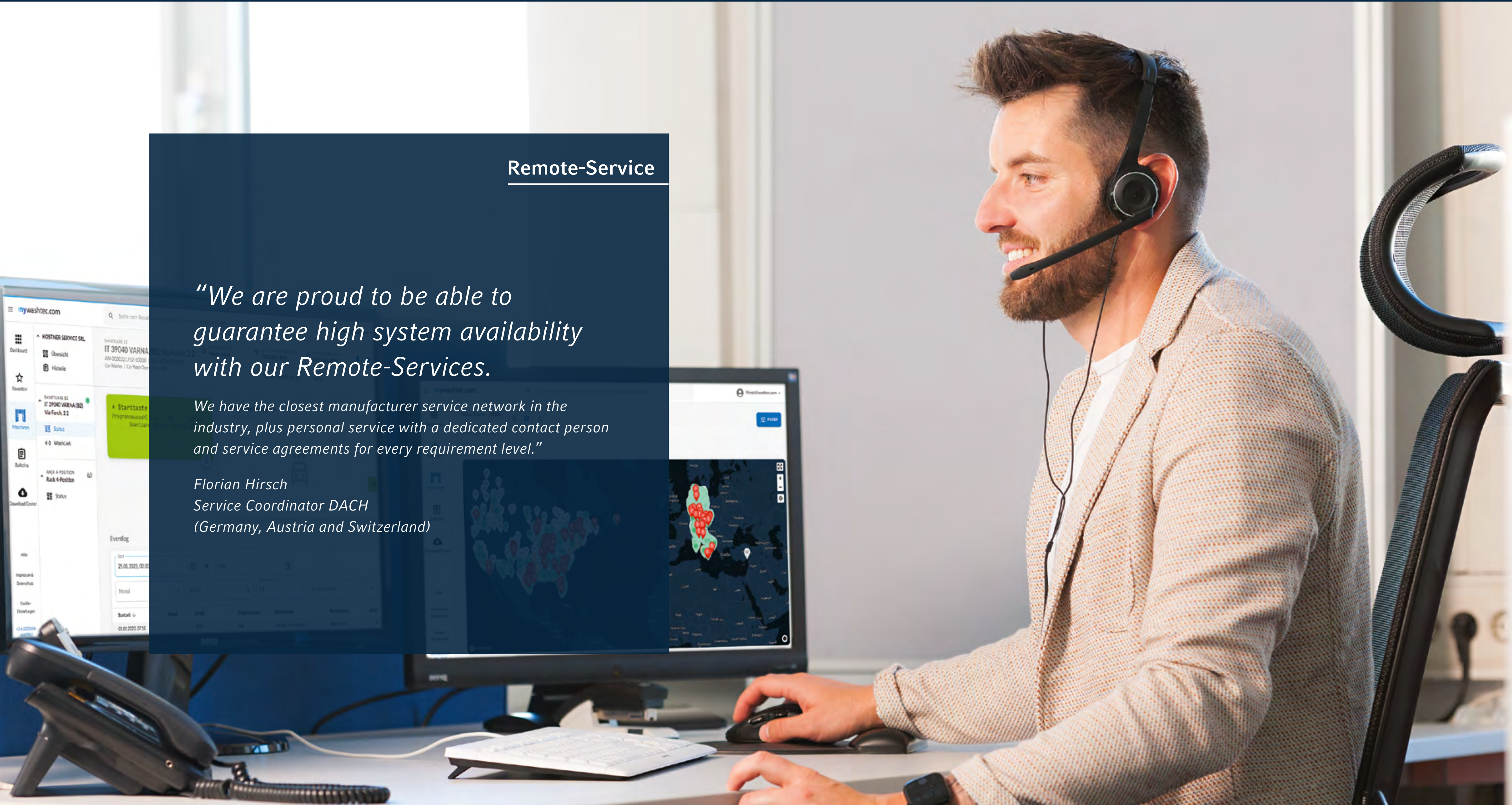


Remote-Service

Our Remote-Service: digital service modules for fast and sustainable support

When it comes to service, we have one single goal: happy and satisfied customers. We achieve this with our original equipment manufacturer (OEM) service, based throughout on innovative service tools. Smart remote services and video-assisted digital technicians ensure high equipment availability and improve sustainability by avoiding call-outs.

We provide on-call service, including digital services such as remote video monitoring and our help desk. Operators receive immediate support in the event of a malfunction. This enables us to ensure smooth car wash operation and maximum system availability while minimizing downtimes.



Remote-Service

“We are proud to be able to guarantee high system availability with our Remote-Services.

We have the closest manufacturer service network in the industry, plus personal service with a dedicated contact person and service agreements for every requirement level.”

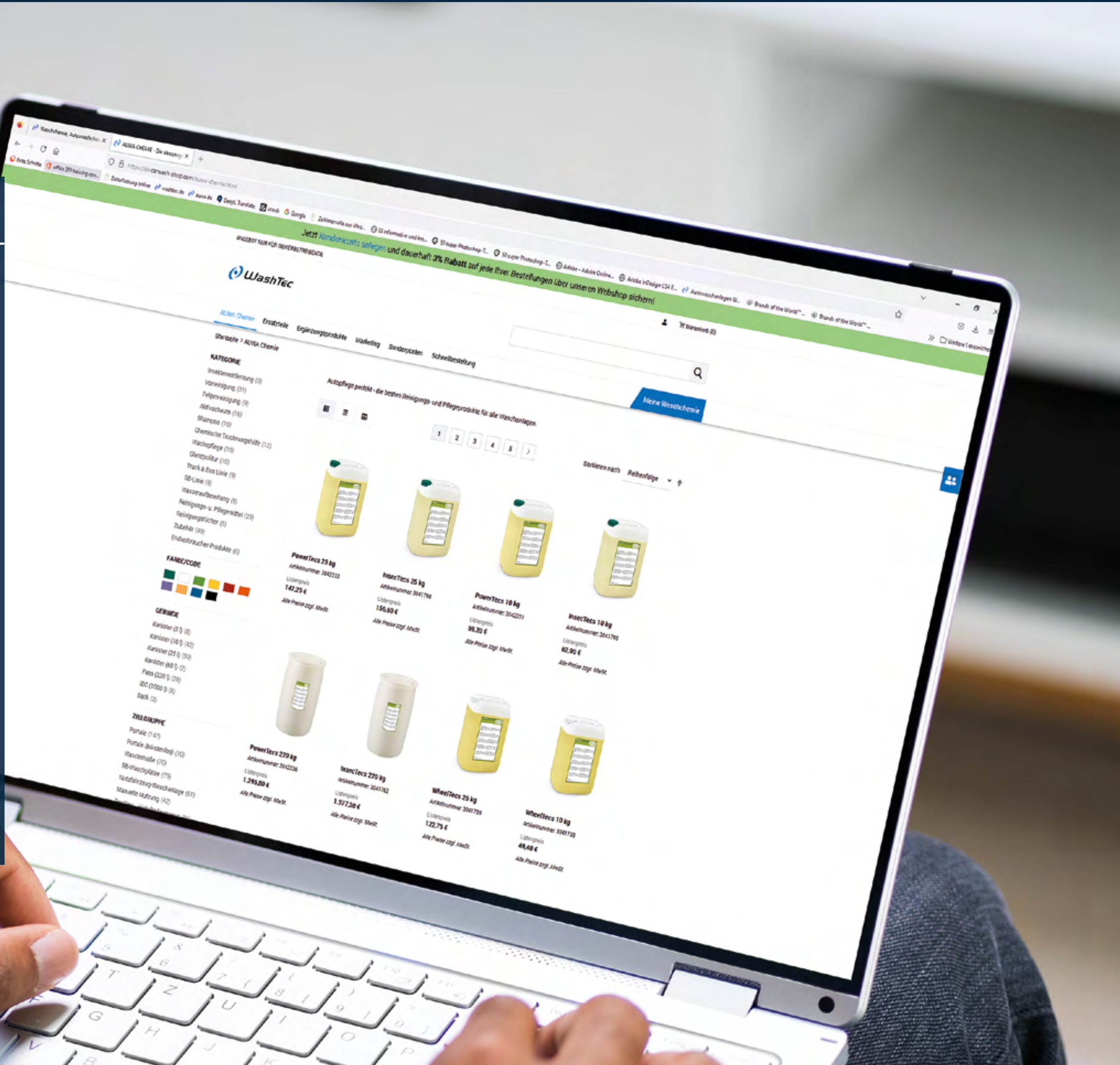
Florian Hirsch
Service Coordinator DACH
(Germany, Austria and Switzerland)

my.shop

my.shop: quick and easy online ordering

Our online store makes it easy for operators to quickly place their orders and also provides numerous added benefits:

- Saved shopping carts for quick ordering
- Order list function with simple scanning of the products needed
- Free customer hotline
- Personal product recommendations
- Easy order tracking.



my.shop

“Our customers love our innovative online store solutions. We are pleased to report more and more orders are being placed online.”

Shannon Larkin
Specialist Sales & Service, WashTec Germany

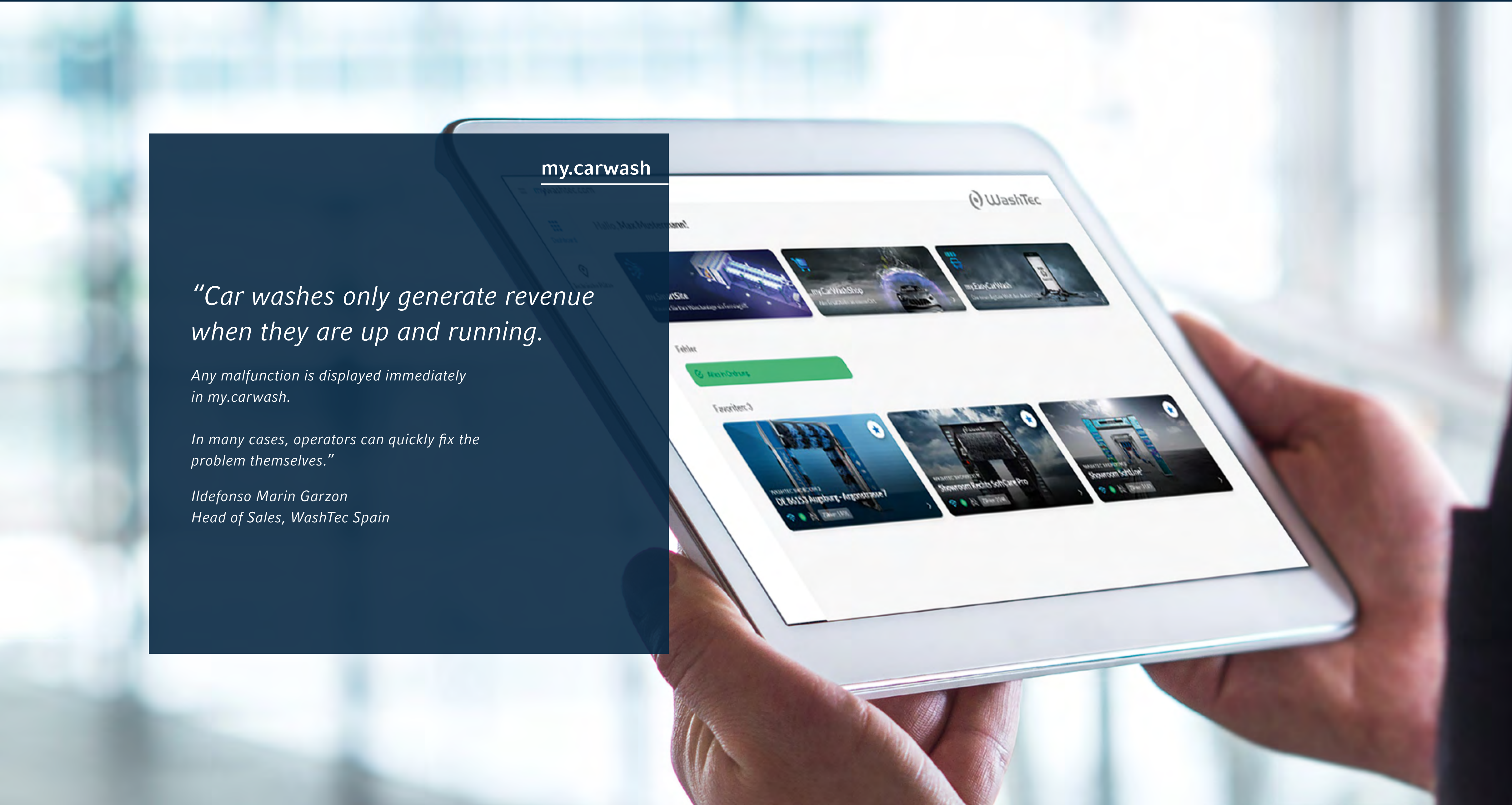
my.carwash

Full transparency into the car wash business with my.carwash

Especially for operators of multiple car wash sites, keeping track of a car wash business is a challenge. Questions such as “Which sites are the top performers?” or “Where should I take a look because wash numbers are below target?” can only be answered if operators have visibility into the key metrics for their car wash business – anywhere, anytime, by computer, tablet or smartphone.

With my.carwash, operators can also conveniently assess the profitability of their car wash sites.

- How many washes have been completed on a system in a specified period?
- Which wash programs did customers select?
- What is the average price?
- What is the total sales figure?



my.carwash

“Car washes only generate revenue when they are up and running.

Any malfunction is displayed immediately in my.carwash.

In many cases, operators can quickly fix the problem themselves.”

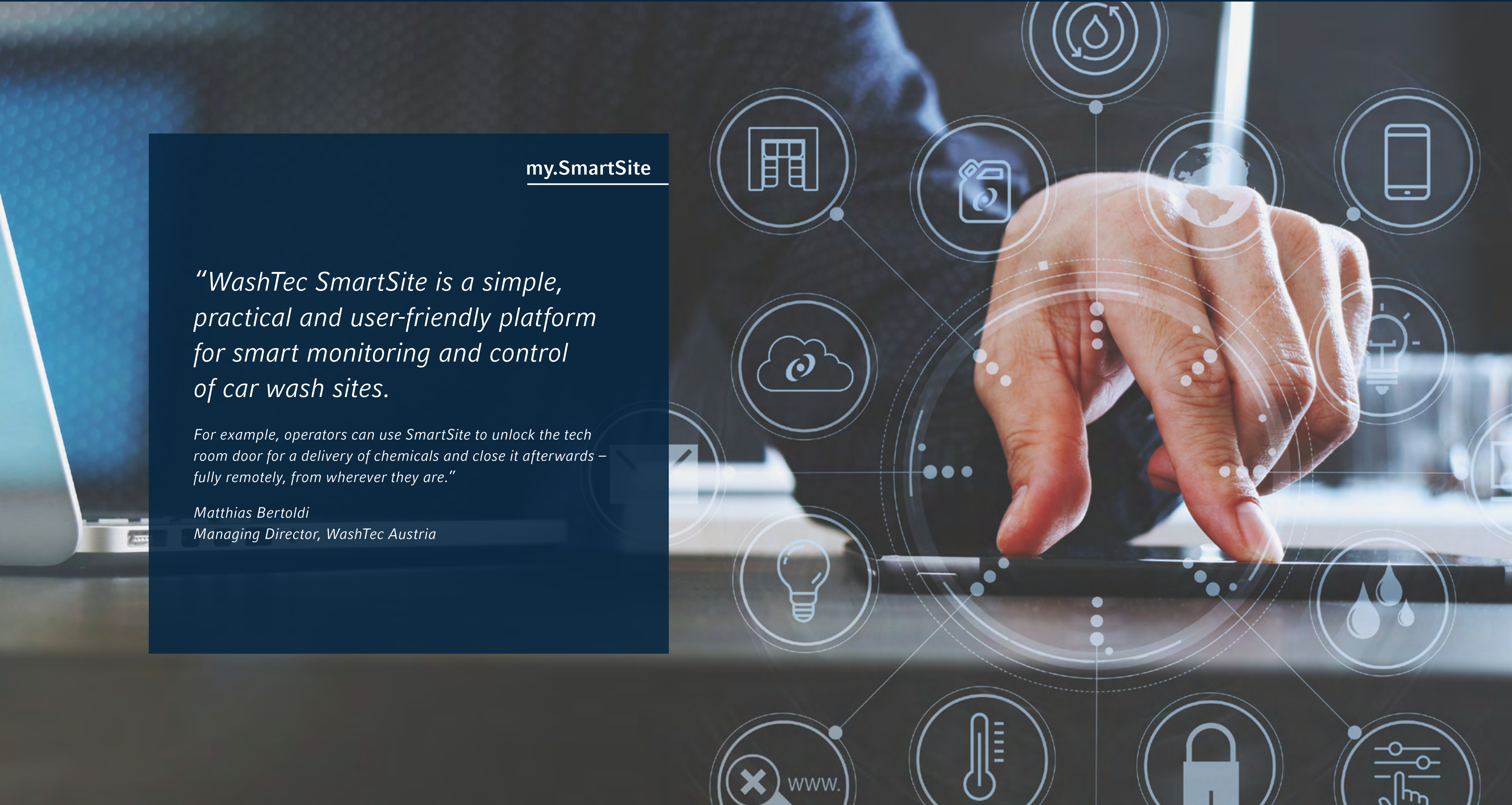
Ildefonso Marin Garzon
Head of Sales, WashTec Spain

my.SmartSite

SmartSite for improved convenience and more profit

We want to make life easier for car wash operators. With SmartSite, we provide a simple solution similar to a smart home system, with which operators can control their car wash sites remotely by smartphone or tablet – for improved convenience and more profit.

- Saving energy with washing water
- Full overview of sales and energy use
- Outdoor heating for efficient operation
- Optimum lighting in outdoor areas



my.SmartSite

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

For example, operators can use SmartSite to unlock the tech room door for a delivery of chemicals and close it afterwards – fully remotely, from wherever they are."

Matthias Bertoldi
Managing Director, WashTec Austria

my.EasyCarWash

The first fully digital car wash plan: EasyCarWash

The car wash business today is unpredictable and depends heavily on the season and the weather. Fluctuations in business can result in lost sales. Using EasyCarWash, operators can break out of these dependencies by offering unlimited plans – and make an unpredictable business predictable. Operators benefit from constant monthly sales. End customers operate the system digitally throughout, from booking to using the car wash.

- With EasyCarWash: 24% more washes than before
- Operators create plans themselves with EasyCarWash Admin
- Professional marketing support from WashTec

All data relates to the period from January 1, 2022 to December 31, 2022.

my.EasyCarWash

“The benefits to our car wash operators speak for themselves:

Regardless of seasonal fluctuation, they benefit from a fixed revenue stream and generate constant sales with the prepayments.

Unlimited plan customers wash their cars more frequently than others, which also means more customer contacts for services and stores around the car wash.

With EasyCarWash, operators can set themselves apart from the competition and generate higher sales and more profit.”

Stefan Mayer
Research & Development WashTec Headquarters

Sustainability

The WashTec Sustainability Program

We adopt targets to improve on all sustainability aspects that are material to us in order to meet the UN Sustainable Development Goals in our organization. By regularly tracking these targets, we evaluate our own performance to identify remaining scope for improvement.

We drive progress in sustainable carwash with new technologies. This also helps our customers save resources in the operation of our products. We attach great importance to quality, the environment and occupational safety in our entire process chain. In conjunction with with AquaPur and our Green Car Care chemicals, SmartCare and our other systems set new standards for sustainable carwash.

Further information can be found in our Sustainability Report.

Working at WashTec

On the move

Not only are we the market leader in carwash and set industry standards worldwide in terms of technology, we are also at the forefront with regard to our employees. We offer outstanding innovativeness, creative freedom and individual responsibility – the ideal springboard for a professional career.

As the industry leader, we promote people at WashTec according to ability and experience. We give them the opportunity to develop and succeed – in an international environment.

At WashTec, genuine appreciation forms the basis for true teamwork.

Working at WashTec

"My reason for moving to WashTec was the strong market position. And in the long run, the commitment to sustainability in carwash makes sense and gives inspiration."

Lukas Escher
Production employee, WashTec Germany


WashTec

Separate combined non-financial report

With this Separate Non-financial Report, WashTec AG complies with the reporting obligation under the German CSR Directive Implementation Act (Section 289b (1) and (3) and Section 315b (1) and (3) of the German Commercial Code (HGB)). In addition to financial aspects, supplementary disclosures must also be provided on certain non-financial aspects to the extent that they are material within the meaning of Section 289c (3) HGB. The non-financial aspects on which information must be provided comprise environmental, employee-related and social matters, respect for human rights, and combating corruption and bribery. It is stated 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 "Disclosures on Article 8 of the EU Taxonomy Regulation."

Preparation of the Separate Non-Financial Report was based on the Global Reporting Initiative Sustainability Reporting Standards (GRI Standards, 2016 version). Policies are described in accordance with the requirements of GRI 103: Management Approach.

A detailed report on risk management and a description of prevailing risks that could have a material impact on the further development of the WashTec Group can be found in the combined management report in Section 4, "Outlook, opportunities and risk report," starting on page 77. No material risks from the Company's business activities, business relationships, products and services have been identified that are highly likely to have, or will have, severe adverse impacts on the foregoing aspects. The impacts of climate-related matters on the business model and the financial position, financial performance and cash flows of the WashTec Group are explained in Note 2 of the Notes to the Consolidated Financial Statements.

The WashTec Group has begun preparations for applying the Corporate Sustainability Reporting Directive ("CSRD") and the resulting increased transparency requirements for future sustainability reporting. This also includes the implementation of comprehensive sustainability reporting. In addition, a voluntary sustainability report was prepared for the first time in 2021, which provides information about activities and goals in terms of economic, environmental and social sustainability. This is based on the Global Reporting Initiative (GRI) standards, 2016 version, and is available on the Company's website at *https://ir.washtec.de/en/sustainability*.

The content of the Separate Non-financial Report is reviewed by the Supervisory Board. The Supervisory Board is supported in this by Internal Audit.

Description of the business model and diversity policy

Descriptions of the business model, external factors influencing the business, strategy, and research and development activities can be found in the combined management report in section 1, "General information about the Group," starting on page 51.

The diversity policy is described in the combined management report in section 8.1, "Corporate governance statement," starting on page 94.

Human rights and anti-corruption

In its Code of Ethics first published in 2005, WashTec sets out clear guiding principles for doing business in compliance with the law and with high ethical standards. The Code of Ethics includes key guidance 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 concludes with a test and certification.

Among other things, the WashTec Code of Ethics also sets out rules for **combating 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 regarding **respect for human rights**.

As part of the implementation of the German Act on Corporate Due Diligence Obligations in Supply Chains, WashTec is currently revising both the Code of Ethics and the Code of Conduct for Suppliers, as well as internal structures and processes, in order to fully comply with the requirements for responsible supply chain management, although the Act will not apply to WashTec until January 1, 2024 at the earliest.

As a machinery and mechanical engineering company, the WashTec Group is subject to numerous international rules and regulations, all of which are directed towards 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 in terms of respect for human rights.

With their legally binding signature on the Code of Conduct for Suppliers, WashTec obtains the commitment of all material business partners to comply with the principles and rules it contains. Any deviation 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 allows employees and others to raise concerns – anonymously if they prefer – and to report circumstances that may indicate a violation of the law or Company policies. Any such indications are investigated and appropriate action taken if grounds for suspicion or violations are found.

The processes in place are considered to be appropriate and viable for the identification and elimination of questionable ethical and human rights matters.

Environmental matters

The Separate Combined Non-Financial Report 2021 assessed environmental matters as material. This assessment remains valid for the present report.

The goal of environmental compatibility in business activities is based on awareness of social responsibility and the aim of orienting WashTec towards sustainability. In addition, the Company is subject to legal requirements with respect to environmentally relevant activities and takes appropriate measures to ensure compliance. Lessons have also been learned from the current energy crisis and appropriate measures taken. WashTec thus contributes to social responsibility and implements policy commitments. In this connection, an Energy Task Force has been established in addition to the existing energy and environment team. The Energy Task Force meets at short intervals, develops and assesses measures, and coordinates and monitors their implementation.

Long before the current energy crisis forced companies to actively address the issues of energy saving and sustainability, WashTec established a cross-site and cross-functional environment and energy team. In addition to current concerns and projects, this is responsible for continuously analyzing environmental and energy-related issues on an ongoing basis throughout the year and taking action to improve sustainability and reduce energy demand, resource consumption and waste. The necessary human, financial and capital resources are quantified and allocated in budget planning. On a higher level, country organization and cluster management teams are informed at regular meetings about the various environment-related projects and their status and outcomes. The full Management Board is regularly briefed on environment-related measures and approves budget-relevant measures.

Objective/policy

WashTec targets a 30% reduction in carbon emissions in the countries with production sites by 2025 relative to the 2019 baseline. The emission figures for 2022 amounted to 7,033 t CO2e* (prior year: 7,221 t CO2e*). This figure is calculated from energy use in production, administration and the service units and includes all Scope 1 and Scope 2 emissions according to the Greenhouse Gas (GHG) Protocol in Germany, the Czech Republic, USA and China. In the period from 2019 to 2022, the WashTec Group reduced carbon emissions by 1,492 t CO2e* or 17.5%. The prior-year figure, for the period from 2019 to 2021, was a reduction in carbon emissions by 1,304 t CO2e* or 15.3%.

Measures

As part of the Environment and Energy Roadmap 2025, an array of measures are being implemented to reduce the WashTec Group's carbon footprint. The focus is on the electrification of the entire fleet. Side by side with a new car policy from the first quarter of 2022, which includes an incentive system for all-electric vehicles, a project has been launched to establish the necessary charging infrastructure for electric vehicles and forklifts at all production sites in Germany. The installation of such charging infrastructure at the Czech Republic plant is planned for 2023. Diesel forklifts were already replaced by LPG and electric forklifts in 2021. Full conversion to electric forklifts is planned for 2023. Specific challenges related to fleet electrification include the market availability of electric vehicles, the expansion of the charging network and the different tax treatment of electric vehicles in different countries.

In this context, WashTec plans a project in 2023 to analyze carbon reduction opportunities in the USA. Further carbon reduction potential is expected here, as the US subsidiary is one of the Company's largest sources of carbon emissions. Depending on fleet replacement cycles and delivery lead times for more efficient vehicles, improvements may not be fully realized until subsequent years. Particularly important factors include local conditions such as vehicle size requirements, long distances compared to European countries and available infrastructure.

Cars, vans and forklifts are only part of the Company's mobility. Accordingly, WashTec developed a mobility policy for the Augsburg plant in 2021. Implementation of this policy began in 2021 and continued in 2022. The mobility policy aims to optimize mobility throughout the Company and includes, among other things, national and international travel as well as on-site transportation. Its recommendations and measures are designed to realize the available potential for improvement in the carbon footprint. All aspects of intermodal mobility must be taken into account here, in accordance with legal requirements. In addition, a collaborative business mobility management project between local industry and the City of Augsburg aims to develop and implement employee mobility solutions for companies centrally located in the city.

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. Trials are currently underway for this purpose.

The production plants in Germany have been supplied exclusively with certified green electricity since the beginning of 2021. Moreover, heating systems in Germany have been further optimized by extending district heating to additional buildings at the Augsburg site. This also contributes to reducing the WashTec Group's carbon footprint.

**Full billing data is not yet available for 2022 as some providers do not bill WashTec until later in the year. The figures are therefore partly based on the prior year, extrapolation or self meter readings. The carbon emissions for 2021 have been restated for the same reason as the necessary billing data was not available at the time.*

To ensure continuous reduction of energy consumption, data transparency is crucial. For this purpose, WashTec implemented energy data software in 2021 and further enhanced it in 2022. Initial potential for savings has already been identified and energy consumption has been reduced through optimization measures. The software will be continuously expanded to include further metering and data points, and will serve as the basis for taking additional measures and for subsequently verifying their effectiveness. Increased efforts with a view to the energy crisis have resulted in potential savings of around 20% for the production plants in Germany and the Czech Republic.

Employees are continually educated on the importance of environmentally conscious conduct and are encouraged to participate in and actively contribute to carbon reduction projects. The employee suggestion system has been expanded as a further channel for employees to contribute with suggestions.

Processes/due diligence

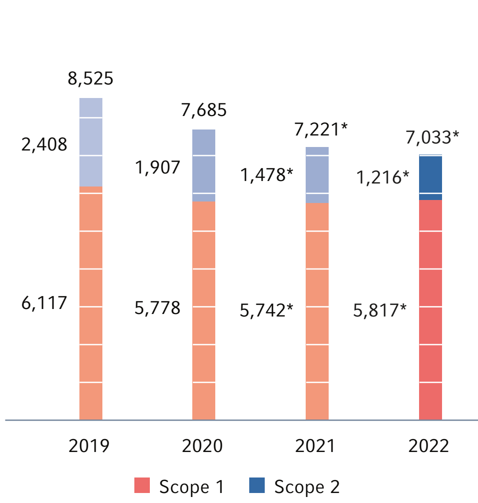
The global carbon footprint analysis for the WashTec Group covers all global production sites, meaning those in Germany, the Czech Republic, the United States and China, including their sales and service activities. Calculation of the data is done on the basis of the Greenhouse Gas Protocol and with the aid of databases such as GEMIS and DEFRA. The categories covered are, in Scope 1, "Direct GHG emissions and removals" and, in 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.

The company is working on optimizing the processes for data collection, data validation and completeness for the determination of Scope 3 emissions for Germany according to the Greenhouse Gas (GHG) Protocol. This process has not yet been concluded. For this reason, information on Scope 3 emissions is not currently published.

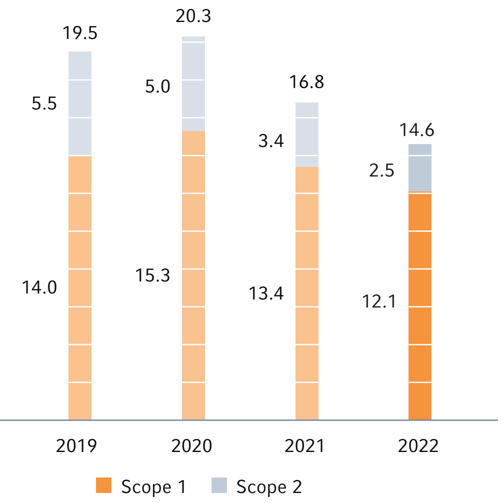
Outcomes

Multi-year comparison of carbon emissions in the countries with production sites (Germany, Czech Republic, USA and China):

CO_2e Tons total – Scope 1 & 2



CO_2e Tons/€m revenue – Scope 1 & 2



**Full billing data is not yet available for 2022 as some providers do not bill WashTec until later in the year. The figures are therefore partly based on the prior year, extrapolation or self meter readings. The carbon emissions for 2021 have been restated for the same reason as the necessary billing data was not available at the time.*

The main factors contributing to the year-on-year reduction in carbon emissions in fiscal year 2022 were the continued conversion of the heating systems in Augsburg to district heating, a reduction in office and factory temperatures, temperature optimization in the painting process, the replacement of more LPG forklifts with electric forklifts, and investment in energy-efficient production machinery and infrastructure (including LED lighting and waste heat recovery). These measures apply to all sites in Germany and the Czech Republic. As they were implemented over the course of the year, their full contribution to carbon reduction will not be realized until 2023.

Employee-related matters

The Separate Combined Non-Financial Report 2021 assessed employee-related matters as material. This assessment remains valid for the present report. Close teamwork with our employees and related matters are key factors in our corporate success. In particular, workplace safety and health are a high priority that WashTec is committed to ensuring for employees. This also reflects the Company's responsibility towards employees.

Objective/policy

Attractive human resources policies are a basis of the WashTec Group's business success and key to holding our market position. Our social contribution includes providing and creating a secure supply of jobs and apprenticeships. This is done in compliance with the respective national legal requirements. In Germany, these include:

- Collective bargaining agreements at each site
- 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 main objective in occupational safety and health is to protect the health of employees. This is ensured by maintaining the highest possible safety standards throughout the business. Reducing accidents, accident severity and injuries is the goal of all managers and employees. Despite all preventive measures, there is still a residual risk that unfortunately cannot be completely eliminated. WashTec is nevertheless committed to a vision zero philosophy based on the conviction that every accident is avoidable.

Measures

Regular review of potential or existing hazards leads to a reduction in incidents, near misses and accidents. 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

All activities for maintaining high standards of occupational safety are managed using the WashTec Message app. This integrates the entire reporting chain and has the standard features for reporting accidents and near misses. On the basis of the reported incidents, scope for improvement and risks are identified in order to take targeted action to enhance occupational safety. The WashTec Message app can also be used to carry out workplace inspections and report vehicle accidents. A digital solution is used to prepare risk assessments. The entire process for ensuring high occupational safety standards is part of our Integrated Management System.

Outcomes

One of the most important metrics in management reviews is the accident rate. This 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 the employers' liability insurance association. There were no occupational accidents in fiscal year 2022 with fatal or serious injuries, meaning with lasting injury or resulting in a pension entitlement.

In the 2022 reporting year, the number of occupational accidents per million hours worked, at 4.2 as of the year-end, was below the prior year (4.9) and also well below the industry average for 2021 (21.5) as reported by the employers' liability insurance association.

Social matters

All activities surrounding responsible management of the 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 the business 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, this results in 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, coordinates cross-cutting measures. These are implemented by local HR managers. The principles guiding the development of our HR policy are based on our Code of Ethics, our Corporate Guidelines and national statutory provisions at our operating locations.

In 2021, a diversity policy for WashTec was formulated in close collaboration with the diversity team. This sets out all rules for respectful working relationships. All relevant matters arising in relation to the workforce are addressed by the diversity team, which is made up of two diversity officers and three additional members from the Management Board, the Works Council and HR. In addition, diversity ambassadors disseminate the subject of diversity together with related guidance across all corporate units and levels.

The development of our employee and social program is based in particular on:

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

In addition to our employee development activities, the Company has also selected a number of social projects for support, primarily involving local non-profit organizations.

Disclosures on Article 8 of the EU Taxonomy Regulation

General disclosures/principles

With its Sustainable Finance Action Plan, the European Commission pursues the goal of channeling capital flows into environmentally sustainable activities. A measure towards this goal is the introduction of the EU Taxonomy, a uniform classification system for environmentally sustainable economic activities. Under Article 8 of the EU Taxonomy Regulation (REGULATION (EU) 2020/852 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088), companies that are subject to an obligation to publish non-financial information pursuant to the CSR Directive (EU Directive 2014/95/EU) are required to comply with new reporting obligations from fiscal year 2021.

They are required to disclose, with reference to six specified environmental objectives (Article 9 of the EU Taxonomy Regulation), 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 associated with economic activities that qualify as environmentally sustainable under the Taxonomy Regulation
- The proportion of capital expenditure (CapEx) and the proportion of operating expenditure (OpEx) 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

Economic activities are “Taxonomy-eligible” if they fall under the economic activities listed for the two environmental objectives in Annex I and II of the Delegated Act.

Under Article 3 of the EU Taxonomy Regulation, economic activities are “Taxonomy-aligned” if they:

- Make a substantial contribution to one or more of the six environmental objectives in accordance with Articles 10 to 16,
- Do no significant harm (“DNSH”) with regard to any of the five additional environmental objectives in accordance with Article 17,
- Are carried out in compliance with the minimum safeguards (for occupational safety and health and human rights) laid down in Article 18 and
- Comply with technical screening criteria established by the European Commission.

Disclosures on environmental objectives I and II were required to be made for the first time for fiscal year 2021. Reporting on environmental objectives III to VI is expected to be required for the first time for fiscal year 2023 at the earliest. Under the European Commission's original roadmap, these disclosures were planned for the first time in fiscal year 2022.

Reporting in fiscal year 2022

For fiscal year 2022, Article 8 of the EU Taxonomy Regulation requires companies to report, with qualitative information, on the proportion of turnover, CapEx and OpEx associated both with economic activities that are Taxonomy-eligible and those that are not Taxonomy-eligible and with economic activities that are Taxonomy-aligned and those that are not Taxonomy-aligned.

Economic activities

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

The WashTec Group's economic activities as defined in Annexes I and II of the Delegated Act for the two environmental objectives are based on the aggregation of product groups. This segmentation is as follows:

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

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 objectives in Annex I and II of the Delegated Act and are consequently “not Taxonomy-eligible” and “not Taxonomy-aligned.”

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. 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 in the future.

Accounting policy

The WashTec Group has determined the key performance indicators under the EU Taxonomy, comprising turnover, CapEx and OpEx, in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) in force as of the reporting date together with the interpretations of the IFRS IC (IFRIC) as adopted by the European Union.

The economic activities of the WashTec Group are not Taxonomy-eligible and not Taxonomy-aligned 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 and 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 “Environmental matters”) and the environmental objectives under the EU Taxonomy.

The WashTec Group reports on the Taxonomy eligibility of purchased intermediate products and services. It was not possible to assess their Taxonomy alignment because verification of compliance with the technical screening criteria resides with the suppliers and service providers and not with WashTec. This applies in particular to the DNSH criteria and compliance with the minimum safeguards.

Double counting in the allocation of turnover, CapEx and OpEx 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 fiscal year 2022, the three key performance criteria turnover, CapEx and OpEx must be disclosed in relation to Taxonomy-eligible and Taxonomy-non-eligible economic activities and to Taxonomy-aligned and Taxonomy-non-aligned economic activities (Article 10(2) of the Delegated Act on Article 8 of the EU Taxonomy Regulation).

The **turnover** key 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 2022 (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 Taxonomy-eligible and not Taxonomy-aligned in relation to the first two environmental objectives, there is no Taxonomy-eligible or Taxonomy-aligned 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 €482,239k (see “Revenue” in the Consolidated Income Statement).

The **CapEx** key 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, intangible assets and right-of-use assets in fiscal year 2022 (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. Capex amounted to €1,694k and was recognized in the “technical equipment and machinery” asset category. 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 (NACE code C.28.41).

To improve base and peak load optimization at the Augsburg site, a monitoring system has been implemented to record energy data for greater visibility into energy consumption (asset category: licenses and software acquired). The data recorded on the timing of consumption and the type and quantity of energy consumed can be used to identify potential savings. The CapEx amounted to €25k and was recognized in the “licenses and software acquired” asset category. 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 7.5 Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings, category (b) (NACE code C.27.9).

As part of efforts to further reduce the WashTec Group's carbon footprint in the area of industrial trucks, LPG forklifts have begun to be replaced with electric forklifts. The CapEx amounted to €313k and was recognized in the "right-of-use assets: other plant, fixtures and fittings" asset category. 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 (NACE code C.28.22).

The numerator comprising relevant CapEx in accordance with the EU Taxonomy is €2,032k.

The denominator comprising CapEx consists of additions to property, plant and equipment, intangible assets and right-of-use assets in fiscal year 2022 and is €14,708k (see Notes to the Consolidated Financial Statements, Note 14, under additions to cost, and Note 15, Right-of-use assets).

The **OpEx** key 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 OpEx for fiscal year 2022 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 leases, 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 their continued and effective functioning.

In fiscal year 2022, in order to reduce energy consumption and thus improve the environmental performance of its operations, the WashTec Group continued the project launched in fiscal year 2021 for the gradual conversion of the German sites to LED lighting. The attributable OpEx amounted to €17k and was recognized in the consolidated income statement under "cost of sales." It 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 (NACE code C.27.4).

The numerator comprising relevant OpEx in accordance with the EU Taxonomy is €17k.

The denominator comprising OpEx as defined above is €17,023k.

Proportion of turnover from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2022

				Substantial contribution criteria						DNSH criteria ("Does Not Significantly Harm")										
Economic activities	NACE code	Absolute turnover	Proportion of turnover	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned Proportion of turnover (year N)	Taxonomy-aligned Proportion of turnover (year N 1)*	Category (enabling activity)	Category ("transitional activity")
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)
		€k	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. Taxonomy-eligible activities																				
A.1 Environmentally sustainable activities (Taxonomy-aligned)																				
n/a	n/a	0	0%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0%	n/a	n/a	n/a
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0%	n/a	n/a	n/a
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
n/a	n/a	0	0%																n/a	n/a
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		0	0%																n/a	n/a
Total (A.1 + A.2)		0	0%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0%	n/a	n/a	n/a

B. Taxonomy-non-eligible activities

Turnover of Taxonomy-non-eligible activities (B)		482,239	100%
Total (A + B)		482,239	100%

** Prior-year information is to be provided for the first time for reporting on fiscal year 2023.*

Proportion of CapEx from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2022

				Substantial contribution criteria						DNSH criteria ("Does Not Significantly Harm")										
Economic activities	NACE code	Absolute CapEx	Proportion of CapEx	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned Proportion of CapEx (year N)	Taxonomy-aligned Proportion of CapEx (year N 1)*	Category (enabling activity)	Category ("transitional activity")
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)
		€k	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. Taxonomy-eligible activities																				
A.1 Environmentally sustainable activities (Taxonomy-aligned)																				
n/a	n/a	0	0%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0%	n/a	n/a	n/a
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0%	n/a	n/a	n/a
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
3.6. Manufacture of other low carbon technologies (Annex I)	C.28.41	1,694	12%																n/a	n/a
3.6. Manufacture of other low carbon technologies (Annex I)	C.28.22	313	2%																n/a	n/a
7.5. Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings (category (b) installation, maintenance and repair of building automation and control systems, building energy management systems (BEMS), lighting control systems and energy management systems (EMS)) (Annex I)	C.27.9	25	0%																n/a	n/a
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		2,032	14%																n/a	n/a
Total (A.1 + A.2)		2,032	14%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0%	n/a	n/a	n/a
B. Taxonomy-non-eligible activities																				
CapEx of Taxonomy-non-eligible activities (B)		12,676	86%																	
Total (A + B)		14,708	100%																	

** Prior-year information is to be provided for the first time for reporting on fiscal year 2023.*

Proportion of OpEx from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2022

				Substantial contribution criteria						DNSH criteria ("Does Not Significantly Harm")										
Economic activities (1)	NACE code (2)	Absolute OpEx (3)	Proportion of OpEx (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Taxonomy-aligned Proportion of OpEx (year N) (18)	Taxonomy-aligned Proportion of OpEx (year N 1)* (19)	Category (enabling activity) (20)	Category ("transitional activity") (21)
		€k	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. Taxonomy-eligible activities																				
A.1 Environmentally sustainable activities (Taxonomy-aligned)																				
n/a	n/a	0	0%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0%	n/a	n/a	n/a
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0%	n/a	n/a	n/a
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
7.3 Installation, maintenance and repair of energy efficiency equipment (category (d) installation and replacement of energy efficient light sources) (Annex I)	C.27.4	17	0%																n/a	n/a
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		17	0%																n/a	n/a
Total (A.1 + A.2)		17	0%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0%	n/a	n/a	n/a
B. Taxonomy-non-eligible activities																				
OpEx of Taxonomy-non-eligible activities (B)		17,006	100%																	
Total (A + B)		17,023	100%																	

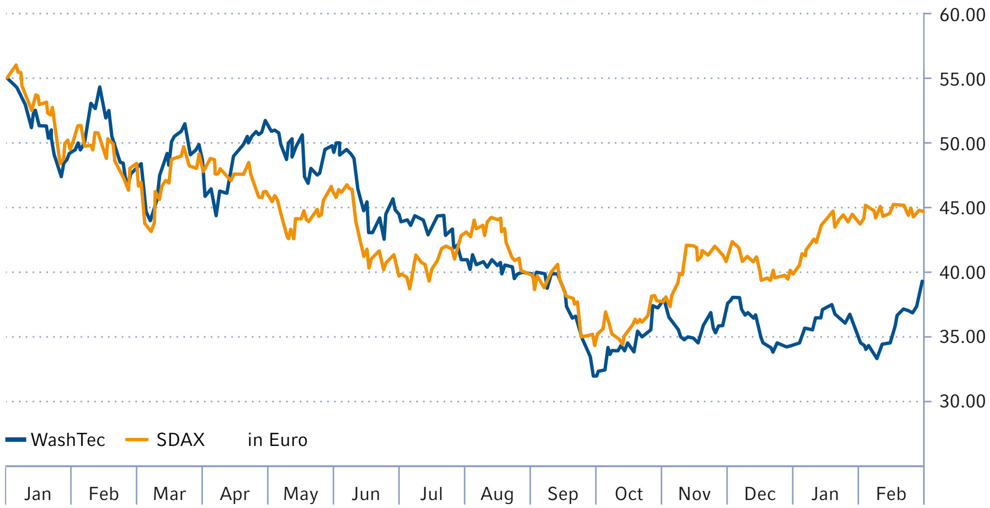
** Prior-year information is to be provided for the first time for reporting on fiscal year 2023.*

The WashTec Share

Stock market performance in 2022

Economic growth in 2022 was significantly weaker than expected. The global economy thus grew only about 3.4% in 2022. Russia's war of aggression against Ukraine, the consequences of the Covid pandemic and high inflation weighed heavily on the world economy. According to the International Monetary Fund (IMF), the German economy grew by only 1.9% in 2022 and is expected to grow by 0.1% in 2023. The interest rate hikes that have since been implemented have so far resulted in only a small to modest decline in inflation, but continue to dampen consumption and investment. In Germany, the additional threat of a gas shortage caused further uncertainty among companies.

Price performance of WashTec shares 2022/2023 compared to the SDAX (indexed)



The end of the low interest rate policy led not only to enormous price losses in bond markets in 2022, but also to heavy losses in stock markets. Sectors that are sensitive to interest rates, such as real estate and technology, were particularly hard hit. The picture was particularly bleak for small-cap and mid-cap listed companies. For example, Germany's MDAX fell last year by 28.5% and the SDAX by 27.4%, while the DAX lost less than half as much at 12.3%. In contrast, equity indices with a higher weighting in more defensive sectors, such as healthcare, closed 2022 with a relatively small loss. The Stoxx Europe 50 index thus ended the year down 1.2%.

WashTec AG share performance in 2022

The WashTec share price started 2022 at €53.54, which was also the high for the year. The share price reached its low for the year of €32.00 on September 9, 2022 and closed the year at €34.50. This was 36.3% below the closing price at the end of the prior year and more than the 27.4% decline in the SDAX. These figures relate to closing prices on the Xetra trading platform.

As of February 28, 2023, WashTec shares were trading at €39.35 per share.

Attractive dividend policy

By resolution of the Annual General Meeting of May 16, 2022, the Company paid its shareholders a dividend of €2.10 per share for fiscal year 2021 and a special dividend of €0.80. Dividend distributions thus totaled €38.8m in 2022. Based on the year-end share price, the dividend yield* was 8.41%. 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 €2.20 for fiscal year 2022.

Changes in shareholder structure

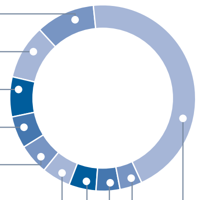
The majority of WashTec AG shares are held by institutional investors. WashTec AG received the following voting rights notifications under the Securities Trading Act (Wertpapierhandelsgesetz) in fiscal year 2022. All changes or secondary offerings were price-neutral without any material impact on the share price:

Alantra EQMC Asset Management, SGIIC, S.A., Madrid, Spain, as investment manager, notified WashTec AG that on February 25, 2022, EQMC Europe Development Capital Fund plc's share of the voting rights was 15.12%.

Wellington Management Group LLP, Boston, Massachusetts, USA, notified WashTec AG that its share of the voting rights on March 30, 2022 was now 2.98% instead of previously 3.01%.

Shareholder structure as of December 31, 2022

10.06%	EQMC ICAV [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.
4.58%	Paradigm Capital Value Fund SICAV
4.25%	Treasury shares
4.00%	Diversity Industrie Holding AG
44.74%	Other



Source: Notifications pursuant to WpHG

[1] Alantra EQMC Asset Management, SGIIC, S.A. as investment management function
[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, 39.68% of the Company's shares are held by shareholders whose stakes are below the notification threshold. According to the definition used by Deutsche Börse, the free float is 73.81%, as treasury shares, the shares held by Dr. Kurt Schwarz and the shares held by EQMC Europe Development Capital Fund plc are deducted.

* *Including special dividend*

Managers' transactions

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

- Dr. Ralf Koeppe, member of the Management Board, acquired 600 shares on February 25, 2022.
- Dr. Alexander Selent, member of the Supervisory Board, acquired 500 shares on May 19, 2022.
- Mr. Peter Wiedemann, member of the Supervisory Board, acquired 820 shares on May 23, 2022 and a further 280 shares on June 13, 2022.

Active investor relations work

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 16, 2022, 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. As part of investor relations activities, management successfully held the first WashTec Investor Day for institutional investors and analysts at the Company's Augsburg headquarters in April 2022.

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

WashTec shares are covered by analysts at financial institutions Hauck & Aufhäuser and MM Warburg.

Key data on WashTec shares

		2022	2021	2020
Closing price[1]	€	34.50	55.00	49.00
High	€	53.54	61.10	56.00
Low	€	32.00	42.81	31.80
Opening price	€	53.54	42.95	54.00
Number of shares as of Dec. 31[2]	million	13.4	13.4	13.4
Free float as of Dec. 31[3]	%	44.74	45.95	44.38
Market capitalization as of Dec. 31	€m	461.7	736.0	655.7
Performance over the year	%	−36.26	29.07	−19.73
SDAX (for comparison)	%	−27.35	11.17	18.01
Earnings per share	€	1.97	2.32	0.99
Dividend per share	€	2.20[4]	2.90	2.30

[1] Based on Xetra closing prices
[2] Excluding 594,646 treasury shares
[3] Held by shareholders whose stakes are below the notification threshold under the Securities Trading Act (WpHG)
[4] Dividend proposal to the Annual General Meeting 2023

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

Combined Management Report of WashTec AG and the Group

2022 at a glance

Overview of group and regions

WashTec Group*

- Revenue of €482.2m, up 12.0% year on year (9.1% at constant exchange rates)
- EBIT at €38.0m (prior year: €45.7m); EBIT margin 7.9%
- Free cash flow** of €16.2m (prior year: €42.3m)

Europe

- Revenue of €371.6m, up 6.6% year on year
- EBIT at €36.4m (prior year: €40.2m)

North America

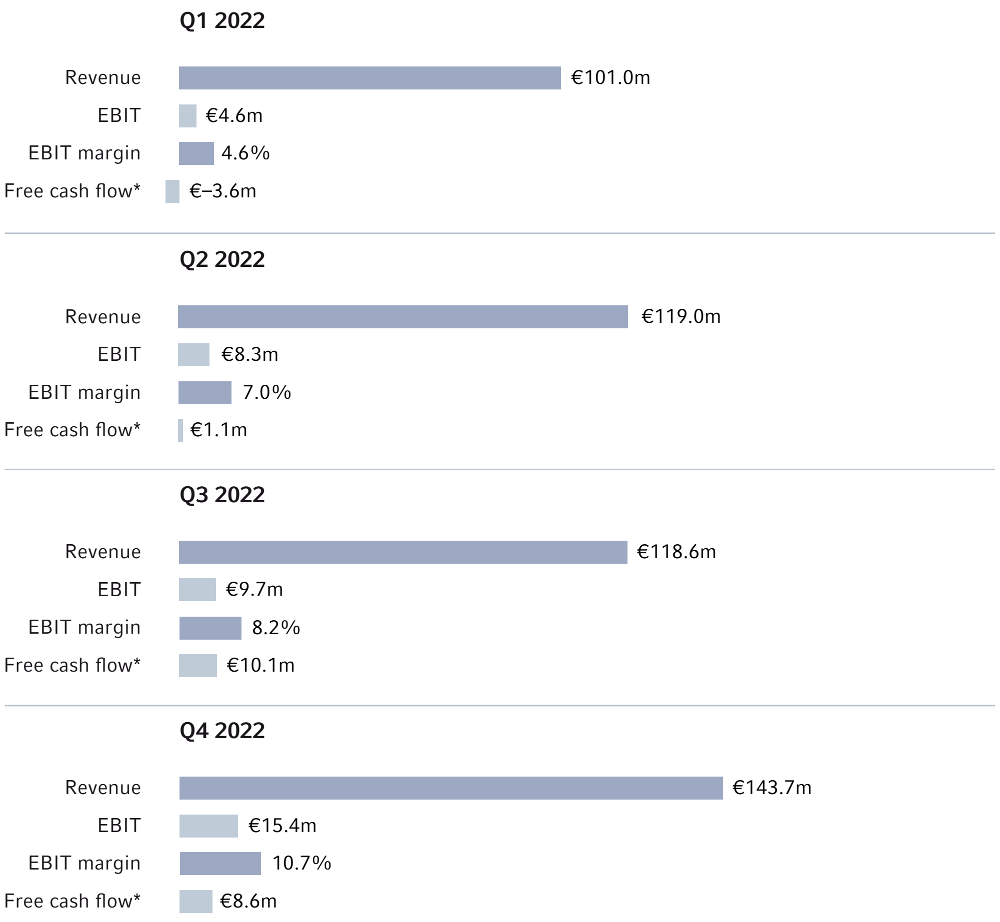
- Revenue of €107.7m, up 39.0%; in USD 112.0m, up 22.8% year on year
- EBIT at €1.4m (prior year: €4.6m).

Asia/Pacific

- Revenue of €17.6m, down 2.8% year on year
- EBIT at €0.4m (prior year: €1.2m).

** Regional data without cross-segment consolidation*
*** Free cash flow including repayment of lease liabilities is €7.4m (prior year: €34.5m).*

Key financial performance indicators by quarter



** Free cash flow including repayment of lease liabilities is €–5.8m for Q1 2022, €–1.0m for Q2 2022, €7.6m for Q3 2022 and €6.6m for Q4 2022.*

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 components, washing chemicals and water recovery systems. As a specialist, the Group develops a constant stream of innovations for environment-friendly carwash. WashTec also offers comprehensive servicing packages and digital smart service solutions spanning the entire product life cycle. These include digital systems that allow operators to remotely control system parameters, the maintenance of equipment, chemicals, equipment return, financing arrangements, and operator management. The main revenue driver is the Equipment and Service product range.

Revenue by product

Equipment and Service

- Machinery
  - Gantry carwashes
  - Self-service carwashes
  - Commercial vehicle wash equipment
  - Conveyor tunnel systems
- Water recovery systems
- Spare parts
- Service
  - Full maintenance agreements
  - On-call service agreements
  - Service projects and upgrades
  - Digital solutions
    - my.carwash
    - my.service
    - my.CarWashShop
    - my.EasyCarWash
    - my.SmartSite

€ 420.0 million
(prior year: € 373.2 million)

Chemicals

- AUWA Green Car Care product range
- Sustainable cleaning, care and specialty products
- TecsLine premium Green Car Care product line
- Product range for Scandinavia with Nordic Swan Ecolabel

€ 56.9 million
(prior year: € 51.0 million)

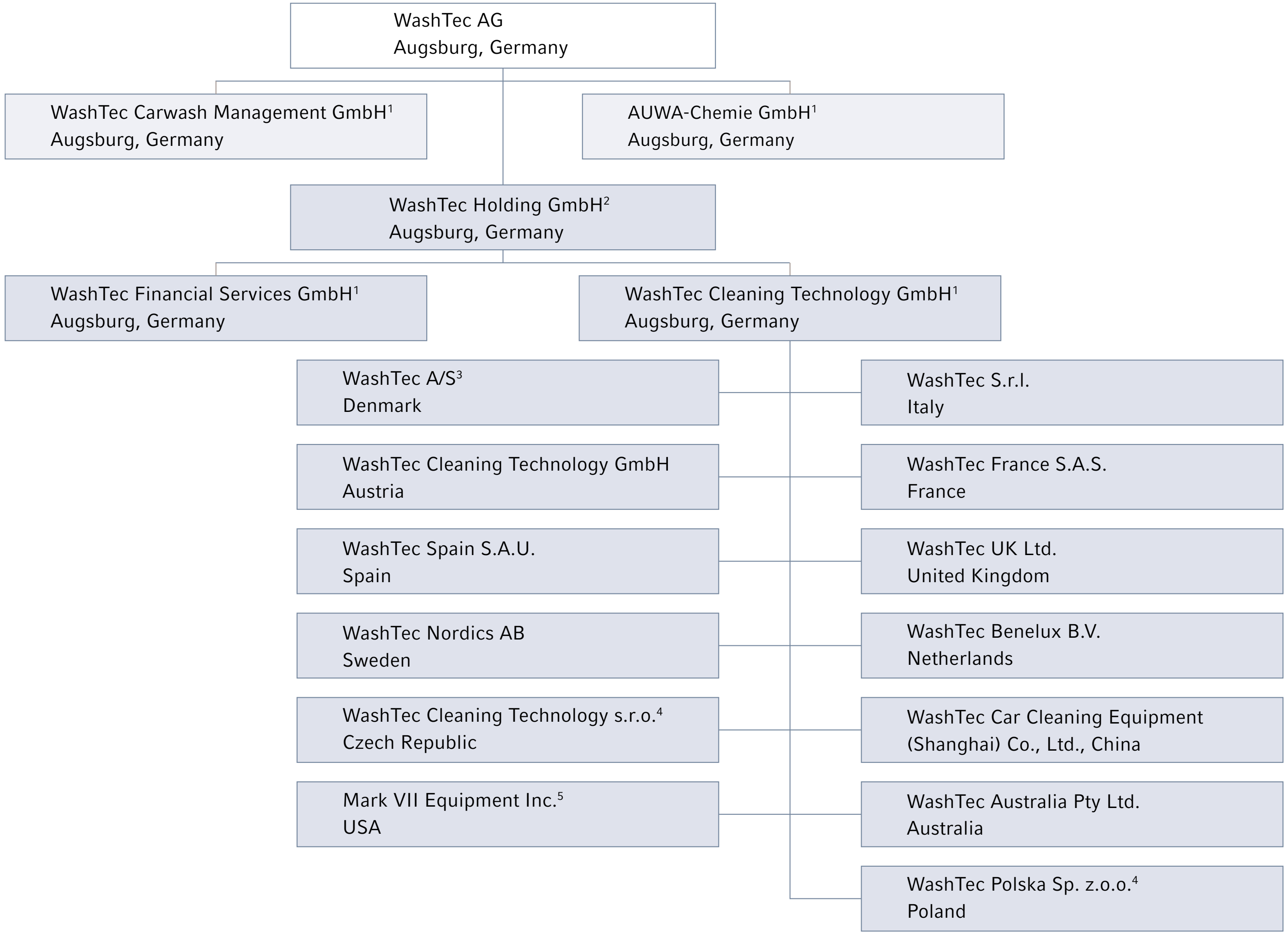
Other

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

€ 5.3 million
(prior year: € 6.3 million)

Group 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] *Profit transfer agreement*

[3] *Including subsidiary WashTec Bilvask AS, Norway*

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

[5] *Including subsidiary WTMVII Cleaning Technologies Canada, Inc., Canada*

WashTec AG

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

Since the Company does not have any operations of its own, its results of operations, financial position and cash flows are determined 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 control and profit (loss) pooling agreements with AUWA-Chemie GmbH and WashTec Carwash Management GmbH. In addition, a profit transfer agreement was entered into between WashTec AG and WashTec Holding GmbH effective January 1, 2022.

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 control and profit (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. WashTec Cleaning Technology GmbH also supplies and supports the subsidiaries and independent foreign distributors.

Foreign subsidiaries

The WashTec Group has subsidiaries in all major European, North American and Asia/Pacific markets. WashTec products are sold and serviced by subsidiaries in the Netherlands, France, Denmark, Norway, Italy, Spain, the United Kingdom, Austria, Poland, the United States, Canada, Australia and China. An overview of the production locations is provided under the heading “Production, procurement and logistics”.

WashTec Financial Services GmbH

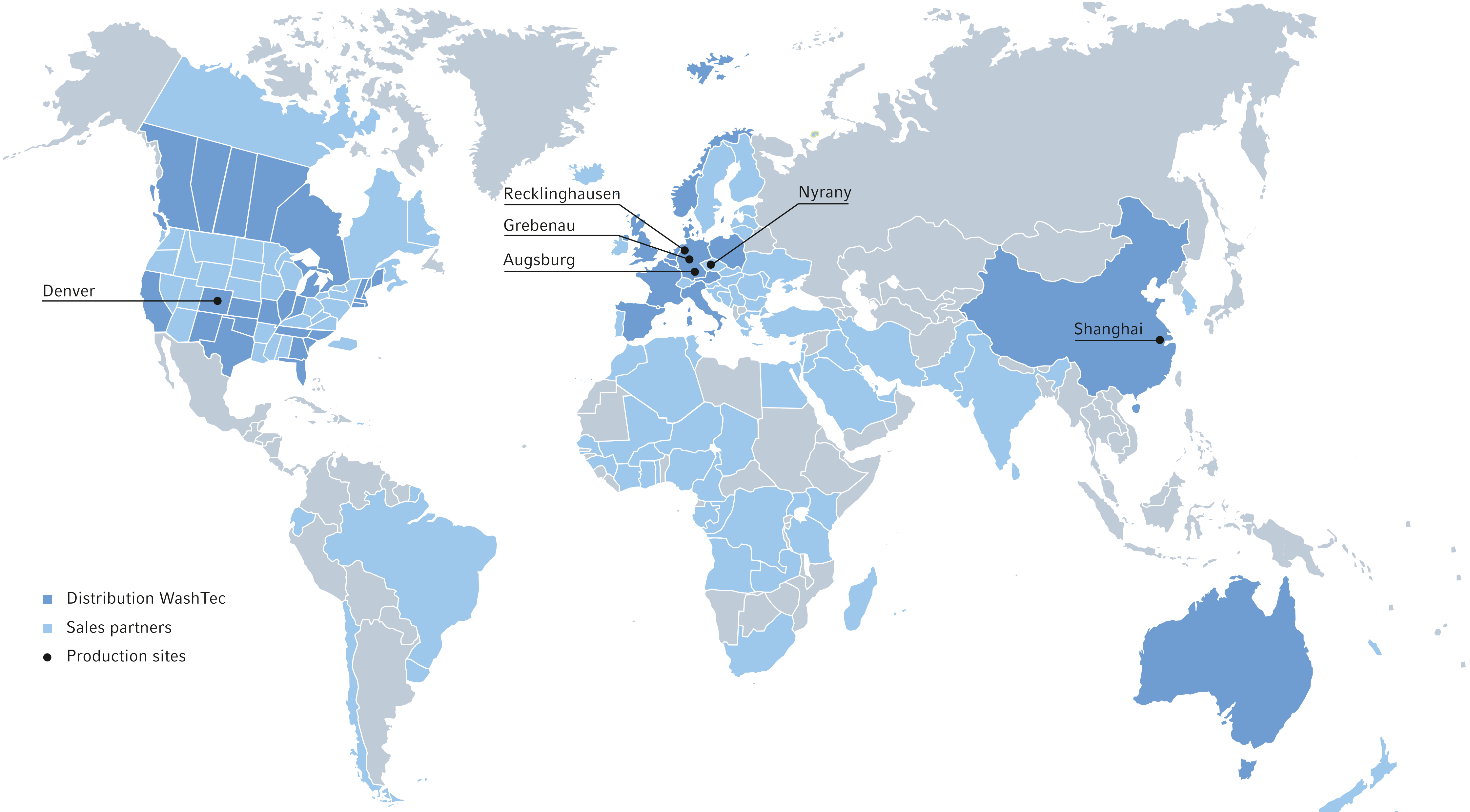
WashTec Financial Services GmbH brokers bespoke financing arrangements for WashTec products. It receives commission from the lenders – mostly leasing companies – involved in the financing arrangements.

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 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
Shanghai
Distribution WashTec
Sales partners
Production sites

Locations

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

WashTec also has a broad network of independent distributors and is on the map today in over 80 countries around the world.

Production, sourcing and logistics

WashTec has a global procurement and production chain with production facilities in Germany, the Czech Republic, the US and China. With the exception of gantry carwashes for North America and China, most of the equipment for worldwide distribution 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 Augsburg (Germany) or Shanghai (China). Much of the sheet metal production takes place in Nýřany (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).

Segments

The WashTec Group's global business is divided into three geographical regions. European business activities and exports to other countries are combined in the Europe region. The North America region comprises the activities in the USA and Canada. The Asia/Pacific region mainly includes the business activities of the subsidiaries in Australia and China.

Management and control

As an Aktiengesellschaft (a German stock corporation), WashTec AG has a two-tier management and supervisory structure comprising the Management Board and the Supervisory Board. The Management Board is responsible for managing the Company, 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 Group parent company, WashTec AG determines corporate strategy and overall 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 of the Company as well as measures for ensuring sustained and 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 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.

External factors influencing the business

Mobility transition

The necessary process of decarbonization and global mobility trends are driving changes in vehicle fleets. While autonomous driving and shared mobility mean a reduction in the vehicle fleet, they also lead to increasing passenger mileage with shorter vehicle life cycles.

In addition to the size of the fleet, the type and intensity of vehicle use will also determine carwash demand in the future. Vehicles need to be cleaned no matter how they are powered and regardless of the ownership model. "Shared mobility" vehicles tend to be washed more frequently.

Decarbonization and sustainability

Companies' sustainability performance is crucially 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 recovery systems in automated vehicle washing significantly reduces the consumption of mains water compared to hand washing or to a carwash without a water recovery system. In wash chemicals, the Green Car Care product range uses biogenic detergents without any fossil resources. These are agents that reduce the surface tension of the water for improved wetting performance.

With a binding commitment to reduce its own carbon footprint, WashTec is contributing to the global efforts to limit global warming (for further information, please see under "1.2 Corporate objective and strategy").

Economy

A further factor influencing the uptake of automated vehicle washing is a country's average per capita income. Higher wages and rising per capita incomes 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

Customer expectations continue to focus on optimal wash results while conserving resources. Customers also expect the equipment to be easy to use. Automated carwashes are much more environment-friendly than manual washing because they use less water and chemicals. This is especially true of carwashes with water recovery systems. Modern digital systems allow operators to conveniently access and remotely control plant parameters anytime, anywhere. For the end user, speed, convenience, quality and the wash experience remain key factors.

The Company closely monitors the development of external factors affecting the business in order to respond to changes in a timely manner and make the appropriate strategic choices.

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. Delivering customer benefit requires specialization, combined with a deep understanding of the application end and of related processes and technologies. The same specialization is therefore a requirement for true customer benefit-oriented innovation.

WashTec's 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. A clear focus on customer benefit enables the Company to build on its competitive advantages 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 at its production sites in Germany, the Czech Republic, the USA and China, including their sales and service activities, 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. Digitalization and connecting our equipment online not only facilitates product support, but also helps us achieve much faster response times for our customers. This is also beneficial from a sustainability perspective, as it means, for example, that some service trips can be avoided.

1.3 Control system

Financial and non-financial key 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
- ROCE

Beginning in fiscal year 2023, the Company uses free cash flow as a key performance indicator. Free cash flow is defined as the net cash inflow from operating activities less the net cash outflow from investing activities. It replaces the previous free cash flow including repayment of lease liabilities. This further enhances the consistent use of key performance indicators in the Group and improves external comparability. Free cash flow including repayment of lease liabilities will no longer be used as a key performance indicator.

Return on capital employed (ROCE) is defined as the ratio of EBIT to capital employed. We define capital employed as non-current assets (non-current assets including goodwill and right-of-use assets) plus net operating working capital (NOWC), calculated as the average of the reporting date figures for the last five quarters. 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 Non-financial Report contains a detailed description of the accident rate as WashTec's key non-financial performance indicator (see "Separate Non-financial Report" beginning on page 33).

Separate non-financial report in accordance with Sections 289b (3) and 315b (3) HGB

The Separate Non-financial Report in accordance with Sections 289b (3) and 315b (3) HGB is published as a separate section of the Annual Report 2022 on the Company's website at *https://ir.washtec.de/en/financial_reports/* on page 33.

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, any measures taken 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

Research and development in the fiscal year focused on the continuous improvement of washing and drying processes in terms of quality, speed and resource consumption. This latter aspect plays an increasingly important role in terms of sustainability. The goal is to minimize energy consumption in system operation, use the most environmentally friendly manufacturing processes possible, formulate environmentally compatible wash chemicals and devise water recirculation systems. Our products are supported throughout their entire life cycle. Digitalization and connecting our equipment online not only facilitates product support, but also helps us achieve much faster response times for our customers. This is also beneficial from a sustainability perspective, as it means, for example, that some service trips can be avoided.

In total, some 70 employees work in research and development at the WashTec headquarters in Augsburg on solutions that maximize modularity and reusability. International patents secure the future solution space for WashTec.

Total operating research and development expenditure in the WashTec Group amounted to approximately €14.2m in 2022 (prior year: €13.0m). The Group's capitalized development costs came to €2.0m in fiscal year 2022 (prior year: €0.1m) and mainly related to the development of software for the digitalization and service platform.

2 Report on economic position

2.1 Overall economic and industry-specific environment and conditions

Overall economic development

Global economic development

Development of the gross domestic product*

	Forecast 2022	Actual 2022	Guidance 2023
Germany	3.8%	1.9%	0.1%
Eurozone	3.9%	3.5%	0.7%
USA	4.0%	2.0%	1.4%
China	4.8%	3.0%	5.2%
Developing and Ermerging Markets	4.8%	3.9%	4.0%
World	4.4%	3.4%	2.9%

**International Monetary Fund (IMF) World Economic Outlook, January 30, 2023*

At the start of 2022, the global economy initially began to recover from the impacts of the pandemic in the previous year, despite ongoing material and capacity constraints. Following the beginning of the war in Ukraine and further lockdowns under the zero-Covid policy in China, the economy was hit particularly hard by sharply rising energy and commodity costs, stretched supply chains and the resulting material procurement difficulties, high inflation and increased geopolitical risks. Interest rate hikes implemented in the meantime have so far resulted in only a small to modest decline in inflation, but continue to dampen consumption and investment. In Germany, the additional threat of a gas shortage caused further uncertainty among companies. A mild winter, which reduced the risk of a gas shortage, and the end of China's zero-Covid policy helped to brighten business sentiment towards the end of the year.

In its forecast for 2023, the International Monetary Fund ("IMF") believes that inflation has peaked and will fall amid low economic growth. Accordingly, the IMF expects weaker economic growth in 2023 than in 2022. Factors identified as weighing on economic activity are the rise in central bank rates to fight inflation and the war in Ukraine. The end of the zero-Covid policy in China could have a moderating effect on the remaining uncertainties.

Industry development (mechanical engineering and chemicals)

The past year was generally mixed for the mechanical engineering sector due to the difficult overall economic situation and international supply chain problems. According to the German Mechanical Engineering Industry Association ("VDMA"), orders continued to grow in the first three quarters of 2022, but demand for capital goods declined significantly in the fourth quarter. As a result, the initial double-digit growth in orders was reversed over the course of the year to an overall 4% year-on-year decline on a price-adjusted basis. Domestic orders were down by 5% and international orders by 4%. The VDMA estimates that material shortages and supply chain difficulties, high inflation and the war in Ukraine will persist through 2023 and continue to weigh on the industry's economic development.

In the chemical and pharmaceutical industry, high energy and commodity costs in Europe and declining demand led to a reduction in chemical production and a sectoral downturn in 2022. For the year ahead, the German Chemical Industry Association ("VCI") expects sluggish industry growth, both in Germany and internationally. The VCI sees the main reasons for this as being the ongoing energy crisis, which is slowing production in Europe due to high energy and raw material costs, and the general increase in geopolitical risks. Consumption and investment are also being weighed down by high inflation, rising interest rates and a generally uncertain global situation.

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 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 North American market, with a large proportion of conveyor tunnel carwashes, is more fragmented on the customer and supplier side than Europe. In China, where hand car washing continues to be widespread, the market is still underdeveloped. European and American competitors contend for a developed market in Australia.

Sales markets

Germany respectively Europe remain the largest sales markets. Based on the Group strategy, North America in particular is targeted to account for a higher percentage of the Group's total revenue in the medium to long term.

2.2 Group business performance

The following section examines the WashTec Group's business performance. WashTec AG is discussed separately in section 2.6.

General economic conditions initially improved at the beginning of the fiscal year as the COVID-19 pandemic receded. However, the beginning of the war in Ukraine in February 2022 and further lockdowns in China due to the zero-Covid policy led to a significant deterioration in the economic environment for the remainder of the fiscal year. As the fiscal year progressed, these unforeseen changes in the economic environment and the resulting cost increases forced the WashTec Group to revise the guidance given at the beginning of the year.

		2021	Guidance 2022	Revised guidance 2022*	2022	Change year on year
Revenue	€m	430.5	450–470	476–484	482.2	12.0 %
EBIT	€m	45.7	45–48	38–43	38.0	–16.8 %
Adjusted EBIT	€m	43,0	45–48	38–43	38.0	–11.6 %
Free cash flow	€m	42,3	n/a	n/a	16.2	–61.7 %
Free cash flow including repayment of lease liabilities	€m	34.5	28–32	10–20	7.4	–78.6 %
ROCE	%	25.8	25–27		20.2	–
Accident rate (work accidents/ million hours worked)		4.9	<4		4.2	–0.7

** Revised guidance issued July 21, 2022.*

The WashTec Group achieved record **revenue** of €482.2m in fiscal year 2022, a significant increase of €51.7m or 12.0% over the prior year (€430.5m). Adjusted for exchange rate effects, the growth in revenue was 9.1%. Revenue thus exceeded the target of €450.0m to €470.0m communicated in the Annual Report 2021 and was in line with the revised guidance issued in July 2022 (revenue of €476.0m to €484.0m).

Revenue grew year on year in all product segments, with the growth partly resulting from price increases implemented in the course of the fiscal year and from positive currency effects. The increase in the Equipment and Service business related both to key accounts and to direct sales. Over the course of the year, the Company faced particular challenges relating to customer-side capacity shortfalls in the construction of carwash buildings. This led to delays in revenue recognition in some cases.

Despite the revenue growth, **EBIT** decreased by 16.8% to €38.0m (prior year: €45.7m). The EBIT margin was 7.9% (prior year: 10.6%). Relative to prior-year adjusted EBIT*, EBIT fell by €5.0m or 11.6%. In its original guidance, the Company expected EBIT to be between €45m and €48m. The revised guidance for fiscal year 2022 forecast EBIT of between €38.0m and €43.0m. This revised guidance was met.

Impacts of the Ukraine war and Covid lockdowns in China until the end of the zero-Covid policy caused shortages on procurement markets, with material costs, procurement costs and energy costs rising significantly as a result. The WashTec Group met the challenges in material procurement with increased flexibility in production and higher inventory levels. As a result, the Company retained its delivery capability at all times during the fiscal year. In addition, the Company responded to the developments with price increases for its own products. However, with order lead times of four to six months, it has not yet been possible to fully pass on the price rises in the procurement market to customers.

** Adjusted EBIT in the prior year included a €2.7m positive non-recurring item resulting from the recognition in profit or loss of a loan granted in 2020 under the US government support program in connection with the COVID-19 pandemic.*

Due in particular to a high output volume towards the year-end, revenue of €143.7m (prior year: €124.2m) was generated in the final quarter of the year. With this figure, WashTec set a new quarterly record. Due to the high level of revenue, EBIT in the fourth quarter, at €15.4m (prior year: €12.7m) was significantly higher than in the prior year. This also made it possible to generate a double-digit EBIT margin in the fourth quarter, of 10.7% (prior year: 10.2%).

Due to significantly lower earnings before taxes (EBT) and substantially higher net operating working capital, **free cash flow including repayment of lease liabilities** decreased to €7.4m (prior year: €34.5m). This means that both the original guidance (€28.0m – €32.0m) and the revised guidance for fiscal year 2022 issued in July 2022 (€10.0m – €20.0m) were not achieved. Free cash flow (net cash inflow from operating activities – net cash outflow from investing activities) was €16.2m (prior year: €42.3m).

ROCE stood at 20.2% (prior year: 25.8%). The ROCE target of between 25% and 27% was thus not achieved, due to the significantly higher net operating working capital and the significantly lower EBIT. The denominator, capital employed, increased by €17.5m (9.7%) year on year.

The **accident rate**, at 4.2, was below the prior-year figure (4.9) and significantly below the industry average reported for recent years by the employers' liability insurance associations (Berufsgenossenschaften). This meant that the target set for 2022 of an accident rate less than 4 was not met. WashTec continues to target further reductions in the number of occupational accidents.

Overall, the difficult economic conditions and the resulting cost increases in particular had a considerable negative impact on the business development of the WashTec Group in the past fiscal year. The Company reacted quickly to the changing environment and took the necessary measures during the course of the year. These measures had an increasing effect during the strong fourth quarter, and the Company ended the fiscal year with respectable results and considers itself well positioned for the future.

Order backlog

The order backlog remains at a high level and at constant exchange rates was slightly up on the prior year. Since the WashTec Group's orders generally cycle through within four to six months, the order backlog serves as an indicator for business development in the months ahead.

2.3 Group financial position and cash flows

2.3.1 Results of operations

Income statement

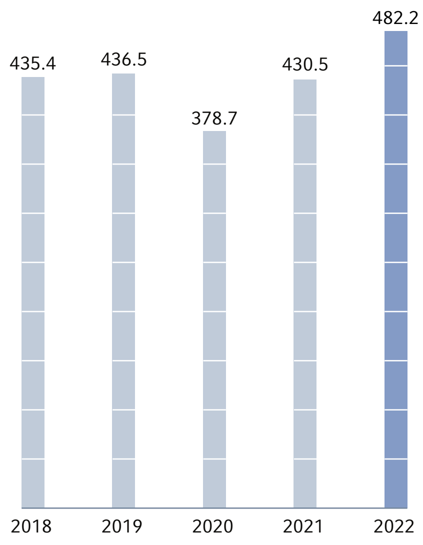
The following table shows the income statement of the WashTec Group:

In €m	2022	2021	Change	
			absolute	in %
Revenue	482.2	430.5	51.7	12.0
Cost of sales	−352.8	−303.8	−49.0	−16.1
Gross profit	129.4	126.7	2.7	2.1
Gross profit margin in %	26.8	29.4	−2.6	–
Research and development expenses	−14.2	−13.0	−1.2	−9.2
Selling expenses	−62.1	−55.2	−6.9	−12.5
Administrative expenses	−17.1	−16.8	−0.3	−1.8
Other income and expenses	2.0	3.9	−1.9	−48.7
EBIT	38.0	45.7	−7.7	−16.8
EBIT margin in %	7.9	10.6	−2.7	–
Adjusted EBIT	38.0	43.0	−5.0	−11.6
Adjusted EBIT margin in %	7.9	10.0	−2.1	–
Financial result	−0.7	−0.9	0.2	22.2
EBT	37.3	44.8	−7.5	−16.7
Income taxes	−10.9	−13.7	2.8	20.4
Net income	26.4	31.1	−4.7	−15.1
Earnings per share (€)	1.97	2.32	−0.35	−15.1

Group revenue

The WashTec Group generated revenue of €482.2m the twelve months to December 31, 2022. That is a substantial €51.7m or 12.0% higher than the prior-year figure of €430.5m.

Revenue development in €m, multi-year comparison



Adjusted for exchange rate effects, full-year revenue was €469.8m, an increase of 9.1% on the prior year (€430.5m). Exchange rate effects were not material in the Europe region. Mainly due to exchange rate movements relative to the US dollar, they had a positive year-on-year revenue effect of €11.6m in North America and €0.7m in Asia/Pacific. Detailed discussion of the development of the individual regions is provided under "Reporting by region" in section 2.3.2.

Revenue by products

In €m	2022	2021	Change	
			absolute	in %
Equipment and Service	420.0	373.2	46.8	12.5
Chemicals	56.9	51.0	5.9	11.6
Others	5.3	6.3	−1.0	−15.9
Total	**482.2**	**430.5**	**51.7**	**12.0**

At €420.0m, Equipment and Service revenue was up on the prior-year figure of €373.2m. Growth was largest in key accounts. Direct sales and the chemicals business also grew. The increase in revenue is partly due to price increases and positive currency effects.

Other revenue accounts for around 1.1% of the WashTec Group's total revenue.

Further information on the income statement

Gross profit

Gross profit increased by €2.7m or 2.1% from €126.7m in the prior year to €129.4m. Price increases passed on to customers during the reporting year only partially offset the negative impact of material cost increases. In addition, equipment could not be produced and installed with the usual efficiency due to lack of availability of materials and fitters, resulting in higher costs. As a result, despite the revenue growth, gross profit increased at a lower rate than revenue. At 26.8%, the gross profit margin was significantly lower than the prior-year figure of 29.4%.

Research and development expenses

Research and development expenses were higher than the prior year, at €14.2m (prior year: €13.0m). The focus was on optimizing resource consumption and on product digitalization and online connectivity. When comparing with the prior year, it should be noted that the prior-year figures included €1.3m from the reversal of a provision. Adjusted for this effect, research and development expenses were at the same level as the prior year.

Selling expenses

Selling expenses increased by 12.5% year on year, from €55.2m to €62.1m. This is partly due to higher freight costs, which were up €2.7m or 22.5% on the prior year. In addition, there was an increase of €2.9m in trade fair and travel expenses. The prior-year figure here was significantly reduced due to the pandemic.

Administrative expenses

Administrative expenses, at €17.1m in the reporting year, were on the same level as in the prior year (prior year: €16.8m) and mainly relate to personnel expenses and other costs of recruitment, professional development, communication and auditing expenses.

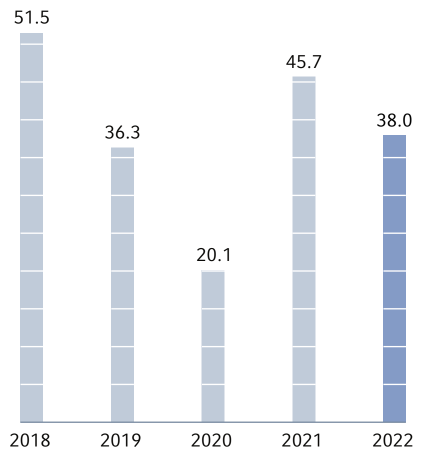
Other income and expenses

Other income and expenses were lower than the prior year at €2.0m (prior year: €3.9m). This item also includes a negative impact on earnings in the amount of approximately €0.5m (prior year: positive effect of €0.2m) from the measurement of foreign currency-denominated assets and liabilities as of the reporting date. In the prior year, it also included a €2.7m positive non-recurring item resulting from the recognition in profit or loss of a prior-year loan granted in 2020 under the US government support program in connection with the COVID-19 pandemic.

EBIT

Earnings before interest and taxes (EBIT) were down 16.8% to €38.0m (prior year: €45.7m). Relative to prior-year adjusted EBIT, EBIT fell by €5.0m or 11.6%.

EBIT in €m, multi-year comparison



A presentation of EBIT by regions is provided under "Reporting by region" in section 2.3.2.

EBIT margin

The EBIT margin decreased to 7.9% (prior year: 10.6%). The adjusted EBIT margin* in the prior year was 10.0%.

* *Adjusted EBIT in the prior year included a €2.7m positive non-recurring item resulting from the recognition in profit or loss of a loan granted in 2020 under the US government support program in connection with the COVID-19 pandemic.*

Financial result

The financial result was –€0.7m (prior year: –€0.9m). Other interest income in the reporting year includes interest of €0.4m relating to refunds from completed tax audits and to the discounting of liabilities. Other interest expense includes interest of €0.3m for the discounting of trade receivables.

Analysis of financial result

In €m	2022	2021
Other interest income	0.5	0.1
Financial income	**0.5**	**0.1**
Interest-bearing loans	0.7	0.5
Interest expense from discounting lease liabilities	0.2	0.4
Other interest expense	0.4	0.1
Financial expense	**1.3**	**1.0**
Financial result	**–0.7**	**–0.9**

EBT

Earnings before tax (EBT) decreased to €37.3m (prior year: €44.8m).

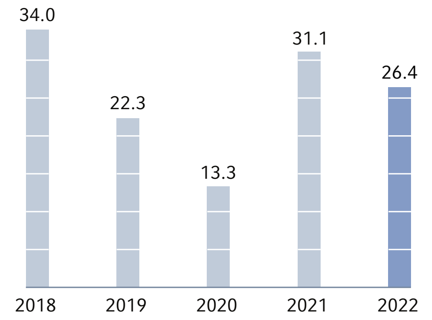
Income taxes

The income taxes of €10.9m (prior year: €13.7m) consist of current taxes and deferred taxes mainly relating to temporary differences. The tax rate (relative to EBT) was 29.3%, slightly lower than in the prior year (30.6%).

Net income

Net income fell by €4.7m to €26.4m (prior year: €31.1m). On the basis of the average number of shares (13,382,324), earnings per share (basic = diluted) decreased by 15.1% to €1.97 (prior year: €2.32).

Net income in €m, multi-year comparison

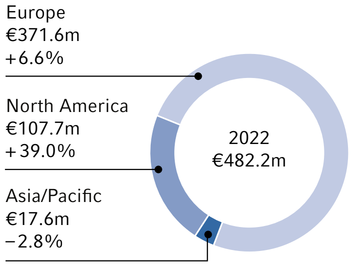


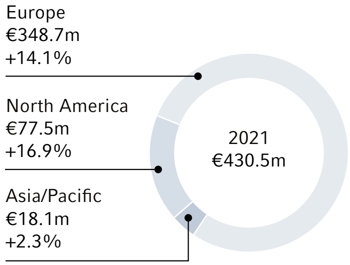
Use of funds/dividend proposal

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 15, 2023, to appropriate the distributable profit of €29,804,169.57 shown in the Company's annual financial statements for fiscal year 2022 as follows: Distribution of €2.20 per eligible share, totaling €29,441,112.80, with the remaining distributable profit of €363,056.77 to be carried forward.

2.3.2 Reporting by region

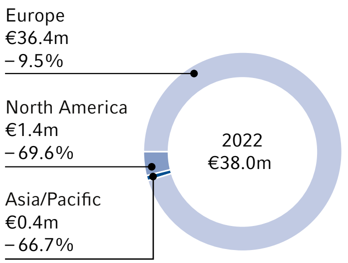
Revenue by regions in €m*

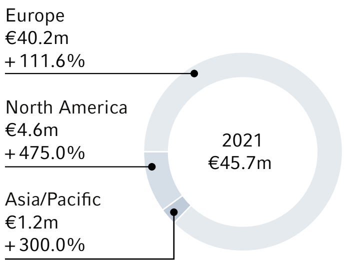




** cross-segment consolidation effects are disregarded.*

EBIT by regions in €m*





**cross-segment consolidation effects are disregarded.*

Europe

Europe region key figures

		2022	2021	Change (in %)
Revenue	€m	371.6	348.7	6.6
EBIT	€m	36.4	40.2	−9.5
EBIT margin	%	9.8	11.5	–
Employees (as of Dec. 31)		1.486	1,457	29

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 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

		2021	Guidance 2022	Revised guidance 2022*	2022	Change year on year (in %)
Revenue	€m	348.7	363–366	366–370	371.6	6.6
EBIT	€m	40.2	40–42	34–38	36.4	–9.5

** Revised guidance issued July 21, 2022.*

Revenue

At €371.6m, revenue performance in Europe was positive compared to the prior year (€348.7m). It thus slightly exceeded the original guidance of between 4% and 5% revenue growth and the revised guidance of 5% to 6% revenue growth. The revenue growth mainly related to the key accounts business. There was also growth in the chemicals business.

Earnings

EBIT in Europe decreased from €40.2m in the prior year to €36.4m, which is inside the revised July 2022 guidance range of EBIT between €34m and €38m. However, it did not meet the guidance issued at the beginning of the fiscal year, for EBIT between €40m and €42m. The EBIT margin was 9.8% (prior year: 11.5%). The effects on earnings performance described for the Group as a whole under "Group business performance" also apply in particular to the largest region.

Segment earnings do not include any effect of national support programs in connection with the COVID-19 pandemic.

North America

North America region key figures

		2022	2021	Change (in %)
Revenue	€m	107.7	77.5	39.0
EBIT	€m	1.4	4.6	–69.6
EBIT margin	%	1.3	5.9	–
Employees (as of Dec 31)		282	269	13

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 and retailers (convenience stores). The share of conveyor tunnel carwashes 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

		2021	Guidance 2022	Revised guidance 2022*	2022	Change year on year (in %)
Revenue	€m	77.5	>85.3	>85.3	107.7	39.0
EBIT	€m	4.6	1.9–4.6	1.9–4.6	1.4	–69.6
Adjusted EBIT**	€m	1.9	>1.9	>1.9	1.4	–26.3

** Revised guidance issued July 21, 2022*
***Adjusted EBIT in the prior year included a €2.7m positive non-recurring item resulting from the recognition in profit or loss of a loan granted in 2020 under the US government support program in connection with the COVID-19 pandemic.*

Revenue

Revenue in North America went up significantly from €77.5m in the prior year to €107.7m. In US dollars, revenue was USD 112.0m (prior year: USD 91.2m). This is the first time revenue in the region has exceeded USD 100m. The positive revenue performance meant that revenue also exceeded both the original guidance of double-digit growth and the revised guidance of strong double-digit growth. This reflected good performance in all product segments. Equipment and Service stood out in particular with strong key account and direct sales business.

Earnings

Earnings in North America fell significantly by €3.2m to €1.4m (prior year: €4.6m). EBIT was also €0.5m down on adjusted EBIT* in the prior year. Both in the guidance provided at the beginning of the year and in the revised guidance provided mid-year, the Company targeted an increase in EBIT in fiscal year 2022 compared to adjusted EBIT in the prior year. This was not achieved.

In this region, too, earnings were impacted by cost increases due to changes in the macroeconomic environment and the delayed effects of the price adjustments. Nevertheless, earnings improved steadily throughout the year. After a break-even result in the third quarter, fourth-quarter EBIT was positive at €2.6m, with an EBIT margin of 7.2%.

Segment earnings do not include any effect of national support programs in connection with the COVID-19 pandemic. An effect of €2.9m was included in this connection in the prior year.

* *Adjusted EBIT in the prior year included a €2.7m positive non-recurring item resulting from the recognition in profit or loss of a loan granted in 2020 under the US government support program in connection with the COVID-19 pandemic.*

Asia/Pacific

Asia/Pacific region key figures

		2022	2021	Change (in %)
Revenue	€m	17.6	18.1	−2.8
EBIT	€m	0.4	1.2	−66.7
EBIT margin	%	2.3	6.6	–
Employees (as of Dec. 31)		56	56	0

Market environment

Manual washing continues to account for a large share of the Chinese carwash market. The market for carwash equipment is developing correspondingly slowly. Steadily rising wage levels and the rapidly growing numbers of cars on the road, combined with stricter environmental requirements and the possibility of paying for carwashes simply and easily on a smartphone, are continuously increasing the automated carwash share. This rising demand is attracting new competitors into the market, especially in the low-price segment. However, with the increasing number of luxury and premium vehicles in the Chinese automobile market, there are also opportunities in the mid- and premium-priced carwash segments. Many filling stations also offer free carwashes to customers. As a result, especially in the direct sales business, operators are less willing to invest as the market environment reduces the expected return on investment and tends to strengthen the low-price segment. The market in China remains challenging overall.

Outside China, business in this region is highly profitable. WashTec has a good market position in Australia in particular. There, the major American and European manufacturers are in direct competition.

Business development Asia/Pacific

		2021	Guidance 2022	Revised guidance 2022*	2022	Change year on year (in %)
Revenue	€m	18.1	>19.9	19.0–19.2	17.6	–2.8
EBIT	€m	1.2	1.2	1.0–1.1	0.4	–66.7

** Revised guidance issued July 21, 2022.*

Revenue

At €17.6m, Asia/Pacific revenue was slightly down on the prior year (€18.1m). Adjusted for exchange rates, revenue in the region was €16.9m. As a result, neither the original guidance of double-digital revenue growth nor the revised guidance of 5% to 6% revenue growth was achieved.

In China, progress was made in the key account business compared to the prior year. However, the positive business expectations for the region were dampened by the zero-Covid policy and the resulting lockdowns in China. This was countered by the positive revenue performance in Australia.

Earnings

EBIT fell significantly to €0.4m (prior year: €1.2m) and was thus below expectations. The guidance given at the beginning of the fiscal year was for EBIT to be level with the prior year. The revised guidance in July 2022 gave a range between €1.0m and €1.1m. These targets were not achieved due to the negative business performance in the Chinese market. In addition, EBIT was reduced by a negative effect of €0.2m from the measurement of assets and liabilities denominated in foreign currencies (prior year: positive effect of €0.6m). Adjusted for this, EBIT in the region was stable, largely due to the positive performance in the Australian market.

Segment earnings do not include any effect of national support programs in connection with the COVID-19 pandemic. An effect of €0.1m was included in this connection in the prior year.

2.3.3 Net assets

Asset and capital structure

Condensed consolidated balance sheet: assets

In €m	Dec 31, 2022	Dec 31, 2021
Non-current assets (incl. right-of-use assets)	91.9	92.8
Receivables and other assets	102.8	94.3
Inventories	71.6	57.1
Deferred tax assets	3.9	4.8
Cash and cash equivalents	14.2	18.1
Total assets	**284.5**	**267.0**

Condensed consolidated balance sheet: equity and liabilities

In €m	Dec 31, 2022	Dec 31, 2021
Equity	88.1	98.4
Interest-bearing loans	41.4	13.5
Liabilities and provisions	117.0	118.2
of which provisions (including income taxes)	28.3	30.8
of which trade payables	22.7	16.1
Contract liabilities	36.4	35.5
Deferred tax liabilities	1.6	1.3
Total equity and liabilities	**284.5**	**267.0**

The WashTec Group's **balance sheet total** went up from €267.0m to €284.5m.

Assets

As in previous years, the WashTec Group's **non-current assets** include goodwill in the amount of €42.3m. Property, plant and equipment primarily consists of the items land and buildings in the amount of €12.5m (prior year: €12.9m) and technical equipment and machinery in the amount of €8.4m (prior year: €7.7m). Intangible assets (excluding goodwill) total €7.0m (prior year: €6.2m). Also included are right-of-use assets in the amount of €17.3m (prior year: €19.3m). The decrease is mainly attributable to the land and buildings item.

Receivables and other assets went up from €94.3m in the prior year to €102.8m. This is mainly due to the increase in trade receivables by €10.8m as a result of the record revenue in the fourth quarter.

At €71.6m, **inventories** were significantly higher at the end of the year than in the prior year (€57.1m). The increase is mainly attributable to the deliberate increase in inventories due to the uncertainties on the procurement markets, and also higher inventories of finished goods due to the higher order backlog at the end of the year.

Deferred tax assets totaling €3.9m (prior year: €4.8m) mainly relate to temporary differences between the tax base and IFRS carrying amounts.

Cash and cash equivalents fell from €18.1m in the prior year to €14.2m.

Equity and liabilities

Equity went down from €98.4m to €88.1m. Details regarding income and expenses recognized directly in equity in accordance with IFRS are shown in the Consolidated Statement of Changes in Equity (page 111). The equity ratio decreased to 31.0% (prior year: 36.9%) due to the higher balance sheet total compared to the prior year-end, the lower earnings and the higher dividend distribution.

Interest-bearing loans increased significantly compared to December 31, 2021, from €13.5m to €41.4m, among other things due to the rise in net operating working capital (NOWC).

Lease liabilities amounted to €18.1m as of the reporting date (prior year: €20.2m).

Net financial debt (cash and cash equivalents less financial liabilities) stood at €45.2m as of December 31, 2022 (prior year: €15.7m). The significant increase by €29.5m is mainly due to the changes in interest-bearing loans referred to above.

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 €28.3m (prior year: €30.8m).

Trade payables increased, mainly in connection with the rise in inventories, from €16.1m to €22.7m.

Contract liabilities amounted to €36.4m (prior year: €35.5m) and were thus on the same level as in the prior year. This item includes prepayments on orders from customers and deferred income for full maintenance, extended guarantees and prepaid service agreements.

Deferred tax liabilities increased slightly to €1.6m (prior year: €1.3m). These relate to temporary differences between the tax base and IFRS carrying amounts.

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 and the ability to deploy that expertise in research and development comprise a key competitive advantage. Another key success factor for the WashTec Group is the sales and service network built up over many years.

There are no off-balance sheet financial instruments.

2.3.4 Financial position

Capital structure

As part of centralized financial management, the companies of the WashTec Group are financed through WashTec Cleaning Technology GmbH. The Company's liabilities are denominated in euros. The base interest rate on the loans is variable and linked to EURIBOR, €STR and LPR. As of December 31, 2022, the Group had a credit line for a total amount of €92.8m (prior year: €122.6m). The increase in credit lines made in fiscal year 2020 to secure liquidity in connection with the impact of the COVID-19 pandemic was reverted to pre-crisis levels in fiscal year 2022.

The undrawn amount of the credit line available for future operating activities and to meet obligations was €46.1m as of the reporting date (prior year: €102.4m).

Capital expenditure, depreciation and amortization, and impairments

As planned, capital expenditure, at €7.5m, was higher in the reporting year than in the prior year (€4.3m). The focus of capital expenditure, accounting for €7.2m (prior year: €4.1m) was on Europe. This related to investment in energy-efficient production equipment, such as two new laser welding systems, and in future digital products and solutions.

In addition, there was capital expenditure of €0.1m in North America (prior year: €0.1m) and €0.2m in Asia/Pacific (prior year: €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 the Group-level internal planning for 2023 to 2028.

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

Cash flow statement

In €m	2022	2021	Change	
			absolute	in %
EBT	37.3	44.8	−7.5	−16.7
Net cash inflow from operating activities	22.7	45.7	−23.0	−50.3
Net cash outflow from investing activities	−6.5	−3.4	−3.1	−91.2
Free cash flow	16.2	42.3	−26.1	−61.7
Net cash outflow from financing activities	−48.5	−39.4	−9.1	−23.1
Net change in cash funds	−32.2	2.9	−35.1	−1,210.3
Cash funds as of Dec. 31	−27.1	4.5	−31.6	−702.2

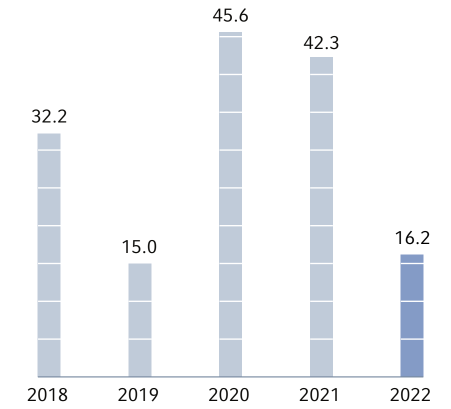
The **net cash inflow from operating activities** decreased significantly by €23.0m to €22.7m (prior year: €45.7m). This was mainly due to the lower EBT and the increase in net operating working capital €18.3m compared to the prior year (€4.3m). The increase in net operating working capital was mainly attributable to the rise in trade receivables in connection with the record revenue in the fourth quarter and to higher inventory levels due to uncertainties on the procurement markets. In the prior year, the increase in net operating working capital was partly offset by higher prepayments from customers. In the reporting year, prepayments were maintained at their high prior-year level but could not be increased further due to lower prepayments from major customers.

Net operating working capital (trade receivables + inventories – trade payables – prepayments on orders) increased by €18.3m, from €86.9m in the prior year to €105.1m. This is mainly due to the significant increases in inventories and trade receivables.

The **net cash outflow from investing activities** was –€6.5m in fiscal year 2022 (prior year: –€3.4m). Within this, as planned, payments for capital expenditure were above the prior-year level at €7.5m (prior year: €4.3m)

Free cash flow (net cash inflow from operating activities – net cash outflow from investing activities) decreased to €16.2m (prior year: €42.3m).

Free cash flow in €m, multi-year comparison



The **net cash outflow from financing activities** was –€48.5m (prior year: –€39.4m). The increase compared to the prior year relates to the dividend payment of €38.8m (prior year: €30.8m). The dividend of €2.90 per share for fiscal year 2021 included a special dividend in the amount of €0.80.

Cash funds (net) decreased, mainly due to the lower free cash flow, to –€27.1m as of December 31, 2022 (prior year: €4.5m). The Company was able to meet its payment obligations at all times.

2.4 Non-financial performance indicator

Accident rate

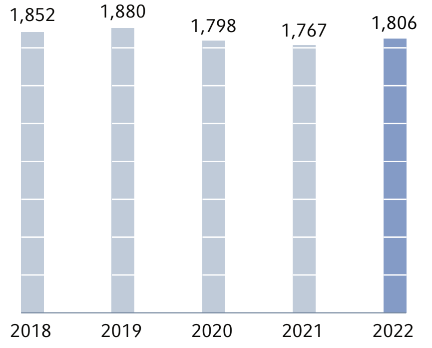
	2021	Guidance 2022	2022	Change absolute
Work accidents/ million hours worked	4.9	<4	4.2	−0.7

WashTec uses the number of work accidents per million hours worked as a non-financial performance indicator. The figure of 4.2 for 2022 was below the prior year and below the industry average reported for recent years by the employers' liability insurance associations (Berufsgenossenschaften). This meant that the target set for 2022 of an accident rate less than 4 was not met. WashTec targets further reductions in the number of occupational accidents.

2.5 Employees

The number of employees rose by 42 to 1,824 as of December 31, 2022 (prior year: 1,782). The average number of employees at WashTec during the year was 1,806 (prior year: 1,767).

Average number of employees by year, multi-year comparison



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 professional development and training increased by 28.6% 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 "Group business performance". As for the Group as a whole, the earnings target for WashTec AG for fiscal year 2022 was not achieved.

Income Statement of WashTec AG (condensed)

In €m	2022	2021	Change	
			absolute	in %
Revenue	2.7	2.9	−0.2	−6.9
Personnel expenses	2.1	4.2	−2.1	−50.0
Other operating expenses	2.8	2.1	0.7	33.3
Investment result	40.4	43.0	−2.6	−6.0
Net income for the period	28.3	39.9	−11.6	−29.1
Profit carried forward	1.5	0.4	1.1	275.0
Distributable profit	**29.8**	**40.3**	**−10.5**	**−26.1**

Earnings

Revenue at WashTec AG – HGB-basis, meaning as measured in accordance with the German Commercial Code – decreased to €2.7m (prior year: €2.9m) and related to management costs charged on to subsidiaries.

WashTec AG's **personnel expenses** (HGB-basis) of €2.1m (prior year: €4.2m) include Management Board remuneration and personnel expenses for the Legal, Internal Audit and Investor Relations functions. In the prior year, this item additionally included the expense of 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 €2.8m, were slightly down on the prior year (prior year: €2.1m). The increase is due, among other things, to projects in the area of sustainability.

The **investment result** (HGB-basis) comprises income under control and profit (loss) pooling agreements and a profit transfer agreement in the amount of €35.8m (prior year: €2.9m) 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 €4.5m (prior year: €40.0m). A profit transfer agreement was entered into between WashTec AG and WashTec Holding GmbH effective January 1, 2022.

Net income for the period (HGB-basis) went down from €39.9m to €28.3m.

Balance Sheet of WashTec AG (condensed)

In €m	Dec 31, 2022	Dec 31, 2021	Change	
			absolute	in %
Non-current assets	128.2	128.2	0.0	0.0
Receivables and other assets	40.9	54.2	−13.3	−24.5
Equity	158.9	169.4	−10.5	−6.2
Provisions	7.9	3.6	4.3	119.4
Liabilities	2.3	9.3	−7.0	−75.3
Balance sheet total	**169.1**	**182.4**	**−13.3**	**−7.3**

Financial position and cash flows

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. No impairment has been identified.

The **receivables and other assets** (HGB-basis) in the amount of €40.9m (prior year: €54.2m) primarily result from general clearing transactions with affiliated companies under control and profit (loss) pooling agreements and a profit transfer agreement.

Equity (HGB-basis) was €158.9m (prior year: €169.4m). This yields an equity ratio of 94.0% (prior year: 92.9%).

Provisions (HGB-basis) stood at €7.9m (prior year: €3.6m) and mainly related to taxes, legal and consulting expenses, auditing costs, Management Board remuneration and Supervisory Board remuneration. The increase mainly relates to higher provisions for income taxes due to the establishment of a profit transfer agreement between WashTec AG and WashTec Holding GmbH in accordance with the resolution of the 2022 Annual General Meeting.

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

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 Section 289f (1) HGB.

WashTec AG's main risks relate to the recoverability of the carrying amount of investments. In addition, there are risks associated with the amount of the profits and losses from subsidiaries under the control and profit (loss) pooling agreements and the profit transfer agreement.

Other

The salient features of the remuneration system for the Management Board and the Supervisory Board are explained in the Notes to the Consolidated Financial Statements (Note 37). In addition, detailed descriptions of the remuneration system and the remuneration of the Management Board and Supervisory Board are contained in the Remuneration Report, which is published on the Company's website under "Remuneration of Board of Management and Supervisory Board."

The Corporate Governance Statement is reprinted in section 8 and published on the website *https://ir.washtec.de/en/*.

Guidance

The expectations described under "WashTec business development" in the Outlook for the WashTec Group (section 4.1) 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

Following the termination of the previous lease agreement, the American subsidiary Mark VII Equipment Inc., Arvada, USA, acquired the land and buildings belonging to the production site effective January 2, 2023. The purchase price was USD 10.3 million. This is financed by a 5-year US dollar bank facility in the same amount. The negotiated financing arrangements include both fixed and variable components. A share of 79% of the loan amount is hedged against interest rate risk.

Stephan Weber, Chief Sales Officer (CSO) of WashTec AG with responsibility for Sales, Service and Marketing, left the Company by mutual agreement as of February 28, 2023. Sebastian Kutz, previously Executive Vice President, Head of Sales & Service DACH, has been appointed as his successor from March 1, 2023.

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.

Business policy and strategy

In fiscal year 2023 and beyond, the WashTec Group will continue to pursue its strategy of profitable organic growth through maximum customer benefit, with the aim of further extending its market and technology leadership in carwash.

Markets and products

The Group intends to further increase its presence and market share in all major sales regions and product and service segments worldwide. This applies to all markets in which WashTec intends to occupy a leading position with maximum customer benefit in every customer, product and service segment. WashTec generates a significant portion of revenue in Europe and aims to further extend its market position there. In addition, North America in particular is targeted to account for a higher share of the Group's revenue in the medium to long term.

General economic conditions

A detailed description of the overall economic development can be found in section 2.1 of the management report. The WashTec Group has prepared its outlook against the general backdrop of a continuing uncertain economic and geopolitical environment and, as a result, low to stagnating economic growth. Negative impacts on economic development may also result from the growing tensions between the United States and China, an expansion of the current war in Ukraine to other countries – or a significant escalation of the war – and a resurgence of the COVID-19 pandemic due to new virus mutations.

WashTec business development

The outlook for fiscal year 2023 is subject to uncertainties that could have a material effect on the planned development of key performance indicators.

In particular, the planning assumptions take into account the prevailing uncertainties due to the war in Ukraine, persistent high inflation, and the burden on consumption and investment caused by past and future increases in base rates. Against this backdrop, the WashTec Group expects economic growth to stagnate this year. The outlook does not assume any major new supply chain disruptions or a further increase in inflation.

The Company believes that the price increases implemented in fiscal year 2022, which will take full effect in 2023, and the solid order backlog at the end of 2022 provide a good foundation for the new fiscal year. With regard to material prices, the WashTec Group assumes that they will remain at their current high level, but without any further significant increases relative to the reporting year. In particular, material availability is expected to improve as supply chains stabilize. Due to the overall decline in demand and the simultaneous high level of inflation, the Company expects that prices on the procurement side will remain stable at their current high level.

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 2023 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:

For fiscal year 2023, WashTec expects Group revenue on a similar level to the prior year (2022: €482.2m), with a significant increase in EBIT (2022: €38.0m). This will be supported in particular by the measures already implemented to increase production efficiency, in conjunction with optimized and resilient supply chains and strict cost management in all areas.

Revenue and EBIT in Europe is expected to develop in line with the targeted Group performance. For the North America and Asia/Pacific regions, the expectation is for revenue growth at constant exchange rates and an improvement in EBIT compared to fiscal year 2022. The market in China remains challenging overall and the Company is reviewing its market approach there.

With regard to the development of free cash flow (2022: €16.2m), the Company expects a significant increase, mainly due to lower inventory levels as a result of improved material availability.

WashTec aims to employ the capital available to it profitably and efficiently. Return on capital employed (ROCE) is the 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 significantly compared to the prior year (2022: 20.2%).

The Company aims to further reduce the accident rate (work accidents/million hours worked) in the coming year (2022: 4.2).

Earnings in the separate financial statements of WashTec AG depend to a substantial extent on the profit transfers from subsidiaries. The financial key performance indicator is net income for the period. The forecast described for the WashTec Group therefore also applies to the business development of WashTec AG as the ultimate Group parent company.

Revenue on a similar level to the prior year	±3%
Significant increase in EBIT	≥ 10%
Significant increase in free cash flow	≥ 10%
Significant improvement in ROCE	≥ 1 percentage point
Accident rate	< 4.2

4.2 Opportunities and risk report

Risks are possible future developments or events that could lead to negative deviations from the Company's forecasts or targets. 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 WashTec Group's international business activities give rise to opportunities and risks that are inextricably linked with its business. To address these opportunities and risks in a timely and controlled manner, the Company's key business processes are subject to an internal monitoring and control system. This enables timely action to be taken as necessary.

4.2.1 Opportunities and risk management

Risk management

Risks are identified, analyzed, assessed, managed, documented and communicated, and these activities monitored, using a uniform, Group-wide, multi-level risk management system. 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. The risk management system used by the Group allows systematic risk recording, documentation, assessment and aggregation on the basis of recognized statistical methods.

All identified risks are reported by divisional heads and analyzed within the risk management system on a semi-annual basis. Risks are assessed for EBIT impact – either as an absolute maximum impact figure or as a three-point estimation of a best-case, expected and worst-case impact figure – and for probability of occurrence and the effectiveness of possible 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. The risk management system is also audited annually by Internal Audit.

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 Group liquidity, equity and operating earnings (EBIT). 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%

There were no changes in risk classification compared with the prior year.

Based on the combination of these two factors, all risks, aggregated by risk categories, 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 positive future 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, as far as possible, materialized for all divisions in regular budget planning and update sessions as well as in management meetings.

4.2.2 Opportunities and risks

Relative to fiscal year 2021, the main change in the assessment of opportunities and risks in the reporting year relates to the development of the global economy.

The uncertain further course of the war in Ukraine and its economic and political consequences create uncertainty about the economic growth forecasts for fiscal year 2023.

Further restrictions to oil and gas supplies and their potential adverse impact on energy and commodity price trends could trigger further increases in inflation rates, which would negatively affect customers' willingness to invest. The ongoing supply shortages also pose significant risks going forward.

Rising interest rates could have a further negative effect on customers' investment propensity and the Group's borrowing costs, thus impacting business development.

The opportunities and risks that could have a material impact on the development of the WashTec Group as of the December 31, 2022 balance sheet date are described in the following.

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 Ukraine war did not have a major direct financial impact on the WashTec Group's business development, but it did significantly influence business development via the adverse effect on material prices and availability and the uncertainty regarding energy supplies. A protracted war could prolong or exacerbate this problem.

The global economic outlook deteriorated significantly in fiscal year 2022 compared to the prior year due to the Ukraine war and the resulting rise in inflation, especially in Europe and the USA. A lack of clarity about how the situation will develop in the year ahead is fueling fears of recession and inhibiting the willingness to invest.

Rising interest rates and living costs are having an effect on consumer behavior, which could negatively impact overall demand and customers' investment decisions.

The COVID-19 pandemic had no significant impact on the carwash business in the year under review. A change in the situation due to new mutations, or a new pandemic, could lead once more to restrictions and consequently affect our business.

Opportunities

Shortages of materials and resources at our customers' construction sites delayed the completion of carwash installation work, which also delayed revenue recognition and increased costs by reducing the efficiency of these processes. A decline in general demand for construction-related services could help alleviate this situation.

The general economic slowdown and the associated decline in demand could also result in lower procurement prices for the Group.

Climate and environmental risks

Risks

Climate change, regional droughts and water scarcity, increasing road congestion, rising fuel costs, the proliferation of inner-city vehicle-free zones and greater general environmental awareness could all lead to fewer vehicles on the road in order to protect the environment or comply with regulations. Such a trend could diminish carwash use and, accordingly, reduce capital spending on vehicle wash equipment.

Car washing bans due to droughts, as seen in Southern Europe during the fiscal year under review, could have a negative effect on the Group's service and chemicals business. The impacts of climate change may also result in such bans on car washing being enshrined in law in the near future.

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 believe that potential changes in the way vehicles are utilized in the future, such as the increase in car-sharing models, will not materially 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 carwashes to autonomous washing in conveyor tunnel systems.

New mobility concepts could lead in the future in increased use of the existing vehicle fleet. In addition to the size of the fleet, the nature and intensity of vehicle use would then determine carwash demand. Vehicles need to be cleaned no matter how they are powered and regardless of the ownership model. "Shared mobility" vehicles tend to be washed more frequently.

Opportunities

The scarcity and rising cost of fresh water as a resource could lead to an increase in automated vehicle washing. This is much more environment-friendly than manual washing, especially in the case of carwashes with water treatment systems. According to the system, wash program and vehicle type, water recovery systems that recirculate wash water can reduce mains water consumption by up to 90%.

Additional countries adopting stricter legislation could drive a rise in demand for carwash systems with water recovery systems. Similarly, rules and regulations such as the prohibition of hand car washing could have a positive effect on demand for carwash equipment.

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

Customers, competition and market

Risks

A freeze on capital spending by individual oil companies or the listing of other suppliers due to oil companies launching new bid requests for framework supply agreements 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 fiscal year.

Uncertainty about the current political situation and the related challenging global economic environment, as well as rising interest rates, could also make our customers hesitant to invest.

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

WashTec has implemented a systematic and intensive market tracking system. The risk to revenue from a decline in demand is monitored and, if necessary, appropriate measures are taken in the form of product modifications, fine-tuning of the product range and capacity adjustments.

Reduced supply and higher prices for fossil fuels are driving demand for electric vehicles. This could lead to reduced use of filling stations as they exist today. At present, however, it is not possible to predict which recharging model will prevail for electric vehicles. However, our major customers believe that due to the existing vehicle fleet, this option will not have a significant impact on the number and use of filling stations over the next five to ten years.

A further 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 developed markets. The Company's solid structure also allows it to invest in new products and markets. Local presence with the Company's own production plants in 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.

Closer collaboration with our independent sales partners in countries where WashTec does not have subsidiaries of its own could increase sales volumes in growth regions.

Major oil companies in particular are benefiting from the sharp rise in the oil price. This could lead to higher investment on the part of these major customers.

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 have a negative impact on the financial position, financial performance and cash flows of the WashTec Group due to interest expense for 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's earnings 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 related spending.

Opportunities

Capital expenditure offers numerous opportunities. Depending on the type of capital expenditure, these include 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 and thus generate a competitive advantage. Smart technology optimizes carwash operation, for example, and allows operators to precisely meet customer needs. Remote services can also be used to increase machine availability and enhance carwash profitability.

Innovations and patents

Risks

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

Even if patents have a presumption of effectiveness by operation of law, the granting of a patent does not necessarily mean that the patent will be effective 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 in managing the phase-out of existing products and in quality-related problems that only become apparent after market launch.

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 future service volumes and thus revenue in this area.

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 received numerous past 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, generate new demand and win new customer groups or lead to a shift in market share among existing customer segments.

IT security, quality and processes

Risks

IT security, quality and process risks can arise in connection with new product launches and with improvements in 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. Cyberattacks and ransomware attacks continue to grow in number and professionalism around the world. The risk in the context of cybercrime is classified as relevant overall.

WashTec has taken appropriate measures (such as training) to reduce these risks as far as possible. In the opinion of the Company, the stability of the IT systems in recent years indicates that they are robust, and the probability of occurrence of these risks is therefore classified as possible. Significant effort and investment will nevertheless continue to be made in the coming year to reduce these risks as far as possible.

Quality problems in the development or production of carwash equipment can result in subsequent costs for the Group. Any defects or problems are continuously recorded, monitored and corrected by quality assurance.

Opportunities

Continuous improvement of business processes and the use of new technologies can have a positive impact on customer satisfaction. In addition, it may lead to process efficiency gains that have not been taken into account in normal planning.

Suppliers

Risks

With respect to the purchase of raw materials, components or services, there are risks relating to delayed deliveries, product unavailability, defective quality and volatile purchase prices.

The steep rises in material prices and the increased difficulties in procuring materials due to the war in Ukraine and the lockdowns in China mean that supplier-related risks further increased in the course of the fiscal year.

Bottlenecks in material availability were successfully countered by suitable operational measures, enabling the WashTec Group to meet its delivery obligations in full.

Uncertainty about the potential impact of the geopolitical upheavals in the coming year increases the risk of supply disruptions and further material price increases.

Rigorous supplier and procurement management has reduced these risks, especially in the case of strategic suppliers.

Opportunities

Competition among suppliers and their innovation potential makes it possible to achieve both technical and price improvements for the procurement of products or services.

The increasingly global procurement activities could enable further efficiency potential to be realized in the future procurement and production of individual components.

Capacity risks

Demand fluctuations and varying production capacity utilization over the course of the year require corresponding capacity adjustments. The fact that sales volumes are higher in the final months of the year creates particular challenges in production planning.

Absences of production personnel due to illness can result in a sudden loss of production capacity for several days.

A failure of critical infrastructure could also halt parts of the production process at short notice.

On the basis of internal sales volume planning, capacity risks at the production sites are identified as far as possible and mitigated by the deployment of temporary workers and flexible annual working time arrangements or, in the event of extreme fluctuations, by short time working.

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

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 performance sparks the interests of new investors, then this could lead to significant changes in ownership structure or a takeover.

Such events may lead to changes in the WashTec Group's established strategy, the composition of its executive bodies and its previously communicated expectations. Some of the WashTec Group's contractual agreements (such as loan agreements) include a change of control clause.

Financial and legal risks

The base interest rate on the existing financing arrangements is variable. Further interest rate rises could negatively impact the WashTec Group's earnings.

Increased utilization of the credit lines, combined with recent and possible future increases in the ECB's key interest rates, poses the risk of higher financing costs.

WashTec is also exposed to risks arising from different product-specific and country-specific rules, regulations and laws that affect its business activities and processes. There is a possibility that new litigation may arise and that existing litigation with contracting parties may be resolved. The Group manages these risks by involving the legal department in critical legal transactions at an early stage, by engaging external experts as necessary and by recognizing appropriate provisions.

Exchange rate changes

Risks

Due to an increase in transactions with subsidiaries, exchange rate changes could affect operating performance. In addition, exchange rate fluctuations may affect the Group's income statement through the measurement of open foreign currency positions. To mitigate such effects when necessary, WashTec hedges against major risk with derivatives. The operational risk arising from individual transactions in foreign currencies is immaterial to the Group due to their small volume.

Opportunities

A weakening of the euro could lead to positive currency effects on revenue in the North America or Asia/Pacific regions.

Liquidity risk

Ensuring that the subsidiaries are solvent at all times is essential for WashTec. The implemented cash management systems enable potential shortfalls to be identified in good time and appropriate action to be taken. 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.

The company considers itself well positioned with regard to liquidity risks. With the currently available credit lines, the Company has sufficient liquid resources and borrowing lines to be able to be flexible and also to invest in future growth.

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. The recognized allowances for trade receivables are considered sufficient to cover the actual default 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 has proven to be robust to date and the Group has not experienced any increase in bad debt during the recent crisis years. Overall, there were no significant defaults and there was no further increase in default risk.

Tax risks

The WashTec Group mostly recognizes deferred taxes in relation to temporary differences. Changes in tax legislation that affect 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 ongoing pending tax audits at Group companies. Corporate management views this risk as low because all new tax calculations were prepared in cooperation with local tax consultants. Due to the international nature of the WashTec Group’s business activities, however, tax risks cannot be ruled out until tax audits have been concluded.

Employee risks

WashTec is highly dependent on qualified employees and specialists, especially in development, customer care and carwash equipment programming and operation. The unexpected loss of employees or difficulty finding qualified employees could have an adverse effect on WashTec’s development.

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 companies’ social security obligations 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	unlikely	material	relevant
Capital expenditure risks	unlikely	minor	relevant
Innovations and patents	unlikely	minor	relevant
IT security, quality and process risks	possible	minor	relevant
Supplier risks	possible	minor	relevant
Capacity risks	unlikely	minor	relevant
Takeover risks	very unlikely	insignificant	negligible
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	likely	insignificant	relevant
Employee risks	unlikely	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 considered unlikely that the individual risks will materialize simultaneously. The accumulated expected loss (net) across all single risks is €25.9m as of the end of 2022 (prior year: €23.1m) and is thus slightly above the level of the prior year.

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

The total number of risks that have a material impact on the WashTec Group has increased compared to the prior year. Risks related to macroeconomic developments increased in the reporting year, particularly in connection with the war in Ukraine and the resulting impact on inflation, customer demand and customer investment behavior. As the number of ransomware attacks and cyberattacks continues to increase, IT security risks also continue to be relevant for WashTec.

Based on the findings of the risk management process, the Management Board is not currently aware of any risks that could cast doubt on 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. 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 Internal control system and risk management system

WashTec's **risk management system (RMS)** is described in the Risk Report under 4.2. Opportunities and risk report.

The **internal control system (ICS)** comprises all systematically defined controls and monitoring activities. It monitors principles and procedures using preventive and detective controls.

An effective and efficient internal control system is critical to the successful management of risk in business processes. The ICS covers all WashTec companies. The scope of activities to be performed by each entity varies, depending among other things on its materiality to the consolidated financial statements and the specific risks associated with the entity. Overall responsibility for the ICS lies with the Management Board. In the manner of a compliance management system, the purpose of WashTec's ICS is to ensure effectiveness and efficiency in business activities, orderly and reliable accounting, and compliance with the legal provisions and requirements relevant to the WashTec. Accordingly, WashTec's internal control system covers all key business processes and goes beyond controls in the accounting process.

In the **accounting process**, various monitoring measures and controls help to ensure, for example, that the annual financial statements and the consolidated financial statements are prepared in accordance with requirements. WashTec uses a uniform Group consolidation system to ensure consistency. This also minimizes the risk of misstatements in accounting and external reporting. Adequate functional segregation and application of the dual control principle reduce the risk of fraudulent conduct. The coordinated processes, systems and controls provide sufficient assurance that the accounting process complies with IFRS, the German Commercial Code (HGB) and other accounting-related requirements and laws. Group-wide accounting policies ensure the uniformity of accounting throughout the WashTec Group. The effects that any new accounting requirements and changes in existing accounting requirements will have on the WashTec Group are examined and applied on a timely basis.

WashTec regularly performs system backups in the case of relevant **IT systems** in order to prevent data loss and system downtime as far as possible. The security policy also include in-built system controls, manual spot checks by experienced staff, role-based permissions and physical access restrictions.

WashTec continuously develops the requirements for the internal control system and adapts the control landscape to changing processes. Internal Audit is involved in the entire process and regularly reviews the effectiveness of the internal control system as part of the risk-based annual audit plan.

Note: The following paragraph was not subject to an audit by the auditor.

WashTec's Management Board evaluates the output of the RMS and the ICS at Management Board meetings and conducts an annual assessment of their appropriateness and effectiveness. The Management Board has no indication that the RMS and ICS, taken as a whole, were not adequate or effective in any material respect as of December 31, 2022. However, as part of a continuous improvement process, the Management Board recognizes the need for ongoing optimization to ensure effectiveness and efficiency. Irrespective of this, there are inherent limitations to the effectiveness of any RMS or ICS. No system considered to be adequate and effective is guaranteed to identify all risks or rule out process or control violations in all circumstances. The Audit Committee is systematically integrated into WashTec's RMS and ICS. In particular, the Audit Committee monitors accounting and the accounting process as well as the appropriateness and effectiveness of the ICS and the RMS.

6 Risk reporting in relation to the use of financial instruments

The risks for the Group arising from derivative financial instruments comprise cash flow, liquidity, currency, credit and default risks. Company policy is to avoid or limit these risks as far as possible. The management of currency, liquidity, credit and default risks has already been addressed in the risk report. 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.

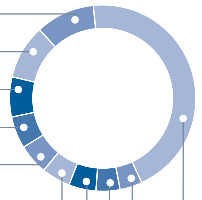
Direct and indirect shareholdings

To the knowledge of the Management Board, 44.74% of the Company's shares (as of December 31, 2022) are held by shareholders whose stakes are below the notification threshold. According to the notifications filed under the German Securities Trading Act (WpHG), a direct shareholding above 10% of voting rights is held by EQMC ICAV (formerly EQMC Europe Development Capital Fund plc.), Ireland (as of December 31, 2022: 10.06%; as of February 7, 2023: 15.14%). According to the notifications filed under the WpHG, an indirect shareholding above 10% of voting rights is held by Alantra EQMC Asset Management, SGIIC, S.A., Spain (15.12%) as the investment management function of EQMC ICAV.

According to the notifications filed under the WpHG, a direct shareholding close to but below 10% of voting rights is held by Kempen Oranje Participations N.V., Netherlands (9.60%).

Shareholder structure as of December 31, 2022

10.06%	EQMC ICAV [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.
4.58%	Paradigm Capital Value Fund SICAV
4.25%	Treasury shares
4.00%	Diversity Industrie Holding AG
44.74%	Other



Source: Notifications pursuant to WpHG

[1] Alantra EQMC Asset Management, SGIIC, S.A. as investment management function
[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 Management Board has not made use of these authorizations.

By resolution of the Annual General Meeting on May16, 2022, 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, 2025 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. As the authorization to purchase treasury shares granted by resolution of the Annual General Meeting of April 29, 2019 expired on June 30, 2022, it was resolved at the Annual General Meeting of May 16, 2022 to revoke the existing authorization and to grant the Company renewed authorization to purchase and make use of treasury shares. By resolution of the Annual General Meeting of May 16, 2022, the Company is authorized to acquire, on or before June 30, 2025 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 8 of the agenda in the 2022 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 Management Board and Supervisory Board of WashTec AG operate in accordance with the principles of good and responsible corporate governance. In this Corporate Governance Statement in accordance with Sections 289f and 315d of the German Commercial Code (Handelsgesetzbuch, or HGB), the Management Board reports on corporate governance at WashTec AG and in the WashTec Group. The Corporate Governance Statement also includes the declaration on the German Corporate Governance Code (the "Code") in accordance with Section 161 of the German Stock Corporation Act (Aktiengesetz, or AktG).

8.1 Declaration of Conformity

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 Declaration of Conformity in accordance with Section 161 AktG as submitted jointly by the Management Board and Supervisory Board on December 15, 2022 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 15, 2022 under Section 161 AktG

The Management Board and Supervisory Board submitted the last Declaration of Conformity on December 16, 2021.

The Management Board and Supervisory Board declare that since submission of the last Declaration of Conformity on December 16, 2021, WashTec AG has complied, with exceptions as follows, 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 currently complies and will continue to comply, with exceptions as follows, 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 April 28, 2022:

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 also 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 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. With regard to the Management Board contracts current at the time of the 2021 Annual General Meeting , these have been or will be continue to apply under the conditions there specified. 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 Management Board contracts. This is due to the fact that the Management Board contracts current at the time of the 2021 Annual General Meeting 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 2021 Annual General Meeting ("Supervisory Board LTIP"). The current Supervisory Board LTIP applies for the 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 15, 2022

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.

8.2 Remuneration report/remuneration system

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.

8.3 Management Board

Procedures and composition

The Management Board of WashTec AG is responsible for the management of the Company. As the Company's executive body, it 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 establishing the principles of the Company's corporate policies in consultation with the Supervisory Board. The Management Board is also responsible for the strategic direction of the Company, the planning and setting of the Company's budget, the allocation of resources and the oversight of the business units. 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 to ensure compliance by all Group companies. It reports to the Supervisory Board regularly, promptly and comprehensively on all issues of relevance to the Company and the Group relating to strategy and strategy implementation, planning, the financial position, results of operations and cash flows, compliance, risks and risk management.

The work of the Management Board is governed by rules of procedure for the Management Board, which are issued by the Supervisory Board. In particular, the rules of procedure define the portfolios of the members of the Management Board, specify the matters reserved for decision by the full Management Board, determine the matters requiring the approval of the Supervisory Board and establish the majority voting requirements for Management Board resolutions.

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

Name	Period	Portfolio
Dr. Ralf Koeppe (CEO & CTO)	January 1 to December 31, 2022	Corporate Culture, Communication and Philosophy, HR, R&D, Supply Chain, Production, Quality, Service Support, Sustainability
Acting CFO	September 1 to September 30, 2022	Finance/Controlling, IT, Procurement, Investor Relations, WTFS, Legal, Risk Management/Compliance/ Audit, Insurance
Dr. Kerstin Reden (CFO)	January 1 to August 31, 2022	Finance/Controlling, IT, Procurement, Investor Relations, WTFS, Legal, Risk Management/Compliance/ Audit, Insurance
Andreas Pabst (CFO)	October 1 to December 31, 2022	Finance/Controlling, IT, Procurement, Investor Relations, WTFS, Legal, Risk Management/Compliance/ Audit, Insurance
Stephan Weber (CSO)	January 1 to December 31, 2022	Global Sales and Service, KAM/CWM, Marketing and Product Units/Product Management

Succession planning and diversity policy

Together with the Management Board, the Supervisory Board ensures that long-term succession planning is in place 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 renewal options for current Management Board members are discussed along with potential successors.

WashTec aims as a matter of policy for the composition of the Management Board to be based on qualification. The Supervisory Board pays particular attention to diversity as part of the selection process for new Management Board members. In connection with filling vacancies on the Management Board, the Supervisory Board prepares a requirements profile and conducts interviews with suitable candidates. When making appointments to the Management Board, efforts are made to ensure that candidates have experience in the same or a similar industry. Based on this, the Supervisory Board decides on appointments to vacant Management Board positions taking into account the requirements profile and specific qualification requirements. Where necessary, the Supervisory Board and the Personnel Committee are assisted by external consultants in the preparation of requirements profiles and the selection of candidates.

Given suitable experience, people of all age groups can be members of the Management Board. In accordance with recommendation B.5 of the Code, the Supervisory Board has set a standard age limit of 65 for members of the Management Board. Information on targets for the percentage of women on the Management Board is provided under heading 8.6 on page 102.

8.4 Supervisory Board

Supervisory Board procedures

The Supervisory Board of WashTec AG advises and monitors the Management Board in its management of the Company, including the management of the Group. Management Board decisions of major significance – for example, acquisitions, divestments and financing measures – are subject to Supervisory Board approval. The Supervisory Board regularly discusses business development and planning, as well as 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 (cf. section 87a AktG), 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, which was granted by the Annual General Meeting.

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 regularly reviews the efficiency of its work in a self-assessment. The self-assessment is based on a questionnaire that is regularly updated and revised in accordance with the requirements of the Code. Following the end of the reporting year, a new self-assessment was carried out in the first quarter of 2023. The results of the assessment were also presented and discussed in depth in the first quarter of 2023. 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 Board work closely together in the best interests of the Company. No conflicts of interest requiring disclosure to the Supervisory Board arose on the part of members of the Management Board or Supervisory Board. The independent advice and monitoring of the Management Board by the Supervisory Board has been and continues to be ensured at all times.

Composition of the Supervisory Board and of Supervisory Board committees

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. In March 2022, the Supervisory Board additionally decided 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. 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 committee chairpersons each report regularly to the Supervisory Board on the work of the committees.

	Audit Committee	Personnel Committee	Nomination Committee	Innovation and Production Committee	Sales Committee	Corporate Strategy and Sustainability Committee
Dr. Günter Blaschke		C	C	M	C	M
Ulrich Bellgardt		M		M	M	C
Dr. Hans Liebler	M		M			
Heinrich von Portatius	M					
Dr. Alexander Selent	C	M				M
Peter Wiedemann			M	C		

C: Committee chairperson
M: Committee member

The current membership of the Supervisory Board, meeting attendance and details of the Supervisory Board's work together with that of its committees in the reporting year are presented in the Report of the Supervisory Board on page 10.

Taking into account the legal requirements and the recommendations of the Code, the Supervisory Board of WashTec AG has adopted specific objectives for its composition, including a profile of skills and expertise and a diversity policy for the Supervisory Board.

Independence

The Supervisory Board is required to include what it considers to be an appropriate number of independent members within the meaning of the Code. For this purpose, more than half of the shareholder representatives are required to be independent from the company and the Management Board. If the company has a controlling shareholder, at least one of these shareholder representatives is also 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 is also required to be independent from any controlling shareholder.

Diversity policy

Diversity contributes to a broad range of experience, perspectives, knowledge and skills within the Supervisory Board. The Supervisory Board therefore seeks to ensure sufficient diversity in terms of personality, gender, internationality, educational or professional background, expertise, experience and age distribution, taking particular account of the following criteria for its composition:

- The Supervisory Board as a whole is required to have a balanced age structure, including both younger professionals and older members with greater professional and life experience.
- In elections to the Supervisory Board, the aim is to ensure that, in addition to suitability in terms of personal and professional skills and expertise, the Supervisory Board includes both male and female members. The composition of the Supervisory Board must be based on the applicable legal requirements and on the target quotas established on the basis of the Act on Equal Participation of Women and Men in Leadership Positions (Führungspositionengesetz).
- The Supervisory Board is composed of individuals who, in addition to their personal and professional skills and expertise, preferably also have different educational and occupational backgrounds – such as engineering, business, law or the humanities.

Profile of skills and expertise

The guiding principle for the composition of the Supervisory Board is to ensure professional monitoring and advice of the Management Board of WashTec AG. Its members as a whole are required to possess the knowledge, skills and professional expertise necessary to properly perform the duties of the Supervisory Board of WashTec AG as an internationally operating listed company in the mechanical engineering sector.

Candidates proposed for election to the Supervisory Board are required to have the personality, knowledge and experience to properly perform the duties of a member of the Supervisory Board of WashTec AG as an internationally operating listed company in the mechanical engineering sector. Each member of the Supervisory Board is required to possess the integrity and independence of judgment to fulfill his or her responsibilities of oversight and control. For the purpose of advising and monitoring the Management Board, each member of the Supervisory Board is also required to have appropriate experience from management functions or to have otherwise acquired the necessary skills.

Members of the Supervisory Board are each responsible for ensuring that they have sufficient time at their disposal to properly perform their duties. It is necessary to take into account in this connection that at least four ordinary Supervisory Board meetings are held each year, each of which requires adequate preparation, that sufficient time must be available for the review of the annual and consolidated financial statements, and that membership of one or more Supervisory Board committees requires additional time.

Supervisory Board members are required to comply with the limit on the number of supervisory board offices held as recommended by the Code.

The normal age limit for membership of the Supervisory Board, as laid down in the rules of procedure for the Supervisory Board, is 75 years.

The Supervisory Board as a whole is required to possess all skills and expertise considered material in view of WashTec's activities. This includes, in particular, knowledge and experience in the following areas of expertise:

Area of expertise	Description
Leadership experience/management	Leadership/management experience through holding an executive position or as a member of a supervisory board or similar body in a (listed) company
Technology and innovations (including engineering and digitalization)	Knowledge and experience in the areas of technology and innovations (including engineering and digitalization)
Production, sales and marketing	Knowledge and experience in the areas production, sales and marketing
Finance	Knowledge and experience in the application of accounting principles and the application of internal control procedures
Risk management and compliance	Knowledge and experience in risk management and in the area of general corporate compliance
Human resources	Knowledge and experience in personnel leadership, personnel management and personnel development
Sustainability (ESG)	Knowledge and experienced of ESG factors and their significance and of sustainability issues of importance to the WashTec Group, and knowledge of corporate governance in listed companies (German Corporate Governance Code, Market Abuse Regulation, etc.)
Internationality	Knowledge and experience (including non-native language skills) in international business activities
Capital market and investor relations	Knowledge of the capital market and of investor relations; experience with investors

In addition, in view of the requirements in Section 100 (5) AktG, at least one member of the Supervisory Board must have expertise in the field of accounting and at least one other member of the Supervisory Board must have expertise in the field of auditing. According to the Code, the expertise in the field of accounting consists of special knowledge and experience in the application of accounting principles and internal control and risk management systems, and the expertise in the field of auditing consists of special knowledge and experience in the auditing of financial statements. Accounting and auditing also include sustainability reporting and its audit and assurance. The chairman of the audit committee is required to have appropriate expertise in at least one of the two areas. The members as a whole must be familiar with the sector in which the company operates.

Implementation/composition of the Supervisory Board

The Supervisory Board of WashTec AG is composed in accordance with its objectives and the above requirements. All members of the Supervisory Board have diverse professional and educational backgrounds, international experience and many years of management experience. The members as a whole are familiar with the sector in which the Company operates and have the knowledge, skills and experience that are material to WashTec. The expertise of the Supervisory Board and the Corporate Strategy and Sustainability Committee on sustainability issues relevant to the Company enables the Supervisory Board, in its monitoring and advisory capacity, to monitor the inclusion of environmental and social sustainability in corporate strategy and planning.

The Supervisory Board and its Audit Committee each have at least one member with expertise in accounting in Dr. Liebler and at least one additional member with expertise in auditing in Dr. Selent. Dr. Selent, the Chairman of the Audit Committee, has expertise, special knowledge and experience in the fields of accounting and auditing, notably by virtue of his professional training as auditor and tax advisor and his many years of service as Chief Financial Officer of Fuchs Petrolub AG. Dr. Liebler has special knowledge and experience in the field of accounting, in particular due to his academic qualifications and his many years as managing director of various international companies. Dr. Selent and Dr. Liebler consequently qualify as financial experts within the meaning of Section 100 (5) AktG and Recommendation D.3 of the Code.

Furthermore, the Supervisory Board includes what it considers to be an appropriate number of independent members. In its assessment, six members of the Supervisory Board are independent within the meaning of the Code – namely the members Dr. Blaschke, Bellgardt, Dr. Liebler, von Portatius, Dr. Selent and Wiedemann.

Based on the requirements for members of the Supervisory Board, the following qualification matrix shows the expertise present and the status of implementation of the profile of skills and expertise and of the diversity policy:

	Dr. Günter Blaschke	**Ulrich Bellgardt**	**Dr. Hans Liebler**	**Heinrich von Portatius**	**Dr. Alexander Selent**	**Peter Wiedemann**
Member of the Supervisory Board since	June 4, 2014	June 4, 2014	May 10, 2012	May 16, 2022	May 3, 2017	May 16, 2022
Independence*	x	x	x	x	x	x
Year of birth	1949	1957	1969	1978	1952	1959
Gender	Male	Male	Male	Male	Male	Male
Nationality	German	German/Swiss	German	German	German	German
Areas of expertise						
Leadership experience/management	✔	✔	✔	✔	✔	✔
Technology and innovations (including engineering and digitalization)	✔	✔				✔
Production, sales and marketing	✔	✔				✔
Finance	✔	✔	✔	✔	✔	
Risk management and compliance	✔	✔	✔	✔	✔	
Human resources	✔	✔			✔	✔
Sustainability (ESG)	✔	✔			✔	✔
Internationality	✔	✔	✔	✔	✔	✔
Capital market and investor relations	✔		✔	✔	✔	

* *Within the meaning of the German Corporate Governance Code 2022*

✔ *Based on a self-assessment by the Supervisory Board (a check mark indicates at least good and in-depth knowledge, exceeding the minimum legal requirements for Supervisory Board members, on the basis of existing qualifications or acquired in the course of service as a Supervisory Board member, such as through many years of service on the Audit Committee or regular participation in professional development measures).*

When selecting and nominating candidates for the Supervisory Board, the Supervisory Board and the Nomination Committee take into account, in addition to the requirements of the law and the Code, the above-mentioned objectives for the composition of the Supervisory Board and strive to fulfill the profile of skills and expertise for the Supervisory Board as a whole. The selection process is also required to consider the diversity aspect at an early stage. The Supervisory Board's decision on election nominations to the Annual General Meeting is always based on the interests of the Company, taking into account all circumstances of the individual case.

8.5 Shareholders and the Annual General Meeting

WashTec AG regularly provides detailed information on the Company's business development, financial position, financial performance and cash flows to its shareholders in the form of financial reports, in individual discussions and at investor conferences.

The shareholders exercise their rights at the Annual General Meeting. The Annual General Meeting of WashTec AG is generally held in the second quarter of the year. 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 Articles of Association and the granting of authorization to take measures that have the effect of changing the share capital are decided exclusively by resolution of the Annual General Meeting and implemented by the Management Board. Absent shareholders may have their voting rights exercised by proxies.

WashTec AG made use of the option of holding the Annual General Meeting as a virtual Annual General Meeting in the 2022 reporting year 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.

8.6 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 Management Board and Supervisory Board, together with dates for their achievement. In the fiscal year 2018, the Supervisory Board set new targets for the percentage of women in the Management Board and Supervisory Board, to be achieved by June 30, 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 was met in the reporting year until August 31, 2022. Following the departure of Dr. Reden from the Management Board, there were no female members of the Management Board from September 1, 2022 onward. 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 2022 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 within the WashTec Group 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 believed these percentages to be reasonable as they provide flexibility in terms of filling positions on the basis of qualification. Both targets were met as of June 30, 2022. The percentage of women was 13% at the first management level below the Management Board and 16% at the second management level below the Management Board. The need to set targets for the percentage of women at levels of management within WashTec AG does not arise, because WashTec AG as the Group parent has no such levels due to the very small number of employees.

The Management Board of WashTec AG has set itself the goal of further promoting the percentage of women in leadership positions within the WashTec Group and has decided to set a voluntary female quota for one management level across the entire Group. The target is 18% (equivalent to 32 people); the date for achievement of the target is June 30, 2027.

8.7 Corporate governance practices

Transparency and communication

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. Once annually, WashTec publishes a comprehensive sustainability report, which is available in the Investor Relations section of the Company's website, *www.washtec.de*.

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*.

Under Article 19 of the Market Abuse Regulation (EU) No 596/2014, members of the Management Board and Supervisory Board, 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.

The reportable securities transactions reported to WashTec AG in the reporting period (managers' transactions) have been duly published and are available in the Investor Relations section of the Company's website, *www.washtec.de* under *News – Managers' Transactions*.

Compliance

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 and the Audit Committee. 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 for all employees of the WashTec Group worldwide and for the members of the Management Board. It is regularly reviewed and updated to reflect social and regulatory changes.

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. As part of the compliance system, a whistleblower system in place since 2016 allows employees and others to raise concerns – anonymously if they prefer – and flag circumstances that may indicate a violation of the law or Company policies. 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 insider list are informed of the duties entailed.

Opportunities and risk management

Responsible management of opportunities and risks is part of good corporate governance. The Management Board has established an internal control system and risk management system that is appropriate and effective having due regard to the scope of the Company’s business activities and its risk situation. The Management Board and the Supervisory Board regularly discuss existing opportunities and risks, their development and action to be taken. The internal control system, the risk management system and the internal audit system are subject to continuous development and adaptation to changing conditions. Details are presented in the opportunities and risk report starting on page 79.

Augsburg, March 24, 2023

Dr. Ralf Koeppe Chief Executive Officer	Sebastian Kutz Management Board member	Andreas Pabst Management Board member

Consolidated Financial Statements of WashTec AG

Consolidated Income Statement

in €k	Note	Jan 1 to Dec 31, 2022	Jan 1 to Dec 31, 2021
Revenue	7	482,239	430,532
Cost of sales	8	−352,826	−303,802
Gross profit		**129,413**	**126,730**
Research and development expenses	8	−14,150	−12,964
Selling expenses	8	−62,136	−55,244
Administrative expenses	8	−17,124	−16,759
Other income	9	7,169	7,115
Other expenses	9	−5,164	−3,186
Earnings before interest and taxes (EBIT)		**38,009**	**45,691**
Financial income		529	73
Financial expenses		−1,275	−971
Financial result	10	**−746**	**−898**
Earnings before taxes (EBT)		**37,263**	**44,793**
Income taxes	11	−10,909	−13,716
Net income		**26,355**	**31,077**
Average number of shares in units		**13,382,324**	**13,382,324**
Earnings per share (basic = diluted) in €	12	**1.97**	**2.32**

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.

Consolidated Statement of Comprehensive Income

in €k	Jan 1 to Dec 31, 2022	Jan 1 to Dec 31, 2021
Net income	**26,355**	**31,077**
Actuarial gains/losses from defined benefit obligations and similar obligations	1,373	46
Deferred taxes	−383	−20
Items that will not be reclassified to profit or loss	**990**	**26**
Adjustment item for currency translation of foreign subsidiaries and currency changes	1,111	1,457
Exchange differences on net investments in subsidiaries	163	484
Deferred taxes	−171	−159
Items that may be subsequently reclassified to profit or loss	**1,103**	**1,782**
Other comprehensive income	**2,093**	**1,808**
Total comprehensive income	**28,448**	**32,885**

Further information on the Consolidated Statement of Comprehensive Income 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.

Consolidated Balance Sheet Assets

in €k	Note	Dec 31, 2022	Dec 31, 2021
Property, plant and equipment	14	25,268	24,966
Goodwill	14	42,312	42,312
Intangible assets	14	7,032	6,212
Right-of-use assets	15	17,337	19,275
Non-current trade receivables	19	3,430	4,211
Other non-current financial assets	20	277	199
Other non-current non-financial assets	20	538	520
Deferred tax assets	16	3,856	4,753
Non-current assets		**100,051**	**102,449**
Inventories	17	71,647	57,083
Current trade receivables	19	78,801	67,236
Tax receivables	18	16,028	18,699
Other current financial assets	20	1,486	1,617
Other current non-financial assets	20	2,255	1,836
Cash and cash equivalents	21	14,215	18,085
Current assets		**184,432**	**164,555**
Assets		**284,483**	**267,004**

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.

Consolidated Balance Sheet Equity and Liabilities

in €k	Note	Dec 31, 2022	Dec 31, 2021
Subscribed capital	22	40,000	40,000
Capital reserves	23	36,463	36,463
Treasury shares	24	−13,177	−13,177
Other reserves and currency translation effects	25	−2,942	−5,074
Profit carried forward		1,426	9,158
Net income		26,355	31,077
Equity		**88,125**	**98,448**
Non-current lease liabilities	29	10,166	12,803
Provisions for pensions	26	8,528	10,196
Other non-current provisions	27	3,199	4,297
Other non-current financial liabilities	30	168	203
Other non-current non-financial liabilities	30	1,522	1,073
Non-current contract liabilities	31	1,738	1,901
Deferred tax liabilities	16	1,600	1,299
Non-current liabilities		**26,920**	**31,773**
Interest-bearing loans	28	41,362	13,547
Current lease liabilities	29	7,936	7,444
Trade payables	30	22,711	16,123
Income tax liabilities		7,514	5,436
Other current financial liabilities	30	20,597	20,574
Other current non-financial liabilities	30	25,606	29,169
Other current provisions	27	9,087	10,902
Current contract liabilities	31	34,625	33,589
Current liabilities		**169,437**	**136,783**
Equity and liabilities		**284,483**	**267,004**

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.

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, 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**
As of January 1, 2022	**13,382,324**	**40,000**	**36,463**	**−13,177**	**−5,074**	**40,235**	**98,448**
Income and expenses recognized directly in equity					2,647		2,647
Taxes on transactions recognized directly in equity					−554		−554
Share-based payment					39		39
Dividend						−38,809	−38,809
Net income						26,355	26,355
As of December 31, 2022	**13,382,324**	**40,000**	**36,463**	**−13,177**	**−2,942**	**27,781**	**88,125**

Further information on the Consolidated 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.

Consolidated Cash Flow Statement

in €k	Note	Jan 1 to Dec 31, 2022	Jan 1 to Dec 31, 2021
EBT		**37,263**	**44,793**
Amortization, depreciation and impairment		14,690	14,507
Gain/loss from disposals of non-current assets		−621	− 268
Other gains/losses		39	1,832
Financial income		−529	−73
Financial expenses		1,275	971
Movements in provisions		−3,122	−634
Income tax paid		−5,534	−11,663
Gross cash flow		**43,460**	**49,465**
Increase/decrease in trade receivables		−10,694	−6,439
Increase/decrease in inventories		−13,987	−17,496
Increase/decrease in trade payables		6,577	5,345
Increase/decrease in prepayments on orders		327	14,261
Increase/decrease in net operating working capital		**−17,777**	**−4,329**
Changes in other net working capital		−2,939	526
Net cash inflow from operating activities		**22,744**	**45,662**
Purchase of property, plant and equipment (without leases)		−7,528	−4,264
Proceeds from sale of property, plant and equipment		1,011	864
Net cash outflow from investing activities		**−6,516**	**−3,400**
Free cash flow		**16,228**	**42,262**
Dividend payout		−38,809	−30,779
Interest received		132	73
Interest paid		−937	−888
Repayment of lease liabilities		−8,861	−7,795
Net cash outflow from financing activities		**−48,476**	**−39,389**
Net increase/decrease in cash funds		**−32,248**	**2,873**
Net foreign exchange difference		**563**	**900**
Cash funds at January 1		**4,538**	**765**
Cash funds at December 31	21	**−27,147**	**4,538**

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.

Notes to the Consolidated Financial Statements of WashTec AG (IFRS) for Fiscal Year 2022

General

1. General information on the Group

The consolidated financial statements of the WashTec Group for the fiscal year January 1 to December 31, 2022 were prepared and submitted to the Supervisory Board for review on March 24, 2023. They were approved at the Supervisory Board meeting on March 27, 2023 and subsequently released for publication by the Management Board. The consolidated financial statements and Group Management Report may be accessed via the Bundesanzeiger (Federal Gazette) and the Unternehmensregister (Company Register) and downloaded from our website, *https://ir.washtec.de/en/financial_reports/*.

The ultimate parent company of the WashTec Group is WashTec AG, which is entered in the commercial register of the Local Court of 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 listed on the Open Market in the Prime Standard stock market segment.

The purpose of the WashTec Group comprises the development, manufacture, sale and servicing of carwash products and washing chemicals, 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 2022 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 are met, exempting the Company from the preparation of consolidated financial statements in accordance with German commercial law.

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

The WashTec Group's business development and its financial position and financial performance were materially affected in fiscal year 2022 by the significant changes in the **macroeconomic environment**. These affected the financial position, financial performance and cash flows of the WashTec Group as follows:

- Impacts of the Ukraine war and the numerous Covid lockdowns in China until the end of the zero-Covid policy caused shortages on procurement markets, with material costs, procurement costs and energy costs rising significantly as a result. The WashTec Group meets the challenges in material procurement, firstly, with increased flexibility in production and higher inventory levels. As a result, the Company retained its delivery capability at all times during the fiscal year. Secondly, the Company is responding with price adjustments. With order lead times of four to six months, it has not yet been possible to fully pass on the procurement market price increases. In addition, the implemented price adjustments proved unable to fully offset the rise in material costs. Overall, these developments had a negative impact on earnings. Combined with the higher net operating working capital (NOWC), this resulted in a significantly lower free cash flow for the Company.
- The sharp increase in the general level of interest rates resulted in higher interest expenses on drawn credit lines. In addition, the higher level of interest rates compared to the prior year was taken into account accordingly when determining the discount rates for non-current balance sheet items and the measurement parameters used in goodwill impairment testing. Impairment testing did not reveal any need for adjustment in the reporting period.

The low volume of business transacted in Russia and Ukraine means that the **Ukraine war** has not had any material direct financial impact on the business performance of the WashTec Group. No production sites or other assets are located there. The Company is clearly noticing the indirect impacts of the war, in particular on material prices and availability, and also on energy costs and inflation.

Climate-related issues are changing the general conditions for the WashTec Group's business model. At the same time, WashTec continues to make an active contribution to environmental sustainability. This notably includes the Environment and Energy Roadmap 2025 and the derived target of a 30% reduction in carbon emissions across all global production sites by 2025 relative to the 2019 baseline.

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. In line with the need to decarbonize and the global mobility trends, this is resulting in changes in vehicle fleets. While autonomous driving and shared mobility bring about a reduction in the number of vehicles, they also lead to increasing passenger mileage with shorter vehicle lifecycles.

In addition to the size of the fleet, the type and intensity of vehicle use will also determine carwash demand in the future. "Shared mobility" vehicles tend to be washed more frequently. A further factor influencing the uptake of automated vehicle washing is a country's average per capita income. Higher wages and rising per capita incomes create lasting global market potential. This applies most of all to regions that are transitioning from manual washing to various forms of automated washing.

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. The WashTec Group nevertheless 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, these developments also harbor opportunities, most of all from the provision of digital, environment-friendly solutions for carwash.

Climate-related causes affect the financial position, financial performance and cash flows of the WashTec Group as follows:

- Measures to reduce carbon emissions in Germany focus on capital expenditure on electric charging infrastructure, energy efficiency improvements in heating systems and the purchase of green electricity for production sites. In addition, the Company has adopted the target of making fleet operations in Germany 100% carbon-neutral by 2030.
- The property, plant and equipment and intangible assets of relevance for replacement investment are fully depreciated or amortized as of fiscal year 2022. 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 make it possible to minimize any impairment risks going beyond those arising in the normal course of business.
- It is not currently necessary to recognize provisions for environmental or asset retirement obligations or to recognize contingent liabilities or contingent assets due to climate-related obligations.
- All climate-related factors that could affect value in use have been assessed in goodwill impairment testing. The impairment testing included possible impacts on the WashTec Group's business model and sales markets, changes in the regulatory environment and changes in the intended use of assets due to climate-induced obligations. This did not reveal any need for adjustment in the reporting period.
- Overall, no significant impacts on the financial position, financial performance and cash flows of the WashTec Group were identified on the basis of estimates, assumptions or judgments.

For this reason, with regard to the changes in the macroeconomic environment, further impacts of the Ukraine war and climate-related issues, the management does not consider that there is any material 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 from the point in time 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, 2022. 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, 2022 in €k	Profit/loss for 2022 in €k
German entities					
WashTec Cleaning Technology GmbH, Augsburg, Germany [1] [3]	100	A	I	29,846	0
WashTec Holding GmbH, Augsburg, Germany [2] [3]	100	B	II	42,622	0
WashTec Carwash Management GmbH, Augsburg, Germany [2] [3]	100	B	III	51	0
WashTec Financial Services GmbH, Augsburg, Germany [1] [3]	100	A	IV	62	0
AUWA-Chemie GmbH, Augsburg, Germany [2] [3]	100	B	V	537	0
Foreign entities					
WashTec France S.A.S., Boigny sur Bionne, France	100	C	VI	12,511	3,501
Mark VII Equipment Inc., Arvada, USA	100	C	I	25,750	1,762
WashTec S.r.l., Casale, Italy	100	C	VI	1,868	480
WashTec UK Ltd., Great Dunmow, United Kingdom	100	C	VI	4,575	533
WashTec A/S, Hedehusene, Denmark	100	C	VI	2,862	725
WashTec Bilvask AS, Billingstad, Norway [4]	100	F	VI	3,660	1,040
WashTec Cleaning Technology GmbH, Vienna, Austria	100	C	VI	2,203	181
WashTec Spain S.A.U., Madrid, Spain	100	C	VI	3,123	543
WashTec Car Cleaning Equipment (Shanghai) Co. Ltd., Shanghai, China	100	C	VII	−4,209	−1,799
WashTec Cleaning Technology s.r.o., Nyrany, Czech Republic	100	D	VII	5,744	396
WTMVII Cleaning Technologies Canada Inc., Grimsby, Ontario, Canada [5]	100	E	VI	−5,930	1,071
WashTec Australia Pty Ltd., Sydney, Australia	100	C	VI	2.934	906
WashTec Benelux B.V., Zoertermeer, Netherlands	100	C	VI	2.488	429
WashTec Nordics AB, Bollebygd, Sweden	100	C	VI	785	−695
WashTec Polska Sp. z o.o., Warsaw, Poland	100	D	VI	475	108

1) Profit/loss absorbed by WashTec Holding GmbH

2) Profit/loss absorbed by WashTec AG

3) Companies that have made use of the optional exemption from disclosure of annual financial statements under Section 264 (3) of the German Commercial Code (HGB)

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

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

A) WashTec Holding GmbH

B) WashTec AG

C) WashTec Cleaning Technology GmbH

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

E) Mark VII Equipment Inc., Arvada, USA

F) WashTec A/S, Hedehusene, Denmark

I) Production, sales and service entity

II) Holding company

III) Carwash rental

IV) Arrangement of finance for carwash equipment

V) Development, production and sale of chemical products

VI) Sales and service entity

VII) Production entity

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 International Financial Reporting Standards (IFRS) and Interpretations in fiscal year 2022.

Standards applied and amendments to existing standards

Standard/ inter-pretation	Title	Mandatory application	EU endorse-ment	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
IFRS 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

The International Accounting Standards Board (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 2022 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, 2022. 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/ inter-pretation	Title	Mandatory application	EU endorse-ment	Material effects on the Group
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	September 9, 2022	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	August 12, 2022	This does not have any impact on the WashTec Group, as the approach was already adopted on the implementation of IFRS 16.
IAS 1	Amendments to IAS 1 – Classification of Liabilities as Current or Non-Current	January 1, 2024	Yet to be determined	None
IAS 1	Amendments to IAS 1 – Non-current Liabilities with Covenants	January 1, 2024	Yet to be determined	None
IFRS 16	Amendments to IFRS 16 – Lease Liability in a Sale and Leaseback	January 1, 2024	Yet to be determined	None

5. Accounting policies

The adopted accounting policies are (unless otherwise specified 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 and adjustment items for currency translation. 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 at 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 (segments) 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. There were no changes in fiscal year 2022.

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 technically and financially feasible and intended.

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, for impairment as of each balance sheet date.

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. The valuation is made at present value on the basis of the best possible estimate of the expenses to fulfil the obligations. 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 net of deferred taxes. Service cost and interest are accounted for in the operating result. For further details, please see Note 26.

Provisions for partial retirement arrangements

Partial retirement arrangements are primarily based on the block model. They result in two types of obligations that are measured at present value in accordance with actuarial principles and are accounted for separately: The first type of obligation relates to the accumulated outstanding settlement amount, which is recognized pro rata over the active/working phase. The accumulated outstanding settlement amount is based on the difference between the compensation earned by 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 over the period of time 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 37 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.

Please refer to Notes 10, 15 and 29 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 arising from the initial recognition of goodwill. Deferred tax liabilities are also 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. Deferred taxes are recognized for transactions in which equal deductible and taxable temporary differences arise.

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 or if the financing component is not material in both absolute and relative terms.

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.

WashTec also sells equipment to leasing companies that lease it on to customers. This revenue is recognized at the time of the sale. In rare cases, these transactions include contracts containing repurchase agreements and WashTec must repurchase the equipment at the customer's request. Revenue from the sale of the equipment is recognized in such cases 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 current financial assets in the amount of the net investment in the lease.

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 in other income. There are no unfulfilled conditions or other contingencies attaching to the grants. The Group does not directly benefit 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 and is subject to risks and generates 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 16.

Pensions, other post-employment benefits and partial retirement benefits

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

Share-based payment

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 37.

Provisions

Provisions for termination benefits and guarantee provisions in particular 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.

Income from repurchase agreements

WashTec also sells equipment to leasing companies that lease it on to customers. In rare cases, these transactions include contracts containing repurchase agreements. Under such an agreement, WashTec undertakes to repurchase the equipment at the end of the contract term at the customer's request. The provision for contracts with repurchase agreements comprises the expected expenses from contractual obligations to repurchase the equipment sold and is measured on a rolling basis. Measurement of the provision involves estimation of the probability that the equipment will have to be repurchased at the end of the contract term. The right of return is accounted for in other current financial assets and in the amount of the net investment in the lease. This is based on an estimation of the probability that the equipment will have to be repurchased at the end of the contract term and is measured on a rolling basis.

Notes to the Consolidated Income Statement

7. 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 2022 in €k	**Europe**	**North America**	**Asia/Pacific**	**Consolidation**	**Group**
Revenue	**371,625**	**107,662**	**17,624**	**−14,672**	**482,239**
of which with third parties	357,423	107,191	17,624	0	482,239
of which with other segments	14,201	471	0	−14,672	0
Earnings before interest and taxes (EBIT)	**36,415**	**1,448**	**422**	**−276**	**38,009**
EBIT margin (in %)	9.8	1.3	2.4	–	7.9
Financial income					529
Financial expenses					−1,275
Earnings before taxes (EBT)					**37,263**
Income taxes					−10,909
Net income					**26,355**
Capital expenditure on intangible assets, property, plant and equipment and right-of-use assets	13,251	1,021	436	0	14,708
Amortization, depreciation and impairment of intangible assets, property, plant and equipment and right-of-use assets	12,418	1,583	689	0	14,690

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
Earnings before interest and taxes (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
Earnings before taxes (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

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

2022 in €k	Europe	North America	Asia/ Pacific	Consolida-tion	Group
Recognition at a point in time	370,414	106,534	17,624	−14,672	479,899
Recognition over time	1,211	1,128	0	0	2,339

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

The consolidated revenue was generated in the following products:

in €k	2022	2021
Equipment and Service	419,957	373,250
Chemicals	56,917	51,006
Others	5,365	6,277
Total	**482,239**	**430,532**

The Group generates approximately 77.4% (prior year: approximately 77.9%) of external sales in European countries. Germany and France make up the largest share of total revenue. After consolidation, Germany accounts for 26.6% (prior year: 28.7%) of consolidated revenue, relating to the products Equipment and Service, Chemicals, Carwash Management Business and Others. France accounts for 13.8% (prior year: 14.2%) of consolidated revenue. External sales outside of Europe are primarily generated in North America and are mostly attributable to the United States. As in the prior year, transactions with one major customer in the Europe and North America segments marginally 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.

Analysis of Group assets by geographical location:

2022 in €k	Germany	Europe	North America	Asia/ Pacific	Group
Property, plant and equipment	20,343	4,213	306	407	25,268
Capital expenditure on property, plant and equipment	*2,085*	*2,314*	*126*	*215*	*4,741*
Intangible assets including goodwill	45,264	4,066	0	14	49,344
Capital expenditure on intangible assets	*2,787*	*0*	*0*	*0*	*2,787*
Right-of-use assets	5,521	8,975	1,991	850	17,337
Capital expenditure on right-of-use assets	*2,666*	*3,399*	*895*	*221*	*7,180*

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*

8. Cost of sales, research and development expenses, selling and administrative expenses

Analysis of cost of sales, research and development expenses, selling and administrative expenses:

	Cost of sales		Research and development expenses		Selling expenses		Administrative expenses		Group	
in €k	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Cost of materials	221,063	182,507	370	329	14,675	12,009	0	0	236,107	194,845
Personnel expenses	91,470	85,768	9,227	7,756	34,547	31,935	9,758	10,812	145,002	136,271
Depreciation and amortization	10,752	10,426	681	709	2,314	2,309	943	1,063	14,690	14,507
Other costs	29,541	25,101	3,872	4,170	10,600	8,991	6,424	4,884	50,437	43,146
Total	**352,826**	**303,802**	**14,150**	**12,964**	**62,136**	**55,244**	**17,124**	**16,759**	**446,236**	**388,770**

Other costs mainly comprise vehicle costs, costs of temporary workers and purchased services, maintenance and energy, and travel expenses. They also include costs of recruitment, professional development, office supplies, communication expenses, local taxes, and patent and storage costs.

In the prior year, the research and development expenses within personnel expenses included the reversal of a provision for restructuring in the amount of €1.3 million.

Personnel expenses are directly allocated to functions. For a detailed presentation of personnel expenses and the average number of employees by function, please refer to Note 13.

9. 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	2022	2021
Income from derecognized receivables	2	16
Income from the sale of scrap	997	995
Income from insurance settlements	70	298
Income from exchange rate differences	3,023	1,977
Income from the disposal of non-current assets	682	311
Other income	2,396	3,518
Total	**7,169**	**7,115**

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

Other expenses

in €k	2022	2021
Expense from loss allowances on trade receivables	−61	−91
Expense from exchange rate differences	3,542	1,805
Losses from the disposal of non-current assets	61	111
Insurance expenses	1,147	1,053
Expenses from claims	427	267
Other expenses	47	41
Total	**5,164**	**3,186**

10. Financial result

in €k	2022	2021
Other interest income	529	73
Financial income	**529**	**73**
Expense from interest-bearing loans	653	456
Interest expense from discounting lease liabilities	234	413
Other interest expense	388	102
Financial expenses	**1,275**	**971**
Financial result	**−746**	**−898**

Other interest income in the reporting year includes interest of €405k relating to refunds from completed tax audits and to the discounting of liabilities.

Other interest expense includes interest of €333k for the discounting of trade receivables, whereas in the prior year it included interest of €81k relating to a provision for a tax audit that was in progress.

Of the interest income and interest expense, a total of €–512k (prior year: €–485k) 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	2022	2021
Interest income	AC	332	16
	FLAC	197	57
Interest expense	AC	333	0
	FLAC	708	558

11. Income taxes

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

The following table shows a reconciliation of expected to actual income taxes. 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 29.3% (prior year: 30.6%).

in €k	2022	2021
Expected income taxes	11,898	14,303
Differences from foreign tax rates	−677	−808
Non-deductible expenses	1,232	661
Non-recognition of deferred taxes on temporary differences and tax loss carryforwards	605	−548
Utilization of loss carryforwards from for which no deferred tax assets recognized	−583	−815
Recognition of deferred taxes on temporary differences and tax loss carryforwards	225	−928
Adjustment for taxes from prior years	−1,706	1,772
Other	−86	79
Total	**10,909**	**13,716**

Income taxes consist of the following:

in €k	2022	2021
Current tax expense (+)/income (–)	10,296	13,741
Deferred tax expense(+)/income (–)	613	−25
Total	**10,909**	**13,716**

12. Earnings per share

Calculation of basic earnings per share for 2022 and 2021:

		2022	2021
Net income	in €k	26,355	31,077
Weighted average number of shares outstanding	units	13,382,324	13,382,324
Earnings per share (basic = diluted)	**in €**	**1.97**	**2.32**

The Management Board and Supervisory Board will recommend to the Annual General Meeting, which is due to be held on May 15, 2023, to appropriate the distributable profit of €29,804,169.57 shown in the Company’s annual financial statements for fiscal year 2022 as follows: Payment of a dividend in the amount of €2.20 per eligible share, totaling €29,441,112.80, with the remaining distributable profit of €363,056.77 to be carried forward.

13. Personnel expenses

Personnel expenses consist of the following:

in €k	2022	2021
Wages and salaries	121,184	114,331
Social security contributions	11,756	10,662
Employer share of statutory and voluntary pension insurance (defined contribution)	9,479	9,224
Pension and partial retirement	2,583	2,053
Total	**145,002**	**136,271**

Personnel expenses in the prior year included 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 in fiscal year 2021 amounted to €365k.

The average number of employees by function is as follows:

Average number of employees	2022	2021
Sales, marketing and servicing	1,067	1,054
Production, technology and development	573	548
Finance and administration	166	165
Total	**1,806**	**1,767**

Notes to the Consolidated Balance Sheet

14. Property, plant and equipment and intangible assets

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

in €k	Cost						Depreciation and amortization						Carrying amount	
	Jan 1, 2022	Additions	Disposals	Reclassifi-cations	Currency trans-lation effects	Dec 31, 2022	Jan 1, 2022	Additions	Disposals	Reclassifi-cations	Currency trans-lation effects	Dec 31, 2022	Jan 1, 2022	Dec 31, 2022
Land, land rights and buildings	47,450	316	200	63	95	47,724	34,575	728	200	0	96	35,198	12,875	12,526
Technical plant and machinery	34,368	2,222	3,402	467	141	33,795	26,621	2,018	3,354	0	126	25,412	7,746	8,383
Other plant, fixtures and fittings	18,432	1,138	3,119	0	232	16,683	15,103	1,390	3,064	0	219	13,648	3,329	3,035
Prepayments and construction in progress	1,016	1,064	287	−451	−18	1,325	0	0	0	0	0	0	1,016	1,325
Property, plant and equipment	**101,265**	**4,741**	**7,008**	**79**	**450**	**99,527**	**76,299**	**4,136**	**6,618**	**0**	**441**	**74,258**	**24,966**	**25,268**
Internally generated development costs	21,564	1,973	0	0	−62	23,476	18,569	519	0	0	−62	19,026	2,995	4,450
Licenses and software acquired	17,744	352	493	126	−4	17,724	15,090	1,010	494	4	−3	15,607	2,654	2,116
Patents, technologies and other intangible assets	3,716	0	19	−4	−93	3,600	3,706	7	19	−4	−93	3,596	11	4
Goodwill	83,642	0	0	0	1,098	84,740	41,331	0	0	0	1,098	42,429	42,312	42,312
Prepayments and development projects in progress	552	462	0	−552	0	462	0	0	0	0	0	0	552	462
Intangible assets	**127,219**	**2,787**	**513**	**−431**	**940**	**130,001**	**78,695**	**1,535**	**513**	**0**	**940**	**80,657**	**48,524**	**49,344**
Total fixed assets	**228,484**	**7,528**	**7,521**	**−353***	**1,390**	**229,528**	**154,994**	**5,671**	**7,131**	**0**	**1,382**	**154,916**	**73,490**	**74,612**

in €k	Cost						Depreciation and amortization						Carrying amount	
	Jan 1, 2021	Additions	Disposals	Reclassifi-cations	Currency trans-lation effects	Dec 31, 2021	Jan 1, 2021	Additions	Disposals	Reclassifi-cations	Currency trans-lation effects	Dec 31, 2021	Jan 1, 2021	Dec 31, 2021
Land, land rights and buildings	47,054	213	37	0	219	47,450	33,689	751	49	0	184	34,575	13,365	12,875
Technical plant and machinery	33,953	1,001	1,019	86	347	34,368	24,926	2,128	730	0	298	26,621	9,028	7,746
Other plant, fixtures and fittings	19,412	868	2,313	25	440	18,432	14,981	1,729	1,995	0	389	15,103	4,431	3,329
Prepayments and construction in progress	445	1,494	11	−931	19	1,016	0	0	0	0	0	0	445	1,016
Property, plant and equipment	**100,863**	**3,577**	**3,380**	**−820**	**1,025**	**101,265**	**73,595**	**4,607**	**2,775**	**0**	**871**	**76,299**	**27,268**	**24,966**
Internally generated development costs	21,470	112	0	0	−17	21,564	18,073	513	0	0	−17	18,569	3,396	2,995
Licenses and software acquired	17,292	574	183	32	29	17,744	14,105	1,139	182	0	28	15,090	3,187	2,654
Patents, technologies and other intangible assets	4,157	2	421	0	−22	3,716	4,144	4	421	0	−22	3,706	13	11
Goodwill	82,253	0	0	0	1,389	83,642	39,941	0	0	0	1,389	41,331	42,312	42,312
Prepayments and development projects in progress	0	0	0	552	0	552	0	0	0	0	0	0	0	552
Intangible assets	**125,172**	**687**	**604**	**584**	**1,380**	**127,219**	**76,263**	**1,656**	**603**	**0**	**1,379**	**78,695**	**48,908**	**48,524**
Total fixed assets	**226,035**	**4,264**	**3,984**	**−236***	**2,405**	**228,484**	**149,859**	**6,263**	**3,379**	**0**	**2,250**	**154,994**	**76,176**	**73,490**

** the offsetting item results from transfers in connection with right-of-use assets*

Intangible assets

The additions to development costs mainly consists of an amount of €1,822k for an internally generated intangible asset for the development of software for the digitalization and service platform. This figure corresponds to the carrying amount as of December 31, 2022. WashTec estimates the useful life of the software to be seven years. Recognized intangible assets were tested for impairment. The impairment testing did not lead to the recognition of any impairment losses.

Research and development costs in the amount of €2,389k (prior year: €1,471k) 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 “Accounting policies”, goodwill is tested for impairment on the basis of the Group-level planning for 2023 through 2028.

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 2.3% p.a. in the Europe segment and between 8.0% and 12.2% in the remaining segments.
- Cost increases of 3–4% 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 10.5% (prior year: 7.5%) 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 4.4% (prior year: 1.0%), the weighted cost of equity and the capital structure. The cost of equity is based on a risk-free rate of return averaging 2.5% (prior year: 0.1%) and a beta of 1.3 (prior year: 1.2).

The significant increase in the measurement parameters compared to the prior year is due to the rise in the general interest rate level in fiscal year 2022.

No indications of impairment were identified for goodwill in the WashTec Group in the reporting year. Nor would a 50 basis point increase in the discount rate and a 20 % decrease in future cash flows result in recognition of an impairment loss.

15. 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, 2022	Dec 31, 2021
Right-of-use assets – land and buildings	9,595	12,568
Right-of-use assets – other plant, fixtures and fittings	7,031	5,996
Right-of-use assets – machinery	712	712
Total	**17,337**	**19,275**

Additions to right-of-use assets in fiscal year 2022 amounted to €7,180k (prior year: €7,561k) and disposals and reclassifications to €–218k (prior year: €26k). Currency translation effects account for €119k (prior year: €400k).

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

in €k	2022	2021
Right-of-use assets – land and buildings	4,500	4,301
Right-of-use assets – other plant, fixtures and fittings	4,190	3,617
Right-of-use assets – machinery	328	326
Total	**9,018**	**8,244**

Please see Note 29 for further information on lease liabilities.

16. Deferred Taxes

There are deferred tax assets in the amount of €3,856k (prior year: €4,753k) and deferred tax liabilities in the amount of €1,600k (prior year: €1,299k) 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 €1,028k (prior year: €2,271k).

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 2023 through 2028.

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 €10,621k (prior year: €11,275k) and temporary differences in the amount of €9,716k (prior year: €8,790k). This corresponds to €2,650k (prior year: €3,312k) in deferred tax assets not recognized for loss carryforwards and €2,470k (prior year: €2,245k) 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 €5,082k have time restrictions with regard to utilization. Of this total, €2,937k will expire between 2023 and 2028 and €2,145k will expire between 2032 and 2034 if they cannot be utilized.

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

in €k	Deferred tax assets		Deferred tax liabilities	
	Dec 31, 2022	Dec 31, 2021	Dec 31, 2022	Dec 31, 2021
Tax loss carryforwards	702	928	–	–
Property, plant and equipment	336	288	−1,202	−1,223
Intangible assets	0	0	−2,334	−1,800
Right-of-use assets	0	0	−3,947	−4,106
Inventories	1,365	1,963	−92	−149
Trade receivables	175	95	−55	−651
Other assets	1	1	−285	−291
Lease liabilities	3,814	4,055	0	0
Provisions	1,829	2,649	−2	0
Other liabilities	1,680	1,533	−31	−17
Contract liabilities	303	179	−1	0
Total	**10,205**	**11,691**	**−7,949**	**−8,237**
of which non-current	*5,406*	*5,995*	−5,744	−3,427
of which current	*4,799*	*5,696*	−2,205	−4,810

Deferred tax receivables and liabilities totaling €6,349k (prior year: €6,938k) were offset in accordance with the offsetting rules in IAS 12.

€-555k (prior year: €-178k) in deferred taxes were recognized in equity in the reporting year. The aggregate amount of deferred taxes recognized in equity is consequently €1,294k (prior year: €1,849k).

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, 2022			Dec 31, 2021		
	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	1,112	0	1,112	1,457	0	1,457
Exchange differences on net investments in subsidiaries	164	−172	−8	483	−158	325
Changes in actuarial gains and losses	1,373	−383	990	46	−20	26
Change in share-based payment	38	0	38	96	0	96
Changes recognized directly in other comprehensive income	**2,687**	**−555**	**2,132**	**2,082**	**−178**	**1,904**

17. Vorräte

in €k	Dec 31, 2022	Dec 31, 2021
Raw materials, consumables and supplies, including merchandise	33,079	26,198
Work in progress	25,966	20,602
Finished goods	12,227	9,584
Prepayments	374	698
Total	**71,647**	**57,083**

Additions to write-downs on inventories came to €1.551k in the reporting year (prior year: €128k).

18. Tax receivables

in €k	Dec 31, 2022	Dec 31, 2021
Current tax receivables	16,028	18,699
Total	**16,028**	**18,699**

The tax receivables are primarily claims against the tax authorities based on deductible investment withholding tax and the German solidarity surcharge and on corporate income tax and trade tax.

19. Trade receivables

in €k	Dec 31, 2022	Dec 31, 2021
Non-current trade receivables	3,430	4,211
Current trade receivables	78,801	67,236
Total	**82,231**	**71,448**

The payment period usually granted for current trade receivables is 30 days. Non-current receivables relate to payment plans with customers.

The gross carrying amounts of trade receivables total €86,713k (prior year: €77,215k). This includes €615k (prior year: €729k) 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, 2022	71,033	3,230	2,251	9,584	86,097
Dec 31, 2021	60,459	2,922	2,143	10,963	76,486

Impairments of trade receivables are as follows:

in €k	2022	2021
As of January 1	**5,768**	**6,443**
Change in impairment for credit losses recognized in profit or loss	413	142
Amounts written off as uncollectible in the fiscal year	−1,147	−354
Unused amount reversed	−552	−463
As of December 31	**4,481**	**5,768**

20. Other assets

in €k	Dec 31, 2022	Dec 31, 2021
Other non-current financial assets	277	199
Other non-current non-financial assets	538	520
Other current financial assets	1,486	1,617
Other current non-financial assets	2,255	1,836
Total	**4,556**	**4,171**
of which non-financial prepaid expenses	*1,750*	*1,399*

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

21. 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, held at banks with immaculate credit ratings. 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 €14,215k (prior year: €18,085k) 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, 2022	Dec 31, 2021
Cash and cash equivalents	14,215	18,085
Overdrafts/current interest-bearing loans	−41,362	−13,547
Cash funds	**−27,147**	**4,538**

Liabilities from financing activities changed as follows:

in €k	2022	2021
As of January 1	**20,248**	**20,171**
Repayment of lease liabilities	−8,861	−7,795
Assumption of lease liabilities	7,180	7,541
Disposal of lease liabilities	−571	−189
Adjustment item from currency translation	107	520
Other changes		
Interest expense from discounting lease liabilities (presented as operating cash flow)	234	413
Interest paid	−234	−413
As of December 31	**18,102**	**20,248**

The cash change in lease liabilities amounts to €9,095k (prior year: €8,208k); the non-cash change amounts to €6,950k (prior year: €8,285k).

For information regarding interest-bearing loans, see Note 28. For the interest expense from discounting lease liabilities, please see Note 10.

Equity

22. Subscribed capital

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

	Dec 31, 2022	Dec 31, 2021
Ordinary shares (thousand)	13,977	13,977
Share capital per share (€)	2.86	2.86

As of December 31, 2022, the average weighted number of issued and outstanding shares was 13,382,324 (prior year: 13,382,324 shares).

The Annual General Meeting of May 16, 2022 resolved, among other things, for the distributable profit of €40,306,406.55 shown in the Company's annual financial statements for fiscal year 2021 to be appropriated for payment of a dividend of €2.90 per eligible no-par value share, totaling €38,808,739.60, and for the remaining distributable profit of €1,497,666.95 to be carried forward. The resolution for distribution of a dividend to shareholders includes a special dividend in the amount of €0.80 in addition to the dividend in the amount of €2.10 for fiscal year 2021.

Authorized capital

The Authorized Capital currently existing under subsection 5.1 of the Company's Articles of Association, which has not been used to date, would have expired on June 30, 2022. In order that the Company may continue to act rapidly and flexibly as needed in order to raise equity capital on favorable terms, the existing Authorized Capital is to be revoked and the Management Board is once again to be authorized to increase the share capital by the issue of new no-par-value bearer shares.

By resolution of the Annual General Meeting of May 16, 2022, which is available in the *Investor Relations* section of the Company website at *www.washtec.de*, the Authorized Capital under subsection 5.1 of the Articles of Association resolved as agenda item 7 of the Annual General Meeting of April 29, 2019 was revoked. At the same time, the Management Board was 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, 2025 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 pro rata amount of the share capital attributable to shares issued against cash or non-cash contributions under the above stipulations with shareholders' preemptive rights excluded may not exceed a total of 10% of the Company's share capital at the time of the resolution by the Annual General Meeting. To be deducted from this amount – subject to any further authorization to exclude shareholders' preemptive rights that may be resolved by a subsequent Annual General Meeting – are those shares which are issued during the term of the Authorized Capital under another authorization with shareholders' preemptive rights excluded or to which warrant-linked or convertible bonds with conversion or warrant rights or with conversion or warrant obligations relate that are issued during the term of the Authorized Capital with shareholders' preemptive rights excluded.

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 the Articles of Association after full or partial implementation of the capital increase from Authorized Capital.

23. Capital reserves

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

24. Treasury shares

As in the prior year, WashTec AG held treasury shares in the amount of €13,176,788k as of December 31, 2022. This corresponds to 594,646 shares or 4.25%. The treasury shares were acquired in fiscal years 2012, 2013 and 2015.

Purchase and use of treasury shares

Unless expressly permitted by law, the Company cannot acquire or make use of treasury shares except with authorization from the Annual General Meeting. As the authorization to purchase and use treasury shares in accordance with section 71 (1) no. 8 AktG granted by resolution of the Annual General Meeting of April 29, 2019 would have expired on June 30, 2022, it was resolved at the Annual General Meeting of May 16, 2022 to revoke the previous authorization and to grant the Company renewed authorization to purchase and make use of treasury shares. The resolution of the Annual General Meeting is available in the *Investor Relations* section of the Company website at *www.washtec.de*.

Authorization to acquire treasury shares

The Company is authorized pursuant to section 71 (1) 8 AktG, on or before June 30, 2025 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.

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.

If the shares are acquired on the stock exchange, the consideration per share paid by the Company (excluding incidental acquisition costs) may not be more than 10% higher or lower than the average stock exchange price of the Company's shares in the XETRA closing auction (or a comparable successor system) on Frankfurt Stock Exchange over the last five trading days prior to the acquisition of the shares.

If the shares are acquired 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 purchase price offered or the limits of the purchase price range per share (excluding incidental acquisition costs) may not be more than 10% higher or lower than the average stock exchange price of the Company's shares in the XETRA closing auction (or a comparable successor system) on Frankfurt Stock Exchange over the last five trading days prior to the date of the public announcement of the offer or of the public invitation to tender shares for sale.

If the public offer is oversubscribed, or if not all of a plurality of equivalent offers are accepted in the case of an invitation to tender shares for sale, then acceptance must be based on quotas. Provision may be made for preferential acquisition or preferential acceptance of small quantities of up to 100 shares in the Company offered for acquisition per shareholder. Additional conditions may be stipulated in the public offer or in the invitation to tender shares.

Use of treasury shares; exclusion of shareholders' preemptive rights

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 May 16, 2022 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.

To the extent that shares are used, with shareholders' preemptive rights excluded, to service options issued in a stock option program to members of the Management Board of the Company, to members of the management of companies affiliated with the Company and to employees of the Company or of companies affiliated with the Company, use may only be made of the authorization up to a total maximum amount of 5% of the share capital at the time of the resolution by the Annual General Meeting. To be deducted from this 5% limit is the pro rata share of the share capital attributable to shares issued or sold in exchange for cash or non-cash contributions during the term of the authorization or under another authorization, with shareholders' preemptive rights excluded, to members of the Management Board of the Company, to members of the management of companies affiliated with the Company and to employees of the Company or of companies affiliated with the Company.

Cancellation of treasury shares

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.

Utilization in partial amounts

All of the aforementioned authorizations may be exercised by the Company in whole or in part, on one or more occasions, and for one or more purposes. The authorizations – with the exception of the authorization to cancel treasury shares – may also be exercised by subsidiaries of the Company or by third parties for the account of the Company or for the account of subsidiaries of the Company. The authorizations for the use of treasury shares, for the exclusion of subscription rights and for the cancellation of treasury shares also include the use of shares in the Company acquired on the basis of section 71d sentence 5 AktG.

25. Other reserves and currency translation effects

in €k	**Jan 1, 2022**	Change in income and expenses recognized directly in equity	Change in deferred taxes	Change in share-based payment	**Dec 31, 2022**
Exchange differences on net investments in subsidiaries	−1,686	164	−172	0	−1,694
Actuarial gains/losses	−3,820	1,373	−383	0	−2,830
Other equity transactions	96	0	0	38	134
Other reserves	**5,410**	**1,537**	**−555**	**38**	**−4,390**
Currency translation effects	336	1,112	0	0	1,448
Total	**−5,074**	**2,649**	**−555**	**38**	**−2,942**

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**
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 transactions	0	0	0	96	96
Other reserves	**−5,856**	**529**	**−179**	**96**	**−5,410**
Currency translation effects	−1,121	1,457	0	0	336
Total	**−6,977**	**1,986**	**−179**	**96**	**−5,074**

26. Provisions for pensions

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

The amount of the provision was determined using actuarial methods at a discount rate of 3.1% (prior year: 0.8%). The annual salary and cost-of-living increases were measured at 2.0% (prior year: 1.6%). The anticipated return from reimbursement claims due to the existing liability insurance policies amounts to 3.1% (prior year: 0.8%). 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, 2022 was 223 employees (prior year: 223 employees), and the total number of all persons to whom there is a pension commitment is 312 employees (prior year: 328 employees). The new valuations include the effects of experience adjustments in the amount of €–303k (prior year: € 88k).

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 €1,373k (prior year: €46k). In total, actuarial gains and losses of €–4,185k (prior year: €–5,558k) have been recognized in other comprehensive income as of December 31, 2022.

The present value of the defined benefit obligation developed as follows in fiscal years 2021 and 2022:

in €k	**2022**	**2021**
As of January 1	10,196	10,787
Expected return	14	15
Pensions paid	–483	–436
Service cost for the reporting period	98	–167
Interest expense	76	43
Actuarial gains and losses	–1,373	–46
As of December 31	**8,528**	**10,197**

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	14	**14**
Gains and losses from changes in financial assumptions	1,294	0	**1,294**
Gains and losses from portfolio changes	65	0	**65**
Total	**1,359**	**14**	**1,373**

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	2022	2021
Fair value of reimbursement rights as of January 1	520	502
Expected return	18	18
Fair value of reimbursement rights as of December 31	**538**	**520**

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**	**2022**	**2021**
Life expectancy	Increase by one year	5.2%	5.5%
Increase in living costs	Increase by 0.25%	3.1%	1.9%
Interest rate	Increase by 0.25%	−1.9%	−2.3%
Interest rate	Decrease by 0.25%	2.0%	2.4%

The average remaining duration of the pension obligations is approximately 8.5 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	609	2,454	7,241	10,304

27. Other provisions

in €k		Jan 1, 2022	Additions	Utilization	Reversals	Interest effects	Exchange rate effects	Dec 31, 2022	of which current	of which non-current	Provisions Dec 31, 2021	
											of which current	of which non-current
Partial retirement		2,414	526	−550	0	4	0	2,395	687	1,707	640	1,775
Warranty		7,790	4,572	−5,663	−650	0	−17	6,033	5,962	71	7,764	26
Contracts with rights of return		2,525	0	−579	−218	0	0	1,728	718	1,010	579	1,946
Legal and consulting fees		580	314	−77	−101	0	0	717	717	0	580	0
Termination benefits		1,044	641	−342	−428	0	−2	914	914	0	1,044	0
Other		847	152	−5	−493	0	0	501	90	411	295	551
Total	**Dec 31, 2022**	**15,200**	**6,205**	**−7,215**	**−1,889**	**4**	**−18**	**12,286**	**9,087**	**3,199**	**–**	**–**
	Dec 31, 2021	**15,216**	**8,818**	**−6,723**	**−2,184**	**0**	**73**	**15,200**	**–**	**–**	**10,902**	**4,297**

The provision for partial retirement was measured in accordance with IAS 19 (revised). The calculation was based on an interest rate of 2.7% (prior year: –0.2%) and annual salary increases of 2.25% (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 leasing 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 €914k (prior year: €1,044k) relates to measures for workforce reductions.

The other provisions totaling €501k (prior year: €847k) mainly relate to provisions for potential claims in the amount of €401k (prior year: €672k).

28. 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 €91,500k (prior year: €121,500k) at its disposal, consisting of demand facilities totaling €60,000k (prior year: €90,000k) and facilities with remaining terms of up to 21 months totaling €31,500k (prior year: €31,500k). These may be drawn on both as credit and as guarantee facilities. In addition, there is a credit facility in favor of the Chinese subsidiary. The WashTec Group has a credit line for a total of €92,750k (prior year: €122,612k).

As of December 31, 2022, there were short-term loans in the amount of €41,362k (prior year: €13,547k) that, as in the prior year, consisted entirely of overdraft borrowings. In addition, the guarantee facility was drawn in the amount of €5,251k (prior year: €6,690k). The undrawn amount of the credit line available for future operating activities and to meet obligations was €46,137k as of the reporting date (prior year: €102,375k).

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, €STR and LPR 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 0.204% and 2.63% in the reporting year (prior year: between 0.45% and 0.66%).

29. Leases

in €k	Dec 31, 2022	Dec 31, 2021
Current lease liabilities	7,936	7,444
Non-current lease liabilities	10,166	12,803
Total	**18,102**	**20,248**

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. As in the prior year, there are no future cash outflows that are not reflected in the measurement of lease liabilities as of December 31, 2022.

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 €3,100k (prior year: €2,975k) were not included in the lease liabilities as the leases are not reasonably certain to be extended.

Total cash outflows for leases were €9,095k in fiscal year 2022 (prior year: €8.208k). Future cash outflows arising from leases not yet commenced to which the WashTec Group committed in fiscal year 2022 amount to €50k (prior year: €77k). Profits from sale and leaseback transactions amount to €0k (prior year: €20k).

The other rental expenses include €310k (prior year: 266k) in expenses for leases of low-value assets that are not short-term leases. Low-value assets mainly comprise IT equipment. Also included 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 15. For the interest expense from discounting lease liabilities, please see Note 10.

30. Other liabilities

in €k	Non-current (> 1 year)		Current (< 1 year)	
	Dec 31, 2022	Dec 31, 2021	Dec 31, 2022	Dec 31, 2021
Accrued liabilities	0	0	14,243	13,516
Liabilities to trading partners	0	0	4,556	5,041
Debtors with credit balances	0	0	886	933
Other	168	203	912	1,084
Total other financial liabilities	**168**	**203**	**20,597**	**20,574**
Liabilities to employees and board members	1,495	996	15,092	15,820
Taxes and levies	0	0	6,588	8,610
Liabilities for social security	0	0	2,254	2,174
Other	26	76	1,671	2,564
Total other non-financial liabilities	**1,522**	**1,073**	**25,606**	**29,169**
Total	**1,690**	**1,276**	**46,202**	**49,743**

The accrued liabilities in the amount of €14,243k (prior year: €13,516k) mainly relate to outstanding invoices for service 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.

31. Contract liabilities

Liabilities relating to contracts with customers:

in €k	Dec 31, 2022	Dec 31, 2021
Prepayments on orders	25,939	25,555
Deferred income for full maintenance, extended guarantees and prepaid service agreements	10,424	9,935
Total	**36,362**	**35,490**

Management expects that 95.2% (prior year: 94.6%) of these unsatisfied (or partially unsatisfied) performance obligations will be recognized as revenue in fiscal year 2023. The remaining 4.8% (prior year: 5.4%) are expected to be recognized as revenue in fiscal year 2024. The amount stated does not include any variable consideration components that are constrained.

Revenue recognition in relation to contract liabilities:

in €k	2022	2021
Revenue recognized in the fiscal year included in the balance of contract liabilities at the beginning of the period		
Prepayments on orders	25,555	10,929
Deferred income for full maintenance, extended guarantees and prepaid service agreements	8,033	6,396

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.

32. 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 19 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 years 2022 and 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 carwash business has proven to be robust to date and the Group has not experienced any increase in bad debt during the recent crisis years. There were only isolated delays in customer payments. Overall, there were no significant defaults and there was 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 28.

The table below shows all contractually agreed undiscounted payments of principal and interest on financial liabilities recognized as of December 31, 2022 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, 2022	2023	2024–2027	2028 ff.
Interest-bearing loans	41,362	6,483	47,748	0
Lease liabilities	18,102	8,197	9,604	751
Trade payables	22,711	22,711	0	0
Other financial liabilities	20,765	20,597	168	0

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

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, CAD/USD and CNY/EUR 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 and a portion in the Asia/Pacific segment. 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 7,800k (prior year: CAD 7,800k). The translation effect of the loan receivable, which is attributable to the net investment in a foreign operation, is recognized in other comprehensive income. In the prior year, one German subsidiary had a long-term loan receivable against subsidiary Mark VII Equipment Inc., Arvada, USA, which was designated as a net investment in a foreign operation in the amount of USD 7,300k. This loan was repaid in full in fiscal year 2022.

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.

2022 in €k	Impact on EBT	Impact on equity
Currency: USD		
+5%	90	0
−5%	−90	0
Currency: CAD		
+5%	163	−306
−5%	−163	306
Currency: CNY		
+5%	290	0
−5%	−290	0

2021 in €k	Impact on EBT	Impact on equity
Currency: USD		
+5%	30	−322
−5%	−30	322
Currency: CAD		
+5%	414	−346
−5%	−414	346
Currency: CNY		
+5%	257	0
−5%	−257	0

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 variable base interest rate for the credit lines is based on EURIBOR, €STR and LPR.

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

The following table shows the sensitivity of consolidated earnings before taxes to a reasonably possible change in the interest rate on the variable-rate loans. All other variables are held constant. There is no significant impact on Group equity.

2022						
Increase/decrease in basis oints	50	100	150	−50	−100	−150
Impact on EBT in €k	−258	−515	−773	258	515	773

2021						
Increase/decrease in basis oints	50	100	150	−50	−100	−150
Impact on EBT in €k	−194	−387	−581	194	387	581

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 2022, net financial liabilities amounted to €45,249k (prior year: €15,710k). The facilities provided by the banks are not tied to any financial covenants.

33. Financial instruments

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

in €k	IFRS 9 category	Carrying amount Dec 31, 2022	Measurement under IFRS 9		Measurement under IFRS 16	Fair value Dec 31, 2022**	IFRS 13 level
			Amortized cost	At fair value through profit or loss:			
Assets							
Non-current trade receivables	AC*	3,767	3,767	–	–	3,430	–
Other non-current financial assets	AC*	277	277	–	–	–	–
Current trade receivables	AC*	78,801	78,801	–	–	–	–
Other current financial assets	AC*	1,486	1,486	–	–	–	–
Cash and cash equivalents	AC*	14,215	14,215	–	–	–	–
Equity and liabilities							
Non-current lease liabilities	n/a	10,166	–	–	10,166	–	–
Other non-current financial liabilities	FLAC*	168	168	–	–	–	–
Interest-bearing loans	FLAC*	41,362	41,362	–	–	–	–
Current lease liabilities	n/a	7,936	–	–	7,936	–	–
Trade payables	FLAC*	22,711	22,711	–	–	–	–
Other current financial liabilities	FLAC*	20,597	20,597	–	–	–	–
Aggregated presentation by measurement category in accordance with IFRS 9							
Financial assets measured at amortized cost	AC*	98,547	98,547	–	–	–	–
Financial liabilities measured at amortized cost	FLAC*	84,838	84,838	–	–	–	–

**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.*

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							
Non-current trade receivables	AC*	4,211	4,211	–	–	–	–
Other non-current financial assets	AC*	199	199	–	–	–	–
Current trade receivables	AC*	67,236	67,236	–	–	–	–
Other current financial assets	AC*	1,617	1,617	–	–	–	–
Cash and cash equivalents	AC*	18,085	18,085	–	–	–	–
Equity and liabilities							
Non-current lease liabilities	n/a	12,803	–	–	12,803	–	–
Other non-current financial liabilities	FLAC*	203	203	–	–	–	–
Interest-bearing loans	FLAC*	13,547	13,547	–	–	–	–
Current lease liabilities	n/a	7,444	–	–	7,444	–	–
Trade payables	FLAC*	16,123	16,123	–	–	–	–
Other current financial liabilities	FLAC*	20,574	20,574	–	–	–	–
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.*

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	2022	2021
Financial assets at amortized cost (AC)	–19	–151
Financial liabilities at amortized cost (FLAC)	–1,210	–635

The net gains or losses in the financial assets at amortized cost (AC) category are primarily attributable to foreign currency measurement and those in the financial liabilities at amortized cost (FLAC) category are primarily attributable to interest expenses and foreign currency measurement.

Other information

34. Declaration of Conformity under § 161 AktG

WashTec AG has issued the declaration required under Section 161 AktG for fiscal year 2022 and has made it available to shareholders on *https://ir.washtec.de/en/corporate-governance/* in section *Declaration of Conformity*.

The Management Board approved the consolidated financial statements on March 27, 2023 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 24, 2023.

35. 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	2022	2021
Annual accounts auditing	624	593
Tax consulting services	0	14
Other services	16	3
Total	**640**	610

The annual accounts audit fees relate to the audit of the consolidated financial statements of the WashTec Group and to the statutory audits of the separate financial statements of WashTec AG and of the subsidiaries included in the consolidated financial statements. The other services relate to the disclosures on Article 8 of the EU Taxonomy Regulation. In the prior year, the tax consulting services related to the preparation of benchmark studies.

36. 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 Finance/Controlling, IT, Procurement, Investor Relations, WTFS, Legal, Risk Management/Compliance/ Audit, Insurance (September 1, 2022 until September 30, 2022)

Andreas Pabst	(since October 1, 2022)
Profession, place of residence	CFO, Bobingen
Management Board portfolio	Finance/Controlling, IT, Procurement, Investor Relations, WTFS, Legal, Risk Management/Compliance/ Audit, Insurance

Dr. Kerstin Reden	(until August 31, 2022)
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	(until February 28, 2023)
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, Germany
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	(until Mai 16, 2022)
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, Germany
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	(until Mai 16, 2022)
Profession, place of residence	Partner, MIG Capital AG (formerly MIG Verwaltungs AG), Munich, Germany
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)

Dr. Hans-Friedrich Liebler	
Profession, place of residence	Managing Director of Credit Solutions Partner GmbH, Munich, Germany
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)

Heinrich von Portatius	(since May 16, 2022)
Profession, place of residence	Member of the Management Board, Paradigm Capital AG, Grünewald, Germany
Memberships in other statutory supervisory boards	■ None
Memberships in comparable domestic and international supervisory bodies of business enterprises	■ Schaltag AG, Effretikon, Switzerland (Member of the Board of Directors) ■ Paradigm Capital North America ICAV, Dublin, Ireland (Member of the Board of Directors) ■ Paradigm Capital North America Feeder ICAV, Dublin, Ireland (Member of the Board of Directors)

Dr. Alexander Selent	
Profession, place of residence	Supervisory Board, Limburgerhof, Germany
Memberships in other statutory supervisory boards	■ None
Memberships in comparable domestic and international supervisory bodies of business enterprises	■ None

Peter Wiedemann	(since May 16, 2022)
Profession, place of residence	Member of the Executive Board, Rational AG, Germaringen, Germany
Memberships in other statutory supervisory boards	■ None
Memberships in comparable domestic and international supervisory bodies of business enterprises	■ None

37. 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 German Corporate Governance Code dated December 16, 2019 (the “2020 Code”). The amended version of the German Corporate Governance Code dated April 28, 2022 (the “2022 Code”) has no effect in this regard. 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 8.1.

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. This currently relates to the Management Board contracts of the reappointed CEO, Dr. Ralf Koeppe, and the newly appointed CFO, Andreas Pabst. In accordance with the 2022 Code and Section 26j of the Introductory Act to the Stock Corporation Act (EGAktG), all Management Board contracts current at the time of the 2021 Annual General Meeting continue be subject to the previous remuneration system (see also the Declaration of Conformity of December 15, 2022 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. With regard to the Management Board contracts current at the time of the 2021 Annual General Meeting , these have continued or will continue to apply under the conditions there specified.

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 return on capital employed (ROCE). For each fiscal year, the Supervisory Board sets the Company targets relevant to remuneration. 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). For a detailed description of the LTIP rules, please refer to the section headed “Share-based payment (IFRS 2).”

Total remuneration granted in fiscal year 2022 to the Management Board (DRS 17) amounted to €1,164k (prior year: €5,010k). €936 (prior year: €934k) of this total consisted of non-performance-related components, €228 (prior year: €656k) of performance-related components and €0k (prior year: €3,420k) 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	2022	2021
Fixed remuneration	890	890
Incidental benefits	46	44
Total (fixed)	**936**	**934**
Single-year variable remuneration	228	614
Fair value of multi-year variable remuneration at grant date	0	3,420
Bonus	0	42
Total (variable)	**228**	**4,076**
Total	**1,164**	**5,010**

Management Board shareholdings developed as follows:

units	Dec 31, 2022	Dec 31, 2021
Dr. Ralf Koeppe	3,600	3,000
Andreas Pabst (since October 1, 2022)	102	–
Dr. Kerstin Reden (until August 31, 2022)	–	417
Stephan Weber (until February 28, 2023)	4,330	4,330

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 €240k (prior year: €284k), which are covered by a relief fund. A severance payment of €138k (prior year: €0k) related to one member of the Management Board.

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 2022 for services provided individually, including for consulting or referral services.

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. The stipulated performance targets were an EPS target, a ROCE target and a free cash flow target. Supervisory Board members Dr. Blaschke, Mr. Bellgardt, Dr. Liebler, Dr. Selent and Mr. Wiedemann participate in the LTIP. For a detailed description of the LTIP rules, please refer to the section headed “Share-based payment (IFRS 2).”

The total remuneration granted to the Supervisory Board members for fiscal year 2022 amounted to €621k (prior year: €675k). €376k (prior year: €368k) of this total related to fixed remuneration, €0k (prior year: €135k) to variable remuneration and €245k (prior year: €173k) to attendance fees.

Supervisory Board shareholdings developed as follows:

units	**Dec 31, 2022**	Dec 31, 2021
Dr. Günter Blaschke	52,060	52,060
Ulrich Bellgardt	31,000	31,000
Jens Große-Allermann* (until May 16, 2022)	–	0
Dr. Sören Hein (until May 16, 2022)	–	5,450
Dr. Hans-Friedrich Liebler	5,500	5,500
Heinrich von Portatius (since May 16, 2022)	0	–
Dr. Alexander Selent	2,000	1,500
Peter Wiedemann (since May 16, 2022)	2,000	–

** 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 2022, 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 €1,885k (prior year: €2,585k). €936k (prior year: €€934k) consisted of fixed remuneration, €0k (prior year: €42k) of short-term benefits and €228k (prior year: €614k) to single-year variable remuneration. An amount of €584k (prior year: €967k) was recognized as expense for long-term share-based payment for fiscal years 2021 to 2023. A total of €1,421k (prior year: €886k) was recognized in other liabilities and €129k (prior year: €81k) 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, 2022. In addition, the total expenses include €138k (prior year: €28k) relating to early termination of a Management Board contract. The amount in the prior year relates in full to non-compete compensation for a post-contractual non-compete covenant in connection with early termination of a Management Board contract in fiscal year 2019.

The total expense recognized for remuneration of the Supervisory Board in accordance with IFRS was €652k (prior year: €767k). The expense recognized for fixed remuneration was €376k (prior year: €368k) and that recognized for single-year variable remuneration was €0k (prior year: €135k). Other remuneration, predominantly attendance fees, amounted to a total of €245k (prior year: €173k). An amount of €32k (prior year: €92k) 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, €26k (prior year: €76k) was recognized in other liabilities and €5k (prior year: €15k) directly in equity for future disbursements.

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 2021 Annual General Meetings and is made use of by Supervisory Board members Dr. Blaschke, Mr. Bellgardt, Dr. Liebler, Dr. Selent and Mr. Wiedemann. 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.

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 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 the LTIP with shares already purchased by the member prior to the Company's Annual General Meeting in fiscal year 2021. In that case, invested shares can also be shares with which the Supervisory Board member participated in LTIP 2018 and 2015. 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. A Supervisory Board member who is elected to the Supervisory Board after the beginning of the incentive period may participate in the LTIP. In order to do so, the member must make a personal investment in shares in the Company, with the invested shares purchased at the latest three months after the entry into effect of the member's election to the Supervisory Board. 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 33.5% and a risk-neutral interest rate of 2.5% with a remaining duration of one year. 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.

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 LTIP are as follows:

in €k	Dec 31, 2022	Dec 31, 2021
LTIP obligations	1,447	962
Total	**1,447**	**962**

The obligations recognized directly in equity for the LTIP are as follows:

in €k	Dec 31, 2022	Dec 31, 2021
Portion of LTIP obligation recognized directly in equity	134	96
Total	**134**	**96**

The expenses recognized for the LTIP are as follows:

in €k	2022	2021
LTIP expenses	1,582	1,058
Total	**1,582**	**1,058**

38. Events after the balance sheet date

Following the termination of the previous lease agreement, the American subsidiary Mark VII Equipment Inc., Arvada, USA, acquired the land and buildings belonging to the production site effective January 2, 2023. The purchase price was USD 10.3 million. This is financed by a 5-year US dollar bank facility in the same amount. The negotiated financing arrangements include both fixed and variable components. A share of 79% of the loan amount is hedged against interest rate risk.

Stephan Weber, Chief Sales Officer (CSO) of WashTec AG with responsibility for Sales, Service and Marketing, left the Company by mutual agreement as of February 28, 2023. Sebastian Kutz, previously Executive Vice President, Head of Sales & Service DACH, has been appointed as his successor from March 1, 2023.

Augsburg, March 24, 2023

Dr. Ralf Koeppe	Sebastian Kutz	Andreas Pabst
Chief Executive Officer	Management Board member	Management Board member

Responsibility Statement

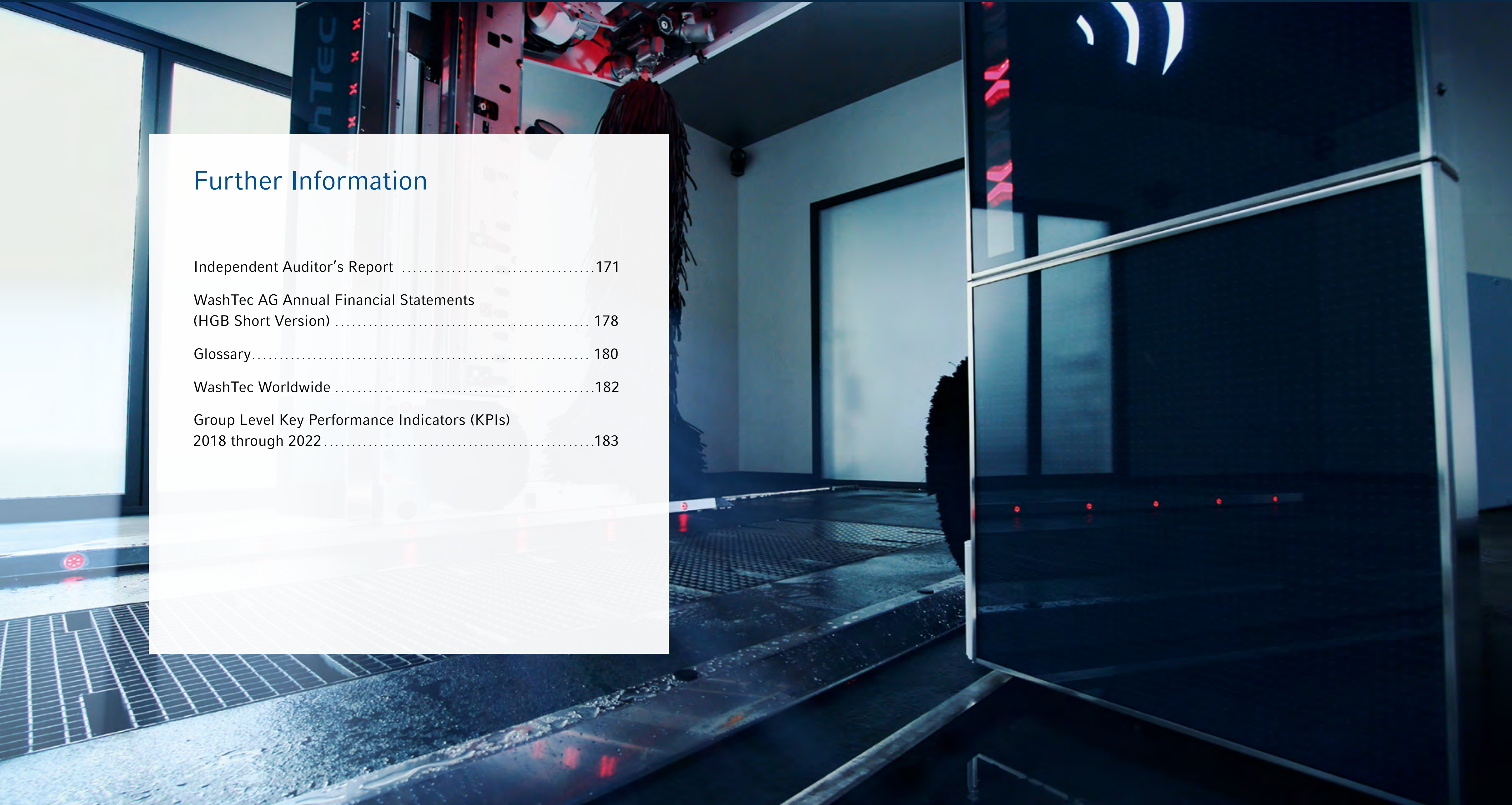
“To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the group Management Report includes a fair review of the development 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 24, 2023

Dr. Ralf Koeppe
Chief Executive Officer

Sebastian Kutz
Management Board member

Andreas Pabst
Management Board member



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 2022, 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 2022, 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 2022. 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 § 315e Abs. [paragraph] 1 HGB 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 2022, and of its financial performance for the financial year from 1 January to 31 December 2022, 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 the components of the group management report mentioned in the section "Other Information".

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 2022. 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 (14.9% 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 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 im-pairment 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 therefore 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 calcu-lation 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. We discussed and exam-ined 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 parameters 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 cashgenerating 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, 14 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 "8 Corporate Governance Declaration" of the group management report
- the information contained in section "5 Internal control system and risk management system" of the group management report that is marked as unaudited

The other information comprises further

- the separate non-financial report to comply with §§ 289b to 289e HGB and with §§ 315b to 315c 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 (i.e., fraudulent financial reporting and misappropriation of assets) 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, actions taken to eliminate threats or safeguards applied.

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-2022-12-31.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 2022 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 (06.2022)) 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 16 May 2022. We were engaged by the supervisory board on 1 December 2022. 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 filed in the company register – 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 Jürgen Schumann."

Munich, March 24 2023

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Jürgen Schumann
Wirtschaftsprüfer
(German Public Auditor)

ppa. Ralph Jakobi
Wirtschaftsprüfer
(German Public Auditor)

Financial Statements of WashTec AG – Balance Sheet (HGB)

Assets	Dec 31, 2022	Dec 31, 2021
in €k		
A. Non-current assets		
I. Intangible assets		
Purchased concessions, industrial and similar rights and assets, and licenses in such rights and assets	38	49
II. Property, plant and equipment		
Fixtures and fittings	95	100
III. Financial assets		
Shares in affiliated companies	128,049	128,049
	128,181	**128,198**
B. Current assets		
I. Receivables and other assets		
1. Receivables from affiliated companies	29,717	40,105
2. Other assets	11,222	14,048
	40,939	**54,153**
II. Cash and cash equivalents	0	0
	0	**0**
C. Prepaid expenses	**3**	**10**
Assets	**169,122**	**182,360**

Equity and Liabilities	Dec 31, 2022	Dec 31, 2021
in €k		
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	**29,804**	**40,306**
	158,947	**169,450**
B. Provisions		
1. Tax provisions	4,675	675
2. Other provisions	3,244	2,960
	7,919	**3,635**
C. Liabilities		
1. Trade payables	33	26
2. Liabilities to affiliated companies	1,612	7,409
3. Other liabilities	611	1,840
of which taxes €608K (prior year: €1,839k)		
of which liabilities to shareholders €2k (prior year: €1k)		
	2,256	**9,275**
Equity and liabilities	**169,122**	**182,360**

Financial Statements of WashTec AG – Income Statement (HGB)

in €k	**2022**	2021
1. Revenue	2,723	2,871
2. Other operating income	190	643
of which from affiliated companies €141k (prior year: €74k)		
of which from currency translation €1k (prior year: €0k)		
	2,912	**3,514**
3. Cost of materials (cost of sales)		
Cost of purchased services	−52	−30
4. Personnel expenses		
a) Wages and salaries	−2,038	−4,163
b) Social security, pension and other benefit costs	−52	−48
of which for pensions €–8k (prior year: €–7k)		
	−2,090	**−4,210**
5. Amortization, depreciation and impairment of intangible assets and property, plant and equipment	−30	−24
6. Other operating expenses	−2,786	−2,119
of which from currency translation €–4k (prior year: €–1k)		
	−4,958	**−6,383**
	−2,045	**−2,869**
7. Income from profit and loss pooling agreements	35,818	3,125
8. Expenses from profit and loss pooling agreements	0	−195
9. Income from participating interests	4,500	40,000
of which from affiliated companies €4,500k (prior year: €40,000k)		
10. Other interest and similar income	130	112
of which from affiliated companies €99k (prior year: €112k)		
11. Interest and similar expenses	−69	−50
of which to affiliated companies €–31k (prior year: €–50k)		
	40,379	**42,993**
12. Income taxes	−10,016	−200
13. Profit after tax	28,318	39,924
14. Other taxes	−12	−13
15. Net income for the period	28,307	39,911
16. Profit carried forward	1,498	395
17. Distributable profit	**29,804**	**40,306**

Glossary

AB	Aktiebolag (Swedish company form)
Accident rate	Work accidents/million hours worked
AG	Aktiengesellschaft (German company form)
AktG	Aktiengesetz (German Stock Corporation Act)
AS	Aksjeselskap (Norwegian company form)
A/S	Aktieselskab (Danish company form)
B.V.	Besloten Vennootschap met beperkte aansprakelijkheid (Dutch company form)
CAD	Canadian dollar
CAGR	Compound annual growth rate
Capital employed	Non-current assets including goodwill and right-of-use assets + NOWC, calculated as the average over five quarters
Cash flow	Total inflows and outflows of cash and cash equivalents in a period
Cash funds	Cash and cash equivalents plus bank overdrafts and interest-bearing short-term loans
CNY	Chinese renminbi yuan
Code	German Corporate Governance Code
Conveyor tunnel system	In conveyor 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 gantry carwash
Corporate governance	Framework for responsible corporate management and control geared to sustainability
CSR	Corporate social responsibility
CSRD	Corporate Sustainability Reporting Directive (CSRD); new EU directive for sustainability reporting with first-time application from fiscal year 2024 onwards
Dividend yield	Distributed dividend as a percentage of the quoted stock price at the time. The dividend yield indicates shareholders’ yield on an investment in the shares.
Earnings per share (EPS)	Net income/weighted average 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; reference rate for euro term deposits in interbank business
€STR	Euro Short-Term Rate; the European Central Bank’s reference rate for euros, based on Eurosystem money market statistics
Financial covenants	Requirements to be complied with in connection with a loan
Financial liabilities	Financial liabilities are calculated as follows: interest-bearing loans + lease liabilities
Free cash flow	Free cash flow available for dividend distributions, debt repayment or reinvestment; free cash flow is calculated as follows: net cash inflow from operating activities – net cash outflow from investing activities
Gantry carwash	In a gantry carwash, washing and drying is performed by a railed gantry that moves back and forth several times over the stationary vehicle
GmbH	Gesellschaft mit beschränkter Haftung (German company form)
GRI	Global Reporting Initiative; standard setter and standards for the preparation of sustainability reports

Glossary

Gross profit	Revenue less cost of sales
Gross profit margin	Gross profit/revenue
HGB	Handelsgesetzbuch (German Commercial Code)
HSE	Health, safety and environment
IAS	International Accounting Standards
IASB	International Accounting Standards Board
ICS	Internal control system
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards; internationally harmonized and applied financial reporting standards compiled by the International Accounting Standards Board (IASB)
IMF	International Monetary Fund
Inc.	Incorporated (United States company form)
LPR	Loan Prime Rate; the Chinese central bank's reference rate for one-year loans
Ltd.	Limited (United Kingdom company form)
LTIP	Long-term incentive program; long-term share-based remuneration
Managers' transactions	Managers' own transactions
Net financial debt	Net financial debt is calculated as follows: cash and cash equivalents less financial liabilities
NOWC	Net operating working capital (NOWC) is calculated as follows: trade receivables + inventories – trade payables + prepayments on orders
Pty Ltd.	Proprietary limited (Australian company form)
RMS	Risk management system
ROCE	Return on capital employed is the ratio of EBIT to capital employed and is calculated as follows: EBIT/capital employed
S. A. S.	Société par actions simplifiée (French company form)
S.A.U.	Sociedad Anónima Unipersonal (Spanish company form)
S.r.l.	Società a responsabilità limitata (Italian company form)
s.r.o.	Společnost s ručením omezeným (Czech company form)
Self-service carwash	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)
Total shareholder return	Total shareholder return (TSR) is the total return achieved by a shareholder on an investment in a share over a specified period of time and is expressed as a percentage of the invested capital. It is calculated as follows: [(final share price − initial share price) + dividend]/initial share price
USA	United States of America
USD	US dollar
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) 2018 through 2022

		2018	2019	2020	2021	**2022**
Revenue	€m	435.4	436.5	378.7	430.5	**482.2**
EBIT	€m	51.5	36.3	20.1	45.7	**38.0**
EBIT margin	%	11.8	8.3	5.3	10.6	**7.9**
EBT	€m	50.8	35.7	18.8	44.8	**37.3**
Net income	€m	34.0	22.3	13.3	31.1	**26.4**
Earnings per share	€	2.54	1.66	0.99	2.32	**1.97**
Dividend per share	€	2.45	–	2.30	2.90	**2.20**[1]
Free cash flow	€m	32.3	15.0	45.6	42.3	**16.2**
Balance sheet total	€m	237.2	274.9	244.0	267.0	**284.5**
Equity	€m	95.4	84.5	96.2	98.4	**88.1**
Employees[2]	people	1,852	1,880	1,798	1,767	**1,806**

[1] *Dividend proposal to the Annual General Meeting 2023*
[2] *Average for the year*

Financial Calendar

Mar 30, 2023	Annual Report 2022
May 04, 2023	Quarterly statement Q1 2023
May 15, 2023	Annual General Meeting 2023
Aug 03, 2023	Q2 Report 2023
Nov 02, 2022	Quarterly statement Q1–3 2023

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