Annual Report 2020

#WashTec**Inside**

Solid earnings and substantially positive cash flow
despite pandemic-related decline in revenue

Rounding differences may occur		Jan 1 to Dec 31, 2020	Jan 1 to Dec 31, 2019	Change	
				absolute	in %
Revenue	€m	378.7	436.5	−57.8	−13.2
EBIT	€m	20.1	36.3	−16.2	−44.6
EBIT margin	in %	5.3	8.3	−3.0	–
Adjusted EBIT margin	in %	6.8	8.8	−2.0	–
EBT	€m	18.8	35.7	−16.9	−47.3
Net income	€m	13.3	22.3	−9.0	−40.4
Employees at reporting date	persons	1,770	1,874	−104	−5.5
Number of shares	units	13,382,324	13,382,324	0	0
Earnings per share	€	0.99	1.66	−0.67	−40.4
Free cash flow	€m	45.6	15.0	30.6	204.0
Capital expenditure	€m	0.7	6.8	−6.1	−89.7
Equity ratio	in %	39.4	30.7	8.7	–
ROCE	in %	10.5	18.4	−7.9	–

- Revenue down by 13.2% from €436.5m to €378.7m
- EBIT by 44.6% down on prior year at €20.1m (prior year: €36.3m); EBIT margin 5.3%
- Free cash flow including the repayment of lease liabilities amounted to €36.9m (prior year: €6.4m)

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Report of the Management Board

Dear Shareholders, Customers and Employees,

2020 will go down in history as the year of the pandemic.

Despite major challenges in global capital goods markets, our Company generated revenue of €378.7m, 13.2% down on the prior year's €436.5m. Earnings before interest and taxes (EBIT) came to €20.1m. That makes for an EBIT margin of 5.3% (prior year €36.3m; EBIT margin 8.3%). EBIT includes one-off expenses of €5.6m – primarily an impairment on intangible assets. Adjusted for this item, the EBIT margin was 6.8%.

Fiscal year 2020 got off to a slow start. Due to the global spread of the COVID-19 pandemic and the ensuing lockdowns, our customers drastically cut investment in carwashes. While key account customers continued to hold back as the year went on, the second half-year saw a low-level recovery on the direct sales side. As already seen in fiscal year 2019, this underscores the importance of the direct sales segment for the robustness of our business model.

The service and chemicals business was impacted, particularly in Southern European countries, by carwashes being closed during the first lockdown from March to May. During the remainder of the year, with the increasing introduction of hygiene measures, the service business was hardly affected by the pandemic and the chemicals business remained stable overall.

In the first weeks of fiscal year 2020, our Company adopted seven future-oriented strategic initiatives. These notably included initiatives on operational excellence, innovation, digitalization, and leadership and spirit, together with others for the USA and China as international strategic focus markets.

The Management Board team launched these initiatives to address strategic issues with a global approach cutting across functions and hierarchies. Our aim is to create a work culture where employees make decisions in teams but also assume responsibility for them. They apply agile methods, meaning that only a few, clear rules are laid down to help a project team achieve its goal. The teams are coached by management.

During the first lockdown in March, all organizational units reorganized using digital communication and tools. Where possible, we divided work areas into several teams that alternated between remote and office working. In this way, proactive steps were taken to ensure business continuity in the event of a COVID-19 outbreak.

The high degree of flexibility in production already established in past years, with variable working time accounts and temporary employment, meant that it was only necessary to put staff on reduced working hours for a short period.

Cost-cutting measures were stepped up under the ongoing Performance Program. The unpredictable path of the pandemic required frequent short-term adjustments. Supply chains had to be safeguarded, for example, and hygiene rules revised. Particularly intensive work also went into measures to increase profitability on a long-term basis. A good example is the turnaround in the North America region despite the fall in revenue.

In a crisis, decisions have to be made quickly and resolutely and the organization adapted to changing conditions. Just as important, however, is looking ahead, seizing opportunities and driving innovation in order to emerge stronger from the crisis.

Fiscal year 2020 also stands out for the full European rollout of SmartCare, the world's first fully digitalized gantry carwash. The end of the year brought the market launch of the matching SmartSite product. This gives operators remote control of all carwash building and infrastructure components – the carwash equivalent of the smart home. Commencing last year, new carwashes are connected online, ensuring that our service force have full status information and can better plan their deployments.

In a further example of innovation in 2020, we reformulated our premium cleaning products. As part of this, we dispensed with petrochemical base products and replaced them with renewable raw materials without having to make any compromise on cleaning quality. The result is called "AUWA Green Car Care" and marks another milestone on our road to sustainability.

We continue to drive forward the digitalization of our business. Data and smart devices enabled by data are the basis for the carwash business of the future. Other key future trends we are working on include automation and robotics in carwashes, along with sustainability in water use, water treatment and wash chemistry.

Overall, 2020 saw us lay the foundation for a new, modern corporate culture. Our workforce not only supported these changes during the 2020 pandemic, but also contributed outstandingly to the Company's success under these difficult conditions. Despite the major restrictions due to the pandemic and compliance with hygiene rules, all employees delivered their best. Many new digital video conferencing and workshop formats have been developed, many of which will continue to benefit us in the future.

Special thanks therefore go to all employees for their dedication during these difficult times.

A humbling fact is that the pandemic has also affected some of us personally. With all the plans, ideas and ambitions we have for the future, one thing matters to us on the Management Board more than anything else: that our employees and their families stay safe and well.

We wish the same for you, our shareholders and customers, and would like to thank you for placing your confidence in us.

Ralf Koeppe

Dr. Ralf Koeppe
Chief Executive Officer

Members of the Management Board

Dr. Ralf Koeppe (*1965)
CEO & CTO/Chairmann of the Management Board

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

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

Dr. Kerstin Reden (*1969)
CFO/Member of the Management Board

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

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

Stephan Weber (*1963)
CSO/Member of the Management Board

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

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

Report of the Supervisory Board

Dr. Günter Blaschke
Chairman of the Supervisory Board

Ladies and Gentlemen,

2020, the year of the corona pandemic:

the corona pandemic, the resulting lower investment confidence and government intervention to contain the pandemic plunged the global economy into the second deepest recession in postwar history.

Flexibility and safeguarding liquidity are of supreme importance

Faced with a rapidly changing – in fact, virtually unforeseeable – economic environment, there is a recipe for success that is well proven in the natural world. In such exceptional situations, it is not the fittest, not the biggest, nor the most intelligent who survive, but those who can adapt to the changing environment with lightning speed and great flexibility. Indeed, it is those who often emerge significantly stronger from the crisis.

In parallel, top priority must be given to safeguarding the Company's liquidity. For this reason, our shareholders agreed at the last Annual General Meeting not to pay a dividend for fiscal year 2019. The business situation having stabilized at a reduced level in the second half of 2020, and with a healthy trend in our liquidity, we are very pleased to be able to return to an attractive dividend policy for the fiscal year 2020.

Work of the Supervisory Board

The particular focus of the Supervisory Board and its committees was consequently on advising and supporting the Management Board in systematically building on the Performance Program launched in the second half of 2019 for flexible adjustment of structures, costs and capital expenditure to the current business situation while sustainably increasing productivity and efficiency in all parts of the business. A further focus was on the Company's strategic orientation in line with its corporate philosophy.

During the reporting year, the Supervisory Board conscientiously performed the responsibilities incumbent on it by law, the Company's Articles of Association and its 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 2020.

During fiscal year 2020, the Supervisory Board regularly reviewed the situation of the Group and monitored the work of the Management Board

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 several times 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, 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 2020, the plenary Supervisory Board held a total of 13 meetings, five of which were extraordinary meetings conducted as teleconferences or video conferences. A large number of the meetings of the Supervisory Board and its committees were held as telephone or video conferences in the reporting year due to the situation under the COVID-19 pandemic.

At least one meeting was held each quarter. In addition, 16 committee meetings were held, and various resolutions were adopted outside of meetings by circulation. Attendance at the meetings of the Supervisory Board and its committees was 100%. In plenary meetings, the committee chairpersons regularly informed the Supervisory Board about the work of the committees. A separate report on the work of the committees is provided below. All members of the Supervisory Board and the Management Board additionally convened for a two-day strategy workshop. The Supervisory Board also regularly met without the Management Board.

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, 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, strategic development, the course of business and the current situation of the Group. The Supervisory Board consequently had a detailed understanding of all major business events and developments at the WashTec Group at all times.

Furthermore, the Supervisory Board examined transactions and actions of the Management Board requiring approval and decided upon the granting of such approval. The current business and earnings situation was discussed in relation to budgeted figures at all meetings.

Other individual topics addressed in meetings were as follows:

- Discussion of the annual financial statements of WashTec AG, the consolidated financial statements and the combined management report for fiscal year 2019 (first quarter)
- Use of net profit (first and second quarter)
- Resolution on the agenda for the Annual General Meeting (second quarter)
- Strategy workshop (second quarter)
- Consultation on interim reports (second, third and fourth quarters)
- Supervisory Board matters (ongoing)
- Management Board matters (ongoing)

Focal points in 2020:

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

- Personnel matters (first and third quarters)
- Declaration of Conformity (fourth quarter) and regular compliance update
- Sales and marketing strategies and projects; global service
- Performance Program
- Operational Excellence Program
- WashTec Obeya Initiative
- Status, strategy and processes in North America, China and France
- Product development, processes and projects, in particular with regard to SmartCare
- Digital transformation
- Annual planning for 2021 and medium-term planning

Key topics at the March 24, 2021 meeting for adoption of the financial statements, which was held as a hybrid event, comprised discussion of the annual financial statements of WashTec AG, of the consolidated financial statements for fiscal year 2020 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.

Report on the work of the committees

There are five committees (Audit, Personnel, Nomination, Innovation and Sales Strategy Committee) whose primary purpose is to prepare Supervisory Board meetings and resolutions for the plenary Supervisory Board. The committees can also be assigned decision-making powers within the scope of mandatory statutory provisions. The current composition of the committees is shown on page 87. A brief overview of the work of the committees in the reporting year is provided in the following.

The Audit Committee convened five times in the fiscal year under review. Three meetings were 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 and the work of Internal Audit.

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 standards and consulted on compliance matters.

The Personnel Committee met five times during the reporting year and resolved various matters by teleconference, video conference and email. The agenda topics related to changes on the Management Board.

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

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

The Sales committee met three times during the reporting year. The main focus was on sales and marketing activities, development in a number of core markets and with the outlook for sales and marketing activities and its targets in the second half of 2020.

Good collaborative working relationships were assured at all times.

Conflicts of interest

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

Corporate governance

The Management Board and the Supervisory Board regard corporate governance as an ongoing process and regularly address compliance with the stipulations of the German Corporate Governance Code. They have jointly reviewed corporate governance. On December 17, 2020, 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 2020 reporting year. Supervisory Board members also took part in various subject-specific further training events.

Remuneration system for the Management Board

The Management Board remuneration system is geared to the responsibilities and performance of the Management Board members and to the situation of the Company. The overall remuneration of members of the Management Board is made up of monetary and non-monetary as well as fixed and variable components and is linked overall to 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 on pages 95 to 98.

In its meeting of March 24, 2021, the entire Supervisory Board passed a resolution on the updated Management Board remuneration system. This compensation system for the Management Board will be presented to the 2021 Annual General Meeting for approval.

Audit of the 2020 annual and consolidated financial statements

The Management Board prepared the annual financial statements of WashTec AG, the consolidated financial statements and the combined management report of WashTec AG and of the Group as of December 31, 2020. These have been audited and issued with an unqualified audit opinion by PricewaterhouseCoopers GmbH, Wirtschaftsprüfungsgesellschaft, Munich, which was elected by the Annual General Meeting as auditor of the annual and consolidated financial statements.

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

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

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

The audited annual financial statements of WashTec AG, the audited consolidated financial statements, the combined management report of WashTec AG and of the Group as of December 31, 2020, as well as the Management Board's proposal on the appropriation of distributable profit were presented in a timely manner for review by all members of the Supervisory Board. The financial statements and reports were the subject of the Supervisory Board meeting held for adoption of the financial statements on March 24, 2021. For the same Supervisory Board meeting, the Management Board also submitted a report on the development of the Company's earnings.

The auditor attended the Supervisory Board meeting held on March 24, 2021 for adoption of the financial statements. All questions posed by members of the Supervisory Board were answered in detail. The Supervisory Board noted the auditor's audit findings and reviewed the annual financial statements of WashTec AG, the consolidated financial statements, the combined management report, the non-financial statement and the Management Board's proposal on the appropriation of distributable profit. No objections were raised during the Supervisory Board's review. At its meeting for adoption of the financial statements, the Supervisory Board approved the annual financial statements of WashTec AG 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.

Changes on the Management Board

Axel Jaeger, Chief Financial Officer (CFO) of WashTec AG, whose management portfolio included Finance/Control, IT, Procurement, Investor Relations and Legal Affairs, left the company at his own request on May 31, 2020.

Effective August 1, 2020, Dr. Kerstin Reden was appointed as member of the Management Board and CFO. Dr. Kerstin Reden holds a doctorate in economics from the University of Trier and is qualified as a German Public Accountant and Tax Adviser.

During the transitional period from June 1, 2020 to July 31, 2020, Dr. Ralf Koeppe – CEO/CTO of WashTec AG – performed the role of CFO in addition to his other duties.

The Supervisory Board would like to thank the Management Board and all managers for their good and constructive teamwork. Further special thanks go to all employees, who have shown exemplary dedication and commitment in mastering the highly demanding challenges faced by our company as a result of the corona pandemic.

Augsburg, March 2021

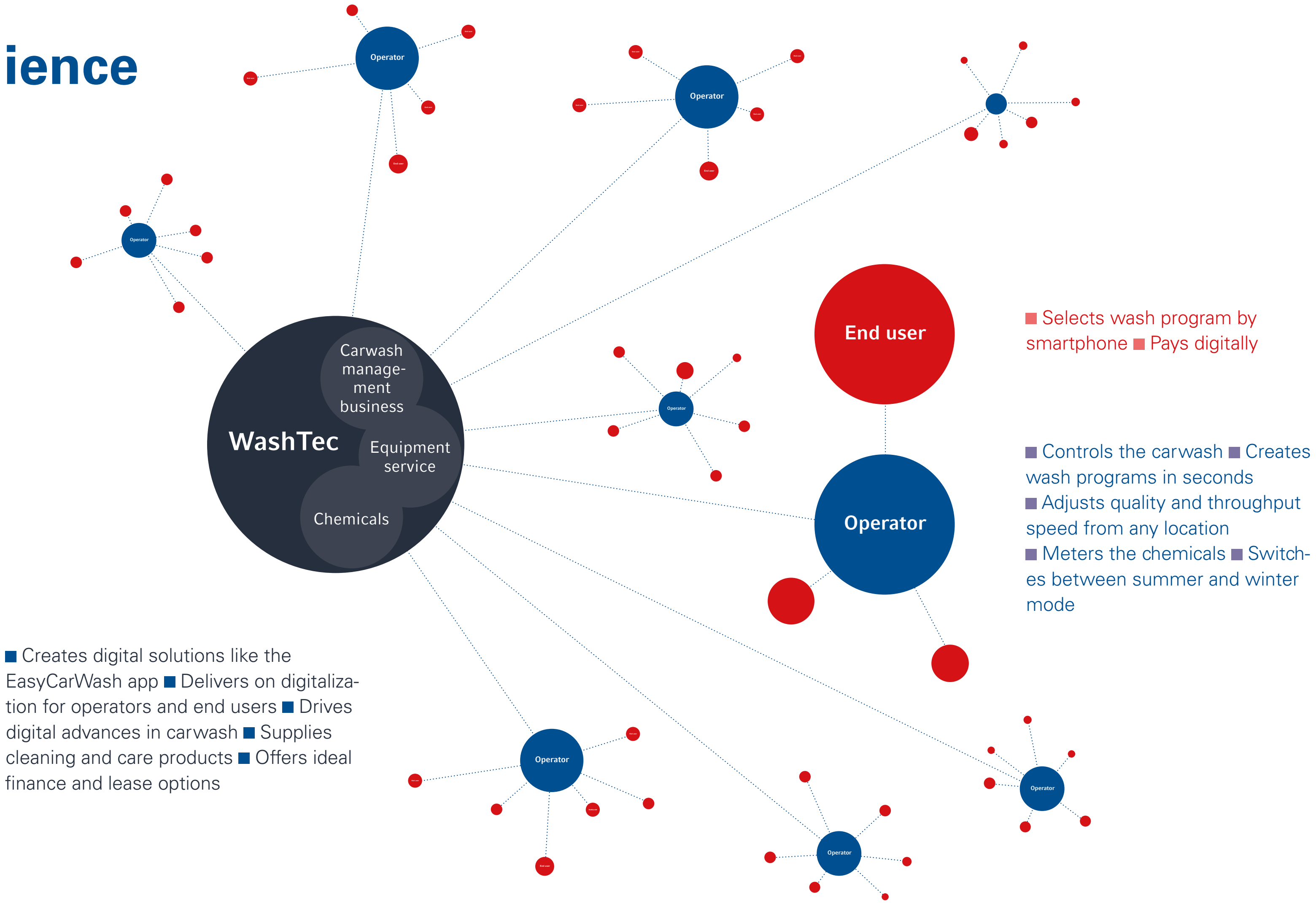
On behalf of the Supervisory Board

Dr. Günter Blaschke
Chairman of the Supervisory Board

WashTec**Convenience**

Operators of our carwashes have full wash sales and performance data at their fingertips – anywhere and anytime. This realtime transparency is simple with WashTecInside. Our EasyCarWash smartphone app connects end customers and operators and makes child's play of using and paying for carwashes. We focus digitalization and innovation on a single goal: added value for our customers and their carwash users.

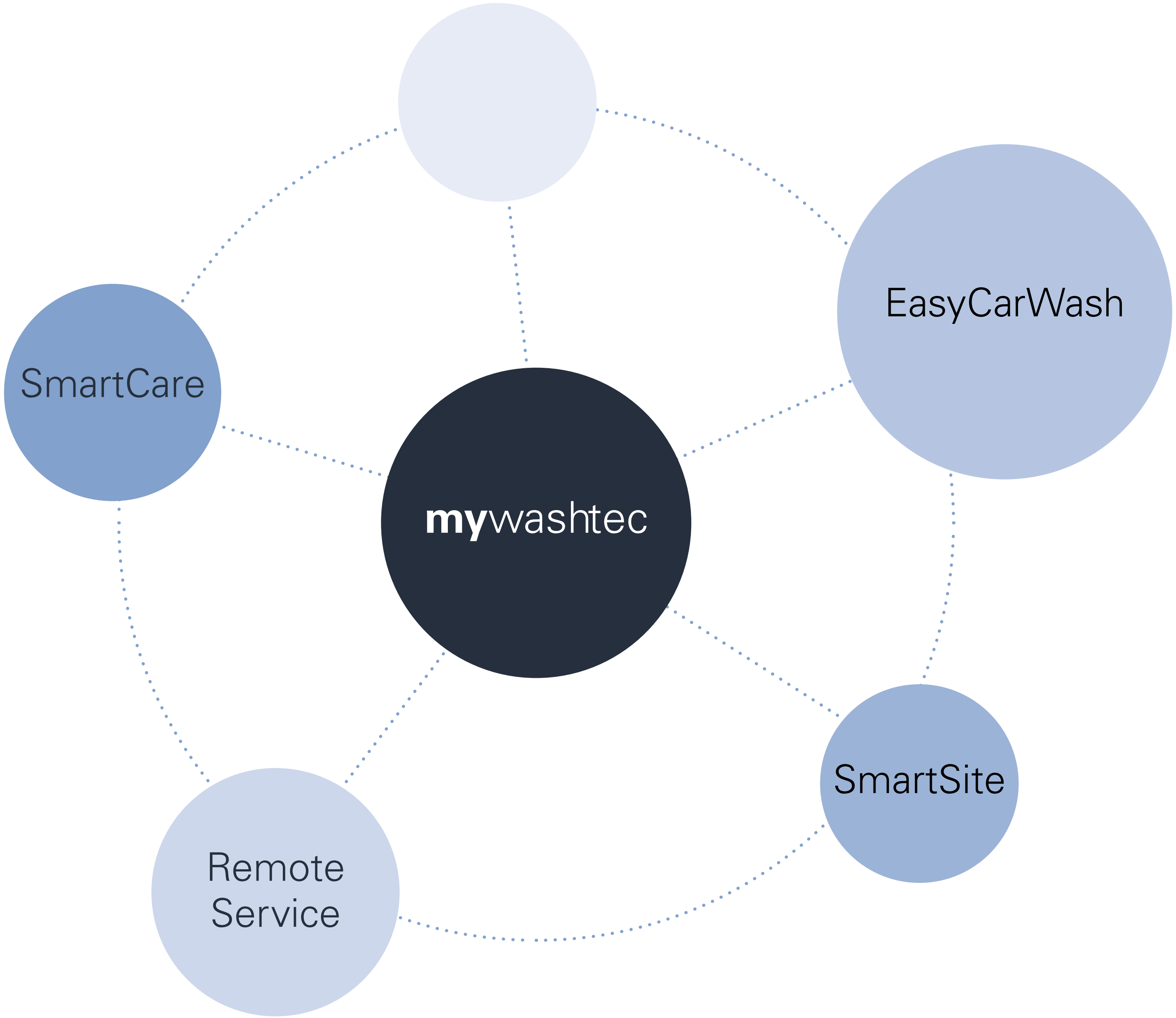
Dr. Ralf Koeppe, CEO




my.carwash
WashTec

#WashTec**Inside**

With digital control, WashTec carwashes shine in more ways than one. WashTec's **SmartCare** is a gantry carwash will optimum remote access – and that opens up a wealth of new possibilities. Using **EasyCarWash**, carwash customers can quickly and simply select their individual wash program and pay for it on their smartphone. **SmartSite** enables operators to control the system from any location. And with our **Remote Service**, every operator has fast access to expert digital support from WashTec professionals. For maximum convenience, all of these services are smartly connected in **mywashtec.**



SmartCare
The **premium class** among carwashes.

SmartCare boasts compelling connectivity, with unique **remote access, remote monitoring** and **remote control** capabilities. This enables features and options never seen before in a carwash.

"The new SmartCare gantry carwash gives us more freedom, as it means we can control a lot of settings from home. Our customers are delighted with the wash performance and come back again and again."

Tina Prandi, bft Tankstelle Wilde Taube BFT filling station, Germany

SmartCare

- RemoteAccess: secure login from any location
- RemoteMonitoring: wash statistics, chemical levels and consumption data at a glance
- RemoteDiagnosis: whole-system service access
- RemoteAssist: configuration and troubleshooting assistance with HelpDesk
- RemoteControl: modify settings remotely anywhere, anytime

Digital carwash management with SmartSite

WashTec SmartSite is a simple, practical and user-friendly platform for smart **monitoring** and **control** of carwash sites.

> **"With SmartSite I gain more time and freedom. An indispensable tool that saves energy and money."**

Markus Priester, carwash operator, Austria

SmartSite

- Convenient and secure remote access to the whole carwash site
- Remote solutions for monitoring and control of diverse system functions
- Smart heating control for forecourt and wash building
- Automated lighting control for site safety and security
- Automatic monthly events log

EasyCarWash
The new **digital world** of carwash

Using the EasyCarWash app, customers can book and pay for their washes simply and easily. The app supports both single washes and unlimited plan options.

"With EasyCarWash, we don't just sell a car and that's it. Now we see them again whenever they come in for a wash. That drives frequency and means more customer contact. And it's an extra revenue source."

Johannes Moser, Moser car sales, Bruneck, South Tyrol, Italy

Higher wash frequency, enhanced convenience and a marketing aid: **EasyCarWash** boosts carwash custom and profit regardless of the weather.

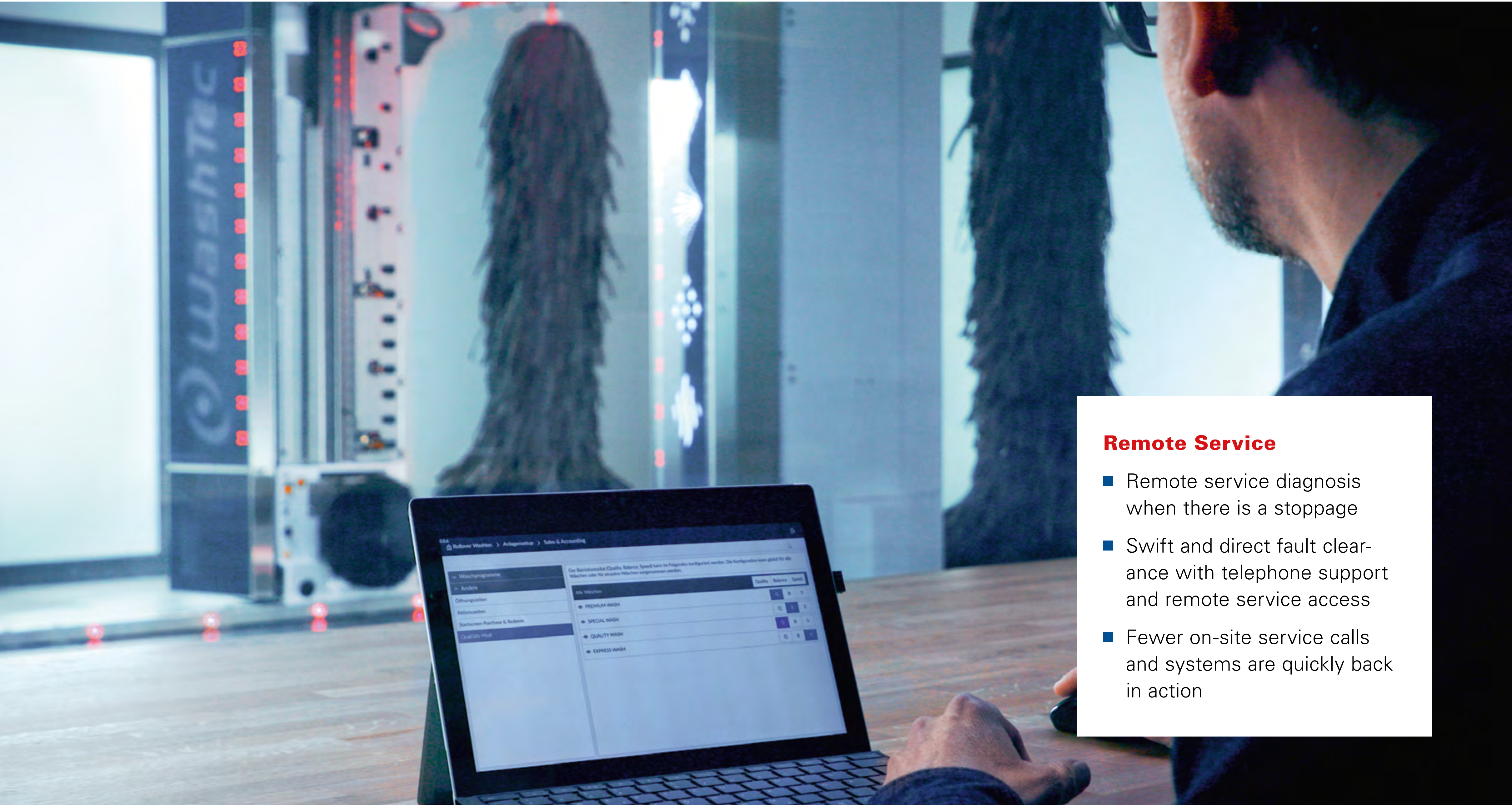
#WashTec**Inside**

Remote Service – our worry-free service for minimum downtime and maximum availability

Remote Service ensures reliable service access by WashTec and rapid troubleshooting.

"WashTec's HelpDesk is vital for my carwash business. The support from WashTec leaves me free to look after my other lines of business. Right now, I have three carwashes with HelpDesk. I'm planning to expand my carwash business to new sites in the near future, and WashTec HelpDesk is an absolute must."

Anders Hansen, Varde car wash, Tarp Car wash, Denmark



Remote Service

- Remote service diagnosis when there is a stoppage
- Swift and direct fault clearance with telephone support and remote service access
- Fewer on-site service calls and systems are quickly back in action

Sustainability Report

In our understanding, sustainable business means safeguarding and expanding economic, environmental and social values. Sustainable business practices secure the future of our Company. Our long-lived capital assets create lasting value, and through their sparing use of resources, we contribute to preserving an intact living environment for future generations. We have a long track record of delivering on our responsibility to employees and society. As a manufacturer of automated carwash equipment, we also contribute with our business model to the sustainability of our customers' business models.

WashTec meets the highest standards, not only of product and service quality, but also in environmental protection. In our operations, we always aim for maximum efficiency in the use of materials and resources.

This is consistently reflected in our latest sustainability report, which we have presented for many years. We also supplement this with a separate combined non-financial report. In doing so, we meet the requirements of the CSR Directive Implementation Act, which have to be observed in reporting since fiscal year 2017.

1. Separate combined non-financial report

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

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

For a detailed report on our risk management and a description of prevailing risks with the potential to have a material impact on the onward development of the WashTec Group, please see the combined management report in Section 4, Outlook, opportunities and risk report, starting on page 74. No material risks from our business activities, business relationships, products and services have been identified for which it is highly probable that they have, or will have, severe adverse impacts on the above-mentioned aspects.

The content of the separate combined non-financial report is reviewed by the Supervisory Board. In the sustainability report, this review solely relates to heading 1, Separate combined non-financial report, and not to the information under heading 2, Implementation of sustainability at WashTec.

1.1 Description of the business model and diversity policy

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

For a description of the diversity policy, please see the combined management report under Corporate Governance Declaration, section 8.1, on page 88.

1.2 Environmental matters

WashTec faces up to its responsibility towards the environment and human society. In the 2019 reporting year, we intensified our review of the impact of our business activities on environmental matters.

Objective/policy

We want to expand our actions in the direction of a more environmentally sustainable business operations. Germany has a special responsibility for climate action as a leading industrialized nation. As a German company, WashTec is keen to contribute to the German government's climate action program, which targets a 55% reduction in carbon emissions in Germany by 2030 compared to 1990 levels. We intend to significantly reduce the Group's carbon footprint at international level within five years (2021-2025).

Measures

Significant reduction of the carbon footprint by the end of 2025

In order to identify the reduction potentials of the carbon footprint, an Environment and Energy Roadmap 2025 will be developed on the basis of which concrete quantitative reduction targets will be adopted in 2021. There are measures to improve fuel economy in the vehicle fleet. The main projects here are route optimization to cut fuel consumption, reduced transportation speeds and continuously increasing the use of electric vehicles. All vehicles newly purchased by WashTec are equipped with economical, latest-generation diesel engines with particle filters. A bonus/penalty system for emission levels gives employees with an entitlement to a company car additional incentives to choose low-emission vehicles. Optimizing the compressed air network, converting the entire plant to 100% LED lighting, and base/peak load optimization are other focal areas in the 20 projects developed in 2020. We also aim to step up efforts in the areas of raising employees awareness, transparency on energy data the application of alternatives.

Processes/due diligence

Introducing energy software will provide WashTec with greater transparency regarding energy flows and consumption. In figures that were determined for the year 2019, the total carbon footprint is 6,338 tonnes CO_2 equivalent/year (t CO_2e/a), or 3.4 t CO_2e per employee (1,874 employees), or relative to WashTec Group revenue (€436.5m), 14.5 t CO_2e/€m. All production plants internationally are included in the analysis: those in Germany, the Czech Republic, China and the USA. The figures stated are calculated on the basis of DIN EN ISO 14064-1 and using the GEMIS and DEFRA databases. In terms of the categories under DIN EN ISO 14064-1, the figures are limited to Category 1 "Direct GHG emissions and removals" and Category 2 "Indirect GHG emissions from imported energy". Specifically, these comprise emissions from in-house heat generation, the corporate vehicle fleet, air conditioning, purchased district heat and purchased electricity. They do not include Category 3 "Indirect GHG emissions from transportation", Category 4 "Indirect GHG emissions from products an organisation uses", Category 5 "Indirect GHG emissions (use of products from the organisation)" and Category 6 "Indirect GHG emissions (other sources)".

Outcomes

The implementation of the first measures will deliver initial results under the Environment and Energy Roadmap 2025. We will report extensively on this as of 2022.

1.3 Employee matters

Objective/policy

We are conscious of our responsibility towards the workforce and their families, as well as towards the people who work with WashTec and operate or use the equipment we produce. Among other things, the focus here is on the safety and health of our employees in the workplace. Experience shows that whatever preventive measures are taken, a residual risk of a potential accident at work cannot be completely ruled out. The paramount goal remains to reduce the number of work-related accidents significantly respectively the avoidance of accidents. We therefore analyze accidents and near-misses to prevent them from recurring. To achieve this goal, existing and new hazards are regularly assessed in order to identify potential accident risks in advance. Suitable measures are taken to eliminate potential risk for employees wherever possible and at least reduce it to an acceptable level.

Every accident can have a serious impact on the person involved, but also consequences for WashTec. High occupational safety standards play an essential part in ensuring that everyone is safety-conscious. By maintaining high levels of process reliability in occupational safety and health, WashTec contributes to general public welfare. We measure continuous improvement toward a zero-accidents target on the basis of the accident rate [work accidents/million hours worked].

Measures

In close collaboration between operating departments and the Health, Safety and Environment (HSE) Department, appropriate measures are jointly initiated to further enhance employee safety. A common understanding of safety issues, supported by training courses and regular instruction as well as workplace inspections, also results in continuously rising acceptance among employees. This is an important step in further accident risk.

Preventive measures include hazard analyses carried out in the various operating departments. They are systematically supported in this by WashTec's in-house HSE department. 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.

As well as accidents, other critical situations are also recorded and analyzed. For this purpose, near-misses are identified, recorded and evaluated, and appropriate measures are taken to eliminate or at least reduce the risk potential in advance. To raise employee awareness, help identify potential causes of accidents in advance and eliminate hazards before an accident is caused, we provide a range of instruction modules using our training tool. The message app introduced for all worldwide WashTec employees in 2018 – which makes it easier for everyone to report accidents and near misses – was once again revised in 2020. Use of the app is now more intuitive and documents can be captured more easily. The area manager is informed by e-mail and is responsible for ensuring that immediate action is taken. This enables us to quickly eliminate accident risks. Reports are analyzed on a group basis and collated to provide content for further training units.

A function for performing quality, health, safety and environment (QHSE) inspections has also been added to the app. These inspections are carried out by supervisors at regular intervals. Their purpose is to compare target and actual performance and also to systematically identify improvements, potential and risks. The questionnaire is adapted to specifications for each area so that the inspections are carried out according to the relevant requirements. Here, too, systematic evaluation enables focal points to be identified and suitable action taken. Measures are also directly assigned to those responsible to aid and ensure follow-up.

WashTec Tower significantly reduces potential work hazards for our service technicians.

The WashTec Tower is a further piece of equipment that has significantly reduced potential work hazards for our service technicians. Comprising a special mobile scaffold, the WashTec Tower ensures safe working at height. A project was carried out in 2019 to look at how the WashTec Tower is transported in service vehicles. The knowledge gained, and the revised requirements for service vans, were used in collaboration with fleet management to implement a new van racking system.

We use the new tool to train relevant occupational safety topics. In addition, we can provide product and service training for employees and outside partners as e-learning training. As mentioned earlier, instruction modules end with a test to show that the content has been understood and can be implemented.

Processes/due diligence

In collaboration with the operating departments, the HSE department carries out ongoing preventive measures such as audits, training and risk assessments to increase safety and raise awareness around occupational safety and health among managers and employees. The HSE department also ensures that occupational safety considerations are incorporated in product development and improvement so that parts are safe for workers to carry, assembly and replace. If unsafe situations or potential hazards are identified nevertheless, employees are required to follow the principle of “If you are not sure, STOP”.

The HSE department provides training for all employees via the training tool. This makes it possible to track which participants have completed the training by the prescribed date and passed a final test. Taking and passing a test are obligatory. Any failure to do so is escalated up the chain of command and if necessary as far as the Management Board. This ensures that all employees and external partners know the training content. Compliance with the training content is verified among other things with the aid of QHSE inspections.

Outcomes

The accident rate, which is the relevant indicator for employee matters, 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 have been no occupational accidents with fatal or serious injuries, meaning with lasting injury or resulting in a pension entitlement.

In the 2020 reporting year, the number of occupational accidents per million hours worked, at 4.49 as of the year-end (prior year: 3.5), remained significantly below the industry average of 21.16 reported by the employers’ liability insurance association. Introduction of the WashTec Message app significantly increased reporting quality with regard to hazardous situations, near misses and accidents. The gain in transparency aids in the detailed analysis of incidents and results in instructions being revised accordingly.

Number of occupational accidents per million hours worked significantly below industry average

Awards for successful safety activities conferred by major customers in the petroleum industry in past years verify the high standards of safety at WashTec.

1.4 Social matters

We take our social responsibility seriously and make a contribution for the chronically ill and disadvantaged by supporting the organization **Bunter Kreis e.V.**. For further information, please see the sustainability report under 2.6, Social commitment. A comprehensive policy and a plan of measures do not exist in this respect.

1.5 Respect for human rights

In the supplier declaration drawn up in 2017, all significant business partners undertake to comply with WashTec's principles and rules

We work with suppliers and service providers worldwide. We expect all employees as well as our business partners to operate in compliance with the law. Likewise, WashTec expects business partners to comply with applicable laws and regulations, as well as to meet and continue developing high ethical standards in business operations. WashTec has defined rules and principles in a Code of Ethics.

In the context of our international business relationships, WashTec also compiled a suppliers' declaration in 2017, which all material business partners had signed with legally binding force in order to guarantee compliance with WashTec's principles.

As part of the machinery and plant engineering sector, WashTec operates in an industry that already meets high standards.

Wash equipment is mainly produced in Europe and the USA. Most suppliers are likewise located in Europe and America. WashTec thus largely operates in countries that maintain high standards of respect for human rights. We therefore consider the discribed measures on this complex of issues to be sufficient.

1.6 Anti-corruption and bribery

The WashTec Code of Ethics sets out rules for anti-corruption and bribery. WashTec expects employees and business partners worldwide to comply with all legal requirements. The Code of Conduct for Suppliers (formerly Supplier Declaration) additionally introduced in 2017 requires business partners to comply with high ethical standards.

Production and suppliers in the value chain mainly operate in countries that are not very susceptible to corruption and bribery. To prevent corruption and bribery nonetheless, WashTec has set down the corresponding principles in its Code of Ethics and additionally incorporates these principles by reference in the Code of Conduct for Suppliers. Within the Group, corruption and bribery are combated through worldwide compliance training and audits by the Internal Audit department.

WashTec additionally set up a whistleblower system in 2016 that allows employees and external parties to report violations anonymously. We therefore consider the existing measures on this complex of issues to be sufficient.

2. Implementation of sustainability at WashTec

2.1 Product responsibility

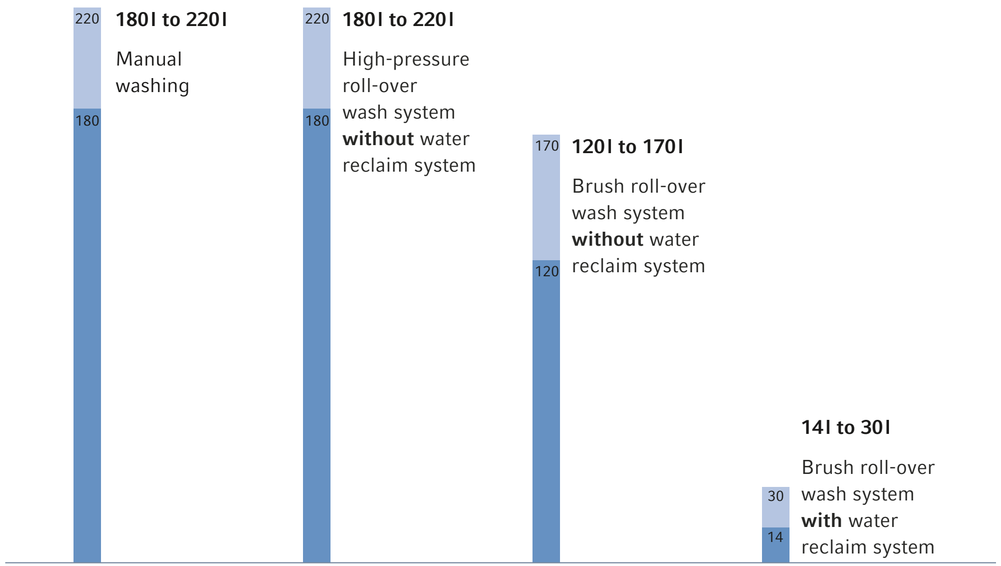
WashTec car washes

- WashTec products enable operators to use their systems efficiently and economically for carwash.
- This is achieved with low energy and water consumption, the option of using water reclaim systems, and optimized metering of eco-friendly chemicals – all for improved environmental performance.
- WashTec offers local analysis to help customers arrive at the optimum product specification for their site and prevent both over-dimensioning and under-dimensioning of wash capacity.

All WashTec equipment meets all prevailing environmental regulations and offers a water-saving alternative to manual car washing, which is prohibited in Germany and various other countries. WashTec also expects to see increasing regulation in markets with lower environmental standards or where water is scarce. This means greater potential for environment-friendly automated car washes with water reclaim systems. The water reclaim systems for gantry carwashes were designed on a modular basis in 2019 to provide the right amount of reprocessed water for the respective product. These water reclaim systems have resulted in a platform that can be precisely configured to operator needs. Scandinavian countries especially have increasingly strict environmental requirements, and other countries are also considering a ban on manual car washing. For many years, WashTec has used the Scandinavian Nordic Swan label for particularly environment-friendly carwash chemicals.

The importance of water availability and the consequences of water pollutionis are demonstrated by WashTec in discussions with customers and illustrated by means of videos.

Fresh water consumption (liters per wash)



Source: WashTec Analysis

In automated car washing, water and other substances such as wash chemicals and oil remain in a closed cycle and so cannot seep into the ground or groundwater. Since clean water is indispensable for car washing, WashTec offers water recovery systems that, by treating the process water, reduce fresh water consumption during car washing by up to

90%. Thus, for example, a modern gantry carwash with water reclaim equipment uses only between 14 and a maximum of 30 liters of fresh water during a standard wash compared to 44 liters of fresh water consumed during a standard wash with a modern washing machine.

WashTec and AUWA chemical products

With all WashTec and AUWA products, the focus is on sustainability and responsible resource use.

WashTec and AUWA stand for excellent and environmentally friendly vehicle cleaning and care.

The product range encompasses a broad line-up of high-concentration cleaning and care products for all carwash needs. Formulations developed for the each application are available for manual car washing and/or deployment in mechanized carwashes. The product range is supplemented by special solutions for water recovery systems and for the cleaning and care of wash equipment and wash bays, as well as an extensive range of accessories.

Environmental responsibility is a priority for all products. Strict and seamless quality controls ensure that all AUWA products always satisfy all prevailing statutory requirements and meet wastewater thresholds when properly used.

Compliance with the highest environmental and health standards is likewise a matter of course. For example, all active washing substances are biodegradable, and cleaning agents are free of aggressive solvents and petroleum products – despite their high performance. In addition, the products meet AUWA's own sustainability criteria as market leader. These set standards in the industry and far exceed legal requirements. Corresponding products carry the AUWA Green Car Care ecolabel. Products specially developed for Scandinavian markets additionally meet the requirements of the Nordic Swan Ecolabel. Moreover, many wash chemical products are tested to DHI criteria and to ÖNORM B5106, which focuses on wastewater performance.

All AUWA products work with all WashTec water recycling systems. In combination, these ensure high water quality and reduce fresh water consumption in each wash. The highly concentrated and high-yield products guarantee the highest wash quality with minimum dispensing and consumption quantities per wash. Specific recommendations on the product packaging help prevent the use of excessive quantities.

2.2 Production

Equipment

The majority of equipment production takes place at the Augsburg headquarters, where the production plant is continuously modernized and reorganized. In addition, our subsidiary in Denver, Colorado (USA) produces carwash equipment primarily for the North American market. Equipment for the Asian market is assembled by our company in Shanghai, China. Our subsidiary in Nýřany, Czech Republic, manufactures equipment and components for final assembly in Augsburg. Control units are manufactured in Recklinghausen for the entire Group.

The products are installed and maintained at customer premises by over 600 company service technicians, subcontractors and service technicians employed by distributors. Service technicians are on the road with modern, specially-equipped service vehicles, which themselves carry along suitable equipment and fittings ranging from tools and spare parts to safety equipment.

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

Our aim is to ensure that the products can be reused or recycled as completely as possible

Virtually all existing peripheral components can be used again in the event of equipment replacement; this also extends to system control units. The findings of our sustainability assessments have an influence on ongoing product development in terms of ecological aspects such as lifetime water and energy consumption. This is where customer utility and sustainability come together.

Chemicals

The wash chemical products sold by AUWA are developed in our laboratories in Augsburg and Grebenau in close cooperation with the WashTec R&D Department and produced at our Grebenau plant.

In the production of AUWA products, conservation of scarce resources is always a priority. Fillers – materials not relevant to product performance – are avoided. Raw materials are selected according to strict sustainability criteria. This means the use of 100% biogenic active wash substances in mass balance quality and no use of dyes or polyphosphate. Critical substances such as NTA, halogen acids and SVHCs have not been used for many years. Compliance with the criteria, including for the entire production process, is continuously monitored by an external testing institute.

Wash chemical products are high-concentration products that are automatically diluted and apportioned in the wash equipment. In addition to saving weight, this also saves on packaging, thus minimizing transport costs.

2.3 WashTec environmental scorecard 2020

The WashTec environmental scorecard is divided into the two main areas of waste and energy. At WashTec, an environmental and energy team is responsible for continuously analysing environmental and energy-related issues and deriving and implementing measures to increase sustainability. The analyses are used to identify measures and implement them accordingly.

Waste

In 2020, WashTec generated 2,240 tons of waste material in Germany, mainly due to production and office waste and from taking back packaging and end-of-use equipment. The figure for the Nýřany location in the Czech Republic is 966 tons. At 90% by weight, most of this relates to metals from the production processes. In the aggregate, a year-on-year reduction of 12% was achieved in Germany, including the Nýřany location. All types of waste are systematically separated into single-material fractions. High separate collection rates are achieved as a result of well-organized recycling centers and bin rules at plants and offices. At the Augsburg headquarters, for example, the rate is 79%. A rate of at least 90% is the target for each and every plant. Disassembled old systems are either refurbished or professionally recycled by authorized service providers. Packaging placed on the market by WashTec is either disposed of or recycled by a service provider. WashTec is also working to improve its recycling rate.

Material flow analyses, more and better employee training and awareness-raising, additional bin systems and better bin labeling aim to help raising the recycling rate. Auditing of waste disposal providers will be stepped up in 2021 as a basis for raising the recycling rate.

Energy

Internationally, fleet fuels and electricity account for the largest share of energy requirements, making up 68% of the total. Total energy consumption fell by 8% year on year. The main energy sources in Germany are likewise vehicle fleet fuels at 47% and electricity at 16%, with energy requirements down 10% on the prior year. At least 62% of the electricity purchased by WashTec throughout Germany in 2019 and 2020 was generated from renewable sources. This figure is significantly higher than the national average of 44%. WashTec thus actively contributes to lowering CO2 emissions. The goal is to reduce the main forms of energy consumption. A measure implemented by the company in 2020 was to switch purchased electricity entirely to green power from 2021.

In 2020, for the first time, all WashTec trainees were trained as energy and resource scouts by the Swabia Chamber of Industry and Commerce. Workshops on the subject and projects carried out by trainees themselves made them important energy ambassadors within the company. Additional analytical energy efficiency consulting was instrumental in laying the basis for transparency and awareness-raising.

WashTec took part in the City of Augsburg's EnergiePlus consulting program in order to uncover further potential and possible sources of error with regard to energy efficiency.

In 2020, four diesel pool vehicles at Augsburg were replaced with hybrid vehicles. We also offer all visitors a free electric-car parking space with a charging point.

General

WashTec considers it an overarching obligation to use and support sustainable alternatives and to join networks and agreements on collaboration with other enterprises.

In 2020, WashTec was once again a member of the Bavarian Environmental and Climate Pact. In addition, we will join the Ökoprofit Augsburg program from 2021.

This promotes sustainable product development and design to save energy in the production and use stages, as well as to avoid and reduce waste or ensure that parts are recycled.

Certifications

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

By introducing the energy management system WashTec can better record and control the energy flows in accordance with ISO 50001

An energy management system in accordance with ISO 50001 was additionally introduced and certified during 2016 in fulfillment of our responsibility for sustainability. Introducing an energy management system enables WashTec to better document and monitor energy flows for more efficient energy use. Certifications routinely performed by DEKRA also verify compliance with statutory provisions and standards, thus providing legal certainty. The company also provides the auditors with verification of ongoing development in this area. In addition, an energy team has been tasked with investigating significant energy-related issues and taking appropriate action to further improve energy consumption. Most such issues overlap with environmental concerns.

Ecological aspects are an integral part of WashTec's strategic planning, from product development to resource management in production. WashTec also regularly specifies an integrated management systems (IMS) policy from which Group-wide environment targets are derived. Analyses are performed on these targets and measures identified to attain them, with projects for implementation and attainment measurement. Target attainment and onward development of the occupational safety and health, energy, environmental and quality management systems are regularly monitored and presented in an annual management review. Our implemented continuous improvement process aids in the attainment of the Company's adopted targets.

2.4 Stakeholder dialogue

WashTec shares as a sustainable investment

In view of its sustainable business model, WashTec's shares are a target for investment funds specializing in sustainable investment. In 2018, WashTec was rated Sustainability Class C and incorporated in the Sustainable Hidden Champions Equity Fund.

Customer satisfaction

88% of customers would recommend WashTec to others

"Would you recommend WashTec?" We ask our worldwide customers this question three months after installing a new gantry carwash. Since July 2017, customers have automatically received an invitation to take part in an online survey. The responses are automatically collated in-house and tracked in our subsidiaries. In 2020, 87.6% of respondents in the online survey said they would recommend the Company to others.

Any customers who say they would not recommend WashTec are called to ask the reason for their negative response. In this way, we learn from our customers themselves how we can better help them and continue to provide expert after-sales support. The survey has so far met with a positive response as customers see that their opinion is valued.

From the end of 2020, our local subsidiary in China also surveys customer satisfaction.

Based on the positive experience, we launched a pilot project in 2020 to survey customers about their satisfaction with our service.

2.5 Personnel and Compliance

WashTec Code of Ethics, suppliers' declaration and whistleblowers

A standard Code of Ethics has applied to all WashTec Group companies since as long ago as 2005. Its main tenet is required compliance by all employees with all rules, regulations and corporate directives. The Code includes key directives on how employees are expected to interact both with each other and with customers, suppliers, consultants and public authorities. All WashTec Group managers and employees in sensitive areas such as Sales, Procurement, Human Resources and Finance receive regular training which is concluded with a test and certification. The WashTec Code of Ethics can be downloaded from *www.washtec.de*. In 2017, WashTec additionally introduced a Code of Conduct for Suppliers (formerly Suppliers' Declaration) that specifies WashTec's principles in dealings with suppliers and has been signed by all key suppliers.

In further support of the compliance system, a whistleblower system introduced in 2016 enables employees and others to raise concerns – anonymously if they prefer – and to flag up circumstances that may indicate a breach of the law or corporate directives. Any such indications are investigated and action taken as appropriate if grounds for suspicion or violations are identified.

Corporate philosophy

Our corporate philosophy introduced in fiscal year 2015 provides all employees with guidance on our number one corporate objective of customer benefit and on how to interact among themselves and with customers. It describes what we expect of ourselves regarding innovation, specialization and the role of management. Each and every employee at WashTec shares responsibility for actively shaping the business. Our corporate philosophy is also the basis for the WashTec leadership policies.

Building on our corporate philosophy and leadership principles, the WashTec Group combined its core strategies into seven obeya initiatives.

WashTec Obeya describes a specific way of working that basically lays down few and easily understandable rules and thus improves collaboration. Globally oriented, cross-divisional and cross-hierarchical, agile teams were deployed for the various initiatives.

The obeya initiatives stand out for:

- Smart teamwork
- Smart task management
- Shared understanding
- Faster joint goal achievement

Key leverage is obtained here from a shared understanding of WashTec Obeya brought about by developing methodological skills, transparent communication and targeted training for opinion leaders and managers. This further establishes WashTec's appeal as an agile, digital and international Group.

Employee handbooks

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

Corporate audits

Processes and transactions at all WashTec Group companies are examined for compliance with external and internal rules and regulations on the basis of risk analysis, both routinely and in ad-hoc audits in response to alerts. This enables any nonconformity to be detected at an early stage and suitable countermeasures taken.

Training and human resource development

Ongoing employee development plays an important role at WashTec. We offer all employees the opportunity to participate in internal and external continuing education and training programs. Among other things, employees can use an e-learning platform for training on various topics. A separate budget is allocated for employee training each year.

At the Company's headquarters in Augsburg, formal training is provided for qualification as a mechatronics fitter, industrial mechanic or industrial clerk. The large number of training places made available in 2019 is to be maintained in 2020.

Employee satisfaction

WashTec's employees are key to our business success. We constantly work to further improve employee satisfaction.

WashTec has been holder of TOP COMPANY and OPEN COMPANY badges from kununu.com since March 2016. The leading employer rating platform, kununu.com awards these badges to employers who demonstrate high levels of employee satisfaction and openness to dialog. WashTec also once again received the top national employer of the year award from FOCUS magazine.

Social activities during non-business hours, such the monthly WashTec happy hour in Augsburg and at our subsidiaries, outings and taking part in the company run – where the pandemic allowed – foster cross-departmental communication and constructive teamwork.

Health and safety

As already mentioned in section 1.3, Employee matters, under Separate combined non-financial report, WashTec's philosophy is "accidents don't happen, they are caused". It is important to identify all potential risks, take immediate action, specify remedial measures, track their implementation and learn from them. The experience gained is passed on in regular instruction and training. Implementing the lessons learned is just as important as assuming responsibility for hazardous situations everywhere in the Group. WashTec further contributes to workforce health with medical checkups (such as colon cancer prevention, smoking cessation courses and the WashTec Health Days held regularly in Germany). Drinking water dispensers introduced at the company's plants are popular among the workforce. E-learning software has helped managers train employees since 2007.

WashTec has a well-developed occupational safety and health management system

WashTec has a well-developed occupational safety and health management system with SCC certification, which is essential for working with major customers. Service technicians are under special obligation to learn and understand safety issues as they face heightened risk in their work. Regular training and certification programs center on training sessions for working in and around filling stations when preparing and undertaking the commissioning, maintenance and servicing of our equipment and systems. WashTec service technicians in Germany also take part in regular driver safety training with their fleet vehicles. Compliance with safety provisions is routinely monitored in internal and external audits and notably also in audits by major customers. To further develop accident prevention, the WashTec Message app launched globally in 2018 (as mentioned earlier) was once again revised in 2020 and further adapted to user needs. Alongside improvements in the digital infrastructure, the equipment of service vehicles has also been modified. Following a change of supplier for personal protective equipment (PPE), work has begun on adapting work clothing to individual departmental needs. Clothing is thus tested for comfort, safety and durability. By taking employee requirements into account, this will further improve acceptance of PPE. Further measures are additionally taken following systematic, Group-wide analysis.

In a revision of the fire protection concept, escape and rescue plans were reviewed and training provided for voluntary firefighters. The training included a theoretical and a practical part. In the theoretical training, employees were taught basic guidelines and how to proceed in the event of a fire. During the practical part, they were able to practice fighting a fire themselves using an extinguishing trainer in order to gain the necessary confidence in handling a fire extinguisher in case of need.

The corona pandemic

In response to the emerging corona pandemic in early 2020, a special crisis team was established to address international workforce needs. WashTec employees in China were thus initially supplied with masks from Europe because of a shortage on the local market. When the situation reversed and shortages arose in Europe, the Chinese plant reciprocated by supplying masks to Europe. This was only possible because the crisis team responded promptly and foresightedly with suitable action. Hygiene concepts were developed and instructions regularly compiled and communicated. The crisis team provided the workforce with regular, up-to-date information on how to behave, personal protection and impacts of the current COVID-19 situation. We also provided “Covid first-aid” kits for travel, reconfigured workstations and enabled remote working at short notice. Air quality meters and ventilation systems were also installed to minimize infection risk.

Balancing family and career

Balancing family and career is close to every parent's heart. WashTec actively meets this need with personalized work time arrangements. The benefits of this flexibility were particularly evident during the pandemic, enabling large numbers of employees to work from home. This helped mitigate family childcare and nursing care problems. The success of these policies is also evident outside of the pandemic in the excellent way in which staff members who return from parental leave reintegrate into their challenging roles and responsibilities and the rising number of mothers and fathers signing up for part-time working.

2.6 Social commitment

WashTec supports Bunter Kreis e.V., whose 70 specialists help children with disabilities and severe illnesses, together with their families

The birth of a child with disabilities, a heart problem or cancer diagnosis, an accident or hereditary disease invariably affects the whole family and abruptly changes people's lives. With approximately 70 professionals, **Bunter Kreis e.V.**, an Augsburg-based registered association founded in 1991, provides children with disabilities or severe illnesses, together with their families, with comprehensive psychological, social, medical and financial support. Bunter Kreis e.V. helps most of all during the period following discharge from hospital, when it assists families in dealing with new challenges and burdens. The reliable follow-up care often also allows children to leave hospital early. Since the frequently time-consuming work of caring for sick children and their families is only partially covered by statutory health insurance, WashTec has continually supported Bunter Kreis e.V. with donations in cash and in kind as one of the association's main sponsors since 1996. WashTec once again further stepped up its involvement in 2020.

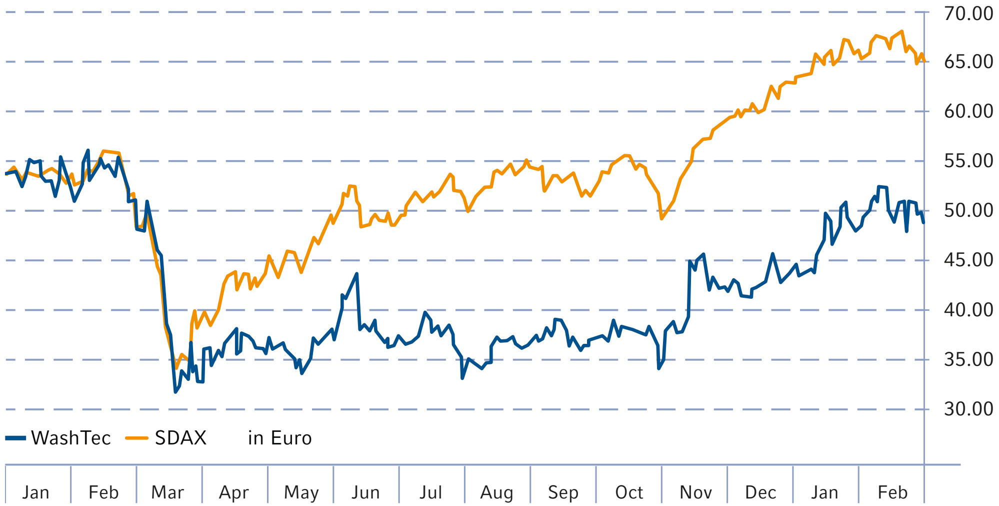

AUWA GREEN CAR CARE
GREEN CAR CARE

The WashTec **Share**

Stock market performance in 2020

The coronavirus has affected all of our lives since February 2020. Economic and social restrictions that became necessary to contain the further spread of the disease have had immense negative economic impacts. The global economy went through the worst recession in almost 100 years. Economies would have come under even more severe pressure were it not for a swift and unprecedented fiscal, monetary and regulatory response by governments and central banks to support household incomes and corporate liquidity.

Price performance of WashTec shares 2020/2021 compared to the SDAX (indexed)



After reaching a new all-time high of almost 13,800 points in mid-February, the DAX stood at just 8,250 points four weeks later.

Over the year as a whole, share prices moved positively in Germany and slightly negatively in the eurozone (DAX: 3.5%, MDAX: 8.8%, Euro Stoxx 50: −2.6% based on total return index in each case).

WashTec AG share performance in 2020

The WashTec share price began 2020 at €54.00 and marked its low for the year at €31.80 on March 18, 2020. The share price reached its high point for the year of €56.00 on February 5, 2020 and closed the year at €49.00. This is 8.75% down on the prior year-end closing price. These figures relate to closing prices on the Xetra trading platform.

As of February 26, 2021, WashTec shares were trading at €48.80 per share.

Attractive dividend policy

At the recommendation of management, shareholders at the Annual General Meeting on July 28, 2020, decided that no dividend should be paid out for fiscal year 2019 due to the severe impacts of the COVID-19 pandemic.

However, WashTec is again aiming for 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 €0.99 for fiscal year 2020. In addition to this dividend, distribution of a special dividend of €1.31 per share is proposed.

Changes in shareholder structure

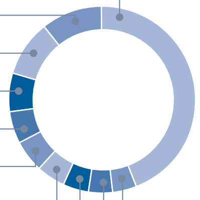
The majority of WashTec AG shares are held by institutional investors. The strong focus of WashTec products on environment protection and sustainability is reflected in the proportion of shareholders who select investments on the basis of clearly defined sustainability criteria.

WashTec AG received the following voting rights notifications under the Securities Trading Act (Wertpapierhandelsgesetz) in fiscal year 2020: 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 April 7, 2020, EQMC Europe Development Capital Fund plc's share of the voting rights was 10.42%.

Shareholder structure as of December 31, 2020

44.38%	Other
10.42%	EQMC Europe Development Capital Fund plc.[1]
9.60%	Kempen Oranje Participaties N.V.
6.82%	Dr. Kurt Schwarz [2]
5.53%	Union Investment Privatfond GmbH
5.43%	Investment AG für langfristige Investoren, TGV
4.99%	Axxion S.A.
4.58%	Paradigm Capital Value Fund[3]
4.25%	Treasury shares
4.00%	Diversity Industrie Holding AG



Source: Notifications pursuant to WpHG

[1] Alantra EQMC Asset Management, SGIIC, S.A.
[2] Leifina GmbH & Co. KG et al
[3] Carne Global Fund Managers (Luxembourg) S.A.

Wellington Management Group LLP, Boston, Massachusetts, USA, notified WashTec AG that its share of the voting rights on May 15, 2020 was now 2.97% instead of previously 3.06%. WashTec AG was further notified that said share of the voting rights on June 9, 2020 was now 3.003% instead of previously 2.97%. WashTec AG was then further notified that said share of the voting rights on June 10, 2020 was now 2.99% instead of previously 3.003%.

Axxion S.A., Grevenmacher, Luxembourg, notified WashTec AG that its share of the voting rights on June 24, 2020 was now 4.99% instead of previously 9.99%.

CRESTVIEW, L.L.C., Wilmington, Delaware, United States of America, notified WashTec AG that on meeting the notification threshold on June 3, 2020 Victory Capital Management, Inc.'s share of voting rights on that date was 3.16%. WashTec AG was further notified that said share of the voting rights on November 20, 2020 was now 2.92% instead of previously 3.16%.

EQMC Europe Development Capital Fund plc, Dublin, Ireland, notified WashTec AG that on meeting the notification threshold on October 30, 2020 its share of voting rights on that date was 10.06% instead of previously 9.871%.

Union Investment Privatfonds GmbH, Frankfurt am Main, Germany, notified WashTec AG that on meeting the notification threshold on November 27, 2020 its share of voting rights on that date was 5.53%.

Die Bank of America Corporation, Wilmington, Delaware, United States of America, notified WashTec AG that on meeting the notification threshold on December 16, 2020 its share of voting rights on that date was 0.00% instead of previously 6.24%.

Currently, five investors consequently each hold at least 5.00% of the voting rights. To the knowledge of the Management Board, 44.38% of the Company's shares are held by shareholders whose stakes are below the notification threshold. On the definition used by Deutsche Börse, the free float is 88.93%, as treasury shares and the shares held by Dr. Kurt Schwarz are deducted.

Managers' transactions

The following managers' transactions were reported to the Company under the WpHG: On February 12, 2020, Dr. Ralf Koeppe, Chief Executive Officer, acquired 1,200 shares.

Active investor relations

WashTec shares are covered by independent analysts

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 July 28, 2020, the Management Board shared its detailed position on the current market situation, business development and strategy and discussed these matters with shareholders. The shareholders were also kept up to date in a timely manner about all important events. During 2020, WashTec continued its investor relations activities and participated in virtual capital market conferences held by various banks, e.g. the Baader Bank Investment Conference and the Equity Forum in Frankfurt.

In addition, virtual roadshows were held with investment banks, each of which attracted considerable interest. Numerous additional investor calls were held in order to provide individual investors with an impression of the "world of WashTec" despite the COVID-19 pandemic.

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

Key data on WashTec shares

		2020	2019	2018
Closing price*	€	49.00	53.70	60.40
High	€	56.00	74.40	83.60
Low	€	31.80	41.95	56.80
Opening price	€	54.00	60.90	78.30
Number of shares as of Dec 31 **	million units	13.4	13.4	13.4
Free float as of Dec 31	%	44.38	38.57	35.29
Market capitalization as of Dec 31	€ m	655.7	718.6	808.3
Performance over the year	%	–19.73	–11.9	–23.25
(SDAX for comparison)	%	18.01	28.86	–20.00
Earnings per share	€	0.99	1.66	2.54
Dividend per share	€	2.30***	–	2.45

** based on Xetra closing prices*
*** excluding 594,646 treasury shares*
**** Dividend proposal to the Annual General Meeting 2021: Dividend for the fiscal year 2020 in the amount of € 0.99 and special dividend in the amount of € 1.31*

Further information and contact

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

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

Telephone +49 821 5584-0
Fax +49 821 5584-1135
E-mail ir@washtec.com

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

2020 at a glance

Overview of group and regions

WashTec Group*

- Revenue of €378.7m 13.2% down on prior year (12.5% adjusted for exchange rates)
- EBIT by 44.6% down on prior year at €20.1m; EBIT margin 5.3%
- EBIT adjusted** €25.6m; EBIT margin 6.8%
- Free cash flow including the repayment of lease liabilities amounted to €36.9m (prior year: €6.4m)

Europe

- Revenue: €305.5m (–13.6%); EBIT: €19.0m
- Significant decline in key accounts, recovery of direct sales in the second half of the year

North America

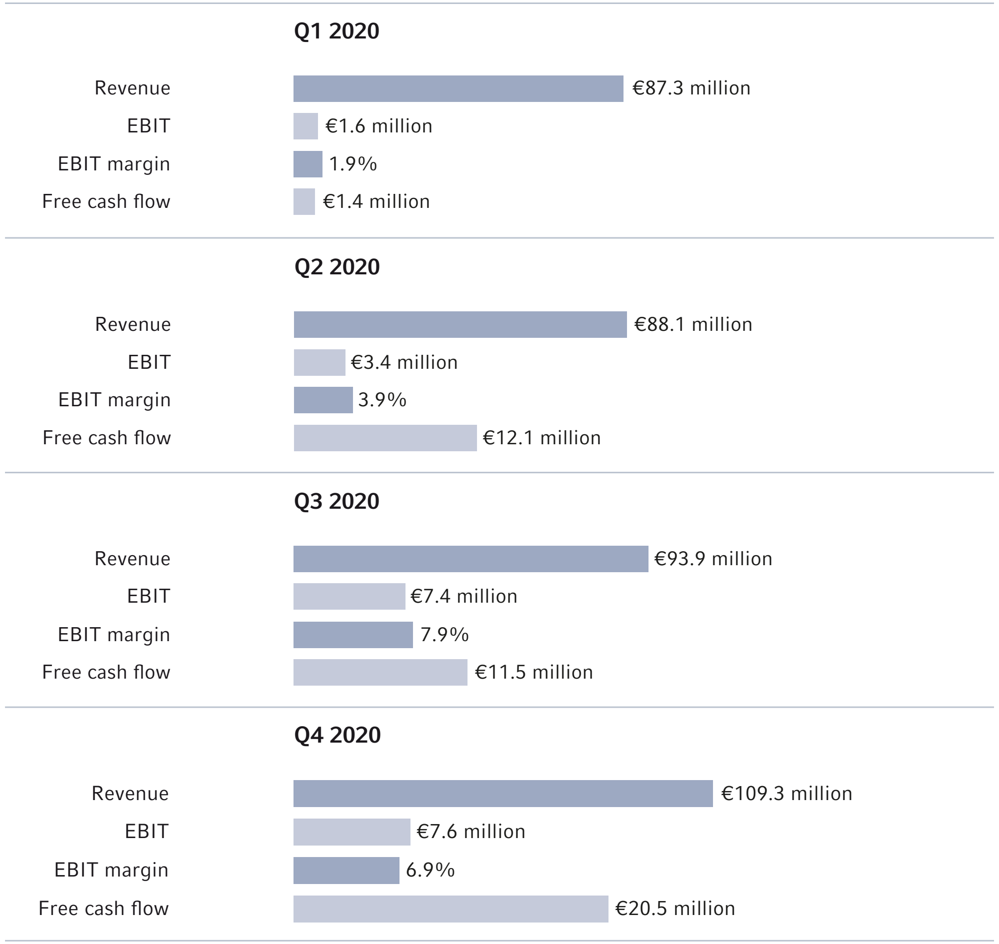
- Revenue: €66.3m (–15.2%), USD 75.8m (–13.1%); EBIT: €0.8m
- Direct sales up on prior year, significantly lower key account revenue

Asia/Pacific

- Revenue: €17.7m (0.6%); EBIT: €0.3m
- Stable business development with successful restructuring in Australia

** Regional data without consolidation*
*** adjusted for one-time expenses of €5.4m*
Rounding differences may occur

Continuous improvement by quarter



1 General information about the Group

1.1 Business model

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

Market and technology leader

Revenue by product in € million

Equipment and Service

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

€ 324.0 million
(previous year € 380.6 million)

Chemicals

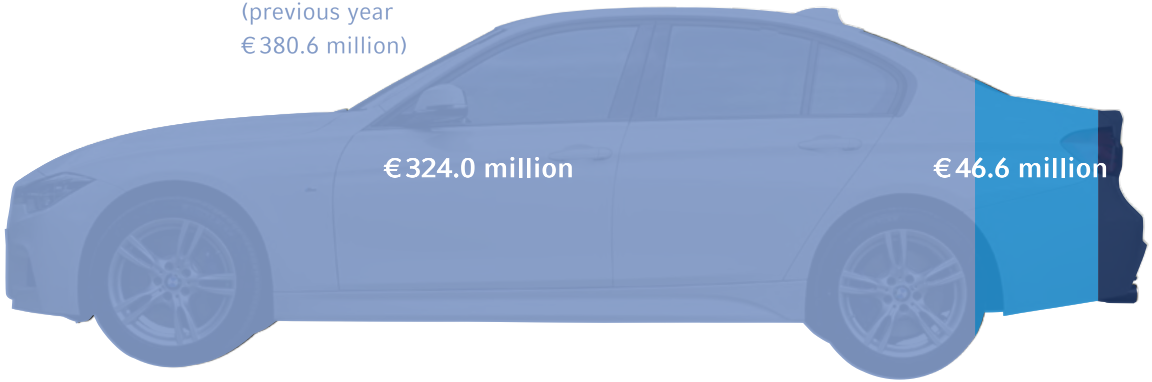
- Detergents
- Care products
- Special products

€ 46.6 million
(previous year € 47.1 million)

Operations business and others

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

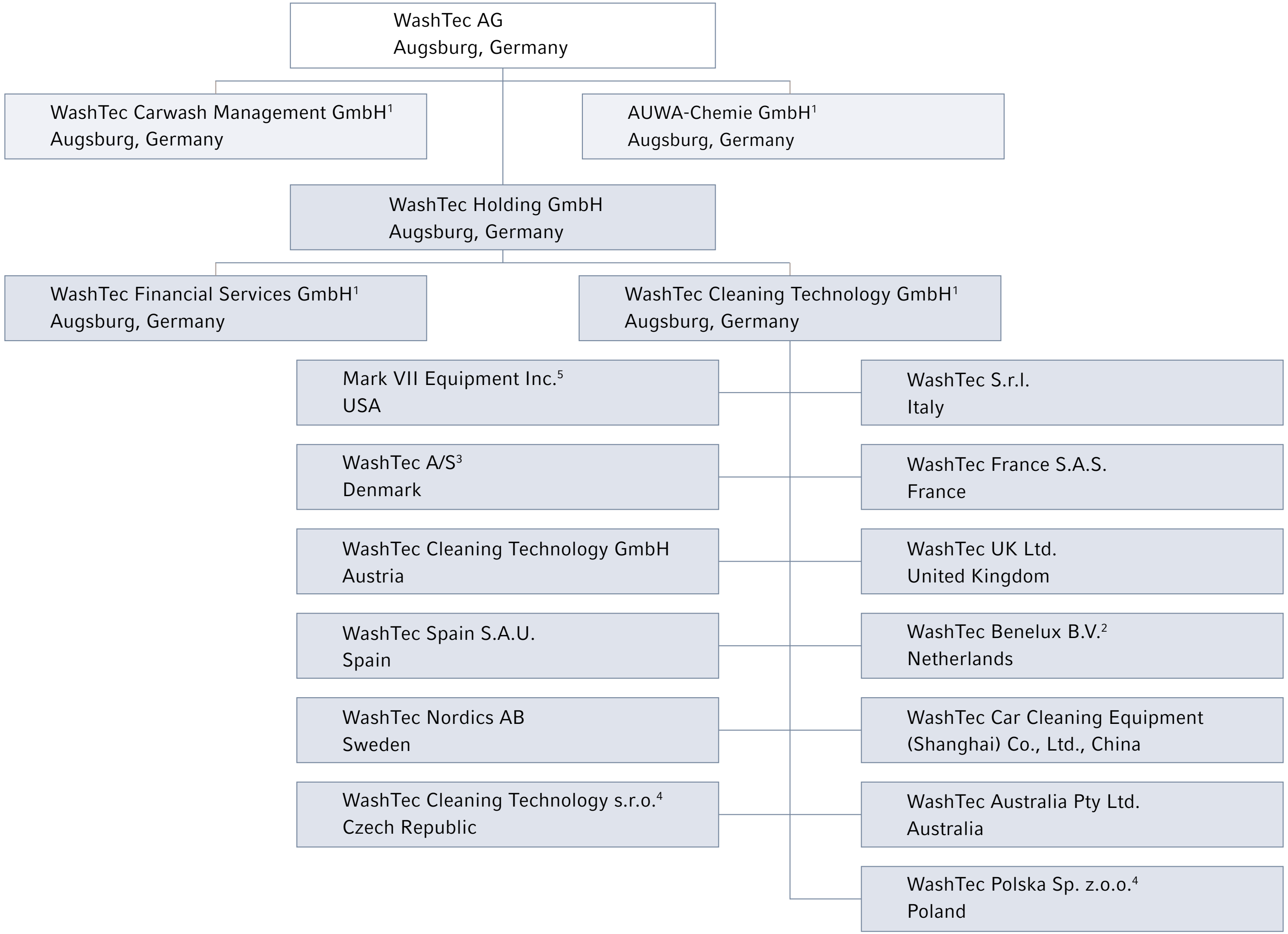
€ 8.1 million
(previous year € 8.7 million)



€ 8.1 million

1.1.1 Group and organizational structure

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



[1] *Control and profit (loss) pooling agreement*

[2] *In subgroup with WashTec Benelux N.V., Brussels, Belgium, whose results are included in WashTec Benelux B.V., Zoetermeer, Netherlands.*

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

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

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

WashTec AG

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

Since the Company does not have any operations of its own, its financial position, financial performance and cash flows are determined solely by the business performance of its subsidiaries. The information set out below therefore mainly relates to the Group. Information specific to WashTec AG is provided in section 2.6. The direct subsidiaries of WashTec AG are AUWA-Chemie GmbH, WashTec Holding GmbH and WashTec Carwash Management GmbH. WashTec AG has profit and loss pooling agreements with AUWA-Chemie GmbH and WashTec Carwash Management GmbH.

WashTec Holding GmbH

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

WashTec Cleaning Technology GmbH

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

Foreign subsidiaries

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

WashTec Financial Services GmbH

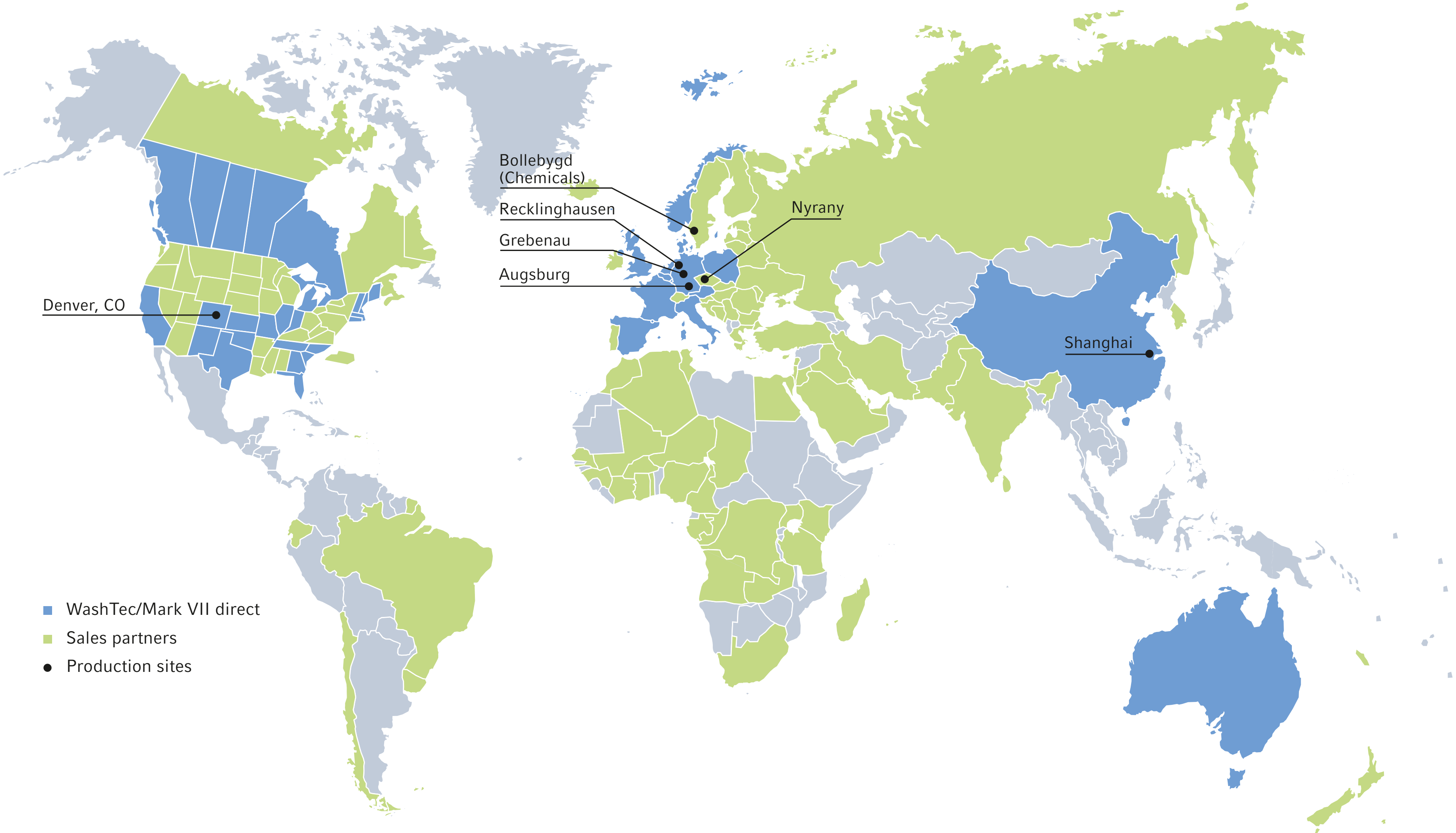
WashTec Financial Services GmbH brokers bespoke financing arrangements for WashTec products on behalf of customers. It receives commission from the lenders – mostly leasing companies – involved in the financing arrangements.

AUWA-Chemie GmbH

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

WashTec Carwash Management GmbH

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


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

1.1.2 Locations

Internationality is a global competitive advantage

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

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

1.1.3 Production, sourcing and logistics

Flagship plant in Augsburg Factory of the Year 2017 in the "Excellent Site Development" category

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

1.1.4 Reporting by segment

WashTec's global business is divided into three geographical regions. The Europe region pools the activities of the WashTec Group in Western Europe and Eastern Europe including Russia. The North America region comprises the activities in the USA and Canada. The Asia/Pacific region primarily encompasses the business performance of the Australian and Chinese subsidiaries.

1.1.5 Management and control

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

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

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

1.1.6 External factors influencing the business

Key market drivers

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

Growing vehicle numbers and regulation as drivers for automated carwash

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

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

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

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

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

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

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

- Alternative vehicle propulsion: vehicles are going over from combustion engines to alternative means of propulsion. The Company is assuming, however, that filling stations will not lose importance in the medium term.
- Alternative individual mobility concepts (such as car sharing/Uber): Vehicles used in such arrangements also have to be washed by providers or users, and are generally washed more frequently than private cars. A clean vehicle is a key quality criterion and therefore a driver of the business model.

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

1.2 Corporate objective and strategy

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

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

1.3 Control system

1.3.1 Financial quantitative targets and performance indicators

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

Key financial performance indicators

- Revenue
- EBIT
- Free cash flow
- ROCE

Free cash flow is defined as cash inflow from operating activities (net cash flow) less cash outflow from investing activities.

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

Key non-financial performance indicator

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

- Accident rate: Work accidents/million hours worked

In the course of complying with the CSR Directive Implementation Act, the Company has updated the sustainability report and supplemented it with the separate combined non-financial report (see the Sustainability Report on the WashTec website, *https://ir.washtec.de/websites/washtec/English/6000/corporate-governance.html*). This contains a detailed description of WashTec's key non-financial performance indicator "accident rate".

1.3.2 Opportunities and Risk management

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

Details of risk management are found in the risk report, which is part of the management report. The management report contains the report required under Sections 289a and 315a of the German Commercial Code (HGB) on the internal monitoring and risk management system as it relates to financial reporting.

1.4 Research and development

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

- Optimizing washing and drying processes
- Enhancing ease of use
- Improving product availability and efficiency.

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

Total research and development expenditure amounted to approximately €7.5m (prior year: €8.4m).

The Group's capitalized development costs came to €0.1m in fiscal year 2020 (prior year: €0.7m). Added to this is €1.1m (prior year: €1.3m) which was unable to be capitalized.

2 Report on economic position

2.1 Overall economic and industry-specific environment and conditions

2.1.1 Overall economic development

Global economic growth (as of February 18, 2021)
According to the International Monetary Fund (IMF), the global economy contracted by 3.5% in 2020. For 2021, the IMF expects global economic growth of 5.5%. The IMF has revised its estimate for the eurozone downward by 1.0% to 4.2%. With an estimated 3.5% in 2021, growth in Germany is above the prior year (2020: –5.0%).

The IMF has raised its forecast for the USA by 2.0% (+5.1%). According to the forecasts, economic growth in developing and emerging markets will rise to 6.3% in the year ahead, although the IMF expects only 5.0% for 2022. For China, the forecast has been adjusted only slightly from 8.2% to 8.1%.

Economic growth 2020 in %

Source: International Monetary Fund (IMF) World Economic Outlook Update, January 2021

Industry environment
The carwash sector initially showed moderate growth in fiscal year 2020 but faced an increasingly challenging economic environment following the onset of the pandemic.

The falling oil price additionally caused some of our major mineral oil customers to freeze investment projects. Customers have also shifted the focus of capital expenditure: Digitalization projects and projects to reduce staffing levels were given high priority, resulting in other investment being postponed.

Sustainability is a key issue in the carwash sector with regard to minimizing fresh water consumption, the use of environment-friendly wash chemicals and maximizing energy economy. Ensuring a resource-efficient wash process with excellent results is increasingly important in all markets around the globe.

Business volume in the carwash sector was significantly higher in the second half of 2020 than in the first. For operators, carwash business is highly weather-dependent. Despite lockdown in the first half of 2020, good weather conditions in Europe and especially in Germany meant that the carwash business was stable relative to 2019.

2.1.2 Market for carwash equipment

Customer groups

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

Competition

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

Sales markets

Germany or respectively Europe continue to be the largest sales markets. Based on WashTec's strategy, North America and Asia/Pacific are planned to account for a higher percentage of the Group's total revenue in the long term.

2.2 Business performance

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

Rounding differences may occur		2019	Guidance 2020*	adjusted Guidance 2020**	2020	Change
Revenue	€m	436.5	stable	decreasing	378.7	–13.2%
EBIT	€m	36.3	slight increase	decreasing	20.1	–44.6%
Free cash flow	€m	15.0	significant increase	increasing	45.6	204.0%
ROCE	%	18.4	approximately 20%	–	10.5	–
Accident rate (work accidents/ million hours worked)		3.5	0	0	4.5	–

** The guidance published in the 2019 Annual Report was withdrawn following the outbreak of the COVID-19 pandemic on April 3, 2020.*

*** An adjusted guidance was issued on July 27, 2020.*

Revenue and business development

Group revenue was € 378.7m, down 13.2% compared to prior year (€436.5m) as a result of the worldwide COVID-19 pandemic. The fourth quarter was better than expected. On constant currency basis, decrease in revenue was 12.5%. The target for 2020 published in the 2019 Annual Report – set before the outbreak of the pandemic – of stable revenue performance relative to the prior year was thus not attained. After the spread of the pandemic to regions outside China and lockdowns in numerous countries, the guidance published in the 2019 Annual Report was retracted. The adjusted guidance for 2020 issued mid-year forecast a fall in revenue by between 15% and 20%. That guidance was significantly exceeded with the final figures for 2020. The second corona wave had a smaller impact on revenue performance than the first infection wave in spring.

Business was most affected by the decline in sales of machinery with customer segments experiencing diverging trends over the course of the year. Early in the pandemic, during the second quarter, both key account customers and direct sales customers were reluctant to invest. This reluctance eased among direct sales customers as the year progressed. Fourth-quarter revenue in the direct sales business broadly matched the prior year. By contrast, investment by key accounts remained significantly down on the prior year through the third and fourth quarters.

Revenue in chemicals and the operations business was affected by carwashes being shut down in some countries, especially in the second quarter. In the third and fourth quarters, revenue from chemicals sales and the operations business was roughly level with the previous year.

Carwash volumes were largely stable over the year. As a consequence, business was also fairly stable for our customers. That is primarily reflected in direct sales picking up towards the the second half of the year.

With the decline in revenue, mitigated by strict cost management and implementation of the performance program, **EBIT** decreased by 44.6% to €20.1m (prior year: €36.3m). This includes €5.6m in one-time expenses. Adjusted for these effects, EBIT was €25.6m (adjusted EBIT margin: 6.8%). The target of a slight increase set before the onset of the pandemic was thus not attained. However, the adjusted guidance issued mid-year was exceeded. Following the outbreak of the pandemic in the first half of the year, the Group forecast an EBIT margin of between 3% and 5%. This was exceeded at the end of the year with a margin of 5.3% unadjusted or 6.8% adjusted.

The company thus responded promptly to the negative trend in the global economy. Cost reductions targeted at the beginning of the year, mainly by adjusting the size of the workforce, were scaled up with the outbreak of the pandemic. Further cost-reductions were implemented in non-personnel expenses. In particular, the company in North America has been successfully restructured, resulting in positive EBIT despite lower revenue.

Free cash flow increased by 204.0% to €45.6m (prior year: €15.0m). The projected significant increase in free cash flow was consequently attained. This is mainly due to the reduction in receivables relative to the prior year.

ROCE came to 10.5%. The targeted level of approximately 20% was thus not attained. Performance on this indicator mainly reflected the lower EBIT. The capital employed denominator was down €29.2m (14%) year on year.

The number of work accidents per million hours worked, at 4.5, was below the industry average of 21.2 reported by the employers’ liability insurance associations (Berufsgenossenschaften). However, the target of zero accidents was not attained in 2020. WashTec continues to reduce the number of work accidents.

Overall, as a summery, although WashTec Group's business performance was significantly affected in 2020 by the economic impacts of the COVID-19 pandemic, the company came through the crisis relatively well with solid positive earnings. The business model has been shown to be robust and the Company's ability to continue as a going concern was not at risk at any time in 2020. Particularly worthy of note are the successes in stabilizing earnings in the North America region. Process optimization efforts and investments made despite the crisis, particularly in the area of digitalization, will also have a positive and stabilizing effect on business performance in the future.

2.3 Position

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

Rounding differences may occur		2018	2019	2020
Revenue	€m	435.4	436.5	378.7
EBIT	€m	51.5	36.3	20.1
Equity ratio	in %	40.2	30.7	39.4
Free cash flow	€m	32.3	15.0	45.6

2.3.1 Order backlog

The Group's year-end order backlog was at the same level as the prior year. The North America and Asia/Pacific regions increased their order backlog year over year. The order backlog in Europe was below the prior-year figure.

Since WashTec Group's orders generally cycle through within six to ten weeks, the order backlog serves as an indicator for the months ahead but has only limited indicative value for business development over fiscal year 2021 as a whole.

2.3.2 Results of operations

2.3.2.1 Income statement

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

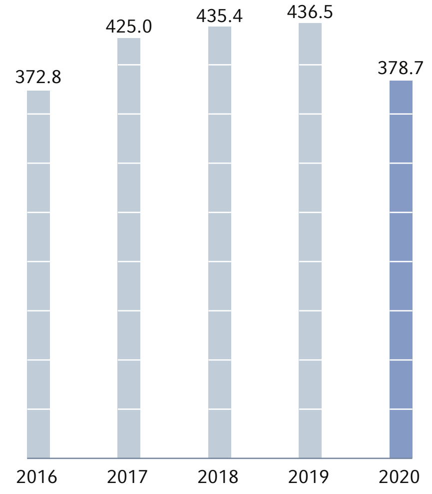
In €m Rounding differences may occur	2020	2019	Change	
			absolute	in %
Revenue	378.7	436.5	−57.8	−13.2
Cost of materials (including change in inventory)	165.2	194.9	−29.7	−15.2
Other operating income (including capitalized development costs)	6.2	5.6	0.6	10.7
Personnel expenses*	133.2	139.9	−6.7	−4.8
Other operating expenses* **	44.2	52.5	−8.3	−15.8
Depreciation and amortization*	16.6	16.5	0.1	0.6
Adjusted EBIT	25.6	38.2	−12.6	−33.0
Adjusted EBIT margin in %	6.8	8.8	−2.0	–
One-off expenses	5.6	1.9	3.7	–
EBIT	20.1	36.3	−16.2	−44.6
EBIT margin in %	5.3	8.3	−3.0	–
Financial result	−1.3	−0.6	−0.7	−116.7
EBT	18.8	35.7	−16.9	−47.3
Taxes	5.5	13.4	−7.9	−59.0
Net income	13.3	22.3	−9.0	−40.4
Earnings per share	0.99	1.66	−0.67	−40.4

** Excluding one-off expenses*
*** Including expense from loss allowances on trade receivables and other taxes*

2.3.2.2 Revenue development

Group's revenue was €378.7m, down 13,2 % (€57.8m) compared to prior year figure (€436.5m).

Revenue development in €m



0.4% average revenue growth from 2016 to 2020

Adjusted for exchange rate effects, full-year revenue was €381.9m, a decrease of 12.5% compared to prior year (€436.5m). The exchange rate effects were notably a result of the weakness of the US dollar and the Norwegian krone against the euro. A detailed discussion about the development of the individual segments is provided under Segment Reporting in section 2.3.3.

Revenue by products

In €m Rounding differences may occur	2020	2019	Change absolute	Change in %
Equipment and Service	324.0	380.6	–56.6	–14.9
Chemicals	46.6	47.1	–0.5	–1.1
Carwash management business and others	8.1	8.7	–0.6	–6.9
Total	**378.7**	**436.5**	**–57.8**	**–13.2**

Equipment and Service revenue was €324.0m, 14.9% below the prior-year figure of €380.6m. The decrease in revenue related to both the key accounts business and the direct sales business. It was more pronounced in the key accounts business, where revenue also remained at a significantly lower level through the last two quarters of the year. Revenue in the direct sales business recovered over the course of the second half and in particular in the final quarter of the year.

The Chemicals business was negatively impacted by local lockdowns in some countries, especially in the second quarter. Performance in the two final quarters was level with the prior year.

Revenue in the Carwash Management business and from arranging finance for wash equipment accounts was only about 2% of WashTec Group revenue, down slightly by €0.6m year over year.

2.3.2.3 Expense items and results

2.3.2.3.1 Expense items

Cost of materials (including change in inventory)
Cost of materials primarily includes purchased raw materials, consumables and supplies along with purchased services. The largest items related to procurement of steel, plastics and other raw materials. Cost of materials went down from €194.9m to €165.2m.

As a result of the altered product and regional mix and material cost savings, the margin after material cost improved from 55.3% to 56.4%. Due to the lower revenue, in absolute numbers, gross profit went down from €241.6m to €213.4m.

Personnel expenses
Personnel expenses decreased by €6.7m from €139.9m to €133.2m, mainly due to smaller workforce compared to prior year. As of December 31, 2020, the Group had 104 or 5.4% fewer employees than a year earlier. The one-off expenses were almost offset by one-off income. Income of €1.4m relating to national support measures in connection with the COVID-19 pandemic was offset against personnel expenses. The change in estimated target achievement under the Management Board long-term incentive plan (LTIP) as a result of the pandemic led to a €1.1m reduction in provisions. Expenses in connection with current and planned personnel measures amounted to €1.8m in the reporting year (prior year: €1.9m).

The personnel expense ratio (personnel expenses as a percentage of revenue) went up by 2.6 percentage points from 32.5% to 35.1% due to the lower revenue level.

Other operating expenses
Other operating expenses* fell by €8.3m from €52.5m to €44.2m. The reductions were mainly made in trade fair/advertising costs, recruitment, temporary workers, and travel and vehicle costs. Conversely, there was an increase in allowances for bad debt expenses in connection with loss allowances on receivables and IT costs in connection with the implemented digitalization projects.

**Including expense from loss allowances on trade receivables and other taxes*

The exchange rate losses contained in other operating expenses increased slightly to €2.9m (prior year: €2.0m).

Other operating income
Other operating income (excluding capitalized development costs) in the amount of €6.1m (prior year: €4.9m) includes €2.2m (prior year: €2.1m) in foreign currency gains. The increase mainly relates to fixed asset disposal gains resulting from sales of carwashes to customers in the Operations business.

2.3.2.3.2 Exchange rate effects

Measurement of foreign currency assets and liabilities at the reporting date had a negative impact of approximately €0.8m (prior year: €0.1m) on earnings. This was mainly due to movements in the US dollar relative to the euro.

2.3.2.3.3 Depreciation and amortization

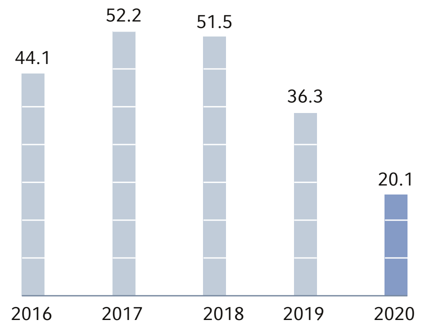
Depreciation and amortization increased to €21.8m (prior year: €16.5m). The R&D transformation and revised assumptions for the development of future unit sales of gantry carwashes due the COVID-19 pandemic, combined with related lower expectations regarding the volume of savings, led to a reduction in expected future cash flows. As a result, an impairment loss of €5.2m on capitalized development costs was recognized.

Adjusted for this effect, depreciation and amortization were at the same level as the prior year.

2.3.2.3.4 EBIT

Earnings before interest and taxes (EBIT) were down 44.6% to €20.1m (prior year: €36.3m).

EBIT in €m, multi-year comparison



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

2.3.2.3.5 EBIT margin

EBIT margin decreased to 5.3% (prior year: 8.3%). Adjusted for one-time expenses accounted for in earnings, EBIT margin in the reporting year was 6.8% (prior year: 8.8%).

2.3.2.3.6 Financial result

Net financial expenses, at €−1.3m, increased compared to the prior year (€−0.6m). The increase by €0.7m primarily relates to a €0.4m provision accounted for within this item for interest payments in connection with an ongoing tax audit.

Analysis of financial result

Rounding differences may occur, €m	2020	2019
Other interest income	0.1	0.1
Financial income	**0.1**	**0.1**
Interest-bearing loans	0.5	0.3
Interest expense from discounting lease liabilities	0.5	0.4
Other interest expense	0.5	0.1
Financial expense	**1.4**	**0.8**
Financial result	**−1.3**	**−0.6**

2.3.2.3.7 EBT

Earnings before tax (EBT) decreased to €18.8m (prior year: €35.7m).

2.3.2.3.8 Taxes

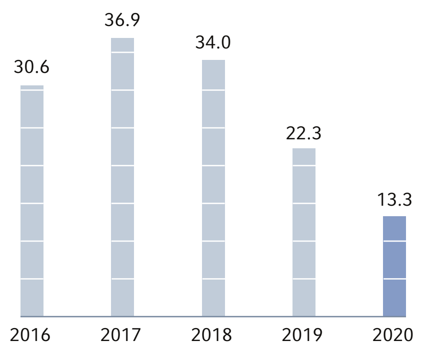
The taxes of €5.5m (prior year: €13.4m) consist of current tax expense and deferred taxes mainly relating to temporary differences. The tax rate (relative to EBT) fell to 29.3% (prior year: 37.6%). This lower tax rate is mainly due to the utilization of loss carryforwards on which no deferred taxes had been recognized.

The loss carryforwards are exclusively held by foreign subsidiaries.

2.3.2.3.9 Consolidated net income

Consolidated net income went down by €9.0m to €13.3m (prior year: €22.3m). On the basis of average number of shares (13,382,324), earnings per share (basic = diluted) decreased by 40.4% to €0.99 (prior year: €1.66).

Consolidated net income in €m, multi-year comparison

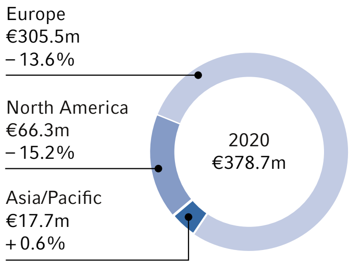


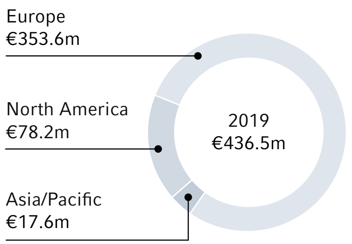
2.3.2.4 Use of funds/dividends

WashTec will continue to pursue an attractive dividend policy going forward. The Management Board and Supervisory Board will recommend to the Annual General Meeting, which is due to be held on May 18, 2021, to appropriate the distributable profit of €31,174,580.45 shown in the Company's annual financial statements for fiscal year 2020 as follows: Payment of a dividend in the amount of €2.30 per eligible share, totaling €30,779,345.20, with the remaining distributable profit of €395,235.25 to be carried forward. The proposal for distribution of a dividend to shareholders in the amount of €2.30 per eligible share includes a special dividend of €1.31 in addition to the dividend of €0.99 for fiscal year 2020.

2.3.3 Reporting by region

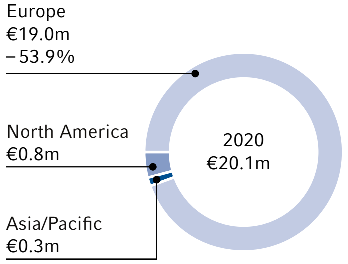
Revenue by regions in €m*

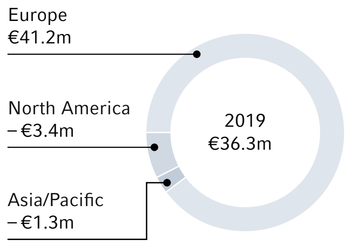




Consolidation effects are disregarded.

EBIT by regions in €m*





Consolidation effects are disregarded.

2.3.3.1 Europe

Europe region key figures

Rounding differences may occur		2020	2019	Change (in %)
Revenue	€m	305.5	353.6	−13.6
EBIT	€m	19.0	41.2	−53.9
EBIT margin	in %	6.2	11.7	–
Employees (as of Dec 31)		1,421	1,489	−4.6

Market environment

Alongside North America, the wash equipment market in Europe is one of the most developed car wash equipment markets in the world. It has the highest number of installed carwash equipment and more developed service provider and distribution structures.

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

Competition in Europe is intense and limited to only a small number of manufacturers. A key factor is a market-wide service network and installed base. New competitors face correspondingly high barriers to entry. According to its own research, WashTec is the clear market leader in terms of market coverage and market share, and has by far the most well-established sales and service network and by far the largest installed base of over 20,000 gantry carwashes in Europe's core markets.

Business development Europe

Rounding differences may occur		2019	Guidance 2019	2020	Change (in %)
Revenue	€m	353.6	stable	305.5	−13.6
EBIT	€m	41.2	slight increase	19.0	−53.9

Revenue development

At €305.5m, revenue in Europe was significantly down on the prior year (€353.6m) due to effects of the COVID-19 pandemic. The start-of-year, pre-pandemic forecast of stable revenue growth was thus not attained.

The decrease in revenue related both to key accounts business and to revenue in direct sales business. In contrast to key accounts business, revenue in direct sales business stabilized over the course of the year. Fourth-quarter revenue was only slightly down on the prior year.

Earnings development

EBIT in Europe decreased significantly from €41.2m in the prior year to €19.0m as a result of the COVID-19 pandemic induced downturn of the economy. The EBIT margin was 6.2% (prior year: 11.7%). Earnings performance thus fell short of the guidance issued at the beginning of the year. The segment earnings include €5.6m in one-time expenses. Adjusted for these, EBIT was €24.6m and the EBIT margin was 8.1%.

Segment earnings include an effect of €0.4m from national support programs in connection with the COVID-19 pandemic.

2.3.3.2 North America

North America region key figures

Rounding differences may occur		2020	2019	Change (in %)
Revenue	€m	66.3	78.2	−15.2
EBIT	€m	0.8	−3.4	123.5
EBIT margin	in %	1.2	−4.4	–
Employees (as of Dec 31)		242	282	−14.2

Market environment

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

Apart from key accounts, independent small or medium-size carwash chains constitute a significant customer group in North America. The share of wash tunnels relative to gantry carwashes and growth in this product segment are above the global average. The market outlook continues to be positive.

Business development North America

Rounding differences may occur		2019	Guidance 2020	2020	Change (in %)
Revenue	€m	78.2	slight increase	66.3	−15.2
EBIT	€m	−3.4	slight increase	0.8	123.5

Revenue development

Revenue in North America decreased from €78.2m in the prior year to €66.3m. In US dollars, revenue was USD 75.8m (prior year: USD 87.2m). The start-of-year, pre-pandemic forecast of slight revenue growth was not attained. In this segment, too, revenue performance was impacted by the reluctance of key accounts to invest. Revenue in the direct sales business was even slightly up versus prior year.

Earnings development

Earnings in North America increased significantly by €4.2m to €0.8m (prior year: €–3.4m). The original target of a slight increase in EBIT was thus clearly exceeded. This improvement in earnings is attributable to optimization projects and cost-cutting measures launched in the prior year and intensified in the reporting year in view of the pandemic. Segment earnings include €0.3m from national support programs in connection with the COVID-19 pandemic.

2.3.3.3 Asia/Pacific

Asia/Pacific region key figures

Rounding differences may occur		2020	2019	Change (in %)
Revenue	€m	17.7	17.6	0.6
EBIT	€m	0.3	−1.3	123.1
EBIT margin	in %	1.7	−7.4	–
Employees (as of Dec 31)		63	60	5.0

Market environment

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

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

Business development Asia/Pacific

Rounding differences may occur		2019	Guidance 2020	2020	Change (in %)
Revenue	€m	17.6	stable	17.7	0.6
EBIT	€m	–1.3	slight increase	0.3	123.1

Revenue development

At €17.7m, Asia/Pacific revenue was slightly higher than in the prior year (€17.6m). The start-of-year, pre-pandemic forecast of stable revenue performance was therefore attained.

As already mentioned in last year's report, development on the Australian market stabilized following the loss of a major customer. The company's restructuring was completed in 2020.

Revenue and earnings in the Asia/Pacific market increased in the reporting year relative to the prior year. In China, revenue was down especially in the fourth quarter. We are observing a significant shift in China towards free carwashes at filling stations. This makes operators, and especially in the direct business, less willing to invest as such a market environment reduces the expected return on investment. We will continue to monitor this development, for which a conclusive assessment cannot be provided at the present time.

Earnings development

EBIT increased significantly €0.3m (prior year: €–1.3m). The original forecast of slight growth in EBIT for 2020 was exeeded. This significant improvement in earnings was the result of the positive trend in the Australian market.

Segment earnings include an effect of €0.7m from government support programs in connection with the COVID-19 pandemic.

2.3.4 Net assets

2.3.4.1 Asset and capital structure

Condensed consolidated balance sheet

Rounding differences may occur, €m	Dec 31, 2020	Dec 31, 2019
Non-current assets (incl. right-of-use assets)	95.7	109.3
Receivables and other assets	85.4	111.4
Inventories	38.5	38.1
Deferred tax assets	4.6	3.7
Cash and cash equivalents	19.9	12.4
Equity	96.2	84.5
Interest-bearing loans	19.1	47.1
Other liabilities and provisions	108.7	116.9
of which provisions (including income taxes)	28.9	29.4
of which trade payables	10.5	20.8
Contract liabilities	18.9	21.9
Deferred tax liabilities	1.0	4.5
Balance sheet total	**244.0**	**274.9**

The WashTec Group's **balance sheet total** went down from €274.9m to €244.0m.

2.3.4.1.1 Assets

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

Receivables and other assets went down from €111.4m to €85.4m as of the reporting date. This mainly relates to the decline in trade receivables. Trade receivables decreased, mainly due to a lower volume of business, from €91.4m to €63.6m.

Inventories were at the prior year's level of €38.5m (prior year: €38.1m) at the end of the year.

Deferred tax assets totaling €4.6m (prior year: €3.7m) related to temporary differences between the tax base and IFRS carrying amounts.

Cash and cash equivalents went up from €12.4m in the prior year to €19.9m.

2.3.4.1.2 Liabilities and equity

Solid equity ratio of 39.4%

Equity increased from €84.5m to €96.2m. Details regarding income and expenses recognized directly in equity in accordance with IFRS are shown in the Consolidated Statement of Changes in Equity (page 104). The equity ratio increased to 39.4% (prior year: 30.7%).

Interest-bearing loans fell compared to December 31, 2019 from €47.1m to €19.1m.

WashTec held **cash and cash equivalents** totaling €19.9m as of the year-end. These were countered by Interest-bearing loans in the amount of €19.1m and lease liabilities in the amount of €20.2m. The larger free cash flow at the year-end and the decision not to pay a dividend caused net financial debt (cash and cash equivalents less current and non-current financial liabilities) to decrease significantly by €37.0m to €19.4m.

Trade payables fell from €20.8m to €10.5m.

Contract liabilities decreased by €3.0m to €18.9m (prior year: €21.9m).

Deferred tax liabilities decreased to €1.0m (prior year: €4.5m).

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 were slightly lower than in the prior year at €28.9m (prior year: €29.4m).

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

The main internally generated intangible assets benefiting WashTec's business are the immense experience and expertise of the workforce. Know-how about the wash process itself and the ability to deploy that expertise in research and development comprise a key competitive advantage. Another key success factor is the sales and service network built up by the WashTec Group over many years. There are no off-balance sheet financial instruments.

2.3.5 Financial position

2.3.5.1 Capital structure

As part of centralized financial management, the companies of the WashTec Group are financed through WashTec Cleaning Technology GmbH. The Company's main liabilities are denominated in euros. The base interest rate on the loans is variable and linked to EURIBOR. As of December 31, 2020, the Group had a credit line for a total amount of €122.5m (prior year: €87.5m). The increase by €35.0m took place in the first quarter of the fiscal year as the WashTec Group safeguarded liquidity in connection with the uncertainties caused by the COVID-19 pandemic.

The undrawn amount of the credit line available for future operating activities and to meet obligations was €96.9m as of the reporting date (prior year: €33.9m).

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

2.3.5.2 Capital expenditure, depreciation and amortization and impairment testing

At €4.7m, capital expenditure was at a very low level in the reporting year. The decrease mainly related to measures to safeguard liquidity implemented in connection with the uncertainties caused by the COVID-19 pandemic. Capital expenditure was focused on Europe (€4.1m). It mainly related to spending on digitalization, the development of new products, modernization of operating locations, and investment in modern equipment. Additional capital expenditure was incurred in North America (€0.4m) and Asia/Pacific (€0.2m).

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 amortised, but is tested annually for impairment. The impairment test is based on a three-year medium-term forecast at Group level.

Impairment testing of recognized intangible assets identified indications of impairment with regard to capitalized development costs. The transformation of the R&D department and the revised expectation as to future unit sales driven with regard to the time shift by the pandemic, combined with modified estimates of expected savings in some sales regions, led to an adjustment to expected future cash flows from development projects. This resulted in capitalized development costs being subject to an impairment loss of €5.2m.

2.3.5.3 Cash flow statement

Rounding differences may occur, €m	2020	2019	Change	
			absolute	in %
EBT	18.8	35.7	−16.9	−47.3
Net cash flows from operating activities	46.3	21.8	24.5	112.4
Net cash flows from investing activities	−0.7	−6.8	6.1	89.7
Free cash flow	45.6	15.0	30.6	204.0
Net cash flows from financing activities	−9.5	−42.0	32.5	77.4
Net change in cash funds	36.1	−27.0	63.1	233.7
Cash funds as of December 31	0.8	−34.7	35.5	102.3

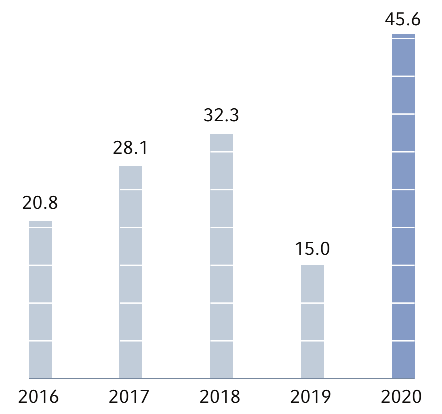
The **cash inflow from operating activities (net cash flow)** increased significantly by €24.5 to €46.3m (prior year: €21.8m). This primarily reflected the change in net operating working capital. NOWC fell by €11.7m, mainly due to the decrease in receivables. In the prior year, the company had recorded an increase here by €13.4m. The net cash flow also includes a €2.9m cash inflow from the US government support program.

Net operating working capital (trade receivables + inventories – trade payables – prepayments on orders) decreased by €15.6m from €96.2m to €80.6m. This resulted from a significant reduction in trade receivables.

The **net cash outflow from investing activities** was €0.7m in fiscal year 2020 (prior year: €6.8m). Payments for capital expenditure were significantly below the prior-year level at €4.7m (prior year: €7.7m). Receipts from asset disposals mainly relate to sales of carwashes to customers in the Operations business.

Free cash flow [cash inflow from operating activities (net cash flow) – cash outflow from investing activities] increased to €45.6m (prior year: €15.0m).

Free cash flow in €m



The **cash outflow from financing activities** was €9.5m (prior year: €42.0m). This comprises interest payments and repayments of lease liabilities. The prior-year figure additionally included €32.8m in dividend payments.

Cash funds (net) increased, due to the increase in free cash flow, to €0.8m as of December 31, 2020 (prior year: €−34.7m). The Company was able to meet its payment obligations at all times.

2.4 Non-financial performance indicator

Accident rate

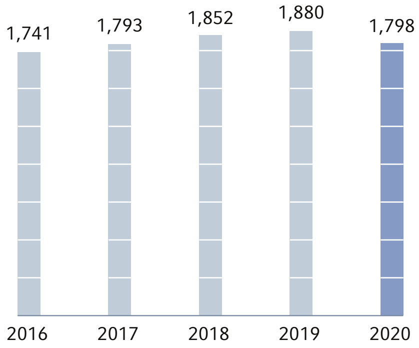
Rounding differences may occur	2019	Guidance 2020	2020	Change (in %)
Work accidents/ million hours worked	3.5	0	4.5	–

WashTec uses the number of work accidents per million hours worked as a non-financial performance indicator. The figure of 4.5 for 2020 was significantly below the industry average of 21.2 reported by the employers' liability insurance associations (Berufsgenossenschaften). However, the target of zero accidents in 2020 was consequently not attained. WashTec continues to reduce the number of work accidents.

2.5 Employees

The number of employees fell significantly by 104 to 1,770 as of December 31, 2020 (prior year: 1,874). The average number of employees at WashTec during the year was 1,798 (prior year: 1,880).

Average number of employees by year



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

Global entrepreneur workshops held on a continuous basis

The WashTec workforce is key to the WashTec Group's business success. Expenditure for continuing education and training fell by 17% in the year under review.

2.6 WashTec AG

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

The business performance of WashTec AG to a large extent corresponds to that of the WashTec Group, which is described in detail under "Business performance". The stable earnings development guidance for the 2020 fiscal year was not achieved due to the effects of the COVID-19 pandemic.

2.6.1 Results of operations

Income Statement of WashTec AG (condensed)

Rounding differences may occur, €m	2020	2019	Change	
			absolute	in %
Revenue	1.8	3.4	−1.6	−47.1
Personnel expenses	1.5	3.3	−1.8	−54.5
Other operating expenses	2.1	2.3	−0.2	−8.7
Investment result	10.9	24.1	−13.2	−54.8
EBT	10.2	22.6	−12.4	−54.9
Net income for the period	8.6	20.9	−12.3	−58.9
Profit carried forward	22.6	1.7	20.9	–
Distributable profit	**31.2**	**22.6**	**8.6**	**38.1**

Revenue at WashTec AG – HGB-basis, meaning as measured in accordance with the German Commercial Code – decreased to €1.8m (prior year: €3.4m) and related to management costs charged on to subsidiaries.

WashTec AG's **personnel expenses** (HGB-basis) of €1.5m (prior year: €3.3m) include Management Board remuneration as shown in the remuneration report on pages 95 to 98 and personnel expenses for the Legal and Investor Relations functions.

Other operating expenses (HGB-basis), at €2.1m, were slightly down on the prior year (prior year: €2.3m).

Net income for the period (HGB-basis) went down from €20.9m to €8.6m.

The **investment result** (HGB-basis) primarily includes income under control and profit and loss pooling agreements in the amount of €4.9m (prior year: €4.0m) 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 €6.0m (prior year: €20.0m).

2.6.2 Financial position and cash flows

Balance Sheet of WashTec AG (condensed)

Rounding differences may occur, €m	2020	2019	Change	
			absolute	in %
Non-current assets	128.1	128.1	0.0	0.0
Receivables, other assets	39.6	35.0	4.6	13.1
Equity	160.3	151.7	8.6	5.7
Provisions	3.5	4.0	−0.5	12.5
Liabilities	3.9	7.4	−3.5	−47.3
Balance sheet total	**167.7**	**163.1**	**4.6**	**2.8**

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

The **receivables and other assets** (HGB-basis) in the amount of €39.6m (prior year: €35.0m) primarily result from general clearing transactions with affiliated companies under profit and loss pooling agreements.

High equity ratio of WashTec AG 95.6%

Equity (HGB-basis) was €160.3m (prior year: €151.7m). This yields an equity ratio of 95.6% (prior year: 93.0%).

Provisions (HGB-basis) was €3.5m (prior year: €4.0m) and mainly related to employee bonuses, legal and consulting expenses, auditing costs, Management Board remuneration and Supervisory Board remuneration.

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

2.6.3 Opportunities and risk report

WashTec AG's opportunities and risks as the Group's ultimate parent company are derived from the opportunities and risks of its operating subsidiaries. WashTec AG is integrated into the Group-wide risk management system. Further information is provided in the opportunities and risk report. That section also provides a description of the internal control system as required under Section 289f (1) HGB (pre-amendment).

2.6.4 Miscellaneous

The principles underlying the remuneration system for the Management Board members and the members of the Supervisory Board are explained in the remuneration report, section 8.4, which is an integral part of the Management Report within the meaning of Section 315 HGB.

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

2.6.5 Outlook

The expectations described in the Outlook for the WashTec Group under section 4.1.4 “WashTec Business Development” also apply to the business development of WashTec AG as the ultimate Group parent company. The performance indicator for the business development of WashTec AG is the net profit for the year.

3 Report on subsequent events

Significant events after the reporting date

No material events affecting the financial position of the Group and of WashTec AG occurred after the reporting date.

For fiscal year 2021, the Group plans to prepare the consolidated income statement using the cost of sales method and to report expenses according to their function.

4 Outlook, opportunities and risk report

4.1 Outlook

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

4.1.1 Business policy and strategy

For 2021 and the years ahead, the WashTec Group continues to pursue its strategy of maximizing customer benefit and extending its market and technology leadership in the carwash industry.

4.1.2 Markets and products

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

4.1.3 General economic conditions

A detailed description of the economic environment and the development of the world economy is provided in section 2.1 of this management report. On the whole, in particular considering the effects of the coronavirus, the Company expects a moderate pace of development in the economic environment and the world economy.

4.1.4 WashTec business development

The outlook for 2021 is subject to uncertainties that could have a material effect on budgeted revenue and earnings performance. It is currently not possible to predict how and when the economy will recover, and whether or how 2021 will be affected by any third corona wave caused by virus mutations. Accordingly, it is hard to assess the ongoing impact of the COVID-19 pandemic on the general economy and hence on our customers' investment decisions. The current guidance is based on the assumption that the economic situation will stabilize, however, the economy will only slowly regain momentum. Due to the ongoing uncertainty, the Company does not currently expect customers' investment patterns to improve significantly in the year ahead.

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 2021 is on process efficiency and digitalization. Capital expenditure is to be increased relative to the prior year as soon as the economic situation permits.

As of next year, the Free cash flow performance indicator will be made more concrete and will also take into account repayments of lease liabilities in the future. Free cash flow after repayment of lease liabilities allows a more accurate assessment of the cash flow development of the company.

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

Term	Positive/negative deviation (in %)
Stable	< 3
Slight	≥ 3
Significant	≥ 5

The Company expects the following regional developments for 2021:

- **Europe:** The market in Europe will not significantly change in 2021. Order volume is expected to be the same in 2021 as in 2020. Competition remains very strong. There continues to be considerable uncertainty in the economic environment.

  The company expects that revenue in the region will remain stable, while earnings are expected to improve significantly compared to 2020.

Europa		2020	Guidance 2021
Revenue	€m	305.5	stable
EBIT	€m	19.0	significant increase

- **North America:** WashTec continues to invest in further organic growth and sees major potential based on its small market share combined with a very good product portfolio. The focus in 2021 will once again be on growth in direct sales business and on further increasing internal process efficiency and profitability in the region. For 2021 as a whole – excluding exchange rate effects – due to the uncertainty in the investment behaviour of major customers, WashTec anticipates stable revenue performance but significantly higher EBIT.

North America		2020	Guidance 2021
Revenue	€m	66.3	stable
EBIT	€m	0.8	significant increase

- **Asia/Pacific:** Business development in this region stabilized in 2020 and displays a positive trend. At the same time, there are uncertainties regarding the duration of the market development in China. For the segment as a whole, the Company therefore expects stable revenue and stable EBIT performance.

Asia/Pacific		2020	Guidance 2021
Revenue	€m	17.7	stable
EBIT	€m	0.3	stable

- **Group:** WashTec aims for stable revenue performance for the Group in fiscal year 2021, with a significant increase in EBIT. In 2020, we experienced an above-average decline in the level of revenue and business, which was reflected in a strong reduction of receivables accompanied by a high cash flow. For 2021, we assume a stable business development due to the uncertainties in the investment behaviour of major customers. This means that this one-off effect will not be repeated in 2021, which will lead to a significantly lower cash flow.

Our goal as a company is to employ the capital available to us profitably and efficiently. We use return on capital employed (ROCE) as our central measure of capital efficiency. Our medium-term target is to increase ROCE over 20%. For the coming year, we expect a significant increase in ROCE.

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

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

		2020	Guidance 2021
Revenue	€m	378.7	stable
EBIT	€m	20.1	significant increase
Free cash flow including the repayment of lease liabilities	€m	36.9	significant decrease
ROCE	in %	10.5	significant increase
Accident rate: (work accidents/million hours worked)		4.5	significant decrease

The Company is working on increasing profitability in order to return to a double-digit EBIT margin in the medium term.

The outlook described for the WashTec Group also apply to the earnings development of WashTec AG as the ultimate Group parent company.

4.2 Opportunities and risk report

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

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

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

4.2.1 Opportunities and risk management

Risk management

Multi-stage system established for identifying and monitoring risks

WashTec has instituted a multi-stage, Group-wide, standardized risk management system for the identification, monitoring and control of all relevant risks. The purpose of this system is to identify risks posed by future events on the basis of short-term and mid-term forecasts (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. There were no fundamental changes in the management of opportunities and risks compared with the prior year.

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

Financial impacts on consolidated net income in €k:

1	Insignificant	< 499
2	Minor	500–4,999
3	Material	5,000–9,999
4	Serious	10,000–19,999
5	Existential threat	> 20,000

The probability of occurrence is indicated as follows:		
1	Very unlikely	1–15%
2	Unlikely	15–40%
3	Possible	40–60%
4	Likely	60–85%
5	Very likely	85–99%

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

Risk matrix	Probability of occurrence				
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

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

Opportunity management

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

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

4.2.2 Opportunities and risks

The COVID-19 pandemic brought about a significant change in the assessment of opportunities and risks in the reporting year relative to 2019. Business development in 2020 was affected for a long time by uncertainties due to the pandemic; those uncertainties were not yet anticipated at the close of 2019.

Opportunities and risks as of the December 31, 2020 reporting date that could have a material impact on the onward development of the WashTec Group are described in the following. Risks classified as insignificant are not discussed in detail.

4.2.2.1 Uncertainties in financial markets and in overall economic development

Risks

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

The economic downturn intensified significantly in fiscal year 2020 as a result of the COVID-19 pandemic. With the global outbreak of the pandemic, the world economy plunged into a deep recession. Following a recovery in the third quarter, the global situation deteriorated again in the final quarter of 2020. Both global industrial production and world trade continue to be severely affected by the pandemic. The authorization of vaccines raises hopes of the pandemic being brought under control in the course of 2021. However, new mutations of the virus have once again called this into question. There is still uncertainty about the end of the pandemic due to mutations occurring and the availability and effectiveness of the vaccines. This constitutes significant uncertainty for global development. An outbreak of such mutations in fall/winter 2021 would move countries to impose new measures restricting public life. The emergence of significantly more aggressive and dangerous variants could then trigger another collapse of global trade as occurred in spring 2020. Uncertainty regarding the further path of the pandemic will remain in 2021 and will continue to have a negative impact on the global economy.

Overall, the course of the year in 2020 has shown the carwash market to be relatively crisis-proof. Lockdowns in individual countries led to installations being halted at short notice. The affected markets also saw carwash volumes and hence service and chemical revenue collapse for the duration of the restrictions. Installations were largely able to resume after economies reopened in summer 2020. It was not possible for losses in the service and chemical business to be fully recouped in all countries. All countries adjusted their measures over the course of the year, as a result of which carwash closures remained the exception when the pandemic broke out again in the fall. This means that WashTec's customers are significantly less affected by impacts of the pandemic. However, a worst-case scenario as described above could lead to other measures that would also affect WashTec customers.

December 31, 2020 marked the end of the transition period for the United Kingdom's exit from the European Union. The UK is now formally a third country, with EU law no longer in force. After intensive negotiations lasting almost a year, an agreement was reached that comprehensively reshaped the future relationship between the EU and the UK. The Trade and Cooperation Agreement negotiated between the EU and the UK provisionally entered into force on January 1, 2021. It has placed relations between the EU and the UK on a new footing. Brexit is not expected to have material direct impacts on the business development of the WashTec Group. As a sales and service organization, our UK subsidiary's involvement in Group activities consists of purchases of goods from the European Union.

There are no United Kingdom to European Union supply relationships that could have a potential negative impact on activities outside the United Kingdom.

Opportunities

The European Central Bank's ongoing low interest rate policy is supportive of new investment spending. At present, and above all things in light of the prevailing uncertainties, interest rates are not expected to increase soon. This could continue to exercise a positive impact on the investment climate in Europe and mitigate the effects of the pandemic.

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

4.2.2.2 Climate and environment

Risks

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

Opportunities

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

4.2.2.3 Customers, competition and market

Risks

A freeze on capital spending by individual oil companies or the listing of other suppliers due to new tender agreements with such companies could lead to a decrease in revenue and/or to losses of market share for WashTec in virtually all regions. The resulting risks may have an impact on revenue performance in the coming year.

A global economic slowdown and uncertainties around the COVID-19 pandemic could also make our customers hesitant to invest. Key accounts in particular responded to the crisis in 2020 with significant cuts in investment. Groups in the oil business were also hit by the drop in market prices caused by the steep fall in demand.

Current uncertainties with regard to the automotive industry and thus also to WashTec's important car dealer segment may affect investment confidence among such customers.

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

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

As a consequence of increasing scarcity and the rising cost of fossil fuels over the mid-term combined with the technical advancement and proliferation of electric vehicles, the use of filling stations in their current form could decline. Nevertheless, it is presently unclear what will be the prevailing charging concept for electric vehicles (possibilities include charging and battery switching at filling stations or charging at home). In the opinion of our major customers, this development will not, however, have a significant influence on the number and use of filling stations in the next five to ten years, mostly because of volume of the cars already on the road. Changes in customers' car use and wash patterns could have adverse consequences for the sale of the WashTec Group's primary products.

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

Opportunities

The trend towards high-quality automated car washing will continue, including in regions outside of the European Union. The Company's solid structure allows it to invest in products and markets. Local presence with the Company's own production facilities in the growth regions of North America and Asia could lead to a positive outcome above the internally budgeted figures in the mid-term. The increasingly global procurement activities could enable further efficiency potential to be realized in the future procurement and production of individual components.

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

A stabilization of the global economic situation could improve investment propensity in the short term, especially among key accounts, and thus lead to a significant increase in demand.

Closer collaboration with our independent sales partners in countries where WashTec does not have branches of its own could result in higher sales in growth regions.

4.2.2.4 Capital expenditure

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

Risks

There is a risk of the assumptions or estimates made about future market developments not materializing as planned, leading to a misallocation of investment spending. Such misallocation could encumber the financial position, financial performance and cash flows of the WashTec Group due to interest on tied-up capital and/or due to impairments. A significant increase in the duration of investment projects can also have a negative impact on the Company as a result of tied-up resources and/or cost overruns. To adequately address such risk, the Company has a detailed policy for approving capital expenditure and other spending. The policy defines upper thresholds and identifies the groups of persons authorized to make certain expenditures. Major capital expenditure projects are listed in an annual capital expenditure plan submitted to the Management Board and approved by the Supervisory Board. Strategic decisions are taken only after there have been detailed discussions in the Management Board, within the extended manager group and with the Supervisory Board.

Opportunities

Capital expenditure offers numerous opportunities. These include – depending on the type of capital expenditure – opportunities to strengthen WashTec's market and competitive position and/or to improve earnings. Investment in digitalization in particular could open up new opportunities in terms of products and solutions for our customers.

4.2.2.5 Innovations and patents

Risks

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

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

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

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

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

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

Opportunities

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

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

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

4.2.2.6 Quality and processes

Risks

Quality and process risks can arise in connection with new product launches and with changes to internal processes and the introduction of new IT systems. The Company's operating processes critically depend on continuous availability of all technical systems. Were this to be at risk, it would have an overall negative impact on WashTec. Cyber risks are all risks to which computer and information networks and all IT-assisted business and production processes are exposed. The use of IT inevitably entails risks, which cannot ultimately be ruled out, for the stability of business processes and for the availability, confidentiality and integrity of information and data. Cyber attacks are rapidly becoming more frequent and more professional worldwide. WashTec has taken appropriate measures to avoid these risks as far as possible. The stability of the business systems in the last few years of operation indicates from the Company's perspective that this risk should be manageable.

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

Opportunities

The constant optimization of the main processes and the deployment of new technologies could have positive effects in terms of customer satisfaction and process efficiency that were not factored into normal planning.

4.2.2.7 Suppliers

Risks

With respect to the purchase of raw materials, components or services, there are risks that could arise from delayed deliveries, product unavailability, defective quality and volatile purchase prices. The cooling of the economy last year led to price reductions for some key raw materials such as steel. In the last few months, the price trend has gone back up to a certain extent.

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

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

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

WashTec also sources some production materials from countries that were severely affected by the COVID-19 pandemic in the past fiscal year. This did not result in any supply shortages in 2020, however. Any further massive COVID-19 outbreaks in those countries could lead to difficulties in obtaining supplies of materials.

Opportunities

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

4.2.2.8 Capacity risks

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

With the help of internal sales quantity planning, capacity risks at the production sites are identified as far as possible and accommodated through the deployment of temporary workers and flexible seasonal working systems or, in the case of extreme fluctuations, by short time working.

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

4.2.2.9 Takeover risks or changes in ownership structure

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

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

4.2.2.10 Finances

Risks

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

Opportunities

Under the current financing, the company has a high degree of flexibility at attractive conditions. To safeguard the WashTec Group's liquidity in connection with the impacts of the COVID-19 pandemic, the credit lines were increased by €35.0m to €122.5m as a preventive step (December 2019: €87.5m).

4.2.2.11 Exchange rate changes

Risks

By virtue of the increasing number of USD transactions with the subsidiary in the United States, any changes in the USD/EUR exchange rate could have an influence on operating performance. In addition, fluctuations in the exchange rate may have an effect on the Group's income statement due to the measurement of open foreign currency positions. To mitigate such effects, WashTec hedges against major risk with derivatives. Operational risks arising from other individual transactions in foreign currencies are immaterial to the Group due to their small volume.

Opportunities

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

4.2.2.12 Liquidity risks

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

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

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

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

4.2.2.13 Credit and default risks

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

Credit and default risks have increased slightly in the present COVID-19 situation. Although there were no significant defaults on receivables in the past business year, the current uncertainties in the market have led to a general increase in default risks, especially in some regions. Particularly in view of the large-scale support measures adopted by individual countries and at European level, the company does not currently assume that there will be any collapse of lending structures in countries relevant to its business.

4.2.2.14 Tax risks

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

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

4.2.2.15 Employee risks

WashTec is highly dependent on qualified employees and specialists in all areas and notably in development, customer care and wash equipment programming and operation. The unexpected loss of employees or difficulty finding qualified employees could have an adverse effect on WashTec’s financial position, financial performance and cash flows.

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

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

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

4.2.3 Overview of corporate risks

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

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

4.2.4 Overall risk assessment

In the view of the Board of Management, the risk management system in place is appropriate and is constantly being adapted. Furthermore, the solid business model limits business risks and opens up further opportunities. Aggregation of the most significant individual risks across all corporate divisions and functions provides an indication of the Group's overall risk assessment, even though it is unlikely that the individual risks will materialize simultaneously. The total value of all risks, assessed relative to their probability of occurrence, came to €24.0m, which is slightly above the prior-year level of €23.3m. Based on the individual risks set out above, the overall assessment is as follows:

The total number of risks that could have a material effect on the WashTec Group has remained the same. COVID-19 was added as a material new risk in the reporting year.
On the other hand, risks relating to decisions of major customers decreased relative to the prior year. A basic change in the overall risk assessment relates in particular to the ongoing uncertainty concerning further developments in connection with the COVID-19 pandemic. The Management Board is not presently aware of any risks that may cast doubt about the Company's ability to continue as a going concern.

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

5 ICS and RMS relevant to the Consolidated Financial Reporting Process

The internal control system (ICS) encompasses the principles, procedures and measures for ensuring that financial reporting is effective, cost-efficient, in proper order and compliant with the law. WashTec's ICS intends to ensure the reliability of its financial reporting system and published annual financial statements. Group-wide accounting policies enable the uniformity of financial reporting throughout the WashTec Group. The impact of any new accounting provisions and changes in existing accounting provisions on WashTec Group are examined on a timely basis. The WashTec Group has a largely standardized weekly, monthly and quarterly reporting structure that reflects the applicable policies in a timely and up-to-date manner. The financial statements of Group companies are analyzed internally each month by using a Group-wide planning and reporting tool.

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

There have been no changes to the internal control system between the reporting date and the preparation date of the management report.

6 **Risk relating** to the use of financial instruments

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

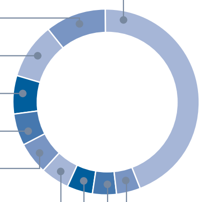
Direct and indirect shareholdings

To the knowledge of the Management Board, 44.38% of the Company's shares (as of December 31, 2020) are held by shareholders whose stakes are below the notification threshold. According to the notifications filed under the German Securities Trading Act (WpHG), direct and indirect shareholdings above 10% of voting rights are held by EQMC Europe Development Capital Fund plc., Ireland (10.42%). Direct and indirect shareholdings close to but below 10% of voting rights are held by Kempen Oranje Participations N.V., Netherlands (9.60%).

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

Shareholder structure as of December 31, 2020

44.38%	Other
10.42%	EQMC Europe Development Capital Fund plc.[1]
9.60%	Kempen Oranje Participaties N.V.
6.82%	Dr. Kurt Schwarz[2]
5.53%	Union Investment Privatfond GmbH
5.43%	Investment AG für langfristige Investoren, TGV
4.99%	Axxion S.A.
4.58%	Paradigm Capital Value Fund[3]
4.25%	Treasury shares
4.00%	Diversity Industrie Holding AG



Source: Notifications pursuant to WpHG

[1] Alantra EQMC Asset Management, SGIIC, S.A. (as investment management function)
[2] Leifina GmbH & Co. KG et al
[3] Carne Global Fund Managers (Luxembourg) S.A.

Holders of shares with special control rights

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

System of control of any employee share scheme

There are no employee interests in capital.

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. During the 2020 reporting year, the Management Board consisted of only two members for the period from 1 June 2020 to 31 July 2020. The Articles of Association do not lay down any special requirements with respect to the appointment and removal of one or all of the members of the Management Board. The Supervisory Board is responsible for appointments and removals. Members may be reappointed to the Management Board or have their term of office extended.

Amendments to the Articles of Association are made pursuant to Section 179 and 133 AktG and to Sections 9.12 and 9.13 of the Articles of Association. The Company has not made use of the option to set out further requirements for amendments to the Articles of Association.

Section 9.12 of the Articles of Association reduces the statutory minimum requirements to the extent permitted by law. The Supervisory Board is authorized to make solely formal amendments to the Articles of Association.

Powers of the Management Board to issue or buy back shares

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

By resolution of the Annual General Meeting on April 29, 2019, the Management Board is authorized, subject to the consent of the Supervisory Board, to increase the registered share capital on one or more occasions on or before June 30, 2022 by a total amount of up to €8,000,000 (Authorized Capital) by issuing new no-par-value bearer shares in exchange for cash and/or non-cash contributions. The shareholders must be granted preemptive rights in this connection unless otherwise stipulated. The new shares may also be underwritten by one or more banks designated by the Management Board with the obligation to offer them to the shareholders for subscription (indirect subscription right). However, the Management Board is authorized (subject to the approval of the Supervisory Board) to exclude shareholders' preemptive rights in certain cases as set out in Section 5.1 of the Articles of Association of WashTec AG. The Management Board has not made use of this authorization to date. The authorized capital is intended to enable the Company to act rapidly and flexibly as needed in order to raise equity capital on favorable terms.

Share buy-back

Unless expressly permitted by law, the Company cannot acquire or make use of treasury shares except with authorization from the Annual General Meeting. By resolution of the Annual General Meeting of April 29, 2019, the Company is authorized to acquire, on or before June 30, 2022 and for purposes other than to trade in the Company's own shares, the Company's own shares in the amount of up to 10% of the share capital of €40,000,000 at the time of the resolution or – if lower – at the time the authorization is exercised. The Management Board may opt to acquire such shares on the stock exchange, by means of a public purchase offer to all shareholders or by means of a public invitation directed at all shareholders to tender shares for sale. The precise terms and conditions for the purchase and use of treasury shares are set out in item 6 of the agenda in the 2019 Invitation to the Annual General Meeting of WashTec AG. Following completion of the share buyback offer in September 2015, and including shares previously held, WashTec AG now holds a total of 594,646 of treasury shares, representing approximately 4.25% of its registered share capital.

Significant agreements subject to a change of control of the company following a takeover bid

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

8 Corporate governance statement

(including Corporate Governance Report)

The actions of the Management Board and Supervisory Board of WashTec AG follow the principles of good and responsible corporate governance. In this declaration, the Management Board reports in accordance with Sections 289f and 315d of the German Commercial Code (Handelsgesetzbuch, or HGB) on corporate governance at WashTec AG and in the WashTec Group. The Corporate Governance Statement includes, in particular, the declaration on the German Corporate Governance Code (the "Code") in accordance with Section 161 of the German Stock Corporation Act (Aktiengesetz, or AktG).

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

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

WashTec AG's 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. Exceptions are disclosed by the Management Board and Supervisory Board in the Declaration of Conformity to the Code dated December 17, 2020. In accordance with the resolution of the Annual General Meeting of May 11, 2016 to refrain from publishing information about the remuneration of individual Management Board members, and in departure from Section 4.2.5 paras. 3 and 4 of the German Corporate Governance Code dated February 7, 2017 ("the 2017 Code"), the information there referred to is not disclosed for each member of the Management Board and the model tables relating to Section 4.2.5 para. 3 of the 2017 Code are not used.

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

Supervisory Board

The Supervisory Board is composed of six members elected by the Annual General Meeting. In order to perform its duties efficiently and in accordance with the requirements of the Code, the Supervisory Board has established an Audit Committee, a Personnel Committee, a Nominating Committee, an Innovation Committee and a Sales Strategy Committee. The primary purpose of the committees is to prepare Supervisory Board meetings and resolutions for the plenary Supervisory Board. The committees also exercise some decision making powers delegated to them by the Supervisory Board as required by law. Within the scope of the overall responsibility of the Supervisory Board, each member performs certain duties on the committees based on the member's expertise.

- The Audit Committee comprises Dr. Selent (Chairman), Mr. Große-Allermann and Dr. Liebler, with Dr. Selent, on the basis of his special expertise and experience, assuming the role of financial expert within the meaning of Section 100 (5) AktG and Recommendation D.4 of the Code.
- Dr. Blaschke acts as chairman of the Personnel Committee, with Mr. Bellgardt and Dr. Selent serving as additional members.
- The Nomination Committee consists of Messrs. Große-Allermann (Chairman), Dr. Liebler and Dr. Hein.
- The members of the Innovation Committee are Mr. Bellgardt (Chairman), Dr. Blaschke and Dr. Hein.
- The Sales Strategy Committee consists of Dr. Blaschke (Chairman) and Mr. Bellgardt.

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

Supervisory Board has six members and several committees

The composition of the Supervisory Board reflects the Company's purpose and size, the composition of the workforce and WashTec's international business activities. In accordance with Recommendation C.1 of the Code, the Supervisory Board has set specific objectives with regard to its composition and has confirmed the profile of skills and expertise for the Supervisory Board as a whole. This is to ensure that the Supervisory Board collectively has the knowledge, skills and experience considered material to WashTec in light of its activities. These include, among other things, knowledge and experience in the areas of technology and innovations (including engineering and digitalization), production, sales and marketing, finance, compliance and human resources. In addition, the Supervisory Board is also required to have knowledge of the capital market and investment management. At least one member of the Supervisory Board is required to have expertise in financial reporting or auditing. The Chair of the Audit Committee is required to have specific knowledge and experience in applying accounting principles and internal control procedures and be familiar with audits. In view of the company's international nature, the Supervisory Board is also required to include persons with longstanding international experience, and in particular management experience in internationally oriented corporate groups. The members as a whole must be familiar with the sector in which the company operates. In its nominations for election, the Supervisory Board will also have due regard to diversity in the sense of a plurality of opinions and experience on the part of those nominated, for example with regard to age, gender, educational or professional background and internationality.

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

In its current composition, the Supervisory Board already meets these objectives. Taken together, the members of the Supervisory Board possess the knowledge, skills and professional experience required for the proper execution of their duties. The Supervisory Board will also take the specified objectives into account in its nominations for the next regular Supervisory Board election or in the event a Supervisory Board member resigns before his or her term has ended, and will fulfill the profile of skills and expertise accordingly. The same applies for any applications for the appointment of Supervisory Board members by court order.

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

The Supervisory Board oversees and advises the Management Board in its management of the business (including the management of the Group). At regular intervals, the Supervisory Board holds discussions on business development and planning as well as on the Company's strategy and its implementation. The Supervisory Board reviews the Company's quarterly statements and half-year report and approves the annual financial statements of WashTec AG and the consolidated financial statements. As there is no resolution of the Annual General Meeting pursuant to Section 172 AktG, the annual financial statements of WashTec AG are adopted on approval by the Supervisory Board. The Supervisory Board monitors the Company's compliance with the law, regulatory requirements and internal corporate guidelines. Its scope of responsibilities also includes appointing the members of the Management Board and defining their portfolios. In addition, the Supervisory Board adopts resolutions on, among other things, the remuneration system for the Management Board (Principle 23 of the Code), on the basis of which the specific remuneration of individual Management Board members is determined. The Supervisory Board will submit a updated remuneration system for members of the Management Board to the 2021 Annual General Meeting of WashTec AG for approval. Management Board decisions of major significance – for example, acquisitions, divestitures and financing measures – are subject to Supervisory Board approval.

The work of the Supervisory Board is governed by internal rules of procedure, in particular pertaining to the convocation and conduct of meetings, the adoption of resolutions and the manner in which any conflicts of interest are handled. The rules of procedure are available o the Company's website at: *Rules of Procedure for the Supervisory Board – WashTec AG*

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

The Supervisory Board regularly reviews the efficiency of its work in a self-assessment. In fall 2020, members of the Supervisory Board were once again requested by means of the established questionnaire, which had been updated and revised in accordance with the requirements of the Code, to provide critical feedback on the work of the Supervisory Board and on the working relationship with the Management Board. The survey findings were presented in the first quarter of 2021. No notable deficits were identified.

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

Management Board

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

Dr. Ralf Koeppe and Mr. Stephan Weber were members of the Management Board for the entire duration of the reporting period. Mr. Axel Jaeger was a member of the Management Board as Chief Financial Officer until May 31, 2020. His management portfolio included Finance/Controlling, IT, Procurement, Investor Relations, WTFS, Legal, Risk Management/Compliance/Audit, Insurance. These responsibilities were assumed by Dr. Ralf Koeppe for the transitional period from June 1, 2020 to July 31, 2020. Effective August 1, 2020, Dr. Kerstin Reden was appointed as member of the Management Board and CFO. Dr. Reden's management portfolio comprises Finance/Controlling, IT, Procurement, Investor Relations, WTFS, Legal, Risk Management/Compliance/Audit, Insurance. As CEO, Dr. Koeppe's portfolio comprises Corporate Culture, Communication and Philosophy, HR, R&D, Supply Chain, Production, Quality, Service Support. Mr. Weber is responsible for Sales, Marketing and Product Management.

Axel Jaeger, CFO of WashTec AG, left the company at his own request on May 31, 2020.

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

Managers' transactions

Under Article 19 of the Market Abuse Regulation (EU) No 596/2014, members of the Management Board and Supervisory Boards, as well as persons closely associated with them, are required to disclose any purchase or sale of securities in WashTec AG or of related financial instruments once the purchase and sale transactions reach a total amount of €20,000 within a calendar year.

Date of transaction	First and last name	Type	Date of publication	Quantity	Course/ Price in € (Ø)	Total volume in €
Feb 11, 2020	Dr. Ralf Koeppe Member of the management board	Purchase	Feb 12, 2020	600	55.0308	33,018.50
Feb 11, 2020	Dr. Ralf Koeppe Member of the management board	Purchase	Feb 12, 2020	600	54.9887	32,993.20

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

Management Board and Supervisory Board shareholdings

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

As of December 31, 2020, the members of the Supervisory Board held shares of WashTec AG as follows: Dr. Günter Blaschke 52,060 shares, Mr. Ulrich Bellgardt 28,070 shares, Dr. Hans-Friedrich Liebler 5,500 shares, Dr. Sören Hein 5,450 shares and Dr. Alexander Selent 1,500 shares.

As of December 31, 2020, the members of the Management Board held shares of WashTec AG as follows: Dr. Kerstin Reden 0 shares, Dr. Ralf Koeppe 1,800 shares and Mr. Stephan Weber 3,740 shares.

Shareholders and the Annual General Meeting

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

The Annual General Meeting of WashTec AG is generally held in the second quarter of the year conjunction with or following publication of the quarterly results. The Annual General Meeting adopts resolutions regarding, among other things, the appropriation of distributable profit, ratification of the acts of the Management Board and Supervisory Board, and election of the auditor. Amendments to the Company's Articles of Association and the granting of authority to engage in measures effecting changes in share capital are resolved exclusively by the Annual General Meeting and implemented by the Management Board. WashTec AG offers its shareholders, prior to the Annual General Meeting, the option to authorize a proxy, who is appointed by the Company but bound by the instructions issued by the shareholder in question.

WashTec AG made use of the option of holding the Annual General Meeting as a virtual Annual General Meeting in 2020 and published all documents of relevance to the Annual General Meeting on the Internet in German and in English. The WashTec AG website thus

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

provides a comprehensive information platform for both national and international investors, including with regard to the Annual General Meeting.

Diversity policy

WashTec pursues the fundamental aim of appointing members to the Management Board and the Supervisory Board based on qualification. The composition of the Supervisory Board reflects the Company's purpose and size, the composition of the workforce and WashTec's international business activities.

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

An exception with regard to the composition of the Supervisory Board is that when proposing candidates to the competent election bodies, no persons are considered who would turn 75 years of age during their regular term of office as a member of the Supervisory Board of the Company. The normal age limit for members of the Management Board is 65.

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

Targets for the percentage of women on the Boards

Under the Act on Equal Participation of Women and Men in Leadership Positions in the Private and Public Sectors of April 24, 2015, the Supervisory Board of WashTec AG is required to set targets for the percentage of women on the Company's Supervisory Board and Management Board together with dates for their attainment. The WashTec AG Management Board has a corresponding obligation with regard to the two management levels below it.

During the 2018 financial year, the Management Board and the Supervisory Board of WashTec AG set new targets to be achieved by 30 June 2023. On July 26, 2018, the Supervisory Board resolved to set a target of at least 25% as the female quota for the Management Board. On account of the departure of Ms. Karoline Kalb from the Management Board as of December 31, 2019, the Supervisory Board resolved on October 24, 2019 with a view to the target for the female quota in the Management Board (25%) that it would seek to appoint a woman to the Management Board again at the next opportunity. With the appointment of Dr. Kerstin Reden as of August 1, 2020, the target for the percentage of women on the Management Board (25%) was once again met.

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. In the reporting year 2020, no woman was a member of the Supervisory Board.

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. Taking into account the specific circumstances and conditions at WashTec – notably the objects of the Company, its size, workforce composition and international business activities – the Management Board believes these percentages are reasonable as they provide flexibility in terms of filling positions on the basis of qualification. The target set for the two management levels below the Management Board was already met in the 2018 reporting year. The figures in the 2020 reporting year were 9.52% at the first management level below the Management Board and 16.67% at the second management level below the Management Board.

8.2 Compliance

Compliance organization subject to continuous improvement

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

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

The strategic guidelines and the WashTec AG Code of Ethics form the basis of the Company's compliance program. The Code of Ethics contains binding rules on legally compliant conduct as well as precise directions on matters such as compliance with competition law and anti-corruption law, handling donations, avoiding conflicts of interests, complying with the prohibition on insider trading, and protecting the Company's assets. The Code of Ethics is binding on all employees of the WashTec Group throughout the world and on the members of the Management Board.

All managers receive regular training on the WashTec Code of Ethics

The members of the Supervisory Board observe the rules to the extent that they apply to them. All WashTec Group managers and employees in sensitive areas such as Sales, Procurement, Human Resources and Finance receive regular online training on the Code of Ethics which is concluded with a test and certification. Regular online training with a concluding test is also provided on the General Data Protection Regulation, especially for new employees. In further support of the compliance system, a whistleblower system introduced in 2016 enables employees and others to raise concerns – anonymously if they prefer – and to flag up circumstances that may indicate a breach of the law or corporate directives. Any such indications are investigated and action taken as appropriate if grounds for suspicion or violations are identified.

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

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

8.3 Declaration of Conformity

The Declaration of Conformity in accordance with Section 161 AktG as submitted by the Management Board and Supervisory Board on December 17, 2020 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 17, 2020 under Section 161 AktG

The Management Board and Supervisory Board submitted the last Declaration of Conformity on December 19, 2019.

The Management Board and Supervisory Board declare that since submission of the last Declaration of Conformity on December 19, 2019, WashTec AG has complied with the recommendations of the German Corporate Governance Code issued by the Government Commission on the German Corporate Governance Code as amended on April 24, 2017, with one exception as follows:

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

WashTec AG has complied with the recommendations of the Code as amended on December 16, 2019 since its entry into force on March 20, 2020 with one exception as follows:

Section G.I. of the Code as amended on December 16, 2019 contains new recommendations on Management Board remuneration. The remuneration system for members of the Management Board of WashTec AG resolved by the Supervisory Board on December 19, 2019, does not yet (fully) comply with the following recommendations:

G.1 (Determining the remuneration system), G.3 (Peer-group comparison with disclosure of the composition of the peer group), G.10 (Granting of variable remuneration components predominantly as share-based remuneration and access to granted long-term variable remuneration components only after four years), G11 sentence 2 (Retention and reclamation of variable compensation) and G.13 sentence 2 (Severance payments taken into account in the calculation of any compensation payments if a post-contractual non-compete clause applies).

The Supervisory Board will submit a revised remuneration system for members of the Management Board to the 2021 Annual General Meeting of WashTec AG for approval. WashTec AG intends to comply in the future with all recommendations of the Code as amended on December 16, 2019.

Augsburg, December 17, 2020
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.

8.4 Remuneration report

Management Board remuneration

Remuneration and the remuneration system for the Management Board of WashTec AG are determined and regularly reviewed by the Supervisory Board. In broad conformity with the Code, the remuneration system as a whole for the 2020 reporting year is structured in such a way as to take account of the responsibilities and personal performance of each Management Board member, the performance of the Management Board as a whole, the economic situation, the performance and outlook of the Company, and customary levels of compensation taking into account peer companies and the compensation structure in place in other areas of the Company. The Supervisory Board also considers the relationship of Management Board remuneration to that of senior management and of the workforce as a whole, including with regard to its development over time.

The remuneration system for members of the Management Board of WashTec AG resolved by the Supervisory Board on December 19, 2019 was discussed in detail by the Supervisory Board and approved, including the main remuneration components. 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 reasonable, both individually and in the aggregate, and do not encourage the taking of unreasonable risks. The variable components of Management Board remuneration are intended to create incentives for the Management Board to further the commercial success of WashTec AG and take both positive and negative developments into account by the stipulation of ambitious targets. They do not account for more than approximately 70% of total remuneration, with the amounts of the performance-based component and of the component with long-term incentive effect limited individually in each Management Board contract.

Fixed remuneration

The fixed remuneration – in addition to the fixed salary, which is paid in 12 equal monthly amounts – also includes benefits in kind, notably comprising the provision of company cars, insurance coverage and reimbursement of weekly home travel. In exceptional cases, additional once-only payments may be granted in connection with new appointments to the Management Board to compensate, for example, for foregone remuneration from a previous position or to reimburse relocation expenses incurred in order to take up office. The fixed remuneration components ensure that the Management Board members receive basic compensation permitting them to exercise their office in the best interests of the Company and with the due diligence of a prudent businessperson, without exclusive dependence on solely short-term performance targets.

Short-term variable remuneration: performance-related components

The variable remuneration components include short-term components linked to the achievement of various targets (annual bonus) to be set by the Supervisory Board. The annual bonus tracks strategic and/or operational and financial targets set each year by the Supervisory Board. For the short-term variable annual remuneration, an amount corresponding to 100% target attainment is agreed with each Management Board member. The annual bonus may be reduced to as little as 0% of the agreed amount if one or more targets are not met and increased to up to 130% of the agreed amount if one or more targets are exceeded.

Components providing long-term incentives

All Management Board contracts in force provide for long-term Management Board remuneration based on separate strategic, financial and operating targets assessed on a multi-year basis and set by the Supervisory Board.

In addition to the short-term variable remuneration, long-term variable remuneration is provided for in the form of a Long Term Incentive Program (LTIP) with a one-time cash award. The current LTIP was resolved by the Supervisory Board on February 27, 2018 and has a term (incentive period) from January 1, 2018 to December 31, 2020. It contains a component without personal investment, the maximum amount of which corresponds at full target attainment to the short-term annual variable target income and which can, at maximum, be doubled by the Management Board member personally investing in WashTec AG shares. Payments due at the end of the incentive period are contingent upon attainment of the performance targets. Performance targets have been set for return on capital employed (ROCE) and total shareholder return (TSR) over the incentive period. Target attainment on these must be at least 91% in order to count. On at least 91% but less than 100% target attainment on either target, 10% less is paid out for that the target for each percentage point below 100%. If target attainment is less than 91% on either target, there is no payout for that concerned. If target attainment is not at least 91% on both performance targets, no bonus is paid. The ROCE target has a weighting of 70% and the TSR target has a weighting of 30% in determination of the cash award.

Benefits following termination of employment

Where members of the Management Board are subject to a post-contractual non-compete covenant clause, they are entitled to remuneration amounting to 50% of the monthly pro rata portion of their fixed annual salary for the duration of the non-compete covenant.

The current Management Board contracts contain a stipulation that if service on the Management Board is terminated early other than for cause justifying termination of the Management Board contract, then severance payments are agreed that do not exceed the remuneration entitlements for the remaining term of the contract and are to be limited to a maximum of two years' compensation including reimbursables (severance cap).

Other information

The Supervisory Board may at its due discretion decide an exceptional performance bonus for individual or all members of the Management Board. The members of the Management Board do not receive any loans or indemnities from the Company.

Omission of tabular presentation in the remuneration report of the remuneration of individual Management Board members (Section 4.2.5 paras. 3 and 4 of the 2017 Code)

In accordance with a resolution of the Annual General Meeting of May 11, 2016, the Company refrains from presenting Management Board remuneration on an individual basis in accordance with the Sections 286 (5) and 314 (2) sentence 2 HGB (pre-amendment). The Management Board was provided with an exemption from the disclosures pursuant to Section 285 (9a) sentences 5 to 8 and 314 (1) no. 6a sentences 5 to 8 HGB (pre-amendment) for the fiscal year commencing January 1, 2016 and for all subsequent fiscal years up to and including at the latest the fiscal year ending December 31, 2020. Further details on remuneration are provided in the notes to the consolidated financial statements starting on page 106.

Submission of a updated remuneration system to the 2021 Annual General Meeting for approval by the Annual General Meeting

At its meeting on March 24, 2021, the Supervisory Board discussed in detail and adopted the updated remuneration system for the Management Board. It will be submitted to the 2021 Annual General Meeting of WashTec AG for approval.

Supervisory Board remuneration

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

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

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

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

The Company did not pay any remuneration or grant any benefits to members of the Supervisory Board in fiscal year 2020 for services provided individually, including for consulting or referral services.

The Annual General Meeting 2018 resolved a Long Term Incentive Program (LTIP) for the Supervisory Board with an incentive period running from January 1, 2019 to December 31, 2021. The long-term variable remuneration component is added to the remuneration in accordance with the Articles of Association. As a condition for participation in the LTIP, these stipulate a personal investment in WashTec shares on or before July 31, 2019 (Chairman: 4,000 shares maximum; all others: 2,000 shares maximum). A Supervisory Board member can also participate in the LTIP with shares already purchased by the member prior to the Company’s Annual General Meeting in fiscal year 2018. In that case, invested shares can also be shares with which the Supervisory Board member participated in LTIP 2015. Performance targets have been set for earnings per share (EPS), ROCE and free cash flow. The reference base for the targets comprised the key performance indicators for fiscal year 2018 as of December 31, 2018. Depending on whether one, several or all of the targets are fulfilled, a different multiplier applies for the cash award. The cash award is calculated by multiplying the reference share price, the number of shares and the multiplier. The bonus payment is payable in fiscal year 2022. Entitlement to the full bonus payment is conditional, as stipulated in detail in sections 5 onwards of the Long Term Incentive Program, on the Supervisory Board member still being on the Supervisory Board and still holding shares in the Company. Supervisory Board members Dr. Blaschke, Mr. Bellgardt, Dr. Hein, Dr. Liebler and Dr. Selent participate in the LTIP, Dr. Blaschke, Mr. Bellgardt, Dr. Hein and Dr. Liebler each participating with the maximum number of shares.

Supervisory Board remuneration 2020

Rounding differences may occur, €k	Fix	Variable	Attendance fees	Total	Cap[1]	Payout amount	Multi-year variable remuneration (long-term component)[2]
Dr. Günter Blaschke	100.0	0	81.5	181.5	200.0	181.5	–
Ulrich Bellgardt	70.0	0	49.0	119.0	150.0	119.0	–
Jens Große-Allermann	35.0	0	34.0	69.0	75.0	69.0	–
Dr. Sören Hein	35.0	0	32.0	67.0	75.0	67.0	–
Dr. Hans-Friedrich Liebler	35.0	0	31.5	66.5	75.0	66.5	–
Dr. Alexander Selent	35.0	0	53.0	88.0	100.0	88.0	–
Total	**310.0**	**0**	**281.0**	**591.0**	**675.0**	**591.0**	**–**

[1] Payout of remuneration in accordance with the Articels of Association limited by cap (according to term of service/position [2] Fair value of LTIP at grant date

Supervisory Board remuneration 2019

Rounding differences may occur, €k	Fix	Variable	Attendance fees	Total	Cap[2]	Payout amount[3]	Multi-year variable remuneration (long-term component)[4]
Dr. Günter Blaschke[1]	53.4	0	47.2	100.6	106.8	910.6	93.4
Ulrich Bellgardt	70.0	0	47.5	117.5	150.0	279.5	46.7
Jens Große-Allermann	35.0	0	25.0	60.0	75.0	60.0	–
Dr. Sören Hein	35.0	0	26.0	61.0	75.0	223.0	46.7
Dr. Hans-Friedrich Liebler	35.0	0	22.5	57.5	75.0	219.5	46.7
Dr. Alexander Selent	35.0	0	39.5	74.5	100.0	74.5	35.0
Total	**263.4**	**0**	**207.7**	**471.1**	**581.8**	**1,767.1**	**268.4**

[1] Pro rata to July 14, 2019 [2] Payout of remuneration in accordance with the Articels of Association limited by cap (according to term of service/position) [3] Including LTIP 2015 payout [4] Fair value of LTIP at grant date

Augsburg, March 24, 2021

Dr. Ralf Koeppe
Chief Executive Officer

Dr. Kerstin Reden
Member of the Management Board

Stephan Weber
Member of the Management Board

Consolidated Financial Statements **of WashTec**

Consolidated Income Statement

in €k	Note	Jan 1 to Dec 31, 2020	Jan 1 to Dec 31, 2019
Revenue	7	378,672	436,480
Other operating income	8	6,078	4,854
Capitalized development costs		113	706
Change in inventory		455	−978
Total		**385,318**	**441,061**
Cost of raw materials, consumables and supplies and of purchased material		133,577	155,530
Cost of purchased services		32,114	38,417
Cost of materials		**165,691**	**193,948**
Personnel expenses	9	132,919	141,822
Amortization, depreciation and impairment		21,753	16,523
Other operating expenses	10	41,656	50,589
Loss allowance on trade receivables		1,930	780
Other taxes		1,300	1,094
Total operating expenses		**365,251**	**404,757**
EBIT		**20,068**	**36,304**
Financial income		130	135
Financial expenses		1,421	759
Financial result	11	**−1,291**	**−623**
EBT		**18,776**	**35,681**
Income taxes	12	5,474	13,430
Net income		**13,302**	**22,251**
Average number of shares in units		**13,382,324**	13,382,324
Earnings per share (basic = diluted) in €	13	**0.99**	**1.66**

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

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

Rounding differences may occur.

Consolidated Statement of Comprehensive Income

in €k	Jan 1 to Dec 31, 2020	Jan 1 to Dec 31, 2019
Net income	**13,302**	22,251
Actuarial gains/losses from defined benefit obligations and similar obligations	−77	−956
Deferred taxes	30	283
Items that will not be reclassified to profit or loss	**−47**	−673
Adjustment item for currency translation of foreign subsidiaries	−1,193	23
Exchange differences on net investments in subsidiaries	−471	284
Deferred taxes	178	−22
Items that may be subsequently reclassified to profit or loss	**−1,486**	285
Other comprehensive income	**−1,533**	−388
Total comprehensive income	**11,769**	21,863

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

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Rounding differences may occur.

Consolidated Balance Sheet Assets

in €k	Note	Dec 31, 2020	Dec 31, 2019
Non-current assets			
Property, plant and equipment	14	27,268	33,238
Goodwill	14	42,312	42,312
Intangible assets	14	6,596	12,251
Right-of-use assets	15	19,532	21,488
Non-current trade receivables	19	6,487	7,313
Other non-current financial assets	20	198	240
Other non-current non-financial assets	20	502	486
Deferred tax assets	16	4,583	3,740
Total non-current assets		**107,479**	**121,069**
Current assets			
Inventories	17	38,464	38,097
Current trade receivables	19	57,075	84,041
Tax receivables	18	18,160	15,244
Other current financial assets	20	1,116	1,335
Other current non-financial assets	20	1,812	2,737
Cash and cash equivalents	21	19,872	12,426
Total current assets		**136,499**	**153,880**
Total assets		**243,979**	**274,949**

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

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

Rounding differences may occur.

Consolidated Balance Sheet Equity and Liabilities

in €k	Note	Dec 31, 2020	Dec 31, 2019
Equity			
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	−6,977	−5,445
Profit carried forward		26,635	4,385
Net income		13,302	22,251
		96,247	**84,478**
Non-current liabilities			
Non-current lease liabilities	29	13,148	14,224
Provisions for pensions	26	10,787	10,938
Other non-current provisions	27	4,136	3,904
Other non-current financial liabilities	30	185	57
Other non-current non-financial liabilities	30	132	1,431
Non-current contract liabilities	31	1,597	2,118
Deferred tax liabilities	16	989	4,486
Total non-current liabilities		**30,975**	**37,158**
Current liabilities			
Interest-bearing loans	28	19,107	47,132
Current lease liabilities	29	7,023	7,467
Trade payables	30	10,486	20,783
Income tax liabilities		2,850	4,886
Other current financial liabilities	30	21,586	18,475
Other current non-financial liabilities	30	27,299	25,120
Other current provisions	27	11,081	9,625
Current contract liabilities	31	17,325	19,825
Total current liabilities		**116,757**	**153,313**
Total equity and liabilities		**243,979**	**274,949**

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

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

Rounding differences may occur.

Consolidated Statement of Changes in Equity

in €k	Number of shares (in units)	Subscribed capital	Capital reserves	Treasury shares	Other reserves and currency translation effects	Profit carried forward	Total
As of January 1, 2019	**13,382,324**	**40,000**	**36,463**	**−13,177**	**−5,057**	**37,171**	**95,401**
Income and expenses recognized directly in equity					−649		−649
Taxes on transactions recognized directly in equity					261		261
Dividend						−32,787	−32,787
Net income						22,251	22,251
As of December 31, 2019	**13,382,324**	**40,000**	**36,463**	**−13,177**	**−5,445**	**26,635**	**84,478**
As of January 1, 2020	**13,382,324**	**40,000**	**36,463**	**−13,177**	**−5,445**	**26,635**	**84,478**
Income and expenses recognized directly in equity					−1,741		−1,741
Taxes on transactions recognized directly in equity					208		208
Dividend						0	0
Net income						13,302	13,302
As of December 31, 2020	**13,382,324**	**40,000**	**36,463**	**−13,177**	**−6,977**	**39,937**	**96,247**

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

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

Rounding differences may occur.

Consolidated Cash Flow Statement

in €k	Note	Jan 1 to Dec 31, 2020	Jan 1 to Dec 31, 2019
EBT		**18,776**	**35,681**
Amortization, depreciation and impairment		21,753	16,523
Gain/loss from disposals of non-current assets		−393	−61
Other gains/losses		1,038	1,422
Financial income		−130	−135
Financial expenses		1,421	759
Movements in provisions		1,530	386
Income tax paid		−14,542	−16,520
Gross cash flow		**29,453**	**38,055**
Increase/decrease in trade receivables		24,199	−14,989
Increase/decrease in inventories		−1,288	−441
Increase/decrease in trade payables		−10,031	2,247
Increase/decrease in prepayments on orders		−1,201	−237
Increase/decrease in net operating working capital		**11,679**	**−13,420**
Changes in other net working capital		5,141	−2,827
Net cash inflow from operating activities		**46,273**	**21,808**
Purchase of property, plant and equipment (without leases)		−4,664	−7,699
Proceeds from sale of property, plant and equipment		3,990	884
Net cash outflow from investing activities		**−675**	**−6,815**
Dividend payout		0	−32,787
Interest received		130	135
Interest paid		−981	−759
Repayment of lease liabilities		−8,692	−8,565
Net cash outflow from financing activities		**−9,543**	**−41,975**
Net increase/decrease in cash and cash equivalents		**36,055**	**−26,982**
Net foreign exchange difference		**−585**	**−613**
Cash and cash equivalents at January 1		**−34,706**	**−7,111**
Cash and cash equivalents at December 31	21	**765**	**−34,706**

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

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

Rounding differences may occur.

Notes to the Consolidated Financial Statements of WashTec AG (IFRS) for Fiscal Year 2020

General

1. General information on the Group

The consolidated financial statements of the WashTec Group for the fiscal year January 1 to December 31, 2020 were prepared and submitted to the Supervisory Board for review on March 24, 2021. They are to be approved at the Supervisory Board meeting on March 24, 2021 and subsequently released for publication by the Management Board. The consolidated financial statements and Group Management Report may be accessed through the Bundesanzeiger (Federal Gazette) and the Unternehmensregister (Company Register) and downloaded from our website, *www.washtec.de*.

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

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

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

The purpose of WashTec Group comprises the development, manufacture, sale and servicing of carwash products, as well as leasing and all related services and financing solutions required 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 reporting date together with the interpretations of the IFRS IC (IFRIC). They comply with the accounting standards adopted by the European Union for fiscal year 2020 and are also supplemented by additional information required under section 315e of the German Commercial Code (Handelsgesetzbuch, or HGB) and by the Group Management Report.

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

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

In fiscal year 2020, the WashTec Group's financial position, financial performance and cash flows were adversely affected by the COVID-19 pandemic mitigated by certain measures taken by either the company or governments including favorable financial support. The main impacts, apart from lower revenue, are as follows:

- Personnel expenses include the effects of national support measures to mitigate the negative impact of the COVID-19 pandemic. Support measures were claimed in the countries where qualification criteria were met. These essentially relate to various grants under the support measures, including short-time work allowances, which were recognized in the profit and loss accounts. Government grants received and recognized as income as of December 31, 2020 amount to €1,357k and have been offset in personnel expenses. An asset in the amount of €4k was recognized under other assets for short-time work allowance not yet reimbursed and for social insurance expenditure not yet reimbursed as of December 31, 2020. A short-term loan in the amount of €2,906k was also applied for and granted in the USA in connection with government support measures. The loan is included in other current financial liabilities. It was disbursed in the second quarter of 2020. If certain conditions are met, some or all of this loan can be converted into grants that do not have to be repaid. No amount had been converted into grants and recognized as income as of December 31, 2020 as the authorities have not yet provided a final assessment.
- As a result of the COVID-19 pandemic, the probability of attaining agreed performance conditions were reassessed resulting in the reversal of other provisions and other liabilities for long-term share-based remuneration for the Management and Supervisory Board, in the amount of €1,116k.
- The COVID-19 pandemic resulted in an increase in loss allowances on trade receivables. This is mainly due to delayed customer payments. A change in age structure is generally associated with higher credit risk. In this regard, corresponding effects were anticipated as loss allowance on trade receivables. Beyond this, no changes were made to the loss allowance rates in the allowance table. Management estimates that the carwash business remains profitable for WashTec customers despite the effects of the COVID-19 pandemic.
- Goodwill and capitalized development costs were tested for impairment as of December 31, 2020. There were no indications of impairment for goodwill in the reporting period. An impairment of €5,200k was identified for capitalized development costs relating to the new gantry carwash. This amount was recognised in full in the result of the segment Europe. This impairment requirement is entirely attributable to the Europe segment and reflects the change in expected future returns due to the transformation in R&D and the economic downturn associated with the COVID-19 pandemic. Assumptions as to volumes and the associated potential savings were revised downwards due to the global recession.
- To safeguard the WashTec Group’s liquidity in connection with the impacts of the COVID-19 pandemic, the credit lines were increased by €35,000k to €122,497k (December 2019: €87,523k).

- Due to the altered economic conditions driven by of the COVID-19 pandemic, the Management Board and Supervisory Board decided to propose to the Annual General Meeting on July 28, 2020 not to pay a dividend for fiscal year 2019 (original dividend proposal: €1.65 per share) and to carry forward the distributable profit for fiscal year 2019 in full. The Annual General Meeting approved the proposal on the appropriation of distributable profit. This resulted in an increase in cash and cash equivalents. Cash and cash equivalents increased in total €35,470k to €765k year-over-year. In the prior-year, the change in cash funds was a decrease by €−27,595k. This included a €32,787k dividend payment. There was no dividend payment in the reporting period.
- The COVID-19 pandemic has made customers reluctant to invest, mainly due to uncertainty regarding the development of the general economy. Despite this situation, WashTec Group does not expect any major changes in its business model as carwash business continues to be profitable for WashTec customers. For this reason, management does not consider that there is any uncertainty regarding the ability to continue as a going concern. For this assessment, no significant judgments were required due to the COVID-19 pandemic.
- All balance sheet items were examined with regard to potential impacts of the COVID-19 pandemic. Other than the above effects, there were no other significant changes, including material changes in estimates, assumptions and judgments.

The one-off effects of €5.6m described in the report on economic position include both effects related to the COVID-19 pandemic and effects from developments that occurred independently of the pandemic in fiscal year 2020. The latter mainly relate to impairment losses on the new gantry carwash (€5.2m), expenses in connection with the Performance Program (€1.8m) and government grants in connection with support measures (€1.4m).

3. Basis of consolidation

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

Subsidiaries are fully consolidated as of the acquisition date, which is the date when the Group obtains control. WashTec AG controls an investee when WashTec AG is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries cease to be consolidated when the parent company no longer has control.

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

In addition to the parent company, the consolidated financial statements of WashTec AG also contain the following group entities as of December 31, 2020. 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, 2020 in €k	Profit/loss for 2020 in €k
German entities					
WashTec Cleaning Technology GmbH, Augsburg, Germany [1)]	100	A	I	29,846	0
WashTec Holding GmbH, Augsburg, Germany	100	B	II	62,159	9,548
WashTec Carwash Management GmbH, Augsburg, Germany [2)]	100	B	III	51	0
WashTec Financial Services GmbH, Augsburg, Germany [1)]	100	A	IV	62	0
AUWA-Chemie GmbH, Augsburg, Germany [2)]	100	B	V	537	0
Foreign entities					
WashTec France S.A.S., Boigny sur Bionne, France	100	C	VI	8,139	1,106
Mark VII Equipment Inc., Arvada, USA	100	C	I	18,638	3,757
WashTec S.r.l., Casale, Italy	100	C	VI	1,301	417
WashTec UK Ltd., Great Dunmow, United Kingdom	100	C	VI	3,694	432
California Kleindienst Limited, Wokingham, United Kingdom [5)]	100	A		0	0
WashTec A/S, Hedehusene, Denmark	100	C	VI	2,644	744
WashTec Bilvask AS, Billingstad, Norway [4)]	100	F	VI	2,919	795
WashTec Cleaning Technology GmbH, Vienna, Austria	100	C	VI	3,007	–6
WashTec Spain S.A.U., Madrid, Spain	100	C	VI	1,976	106
WashTec Car Cleaning Equipment (Shanghai) Co. Ltd., Shanghai, China	100	C	VII	–1,728	–98
WashTec Cleaning Technology s.r.o., Nyrany, Czech Republic	100	D	VII	4,605	293
WTMVII Cleaning Technologies Canada Inc., Grimsby, Ontario, Canada [6)]	100	E	VI	–7,201	27
WashTec Australia Pty Ltd., Sydney, Australia	100	C	VI	3,417	–277
WashTec Cleaning Technology España S.A., Bilbao, Spain [5)]	100	C		1	0
WashTec Benelux B.V., Zoetermeer, Netherlands [3)]	100	C	VI	5,325	87
WashTec Nordics AB, Bollebygd, Sweden	100	C	VI	2,575	976
WashTec Polska Sp. z o.o., Warsaw, Poland	100	D	VI	282	33

1) Profit/loss absorbed by WashTec Holding GmbH
2) Profit/loss absorbed by WashTec AG
3) Subgroup with WashTec Benelux N.V., Brussels, Belgium, whose results are included in WashTec Benelux B.V., Zoetermeer, NL
4) Indirect shareholding via WashTec A/S, Hedehusene, Denmark
5) Company currently inactive
6) Indirect shareholding via Mark VII Equipment Inc., Arvada, USA

A) WashTec Holding GmbH
B) WashTec AG
C) WashTec Cleaning Technology GmbH
D) 90% of interests held by WashTec Cleaning Technology GmbH, 10% by WashTec Holding GmbH
E) Mark VII Equipment Inc., Arvada, USA
F) WashTec A/S, Hedehusene, Denmark

I) Production, sales and service entity
II) Holding company
III) Carwash rental
IV) Arrangement of finance for carwashes
V) Development, production and sale of chemical products
VI) Sales and service entity
VII) Production entity

4. Effects of new financial reporting standards

New or amended financial reporting standards became effective in the period under review. The WashTec Group applied the following new and revised IFRS Standards and Interpretations in fiscal year 2020.

Standards applied and amendments to existing standards

Standard/ interpretation	Title	Mandatory application	EU endorsement	Material effects on the Group
IFRS	Amendments to References to the Conceptual Framework in IFRS Standards	January 1, 2020	December 6, 2019	None
IAS 1 and IAS 8	Amendments to IAS 1 and IAS 8 – Definition of Material	January 1, 2020	December 10, 2019	None
IFRS 9, IAS 39 and IFRS 7	Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform (Phase 1)	January 1, 2020	January 16, 2020	None
IFRS 3	Amendments to IFRS 3 – Definition of a Business	January 1, 2020	April 22, 2020	None
IFRS 16	Amendments to IFRS 16 – COVID-19-Related Rent Concessions	June 1, 2020	October 12, 2020	None

The IASB and the IFRS Interpretations Committee have also issued additional standards, interpretations and amendments as listed below that did not yet have to be applied in fiscal year 2020 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, 2020. First time adoption of the standards is planned when they are recognized and endorsed by the European Union.

Standards and amendments not yet applied

Standard/ interpretation	Title	Mandatory application	EU endorsement	Material effects on the Group
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform (Phase 2)	January 1, 2021	January 14, 2021	None
IFRS 4	Amendments to IFRS 4 – Deferral of IFRS 9	January 1, 2021	December 16, 2020	None
IFRS	Annual Improvements to IFRS (2018-2020 cycle)	January 1, 2022	Expected in H2 2021	None
IFRS 3	Amendments to IFRS 3 – Reference to the Conceptual Framework	January 1, 2022	Expected in H2 2021	None
IAS 16	Amendments to IAS 16 – Proceeds before Intended Use	January 1, 2022	Expected in H2 2021	None
IAS 37	Amendments to IAS 37 – Onerous Contracts: Cost of Fulfilling a Contract	January 1, 2022	Expected in H2 2021	None
IFRS 17	Insurance Contracts, including amendments to IFRS 17	January 1, 2023	Yet to be determined	None
IAS 1	Amendments to IAS 1 – Classification of Liabilities as Current or Non-Current	January 1, 2023	Yet to be determined	None
IAS 1	Amendments to IAS 1 – Disclosure of Accounting Policies	January 1, 2023	Yet to be determined	None
IAS 8	Amendments to IAS 8 and IAS 8 – Definition of Accounting Estimates	January 1, 2023	Yet to be determined	None

5. Accounting policies

The adopted accounting policies are generally consistent with those applied in prior years. In addition to the accounting policies applied in the consolidated financial statements for the fiscal year ending December 31, 2019, IAS 20 Accounting for Government Grants and Disclosure of Government Assistance was applied in the consolidated financial statements for the fiscal year ending December 31, 2020.

Currency translation

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

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

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

Non-monetary items measured at historical cost in a foreign currency are translated using the exchange rate at the transaction date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of resulting assets and liabilities are accounted for as assets and liabilities of the foreign operation and translated at the reporting date exchange rate.

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

Property, plant and equipment

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

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

Equipment	Useful life
Buildings	20 to 50 years
Technical plant and machinery	5 to 14 years
Other plant, fixtures and fittings	3 to 8 years

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

Business combinations and goodwill

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

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

Intangible assets

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

Intangible assets are mostly amortized using the following useful lives:

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

Acquired intangible assets

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

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

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

Internally generated intangible assets (research and development costs)

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

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

Impairment of non-financial assets

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

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

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

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

Financial instruments and hedging

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Initial recognition takes place when the Company becomes a party to the contractual provisions of the financial instrument.

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

Financial assets

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

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

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

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

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

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

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

Loss Allowance for 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 loss allowance on the basis of an allowance 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 loss allowance 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 reporting 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 reporting date whose timing or amount is uncertain. If the Group expects reimbursement of some or all of a provision (such as through an insurance policy), the reimbursement is recognized as a separate asset when its receipt 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 reporting date as well as expected future increases in salaries and pensions. Actuarial gains and losses are recognized immediately in their entirety in other comprehensive income. Service cost and interest are accounted for in the operating result. For further details, please see Note 26.

Provisions for partial retirement arrangements
Partial retirement arrangements are primarily based on the block model. They result in two types of obligations that are measured at present value in accordance with actuarial principles and are accounted for separately: The first type of obligation relates to the accumulated outstanding settlement amount, which is recognized pro rata over the active/working phase. The accumulated outstanding settlement amount is based on the difference between the compensation earned by 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 compensation
IFRS 2 distinguishes between equity-settled share-based payments and cash-settled share-based payments. The Management Board and Supervisory Board of WashTec AG receive cash-settled share-based remuneration for their service. In the case of cash-settled share-based remuneration, the resulting liability is recognized at fair value through profit or loss at the time 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. Until settlement of the liability, the fair value is remeasured as of each reporting date and any changes are recognized in profit or loss. 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. The transfer of equipment under these sale and leaseback transactions and hire purchase agreements constitutes a sale within the meaning of IFRS 15 and a right-of-use asset and a lease liability are recognized for the equipment concerned. Some contracts between WashTec and leasing companies feature rights of return relating to the obligation to take back previously sold equipment. The leasing company's right of return is accounted as an other receivable in the amount of the net investment in the lease. The agreements between the leasing company and WashTec generally have terms of around five to ten years. The gains from the sale are amortized over the life of the lease. The sale and leaseback agreements relating to equipment generally include a purchase option at the end of the term as well as an option to extend the agreement. There is no provision for price adjustments during the term of the lease.

Please refer to Notes 10, 11, 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 reporting 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 reporting date. Current and deferred taxes are recognized in profit or loss unless tax relates to transactions that are recognized in other comprehensive income or directly in equity.

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

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

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

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

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

Revenue recognition

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

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

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

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

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

In order to provide customers, and in particular large operator groups or oil companies, with equipment in the carwash management business in return for compensation based on the number of washes, equipment manufactured by WashTec is sold to a leasing company. Some contracts between WashTec and leasing companies feature rights of return relating to the obligation to take back previously sold equipment. Revenue is recognized on sale to the leasing company, as that is the point in time when the leasing company gains control of the wash systems.

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.

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 as income are included in other operating income or offset with the corresponding expenses. There are no unfulfilled conditions or other contingencies attaching to the grants. The Group has not directly benefited from other forms of government assistance.

Earnings per share

Earnings per share is calculated by dividing consolidated net income by the weighted average number of shares outstanding.

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

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

Segment reporting

In accordance with IFRS 8, operating segments are identified using the management approach. Under that approach, external segment reporting is based on the internal group organizational and management structure and on internal reporting to the Management Board as the entity's chief operating decision maker. Where the aggregation criteria are met, operating segments are aggregated into reportable segments.

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

6. Significant estimates, assumptions and judgments

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

Impairment of non-financial assets

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

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

Impairment of financial assets

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

Deferred tax assets

Deferred tax assets are recognized to the extent that it is probable that sufficient taxable profits will be available against which they can be utilized. Management estimates relate to the amount of taxable net income and the expected timing. For further details, please see Note 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 reporting 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 are recognized on the basis of expectations, estimates of the probability of occurrence, and planned measures. The size of potential payment obligations is estimated on the basis of an assessment of the situation.

Development costs

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

Buy-back agreements

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

7. Notes on segment reporting

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

By segment 2019 in €k	Europe	North America	Asia/Pacific	Consolidation	Group
Revenue	**353,555**	**78,179**	**17,588**	**-12,843**	**436,480**
of which with third parties	340,904	77,988	17,588	0	436,480
of which with other segments	12,651	191	0	−12,843	0
EBIT	**41,211**	**−3,439**	**−1,314**	**−153**	**36,304**
EBIT margin in %	11.7	−4.4	−7.5	–	8.3
Financial income					135
Financial expenses					759
EBT					**35,681**
Income taxes					13,430
Net income					**22,251**
Capital expenditure on intangible assets, property, plant and equipment and right-of-use assets	28,940	4,083	2,885	0	35,908
Amortization, depreciation and impairment of intangible assets, property, plant and equipment and right-of-use assets	14,153	1,712	658	0	16,523

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

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

January to December 2019 in €k	Europe	North America	Asia/ Pacific	Consolida-tion	Group
Recognition at a point in time	352,475	75,424	17,588	–12,843	432,644
Recognition over time	1,080	2,755	0	0	3,835

The consolidated revenue was generated in the following products:

in €k	**2020**	2019
Equipment and Service	324,008	380,631
Chemicals	46,553	47,126
Carwash Management Business and other	8,111	8,722
Total	**378,672**	436,480

The Group generates approximately 80% of external sales in European countries. Germany and France make up the largest share of total revenue. After consolidation, Germany accounts for 31.7% of total revenue, relating to the products Equipment and Service, Chemicals, Carwash Management Business and Others. France accounts for 13.7% of consolidated revenue. External sales outside of Europe are primarily generated in North America and are mostly attributable to the United States. There were no instances in which revenue from transactions with major customers exceeded 10% of total revenue in fiscal year 2020.

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

Group assets can be broken down into the following segments:

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

2019 in €k	Germany	Europe	North America	Asia/ Pacific	Group
Property, plant and equipment	27,612	3,887	1,175	564	33,238
Capital expenditure on property, plant and equipment	*4,053*	*1,183*	*329*	*638*	*6,203*
Intangible assets including goodwill	50,428	4,103	9	23	54,563
Capital expenditure on intangible assets	*1,458*	*38*	*0*	*0*	*1,496*
Right-of-use assets	8,188	8,784	2,806	1,710	21,488
Capital expenditure on right-of-use assets	*9,905*	*12,303*	*3,754*	*2,246*	*28,208*


WashTec

Notes to the Consolidated Income Statement

8. Other operating income

Other operating income totaling €6,078k (prior year: €4,854k) consists primarily of income arising from exchange rate differences in the amount of €2,228k (prior year: €2,115k), deferred income from operator models in the amount of €1,057k (prior year: €609k), income from insurance settlements in the amount of €482k (prior year: €292k), income from the sale of scrap in the amount of €466k (prior year: €617k) and income from the sale of acquired vehicles and from the sale of other property, plant and equipment totaling €919k (prior year: €101k).

9. Personnel expenses

Personnel expenses consist of the following:

in €k	2020	2019
Wages and salaries	111,307	119,641
Social security contributions	10,821	10,654
Employer share of statutory and voluntary pension insurance (defined contribution)	8,749	9,075
Pension and partial retirement	2,043	2,453
Total	**132,919**	**141,822**

Personnel expenses in fiscal year 2020 include the effects of national support measures to mitigate the impact of the COVID-19 pandemic. Support under such measures was claimed in the countries where the qualification criteria were met. This essentially relates to various grants under the support measures, which were recognized in the income statement, and as short-time work allowance. Government grants received and recognized as income and offset in personnel expenses as of December 31, 2020 amount to €1,357k.

Total personnel expenses include expenses of €1.8m (prior year: €1.9m) in connection with the Performance Program.

The average number of employees by function is as follows:

Average number of employees	2020	2019
Sales, marketing and servicing	1,075	1,130
Production, technology and development	558	578
Finance and administration	165	172
Total	**1,798**	**1,880**

10. Other operating expenses

Other operating expenses are as follows:

in €k	2020	2019
Vehicle costs	6,475	7,701
IT and communication expenses	6,025	4,982
Maintenance/repairs	4,394	4,428
Travel expenses (including hospitality)	4,032	7,811
Miscellaneous administrative expenses/other expenses	3,683	3,292
Temporary workers	3,311	5,086
Legal and consulting fees	2,943	3,592
Exchange differences	2,898	2,018
Trade fair, marketing and PR expenses	1,849	4,076
Patents, licenses and development costs	1,708	1,725
Insurance (including product liability)	1,354	1,601
Training/continuing education costs	773	1,599
Other rental expenses	763	939
Bank charges and contributions	752	729
Office supplies	695	1,010
Total	**41,656**	**50,589**

The other rental expenses include €83k (prior year: €132k) 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: €5k) in expenses for variable lease payments not taken into account in the measurement of lease liabilities.

11. Financial result

in €k	2020	2019
Other interest income	130	135
Financial income	**130**	**135**
Expense from interest-bearing loans	485	338
Interest expense from discounting lease liabilities	482	367
Other interest expense	454	53
Financial expenses	**1,421**	**759**
Financial result	**−1,291**	**−623**

Other interest expense includes interest of €440k relating to a provision for a tax audit that is still in progress.

Of the interest income and interest expense, a total of €–809k (prior year: €–256k) 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	2020	2019
Interest income	AC	47	17
	FLAC	83	118
Interest expense	FLAC	−940	−391

12. Income taxes

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

The table below shows a reconciliation of expected and actual income tax expense. To calculate the expected tax expense, earnings before taxes were multiplied by the Group tax rate of 31.9% (prior year: 31.9%). The Group tax rate is based on the tax rate faced by the parent company. The WashTec Group’s effective tax rate is 29.2% (prior year: 37.6%).

in €k	2020	2019
Expected income tax expense	5,995	11,393
Differences from foreign tax rates	−764	−328
Non-deductible expenses	812	1,034
Effects of deferred taxes not recognized on temporary differences and tax loss carryforwards	1,038	1,261
Effects of utilization of loss carryforwards for which no deferred tax assets recognized	−941	−256
Effect of measurement of deferred taxes on temporary differences	0	122
Adjustment for current taxes from prior years	−623	−28
Other	−42	232
Current income tax expense	**5,474**	**13,430**

Tax expense consists of the following:

in €k	2020	2019
Actual tax expense (+)/income (–)	9,629	12,531
Deferred tax expense(+)/income (–)	−4,155	899
Income taxes	**5,474**	**13,430**

13. Earnings per share

Calculation of basic earnings per share for 2020 and 2019:

in €/€k/number of shares	2020	2019
Consolidated net income	13,302	22,251
Weighted average number of shares outstanding	13,382,324	13,382,324
Earnings per share (basic = diluted)	**0.99**	**1.66**

The Management Board and Supervisory Board will recommend to the Annual General Meeting, which is due to be held on May 18, 2021, to appropriate the distributable profit of €31,174,580.45 shown in the Company's annual financial statements for fiscal year 2020 as follows: Payment of a dividend in the amount of €2.30 per eligible share, totaling €30,779,345.20, with the remaining distributable profit of €395,235.25 to be carried forward. The proposal for distribution of a dividend to shareholders in the amount of €2.30 per eligible share includes a special dividend of €1.31 in addition to the dividend of €0.99 for fiscal year 2020.


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

in €k	Cost					
	Jan 1, 2019	Additions	Disposals	Reclassifications	Currency translation effects	Dec 31, 2019
Land, land rights and buildings	**47,792**	630	1,566	123	93	**47,072**
Technical plant and machinery	**38,307**	2,552	3,546	3,071	112	**40,496**
Other plant, fixtures and fittings	**21,373**	1,546	1,532	53	159	**21,599**
Leases	**5,318**	0	0	−5,343	24	**0**
Prepayments and construction in progress	**1,867**	1,475	107	−1,386	0	**1,849**
Property, plant and equipment	**114,657**	**6,203**	**6,751**	**−3,481**	**388**	**111,016**
Internally generated development costs	**16,019**	101	3,666	0	55	**12,510**
Licenses and software acquired	**14,970**	791	839	546	7	**15,475**
Patents, technologies and other intangible assets	**4,252**	0	133	0	−10	**4,109**
Goodwill	**83,439**	0	0	0	349	**83,788**
Prepayments and development projects in progress	**8,210**	604	0	0	0	**8,815**
Intangible assets	**126,891**	**1,496**	**4,637**	**546**	**400**	**124,696**
Total fixed assets	**241,548**	**7,699**	**11,388**	**−2,935**	**789**	**235,712**

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

Depreciation, amortization and impairment						Carrying amount		in €k
Jan 1, 2019	Additions	Disposals	Reclassifications	Currency translation effects	Dec 31, 2019	Jan 1, 2019	Dec 31, 2019	
33,063	1,528	1,528	0	44	**33,106**	14,729	13,966	Land, land rights and buildings
27,623	2,521	3,094	1,923	61	**29,033**	10,684	11,463	Technical plant and machinery
14,131	2,766	1,263	0	6	**15,639**	7,242	5,960	Other plant, fixtures and fittings
2,493	73	0	−2,584	17	**0**	2,825	0	Leases
0	0	0	0	0	**0**	1,867	1,849	Prepayments and construction in progress
77,310	**6,888**	**5,885**	**−661**	**127**	**77,778**	**37,347**	**33,238**	**Property, plant and equipment**
14,759	568	3,708	0	97	**11,716**	1,261	795	Internally generated development costs
12,694	976	839	0	6	**12,837**	2,276	2,638	Licenses and software acquired
4,245	3	133	0	−10	**4,105**	6	4	Patents, technologies and other intangible assets
41,127	0	0	0	349	**41,476**	42,312	42,312	Goodwill
0	0	0	0	0	**0**	8,210	8,815	Prepayments and development projects in progress
72,825	**1,547**	**4,679**	**0**	**441**	**70,133**	**54,066**	**54,563**	**Intangible assets**
150,135	**8,434**	**10,565**	**−661**	**569**	**147,912**	**91,413**	**87,801**	**Total fixed assets**

Intangible assets

The increase in development costs mainly results from the recognition of development costs in progress because work on new developments was completed. Development costs were tested as of the year-end for impairment, which resulted in the recognition of an impairment loss of €5,200k. This is entirely attributable to the segment Europe. The impairment is due to a change in expected future cash flows due to the economic impact of the COVID-19 pandemic and the restructuring of R&D. Assumptions as to volumes and the associated potential savings were revised downwards over the amortization period, resulting in a reduction in the expected future cash flows.

Research and development costs in the amount of €1,084k (prior year: €1,251k) 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 as follows to the operating segments identified in accordance with IFRS 8: Europe in the amount of €42,306k (prior year: €42,306k), North America in the amount of €0k (prior year: €0k) and Asia/Pacific in the amount of €6k (prior year: €6k).

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

In accordance with the approach described in Note 5, goodwill is tested for impairment on the basis of the Group-level planning for 2021 through 2026.

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 2.9% p.a. in the Europe segment and between 7.2% and 8.0% in the remaining segments
- Cost increases of 1.5–2.0%
- Wage and salary cost increases of approximately 2.5–3.0% p.a.

Assumptions made for discounting purposes were a pre-tax discount rate of 7.3% (prior year: 6.0%) 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 0.5% (prior year: 0.9%), the weighted cost of equity as well as the capital structure. The cost of equity is based on a risk-free rate of return averaging –0.2% (prior year: 0.1%) and a beta of 1.3 (prior year: 1.0).

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

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, 2020	Dec 31, 2019
Right-of-use assets – land and buildings	12,816	13,756
Right-of-use assets – other plant, fixtures and fittings	5,536	5,583
Right-of-use assets – machinery	1,180	2,150
Total	**19,532**	**21,488**

Additions to right-of-use assets in fiscal year 2020 amounted to €8,037k (prior year: €9,640k) and disposals to €1,607k (prior year: €1,566k). Currency translation effects account for €−299k.

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

in €k	2020	2019
Right-of-use assets – land and buildings	4,211	4,107
Right-of-use assets – other plant, fixtures and fittings	3,432	3,513
Right-of-use assets – machinery	443	470
Total	**8,086**	**8,089**

Please see Note 29 for further information on lease liabilities.

16. Deferred Taxes

There are deferred tax assets in the amount of €4,583k (prior year: €3,740k) and deferred tax liabilities in the amount of €989k (prior year: €4,486k) 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 €1,295k (prior year: €1,914k).

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 (2021 through 2026).

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 €17,253k (prior year: €18,656k) and temporary differences in the amount of €11,577k (prior year: €13,496k). This corresponds to €4,339k (prior year: €4,738k) in deferred tax assets not recognized for loss carryforwards and €2,846k (prior year: €3,339k) 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 €12,994k have time restrictions with regard to utilization. Of this total, €1,911k will expire between 2021 and 2025 and €11,083k will expire between 2030 and 2038 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	
	2020	2019	2020	2019
Property, plant and equipment	323	383	−1,242	−1,206
Intangible assets	0	56	−1,863	−3,783
Right-of-use assets	0	0	−4,488	−4,893
Inventories	2,476	1,118	−8	−21
Receivables	617	179	−403	−1,102
Lease liabilities	4,343	4,586	0	0
Provisions	2,811	2,675	0	0
Other liabilities	1,354	1,501	−25	−25
Contract liabilities	149	167	−180	−116
Other	30	79	−298	−345
Total	**12,103**	**10,744**	**−8,507**	**−11,491**
of which non-current	*4,969*	*6,223*	*−4,860*	*−8,335*
of which current	*7,134*	*4,522*	*−3,648*	*−3,157*

Deferred tax receivables and liabilities totaling €7,520k (prior year: €7,097k) were offset in accordance with the offsetting rules in IAS 12.

€208k (prior year: €261k) in deferred taxes were recognized in equity in the reporting year. The aggregate amount of deferred taxes recognized in equity is consequently €2,027k (prior year: €1,819k).

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	2020			2019		
	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	−1,193	0	−1,193	23	0	23
Exchange differences on net investments in subsidiaries	−470	178	−292	284	−21	263
Changes in actuarial gains and losses	−77	30	−47	−956	283	−673
Changes recognized directly in other comprehensive income	**−1,740**	**208**	**−1,532**	**−649**	**261**	**−388**

17. Inventories

in €k	2020	2019
Raw materials, consumables and supplies, including merchandise	21,964	22,234
Work in progress	9,519	10,179
Finished goods	6,690	5,575
Prepayments	291	109
Total	**38,464**	**38,097**

Additions to write-downs on inventories came to €249k in the reporting year (prior year: €1,687k). The prior-year figure included an adjustment of the allowance for inventory risks resulting from period of storage in connection with the market launch of the new gantry carwash.

18. Tax receivables

in €k	2020	2019
Current tax receivables	18,160	15,244
Total	**18,160**	**15,244**

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

19. Trade receivables

in €k	2020	2019
Non-current trade receivables	6,487	7,313
Current trade receivables	57,075	84,041
Total	**63,562**	**91,355**

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

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

The gross carrying amounts of trade receivables total €70,005k (prior year: €96,599k). This includes €1,254k (prior year: €1,236k) in gross carrying amounts on credit-impaired trade receivables as of reporting 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
2020	52,048	2,813	2,302	11,589	68,752
2019	73,610	4,202	5,066	12,485	95,363

Loss allowances on trade receivables are as follows:

in €k	2020	2019
As of January 1	**5,245**	4,722
Additions	378	741
Utilization	–147	–106
Reversals	–215	–229
Change in lifetime expected credit losses	1,182	117
As of December 31	**6,443**	**5,245**

20. Other assets

in €k	2020	2019
Other non-current financial assets	198	240
Other non-current non-financial assets	502	486
Other current financial assets	1.116	1,335
Other current non-financial assets	1.812	2,737
Total	**3.630**	**4,798**
of which non-financial prepaid expenses	*1.350*	*1,767*

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. 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 €19,872k (prior year: €12,426k) 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	2020	2019
Cash and cash equivalents	19,872	12,426
Overdrafts/current interest-bearing loans	–19,107	–47,132
Cash funds	**765**	**–34,706**

Changes in liabilities arising from financing activities are shown in the table below:

in €k	Jan 1, 2020	Changes arising from cash flows	Non-cash changes	Dec 31, 2020
		Repayment of lease liabilities	Assumption of lease liabilities	
Non-current lease liabilities	14,224	−5,738	4,662	13,148
Current lease liabilities	7,467	−2,954	2,510	7,023
Total	**21,691**	**−8,692**	**7,173**	**20,171**

in €k	Jan 1, 2019	Changes arising from cash flows	Non-cash changes	Dec 31, 2019
		Repayment of lease liabilities	Assumption of lease liabilities	
Non-current lease liabilities	2,067	−5,582	17,739	14,224
Current lease liabilities	897	−2,982	9,552	7,467
Total	**2,965**	**−8,564**	**27,291**	**21,691**

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

Equity

22. Subscribed capital

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

	2020	2019
Ordinary shares (thousand)	13,977	13,977
Share capital per share (€)	2.86	2.86

As of December 31, 2020, the average weighted number of issued and outstanding shares was 13,382,324 (prior year: 13,382,324 shares).

The Annual General Meeting of WashTec AG on July 28, 2020 resolved that the entire distributable profit of €22,581,092.36 shown in the Company's annual financial statements for fiscal year 2019 be carried forward.

Authorized capital

By resolution of the Annual General Meeting on April 29, 2019, the Management Board is authorized, subject to the consent of the Supervisory Board, to increase the registered share capital on one or more occasions on or before June 30, 2022 by a total amount of up to €8,000,000 (Authorized Capital) by issuing new no-par-value bearer shares in exchange for cash and/or non-cash contributions. The shareholders must normally be granted preemptive rights in this connection.

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

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

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

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

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 €13,177k as of December 31, 2020. This corresponds to 594,646 shares.

Purchase and use of treasury shares

By resolution of the Annual General Meeting of April 29, 2019, the Company is authorized pursuant to Section 71 (1) 8 AktG, on or before June 30, 2022 and for purposes other than to trade in the Company's own shares, to acquire the Company's own shares in the amount of up to 10% of the share capital at the time of the resolution or – if lower – at the time the authorization is exercised.

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

They may

- be offered and transferred to third parties as consideration in connection with the direct or indirect acquisition of companies, parts of companies or interests in companies or in connection with business combinations;

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

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

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

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

25. Other reserves and currency translation effects

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

in €k	**Jan 1, 2019**	Change in income and expenses recognized directly in equity	Change in deferred taxes	**Dec 31, 2019**
Hedge reserve	−500	0	0	−500
Exchange differences on net investments in subsidiaries	−1,981	284	−21	−1,718
Actuarial gains/losses	−3,124	−956	283	−3,798
Other reserves	**−5,606**	**−672**	**261**	**−6,017**
Currency translation effects	549	23	0	572
Total	**−5,057**	**−649**	**261**	**−5,445**

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 0.4% (prior year: 0.6%). As in the prior year, the annual salary and cost-of-living increases were measured at 1.5%. The anticipated return from reimbursement claims due to the existing liability insurance policies amounts to 0.4% (prior year: 0.6%). 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, 2020 was 221 employees (prior year: 228 employees), and the total number of all persons holding a pension commitment is 371 employees (prior year: 392 employees). The new valuations include the effects of experience adjustments in the amount of €−60k (prior year: €−37k).

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 €−77k (prior year: €−956k). In total, actuarial gains and losses (before deferred taxes) of €−5,604k (prior year: €−5,527k) have been recognized in other comprehensive income as of December 31, 2020.

The present value of the defined benefit obligation developed as follows in fiscal years 2019 and 2020:

in €k	2020	2019
As of January 1	10,938	10,065
Expected return	14	8
Pensions paid	−433	−442
Service cost in the reporting period	129	200
Interest expense	62	152
Actuarial gains and losses	77	956
As of December 31	**10,787**	**10,938**

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	29	0	**29**
Gains and losses from portfolio changes	62	0	**62**
Total	**91**	**−14**	**77**

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	2020	2019
Fair value of reimbursement rights as of January 1	486	470
Expected return	16	16
Fair value of reimbursement rights as of December 31	**502**	**486**

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 as well as the development of the interest rate, which leads to an increase in the pension provision.

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

		Effect on the defined benefit obligation (DBO)	
Assumptions	**Changes**	**2020**	**2019**
Life expectancy	Increase by one year	5.5%	5.1%
Increase in living costs	Increase by 0.25%	2.3%	2.2%
Interest rate	Increase by 0.25%	−2.5%	−2.5%
Interest rate	Decrease by 0.25%	2.6%	2.6%

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

The following table shows the expected payments for pension benefits:

in €k	< 1 year	1–5 years	> 5 years	Total
Pension benefits	583	2,372	7,198	10,153

27. Other provisions

in €k		As of Jan 1, 2020	Addition	Utilization	Reversals	Exchange differences	As of Dec 31, 2020	of which current	of which non-current	Provisions in 2019	
										of which current	of which non-current
Partial retirement		1,280	1,062	−498	0	0	1,844	511	1,334	598	682
Warranty		5,904	5,245	−4,074	−663	−71	6,342	6,326	15	5,867	37
Repurchase obligations		3,428	280	−821	0	0	2,888	645	2,243	821	2,608
Legal and consulting fees		611	578	−171	−63	0	956	956	0	611	0
Termination benefits		1,458	2,062	−1,091	−13	0	2,416	2,416	0	1,458	0
Other		848	157	−12	−223	0	771	227	544	272	576
Total	**2020**	**13,529**	**9,385**	**−6,666**	**−960**	**−71**	**15,216**	**11,081**	**4,136**	–	–
	2019	**13,037**	**7,476**	**−5,828**	**−1,180**	**24**	**13,529**	**–**	**–**	**9,625**	**3,904**

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

The provision for warranty obligations is recognized based on experience. The assumptions used in calculating the provision for warranty obligations were based on current sales levels and on the currently available information about repairs and returns for sold products during the warranty period. It is expected that the costs will be incurred during the warranty period after the reporting date.

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

The provision for termination benefits in the amount of €2,416k (prior year: €1,458k) mostly related to provisions for planned personnel measures in implementation of the Performance Program.

The other provisions totaling €771k (prior year: €848k) mainly relate to provisions for potential claims in the amount of €679k (prior year: €689k).

Contingent liabilities for the WashTec Group as of the reporting date primarily consisted of contractual performance obligations and potential expenses in connection with repurchasing equipment in the amount of €991k (prior year: €1,109k), with the probability that such liabilities would arise estimated at less than 50%.

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 €121,500k (prior year: €86,500k) at its disposal, consisting of demand facilities totaling €90,000k (prior year: €60,000k) and long-term facilities with terms of under two years totaling €31,500k (prior year: €26,500k). These may be drawn on both as credit and as guarantee facilities. There is also a short-term interest-bearing loan relating to the subsidiary in China. The WashTec Group has a credit line for a total of €122,497k (prior year: €87.523k). The increase by €35,000k took place in the first quarter of the fiscal year as the WashTec Group safeguarded liquidity in connection with the uncertainties caused by the COVID-19 pandemic.

As of December 31, 2020, there were short-term loans in the amount of €19,107k (prior year: €47,132k) that, as in the prior year, consisted entirely of overdraft borrowings. In addition, the guarantee facility was drawn in the amount of €6,518k (prior year: €6,471k). The undrawn amount of the credit line available for future operating activities and to meet obligations was €96,871k as of the reporting date (prior year: €33,921k).

The facilities provided by the banks are not tied to any financial covenants. The interest rate on the credit lines is variable and linked to changes in EURIBOR plus a contractually agreed margin. The credit lines carry interest according to the applicable conditions of the relevant banks at the time they are utilized. The interest rates ranged between 0.44% and 0.68% in the reporting year (prior year: between 0.25% and 0.64%).

29. Leases

in €k	Dec 31, 2020	Dec 31, 2019
Current lease liabilities	7,023	7,467
Non-current lease liabilities	13,148	14,224
Total	**20,171**	**21,691**

To obtain a low fixed cost base, some leases for Group locations feature variable lease payments that rise incrementally on attainment a specified volume of carwashes or revenue. The lease payments are recognized in profit or loss in the period in which the condition that triggers them occurs. Future cash outflows that are not reflected in the measurement of lease liabilities as of December 31, 2020 relate to variable lease payments in the amount of €0k (prior year: €1k).

A number of property leases contain extension and termination options. No lease payments related to these as the optional periods are in the future. Potential future cash outflows in the amount of €2,977k (prior year: €2,906k) were not included in the lease liabilities as the leases are not reasonably certain to be extended.

Total cash outflows for leases were €8,692k in fiscal year 2020 (prior year: €8,565k). Future cash outflows arising from leases not yet commenced to which the WashTec Group committed in fiscal year 2020 amount to €489k (prior year: €640k). Profits from sale and leaseback transactions amount to €105k (prior year: €65k).

For the right-of-use assets recognized for leased assets and the related depreciation, please see Note 15. For the expenses for leases of low-value assets that are not short-term leases, please see Note 10. For the interest expense from discounting lease liabilities, please see Note 11.

30. Other liabilities

in €k	Non-current (> 1 year)		Current (< 1 year)	
	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019
Accrued liabilities	0	0	11,582	11,264
Liabilities to trading partners	0	0	4,726	4,884
Debtors with credit balances	0	0	1,775	1,601
Other	185	57	3,503	726
Total other financial liabilities	**185**	**57**	**21,586**	**18,475**
Liabilities to employees	132	1,342	15,143	14,434
Taxes and levies	0	0	7,238	6,866
Liabilities for social security	0	0	2,671	1,203
Other	0	89	2,248	2,619
Total other non-financial liabilities	**132**	**1,431**	**27,299**	**25,120**
Total	**317**	**1,488**	**48,886**	**43,595**

The accrued liabilities in the amount of €11,582k (prior year: €11,264k) mainly relate to missing 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, 2020	Dec 31, 2019
Prepayments on orders	10,929	12,424
Deferred income for full maintenance, extended guarantees and prepaid service agreements	7,993	9,519
Total	**18,922**	**21,943**

Management expects that 91.6% (prior year: 90.3%) of these unsatisfied (or partially unsatisfied) performance obligations will be recognized as revenue in fiscal year 2021. The remaining 8.4% (prior year: 9.7%) are expected to be recognized as revenue in fiscal year 2022. The amount stated does not include any variable consideration components that are constrained.

Revenue recognition in relation to contract liabilities:

in €k	2020	2019
Revenue recognized in the fiscal year included in the balance of contract liabilities at the beginning of the period		
Prepayments on orders	12,424	12,575
Deferred income for full maintenance, extended guarantees and prepaid service agreements	7,401	7,037

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 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. Loss allowances 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. There were no instances in the fiscal year 2020 in which revenue from transactions with major customers exceeded 10% of total revenue. There is therefore 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.

Credit and default risks have increased slightly in the present COVID-19 situation. Although there were no significant defaults on receivables in the past business year, the current uncertainties in the market have led to a general increase in default risks, especially in some regions. Particularly in view of the large-scale support measures adopted by individual countries and at European level, the Group does not currently assume that there will be any collapse of lending structures in countries relevant to its business.

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, 2020 for future fiscal years.

The table includes all instruments held as of the reporting 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		
	2020	2021	2022–2025	2026 ff.
Interest-bearing loans	19,107	19,585	0	0
Lease liabilities	20,171	7,292	12,083	1,458
Trade payables	10,486	10,486	0	0
Other financial liabilities	21,771	21,586	185	0

in €k	Carrying amount	Cash flows		
	2019	2020	2021–2024	2025 ff.
Interest-bearing loans	47,132	47,553	0	0
Lease liabilities	21,691	7,811	13,161	1,659
Trade payables	20,783	20,783	0	0
Other financial liabilities	18,532	18,475	57	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.

The United Kingdom's exit from the European Union is not expected to have a direct material impact on the market price risk faced by the Group. As a sales and service entity, the United Kingdom subsidiary's involvement in Group activities solely consists of purchases of goods from the European Union. There are no United Kingdom to European Union supply relationships that could have a potential negative impact on business activities outside the United Kingdom.

Uncertainty regarding the further path of the COVID-19 pandemic will remain in 2021 and will continue to have a negative impact on the global economy. For further information, please see the Risk Report (p. 74–83).

Currency risk

Movements in the USD/EUR and CAD/USD exchange rates could have a material effect on consolidated net income because a portion of the operating business is conducted in the North America segment. In addition, there are long-term loan receivables in USD and CAD. One German subsidiary has a long-term loan receivable against subsidiary Mark VII Equipment Inc., Arvada, USA, which is designated as a net investment in a foreign operation in the amount of USD 7.3m (prior year: USD 4.0m). American subsidiary Mark VII Equipment Inc., Arvada, USA, has a long-term CAD loan receivable against its Canadian subsidiary, which is designated as a net investment in a foreign operation in the amount of CAD 7.8m (prior year: CAD 7.8m). The translation effects of the loan receivables, which are attributable in each case to the net investment in a foreign operation, are recognized in other comprehensive income.

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

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

2019	Impact on EBT	Impact on equity
Currency: USD		
+5%	618	−178
−5%	−618	178
Currency: CAD		
+5%	469	−335
−5%	−469	335

Operational risks arising from other individual transactions in foreign currencies are immaterial to the Group due to their small volume. The impacts of the United Kingdom's departure from the European Union on the currency risk faced by the Group are not considered to be material.

Interest rate risk

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

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

Capital management

The Group's capital management activities are primarily directed at maintaining a high credit rating and a good equity ratio in order to support operations and maximize shareholder value. The Group manages its capital structure and makes adjustments in response to changes in economic conditions. The Group monitors its capital using appropriate financial ratios. Net financial liabilities comprise interest-bearing loans and lease liabilities less cash and cash equivalents. At the end of 2020, net financial liabilities amounted to €19,407k (prior year: €56,397k). The facilities provided by the banks are not tied to any financial covenants.

33. Financial instruments: additional disclosures

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

Carrying amounts, measurement and fair value by category:

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

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

in €k	IFRS 9 category	Carrying amount Dec 31, 2019	Measurement under IFRS 9		Measurement under IFRS 16	Fair value Dec 31, 2019**	IFRS 13 level
			Amortized cost	At fair value through profit or loss:			
Assets							
Cash and cash equivalents	AC*	12,426	12,426	–	–	–	
Current trade receivables	AC*	84,041	84,041	–	–	–	
Non-current trade receivables	AC*	7,313	7,313	–	–	–	
Other current financial assets	AC*	1,335	1,335	–	–	–	
Other non-current financial assets	AC*	240	240	–	–	–	
Equity and liabilities							
Trade payables	FLAC*	20,783	20,783	–	–	–	
Interest-bearing loans	FLAC*	47,132	47,132	–	–	–	
Other current financial liabilities	FLAC*	18,475	18,475	–	–	–	
Other non-current financial liabilities	FLAC*	57	57	–	–	–	
Lease liabilities	n/a	21,691	–	–	21,691	–	
Aggregated presentation by measurement category in accordance with IFRS 9							
Financial assets measured at amortized cost (AC)		105,356	105,356	–			
Financial liabilities measured at amortized cost (FLAC)		86,447	86,447	–			

* 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	2020	2019
Financial assets at amortized cost (AC)	–191	809
Financial liabilities at amortized cost (FLAC)	–1,728	–1,051

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

Other information

34. Declaration of Conformity under § 161 AktG

WashTec AG has issued the declaration required under Section 161 AktG for fiscal year 2020 and has made it available to shareholders on *www.washtec.de*.

The Management Board approved the consolidated financial statements on March 24, 2021 and presented them directly to the Supervisory Board for review.

The separate financial statements are to be adopted and the consolidated financial statements approved at the Supervisory Board meeting on March 24, 2021.

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	2020	2019
Annual accounts auditing	533	567
Tax services	9	0
Other services	0	0
Total	**542**	**567**

The annual accounts audit fees relate primarily to the audit of the consolidated financial statements of the WashTec Group, the statutory audits of the separate financial statements of WashTec AG and of the subsidiaries included in the consolidated financial statements and the audit review of the interim consolidated financial statements as of June 30, 2020. €40k relates to audit services in the prior year. The fees for tax services relate to the preparation of a benchmark study.

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, IT, Audit and Investor Relations (June 1, 2020 to July 31, 2020)

Dr. Kerstin Reden (since August 1, 2020)	
Profession, place of residence	CFO, Augsburg/Stuttgart
Management Board portfolio	Finance/Controlling, IT, Procurement, Investor Relations, WTFS, Legal, Risk Management/Compliance/Audit, Insurance

Stephan Weber	
Profession, place of residence	CSO, Werther
Management Board portfolio	KAM/CWM, Global Sales and Service, Marketing, Business Units/Product Management

Axel Jaeger (until 31 May 2020)	
Profession, place of residence	CFO, Wallhausen
Management Board portfolio	Finance, IT, Audit, Investor Relations

Supervisory Board

Dr. Günter Blaschke	
Profession, place of residence	Chairman of the Supervisory Board, Buchloe
Memberships in other statutory supervisory boards	■ Leifheit AG, Nassau (Chairman of the Supervisory Board)
Memberships in comparable domestic and international supervisory bodies of business enterprises	■ None

Ulrich Bellgardt	
Profession, place of residence	Business consultant, Hubersdorf, Switzerland
Memberships in other statutory supervisory boards	■ KROMI Logistik AG, Hamburg (Chairman of the Supervisory Board)
Memberships in comparable domestic and international supervisory bodies of business enterprises	■ None

Jens Große-Allermann	
Profession, place of residence	Member of the Management Board of Investmentaktiengesellschaft für langfristige Investoren TGV and Member of the Management Board of Fiducia Treuhand AG, Bonn
Memberships in other statutory supervisory boards	■ GESCO AG, Wuppertal (Member of the Supervisory Board) ■ Kromi Logistik AG, Hamburg (Deputy Chairman of the Supervisory Board)
Memberships in comparable domestic and international supervisory bodies of business enterprises	■ None

Dr. Sören Hein	
Profession, place of residence	Partner, MIG Verwaltungs AG, Munich
Memberships in other statutory supervisory boards	■ APK AG, Merseburg (Chairman of the Supervisory Board)
Memberships in comparable domestic and international supervisory bodies of business enterprises	■ Konux, Inc., Delaware, USA (Member of the Board of Directors) ■ Liva Healthcare Holding ApS, Copenhagen, Denmark (Member of the Board of Directors) ■ Liva Healthcare A/S, Copenhagen, Denmark (subsidiary of Liva Healthcare Holding ApS) (Member of the Board of Directors) ■ Efficient Energy GmbH, Feldkirchen (Member and Deputy Chairman, Advisory Board, since August 28, 2020) ■ Innatera Nanosystems BV, Delft, Netherlands (member of the Supervisory Board since October 28, 2020) ■ Zadient Technologies SAS, Sainte-Hélène-du-Lac, France (Member of the Supervisory Board since February 12, 2021)

Dr. Hans-Friedrich Liebler	
Profession, place of residence	Managing Director of Lenbach Capital GmbH, Gauting
Memberships in other statutory supervisory boards	■ None
Memberships in comparable domestic and international supervisory bodies of business enterprises	■ autowerkstattgroup N.V., Amsterdam, Netherlands (Member of the Supervisory Board)

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

37. Related party disclosures

The principles underlying the remuneration system for the Management Board and the Supervisory Board are set out and explained in the Remuneration Report. The Remuneration Report is part of the Combined Management Report, p. 95–98.

Amount of Management Board compensation (HGB)

Total remuneration granted in fiscal year 2020 to the Management Board (DRS 17) amounted to €1,652k (prior year: €1,365k). €873k (prior year: €1,250k) of this total consisted of non-performance-related components and €779k (prior year: €114k) of performance-related components.

The members of the Management Board active in each reporting year were granted total remuneration as follows (HGB):

in €k	2020	2019
Fixed remuneration	830	1,075
Incidental benefits	43	175
Total (fixed)	**873**	1,250
Single-year variable remuneration	479	79*
Bonus	300	35
Total (variable)	**779**	114
Total remuneration	**1,652**	1,365

* 2019 figure includes offsetting effects from the prior year due to changes on the Management Board.

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

Management Board **shareholdings** developed as follows:

(units)	2020	2019
Dr. Ralf Koeppe	1,800	600
Dr. Kerstin Reden (from 1 August 2020)	0	–
Stephan Weber	3,740	3,740
Axel Jaeger (until 31 May 2020)	–	4,900

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 €293k (prior year: €287k), which are covered by a relief fund. A severance payment of €990k in the prior year related to one member of the Management Board. This included compensation for a post-contractual non-compete covenant in the amount of €340k.

Management Board and Supervisory Board

In relation to fiscal year 2020, 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 €1,628k (prior year: €2,319k). €873k (prior year: €1,250k) consisted of fixed remuneration, €300k (prior year: €35k) of short-term benefits and €286k (prior year: €79k) to single-year variable remuneration. In addition, the total expenses include €170k (prior year: €792k) relating to early termination of a Management Board contract in the prior year. This relates in its entirety to compensation for a post-contractual non-compete covenant (prior year: €142k). The impacts of the COVID-19 pandemic on assessment of the probability of attaining the agreed performance conditions resulted in the reversal, in other provisions, of the entire provision for long-term share-based Management Board remuneration. In the prior year, €163k was recognized in expense and €1,027k in other provisions for the provision for long-term share-based payment for fiscal years 2018–2020.

The total expense recognized for remuneration of the Supervisory Board in accordance with IFRS was €591k (prior year: €560k). The expense recognized for fixed remuneration was €310k (prior year: €263k). Other remuneration, predominantly attendance fees, amounted to a total of €281k (prior year: €208k). The impacts of the COVID-19 pandemic on assessment of the probability of attaining the agreed performance conditions resulted in the reversal, in full, of the other liability for long-term share-based Supervisory Board remuneration. In the prior year, €89k was recognized in expense and €89k in other liabilities for the liability for long-term share-based payment for fiscal years 2019–2021.

Cash-settled share-based payment

There are contracts in place with the members of the Management Board that provide for cash-settled share-based compensation. A cash-settled share-based compensation plan for the Supervisory Board was established by resolution of the 2018 Annual General Meeting and is made use of by Supervisory Board members Dr. Blaschke, Mr. Bellgardt, Dr. Hein, Dr. Liebler and Dr. Selent. This is intended to give members of the Management Board and Supervisory Board additional incentives to secure the business success of the Company in the medium and long term and to seek to deliver sustained growth in shareholder value.

The Management Board cash-settled share-based compensation has a term from January 1, 2018 to December 31, 2020. The Supervisory Board cash-settled share-based compensation has a term from January 1, 2019 to December 31, 2021. The amount paid out depends in each case on percentage target attainment of certain value creation targets over the term and on personal investment in Company shares. As the agreed value creation targets can no longer be achieved due to the COVID-19 pandemic, the provision and the liability recognized for this purpose in other provisions and other liabilities respectively were reversed to profit or loss.

In the prior year, these obligations were measured at fair value as required for cash-settled share-based compensation in accordance with IFRS 2. The obligations were recognized in other liabilities as a current or non-current liability and in other provisions as a current or non-current provision at the fair value thus determined and taking into account the remaining duration of the program, and changes in fair value were recognized in profit or loss. The fair values were as follows:

in €k	2020	2019
LTIP obligations	0	1,116
Total	**0**	**1,116**

The total expenses recognized for the Long Term Incentive program (LTIP) are as follows:

in €k	2020	2019
LTIP expenses	0	252
Total	**0**	**252**

Supervisory Board

Amount of Supervisory Board compensation (HGB)

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

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

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 Company did not pay any remuneration or grant any benefits to members of the Supervisory Board in fiscal year 2020 for services provided individually, including for consulting or referral services.

The Annual General Meeting 2018 resolved multi-year variable remuneration in the form of a Long Term Incentive Program (LTIP) for the Supervisory Board with an incentive period running from January 1, 2019 to December 31, 2021. As a condition for participation, the program stipulates a personal investment in WashTec shares on or before July 31, 2019 (Chairman: 4,000 shares maximum; all others: 2,000 shares maximum). A Supervisory Board member can also participate in the LTIP with shares already purchased by the member prior to the Company's Annual General Meeting in fiscal year 2018. In that case, invested shares can also be shares with which the Supervisory Board member participated in LTIP 2015. The stipulated performance targets were an EPS target, a ROCE target and a free cash flow target. The reference base for the targets comprises the key performance indicators for fiscal year 2018. Depending on whether one, several or all of the targets are fulfilled, a different multiplier applies for the bonus payment. This is calculated by multiplying a multiplier with the number of invested shares multiplied by the reference share price. Payment is made on the day following the Company's Annual General Meeting in fiscal year 2022. Entitlement to the bonus payment is conditional on the Supervisory Board member still being on the Supervisory Board and still holding shares in the Company. Supervisory Board members Dr. Blaschke, Mr. Bellgardt, Dr. Hein, Dr. Liebler and Dr. Selent are participating in the LTIP.

The total remuneration granted to the Supervisory Board members in fiscal year 2020 amounted to €591k (prior year: €740k). €310k (prior year: €263k) of this total related to fixed remuneration, €281k (prior year: €208k) to attendance fees and €0k (prior year: €268k) to multi-year variable remuneration (fair value at grant date). As the agreed value creation targets can no longer be achieved due to the COVID-19 pandemic, the liability recognized in other liabilities for multi-year variable remuneration was reversed in its entirety to profit or loss in fiscal year 2020.

Supervisory Board shareholdings developed as follows:

(units)	2020	2019
Dr. Günter Blaschke	52,060	52,060
Ulrich Bellgardt	28,070	28,070
Jens Große-Allermann*	0	0
Dr. Sören Hein	5,450	5,450
Dr. Hans-Friedrich Liebler	5,500	5,500
Dr. Alexander Selent	1,500	1,500

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

38. Events after the reporting date

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

For fiscal year 2021, the Group plans to prepare the consolidated income statement using the cost of sales method and to report expenses according to their function.

Augsburg, March 24, 2021

Dr. Ralf Koeppe
Chief Executive Officer

Dr. Kerstin Reden
Management Board

Stephan Weber
Management Board

Responsibility statement

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

Augsburg, March 24, 2021

Dr. Ralf Koeppe Chief Executive Officer	Dr. Kerstin Reden Member of the Management Board	Stephan Weber Member of the Management Board

Further Information

The following copy of the auditor's report also includes a "Report on the audit of the electronic renderings of the financial statements and the management report prepared for disclosure purposes in accordance with § 317 Abs. 3b HGB" ("Separate report on ESEF conformity"). The subject matter (ESEF documents) to which the Separate report on ESEF conformity relates is not attached. The audited ESEF documents can be inspected in or retrieved from the Federal Gazette.

"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 2020, 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 2020, 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, which is combined with the Company's management report, for the financial year from 1 January to 31 December 2020. 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 accordance with the German legal requirements.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2020, and of its financial performance for the financial year from 1 January to 31 December 2020, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and 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 2020. 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 (17,3 % of total assets) is reported. Goodwill is tested for impairment by the Company once a year or when there are indications of impairment to determine any possible need for write-downs. Impairment testing is carried out at the level of the groups of cash-generating units to which the relevant goodwill has been allocated. The carrying amount of the relevant cash-generating units, including goodwill, is compared with the corresponding recoverable amount in the context of the impairment test. The calculation of the recoverable amount generally employs the value in use. The present value of the future cash flows from the respective group of cash-generating units normally serves as the basis of valuation. Present values are calculated using discounted cash flow models. For this purpose, the adopted medium-term business plan of the Group forms the starting point for future projections based on assumptions about long-term rates of growth. Expectations relating to future market developments and assumptions about the development of macroeconomic factors as well as the expected effects of the ongoing Corona crisis on the business activities of the Group are also taken into account. The discount rate used is the weighted average cost of capital for the relevant group of cash-generating units. The impairment test determined that no write-downs were necessary.

The outcome of this valuation exercise is dependent to a large extent on the estimates made by the executive directors with respect to the future cash inflows from the respective group of cash-generating units, the discount rate used, the rate of growth and other assumptions, and is therefore also against the background of the effects of the Corona crisis, subject to considerable uncertainty. Against this background and due to the complex nature of the valuation, this matter was of particular significance in the context of our audit.

2 As part of our audit, we assessed the methodology employed for the purposes of performing the impairment test, among other things. After matching the future cash inflows used for the calculation against the adopted medium-term business plan of the Group, we assessed the appropriateness of the calculation, in particular by coordinating it with general and sector-specific market expectations. In this connection, we also evaluated the assessment of the executive directors regarding the effects of the Corona crisis on the business activities of the Group and examined how they were taken into account in determining the future cash flows. We discussed and examined supplementary adjust-

ments 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 cash-generating units whose carrying amount was only slightly great-er 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, 15 in the notes to the consolidated financial statements.

Other Information

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the group management report:

- the statement on corporate governance pursuant to § 289f HGB and § 315d HGB included in section "Corporate Governance Declaration" of the group management report
- the separate non-financial report pursuant to § 289b Abs. 3 HGB and § 315b Abs. 3 HGB

The other information comprises further the 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 and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial state-ments 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 Ger-man commercial law pursuant to § 315e Abs. 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Assurance Report in Accordance with § 317 Abs. 3b HGB on the Electronic Reproduction of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes

Reasonable Assurance Conclusion

We have performed an assurance engagement in accordance with § 317 Abs. 3b HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the attached electronic file WashTec_AG_KA_KLB_ESEF-2020-12-31.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 engagement only extends 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 this reproduction nor to any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned attached electronic file and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned electronic file beyond this reasonable assurance conclusion 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 2020 contained in the "Report on the Audit of the Consolidated Financial Statements and on the Group Management Report" above.

Basis for the Reasonable Assurance Conclusion

We conducted our assurance engagement on the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned attached electronic file in accordance with § 317 Abs. 3b HGB and the Exposure Draft of IDW Assurance Standard: Assurance in Accordance with § 317 Abs. 3b HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410) [if considered to be beneficial for the understanding of the separate report on ESEF compliance in an international context: and the International Standard on Assurance Engagements 3000 (Revised)]. Accordingly, our responsibilities are further described below in the "Group Auditor's Responsibilities for the Assurance Engagement on the ESEF Documents" section. Our audit firm has applied the IDW Standard on Quality Management: 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 reproduction of the consolidated financial statements and the group management report in accordance with § 328 Abs. 1 Satz 4 Nr. 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 executive directors of the Company are also responsible for the submission of the ESEF documents together with the auditor's report and the attached audited consolidated financial statements and audited group management report as well as other documents to be published to the operator of the German Federal Gazette [Bundesanzeiger].

The supervisory board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Group Auditor's Responsibilities for the Assurance Engagement 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 engagement. 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 conclusion.
- Obtain an understanding of internal control relevant to the assurance engagement 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 conclusion 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 applicable as at the balance sheet date on the technical specification for this electronic file.

- Evaluate whether the ESEF documents enables a XHTML reproduction 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 (iX-BRL) enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 28 July 2020. We were engaged by the supervisory board on 13 November 2020. 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 addi-tional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Holger Graßnick."

Munich, March 24, 2021

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Holger Graßnick Wirtschaftsprüfer (German Public Auditor)	Sebastian Stroner Wirtschaftsprüfer (German Public Auditor)

Financial Statements of WashTec AG – Balance Sheet (HGB)

Assets	Dec 31, 2020	Dec 31, 2019
in €k, rounding differences may occur		
A. Non-current assets		
I. Property, plant and equipment		
Fixtures and fittings	57	61
II. Financial assets		
Shares in affiliated companies	128,049	128,049
	128,106	**128,109**
B. Current assets		
I. Receivables and other assets		
1. Liabilities to affiliated companies	26,402	21,151
2. Other assets	13,155	13,813
of which more than one year €0k (prior year: €0k)		
	39,557	**34,964**
II. Cash and cash equivalents	0	1
	0	**1**
C. Prepaid expenses	**45**	**65**
Total assets	**167,708**	**163,139**

Equity and Liabilities	Dec 31, 2020	Dec 31, 2019
in €k, rounding differences may occur		
A. Equity		
I. Subscribed capital	**40,000**	**40,000**
Treasury shares (notional amount)	–1,702	–1,702
	38,298	**38,298**
II. Capital reserves	**90,845**	**90,845**
III. Retained earnings	**31,175**	**22,581**
	160,318	**151,724**
B. Provisions		
1. Tax provisions	1,510	1,456
2. Other provisions	1,960	2,588
	3,471	**4,044**
C. Liabilities		
1. Trade payables	130	77
2. Liabilities to affiliated companies	2,710	6,217
3. Other liabilities	1,080	1,077
of which taxes €1,077k (prior year: €1,072k)		
of which for social security €2k (prior year: €3k)		
of which liabilities to shareholders		
€1k (prior year: €2k)		
	3,920	**7,371**
Total equity and liabilities	**167,708**	**163,139**

Financial Statements of WashTec AG – Income Statement (HGB)

in €k, rounding differences may occur	Dec 31, 2020	Dec 31, 2019
1. Revenue	1,849	3,448
2. Other operating income	1,197	711
of which from affiliated companies €143k (prior year: €107k)		
of which from currency translation €0k (prior year: €0k)		
	3,046	**4,159**
3. Cost of materials (cost of sales)		
Cost of purchased services	−34	−25
4. Personnel expenses		
a) Wages and salaries	−1,484	−3,193
b) Social security, pension and other benefit costs	-64	−74
of which for pensions €–13k (prior year: €–17k)		
	−1,548	**−3,268**
5. Amortization, depreciation and impairment of intangible assets and property, plant and equipment	−12	−14
6. Other operating expenses	−2,094	−2,331
of which from currency translation €0k (prior year: €–1k)		
	−3,688	**−5,638**
	−642	**−1,478**
7. Income from profit and loss pooling agreements	4,915	4,027
8. Income from participating interests	6,000	20,000
of which from affiliated companies €6,000k (prior year: €20,000k)		
9. Other interest and similar income	109	66
of which from affiliated companies €109k (prior year: €66k)		
of which from discounting €0k (prior year: €0k)		
10. Interest and similar expenses	−139	−40
of which to affiliated companies €–19k (prior year: €–40k)		
	10,885	**24,053**
EBT	10,242	22,574
11. Income taxes	−1,637	−1,678
12. Net income	8,605	20,896
13. Other taxes	−12	−12
14. Net income for the period	8,593	20,883
15. Profit carried forward	22,581	1,698
16. Distributable profit	**31,175**	**22,581**

Glossary

AB	Aktiebolag (Swedish company form)
Accident rate	Work accidents/million hours worked
AG	Aktiengesellschaft (German public limited company)
AktG	Aktiengesetz (German Stock Corporation Act)
A/S	Aktieselskab (Danish company form)
B.V.	Besloten Vennootschap met beperkte aansprakelijkheid (Dutch company form)
CAGR	Compound Annual Growth Rate
Capital employed	NOWC + fixed assets, calculated as an average over five quarters
Cash flow	Total inflows and outflows of cash and cash equivalents in a period
Corporate governance	Framework for responsible corporate management and control geared to sustainability
CSR	Corporate social responsibility
DCGK	Deutscher Corporate Governance Kodex (German Corporate Governance Code)
DHI	Danish Hydraulic Institute: external consultants for compilation of and revision of the Detergents Ingredients Database (DID)
Earnings per share (EPS)	Consolidated net income/weighted average number of shares outstanding
EBIT	Earnings before interest and taxes
EBIT margin	EBIT/revenue
EBT	Earnings before taxes
Equity	Funds made available to the entity by owners by paying in and/or by contribution or from retained earnings
Equity ratio as of the reporting date	Equity/total assets
EU	European Union
EURIBOR	Euro Interbank Offered Rate; system of reference interest rates in the euro market established under European Economic and Monetary Union
Financial covenants	Requirements to be complied with in connection with a loan
Free cash flow	Free cash flow available for dividend distributions, debt repayment or reinvestment; free cash flow is calculated as [cash inflow from operating activities – cash outflow from investing activities]
GmbH	Gesellschaft mit beschränkter Haftung (German company form)
HGB	Handelsgesetzbuch (German Commercial Code)
IAS	International Accounting Standards
IASB	International Accounting Standards Board
ICS	Internal control system
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards; Internationally harmonized and applied financial reporting standards compiled by the International Accounting Standards Board (IASB)
Inc.	Incorporated (American company form)
IMF	International Monetary Fund

Glossary

Linear technology	Patented technology in which brushes travel with the vehicle as it moves through the carwash, thus enabling a more intensive wash even at more rapid throughput
Ltd.	Limited (United Kingdom company form)
LTIP	Long-Term Incentive Program
Managers' transactions	Managers' own transactions
Net financial debt	Cash and cash equivalents less current and non-current financial liabilities
NOWC	Net operating working capital; NOWC is calculated as (trade receivables + inventories) – (trade payables + prepayments on orders)
Pty Ltd.	Proprietary limited (Australian company form)
QHSE	Quality, Health, Safety, Environment
RMS	Risk management system
ROCE	EBIT/capital employed
Roll-over system	In a roll-over system, washing and drying is performed by a railed gantry that moves back and forth several times over the stationary vehicle
S.A.	Société Anonyme (French company form)
S.A.S.	Société of par actions simplifiée (French company form)
Self-service car wash	Self-service wash bays, single or multiple-bay wash systems where customers wash their vehicles themselves using a high-pressure lance or brush
SP. z.o.o.	Spółka z ograniczoną odpowiedzialnością (Polish company form)
S.r.l.	Società a responsabilità limitata (Italian company form)
S.r.o.	Společnost s ručením omezeným (Czech company form)
Total shareholder return	(Closing share price – opening share price + dividend)/opening share price
USA	United States of America
USD	United States Dollar, US-Dollar
Wash tunnel	In wash tunnel systems, the vehicle is transported by a conveyor past fixed washing and drying equipment; this makes for increased vehicle throughput per hour compared with a roll-over system
WashTec	WashTec refers to the WashTec Group unless it is expressly indicated that it refers to a specific company
WpHG	Wertpapierhandelsgesetz (German Securities Trading Act)

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An up-to-date list of our international sales partners can be found online at www.washtec.de

Group Level Key Performance Indicators (KPIs)
2016 through 2020

		2016	2017	2018	2019	2020
Revenue	€m	372.8	425.0	435.4	436.5	378.7
EBIT	€m	44.1	52.2	51.5	36.3	20.1
EBIT margin	in %	11.8	12.3	11.8	8.3	5.3
EBT	€m	43.6	51.6	50.8	35.7	18.8
Net income	€m	30.6	36.9	34.0	22.3	13.3
Earnings per share[1]	in €	2.29	2.76	2.54	1.66	0.99
Dividend per share	in €	2.10	2.45	2.45	–	2.30[2]
Free cash flow	€m	20.8	28.1	32.3	15.0	45.6
Balance sheet total	€m	218.1	233.9	237.2	274.9	244.0
Equity	€m	87.4	94.2	95.4	84.5	96.2
Employees[3]	people	1,741	1,793	1,852	1,880	1,798

[1] *Weighted average number of outstanding shares as of Dec 31, 2015: 13.8m, since Dec 31, 2016: 13.4m*

[2] *Dividend proposal to the Annual General Meeting 2021: Dividend for the fiscal year 2020 in the amount of € 0.99 and special dividend in the amount of € 1.31*

[3] *Average for the year*

Financial Calendar

Mar 31, 2021	Annual Report 2020
Apr 28, 2021	Quarterly statement Q1 2021
May 18, 2021	Annual General Meeting 2021
Jul 28, 2021	Q2 Report 2021
Oct 27, 2021	Quarterly statement Q1–3 2021
Nov 22–24, 2021	Equity Forum, Frankfurt

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