Annual Report 2019 **Smart intelligence**

Stable revenue performance with significant decrease in EBIT –
Performance Program shows first successes in the second half of the year

- Revenue up by 0.2% from €435.4m to €436.5m
- Cost increase due to Performance Program reduced to 0.3% in H2 (H1: 5.9%)
- EBIT down on prior year at €36.3m (prior year: €51.5m); EBIT margin 8.3%
- EBIT adjusted for effects of Performance Program: €38.2m; EBIT margin 8.8%
- Free cash flow lower than prior year at €15.0m (prior year: €32.3m)

Rounding differences possible		Jan 1 to 31 Dec, 2019	Jan 1 to 31 Dec, 2018	change absolute	change in %
Revenue	€m	436.5	435.4	1.1	0.2
EBIT	€m	36.3	51.5	−15.2	−29.5
Adjusted EBIT margin	in %	8.8	–	–	–
EBIT margin	in %	8.3	11.8	−3.5	–
EBT	€m	35.7	50.8	−15.1	−29.7
Consolidated net income	€m	22.3	34,0	−11.7	−34.4
Employees at reporting date	people	1,874	1,870	4	0.2
Average number of shares	million units	13.4	13.4	0	0
Earnings per share[1]	€	1.66	2.54	−0.88	−34.4
Free cash flow[2]	€m	15.0	32.3	−17.3	−53.6
Net cash flows from investing activities	€m	6.8	6.0	0.8	13.3
Equity ratio at reporting date[3]	in %	30.7	40.2	−9.5	–
ROCE	in %	18.4	28.5	−10.1	–

[1] Basic = diluted

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

[3] Equity/total assets

Full service all around sustainable carwash

Roll over systems

Wash tunnels

Self-service

Water reclaim system

Wash chemicals

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Report of the Management Board

Dear Shareholders, Customers and Employees,

WashTec closed 2019 with revenue of €436.5m, slightly more than the €435.4m in the prior year. The fourth quarter, with revenue of €127.3m, was the highest-revenue quarter in the company's history.

Before €1.9m in one-off expenses from the Performance Program, earnings before interest and taxes (EBIT) were €38.2m. That corresponds to an adjusted EBIT margin of 8.8%. EBIT after one-off expenses was €36.3m (prior year: €51.5m).

On the revenue side, the year got off to a moderate start, after which business picked up in the second half year. WashTec recorded a double-digit decline in business with major customers because of restraint in awarding contracts. At the same time, however, we generated corresponding growth in direct sales business.

This confirms us in our strategy of strengthening the direct sales business and making it a mainstay of our success alongside the business with major customers. We also achieved slight growth in our chemicals business. Revenue growth in Europe, North America and Asia was stable in local currency, with particularly strong growth in China.

Looking at how business developed, we made the right decisions last year. We are working on increasing profitability. In particular, we have launched our Performance Program, which already showed first successes in the second half of the year and has three components. It involved short-term reductions in material costs in 2019, and we are working on structural changes in human resources by the end of 2020. Finally, we have launched an Operational Excellence Program to streamline processes and cut costs in all parts of the business. This program will be with us for the long term.

So much for the structural framework, which we are working systematically to put in place. But that on its own is not enough to secure our Company's long-term future. We also have to make the right strategic choices in our activities. This is why innovation is a key part of our success.

In 2019, we pushed ahead with the development of our digital infrastructure. The products we already have in place – WashTec Plus and the EasyCarWash app – are merely the first steps. Backed up by a new WashTec Digital Team, our staff will continue to work on rapidly implementing and improving features with a single goal: higher standards for our customers. We are in the midst of our digital transformation.

It is therefore no coincidence that this annual report is dedicated to the digitalization of carwash. We will succeed in our digital transformation when we interconnect equipment and integrate new business models in IT in such a way that they deliver new added value for customers. Digital features can benefit carwash operators in many different ways. Improved transparency enables rapid and preventive equipment maintenance and gives operators ways of offering highly flexible service for customers.

Digitalization also makes it possible to apply event-driven programming in carwash control for precise chemical metering and delivery. Smart sensors and actuators make for better washing and drying outcomes. In short, digitalization opens up the opportunity for us to create completely new innovations for the future. We set a milestone in this regard with SmartCare, which we introduced in 2019.

Our workforce worked very hard in 2019 and, in their projects, have shown their commitment to help in shaping our company through the digital transformation. Cross-functional collaboration in agile product teams calls for strong motivation and the pursuit of responsibility. We aim to work ever better as “entrepreneurs at WashTec”. Customers are at the center of our thinking and action. These two aspects are at the core of our corporate philosophy and the basis of our culture. With this in mind, I look forward in 2020 to my new role as CEO on the WashTec Management Board and would like to thank all our employees for their dedication and our shareholders and customers for their confidence in our Company.

Dr. Ralf Koeppe
Chief Executive Officer

Members of the Management Board

Stephan Weber (*1963)

Portfolio: Sales and Service,
Product Management & Marketing

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.

Axel Jaeger (*1966)

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

Axel Jaeger holds a degree in business economics and is a qualified Auditor, Tax Consultant, Certified Public Accountant and Certified Internal Auditor. He was most recently member of the Management Board and CFO of the Semiconductor Manufacturing Technologies (SMT) Business Group in the Carl Zeiss Group. Mr. Jaeger has been Member of the Management Board of WashTec AG since July 2018.

Dr. Ralf Koeppe (*1965)

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

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.

Report of the **Supervisory Board**

Dr. Günter Blaschke
Chairman of the Supervisory Board

Ladies and Gentlemen,

in the course of 2019, the number of new challenges for the global economy surrender. Structural changes with corresponding Uncertainties are the consequence. The current coronavirus crisis is also developing to be a global uncertainty factor.

Large industrial groups especially show initial signs that they are adjusting. This has also affected WashTec. The Supervisory Board has therefore advised and supported the Management Board in planning and implementing a corresponding necessary Performance Program. The successes in the second half of the year show that we are on the right track.

Work of the Supervisory Board

An ongoing major focus in the work of the Supervisory Board and its committees was on the Company's strategic orientation in line with the corporate philosophy and on the Performance Program launched in the second half of 2019. The Supervisory Board also consulted in-depth on current business performance. 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 2019.

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 development of the business 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.

During fiscal year 2019, the Supervisory Board regularly reviewed the situation of the Group and monitored the work of the Management Board

The Supervisory Board voted on all reports and draft resolutions submitted by the Management Board wherever required by law, the Company's Articles of Association or the 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 2019, the plenary Supervisory Board held a total of nine meetings, one of which was an extraordinary meeting conducted as a teleconference.

At least one meeting was held each quarter. In addition, twelve 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 close to 100%. Only at one meeting of the Innovation Committee, one member of the Supervisory Board was absent. 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 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)
- Resolution on the agenda for the Annual General Meeting (first quarter)
- Strategy workshop (second quarter)
- Consultation on interim reports (second, third and fourth quarters)
- Supervisory Board matters (ongoing)
- Management Board matters (ongoing)
- Personnel matters (first and third quarters)
- Declaration of Conformity (fourth quarter) and regular compliance update
- Sales and marketing strategies and projects
- Performance Program
- Status, strategy and processes in North America
- Product development, processes and projects
- Digital transformation
- Annual planning for 2020 and medium-term planning

Focal points in 2019:

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

Key topics at the March 11/12, 2020 meeting for adoption of the financial statements comprised discussion of the annual financial statements of WashTec AG, of the consolidated financial statements for fiscal year 2019 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 85. 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 once during the reporting year and resolved various matters by teleconference or by e-mail communication. 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 four times in the fiscal year under review. Its focus was primarily on organization, processes, strategic development projects and digitalization.

The Sales committee met twice during the reporting year. The main focus was on sales and marketing activities, development in a number of core markets and with the outlook for sales and marketing activities and targets in the second half of 2019.

Good collaborative working relationships were assured at all times.

Conflicts of interest

Under Section 5.5.2 of the German Corporate Governance Code 2017 applicable for the 2019 reporting year, each member of the Supervisory Board is required to disclose any conflicts of interest to the Supervisory Board, particularly if they could arise as a result of an advisory or governing body function at clients, suppliers, lenders or other third parties. 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. The Management Board and Supervisory Board updated the Declaration of Conformity of December 20, 2018 on March 13, 2019 and on July 11, 2019. On December 19, 2019, the Management Board and Supervisory Board submitted an updated Declaration of Conformity, which is reprinted on page 93. 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 2019. Supervisory Board members also took part in various subject-specific further training events.

The Supervisory Board regularly reviews the efficiency of its work. Members of the Supervisory Board were once again requested by means of the established questionnaire in spring 2019 to give critical feedback on the work of the Supervisory Board and on the working relationship with the Management Board. The survey findings were presented at the Supervisory Board meeting of July 25, 2019. No notable deficits were identified.

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 94 to 97. At its meeting of February 26, 2019, the Supervisory Board specified new targets for short-term remuneration components.

In its meeting of December 19, 2019, the entire Supervisory Board passed a resolution on the Management Board remuneration system. The resolution is essentially unaltered relative to the resolution of December 20, 2018.

Composition of the Supervisory Board

The Supervisory Board resolved on July 11, 2019, in accordance with Section 105 (2) of the German Stock Corporation Act (AktG), to appoint Supervisory Board member Dr. Günter Blaschke as member of the Management Board and also Chief Executive Officer for the period July 15, 2019 to December 31, 2019. Dr. Blaschke's Supervisory Board mandate and his memberships of the Personnel, Innovation and Sales Strategy Committee were suspended during that period.

For the same period, Mr. Ulrich Bellgardt was appointed Chairman and Dr. Alexander Selent was appointed Deputy Chairman of the Supervisory Board.

Effective January 1, 2020 onward, Dr. Günter Blaschke was reappointed Chairman and Mr. Ulrich Bellgardt was appointed Deputy Chairman of the Supervisory Board.

Audit of the 2019 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, 2019. 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, 2019, 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 11/12, 2020. 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 11/12, 2020 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

Former Chief Executive Officer and Chief Technical Officer Dr. Volker Zimmermann left the Company by mutual consent as of February 28, 2019. A new CEO was not immediately appointed. Effective July 1, 2019, Dr. Ralf Koeppe assumed office as the Company's Chief Technical Officer. Dr. Ralf Koeppe holds a degree in mechanical engineering and obtained his doctorate at ETH Zurich.

In accordance with Section 105 (2) of the German Stock Corporation Act (AktG), Dr. Günter Blaschke was appointed member of the Management Board and also Chief Executive Officer for the period July 15, 2019 to December 31, 2019. Effective January 1, 2020 onward, Dr. Ralf Koeppe serves as CEO alongside his office as CTO.

Karoline Kalb, member of the Management Board responsible for Legal & Compliance, Investor Relations, Personnel, Corporate Development and Special Projects, left the Company on December 31, 2019 after her term of office expired. Her responsibilities were divided up and were assumed from January 1, 2020 by Dr. Ralf Koeppe and Mr. Axel Jaeger.

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, whose dedication and commitment contributed once again to overall positive results.

Augsburg, March 2020

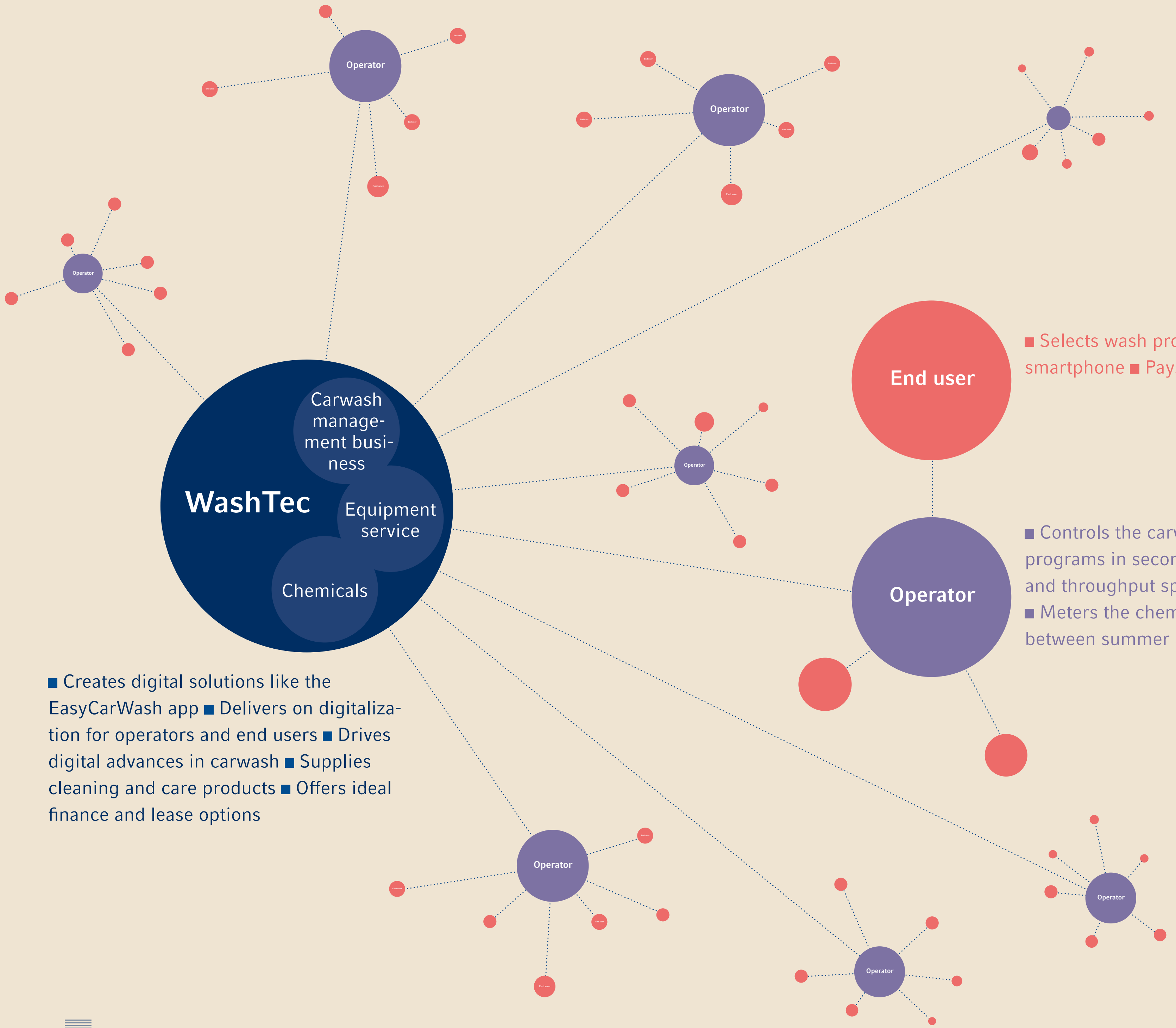
On behalf of the Supervisory Board

Dr. Günter Blaschke
Chairman of the Supervisory Board


WashTec
A WT 987E
Reisacher

"Car owners today don't just want a clean car, they want a convenient wash experience. And that is exactly what we provide, using the digital options made possible with a smartphone. Customers can quickly and easily pick their own wash program and even pay by app – precisely the user experience they want."

Dr. Ralf Koeppe, Chief Executive Officer



■ Selects wash program by smartphone ■ Pays digitally

■ Controls the carwash ■ Creates wash programs in seconds ■ Adjusts quality and throughput speed from any location ■ Meters the chemicals ■ Switches between summer and winter mode

■ Creates digital solutions like the EasyCarWash app ■ Delivers on digitalization for operators and end users ■ Drives digital advances in carwash ■ Supplies cleaning and care products ■ Offers ideal finance and lease options

Programming and **remote control**

- Wash programs created in seconds – no special knowledge required
- Regulate quality and throughput speed from any location
- Monday or Saturday, summer or winter, rain or shine: optimum flexibility for maximum carwash custom every day

"You can now easily select every wash program and even every wash operation yourself."

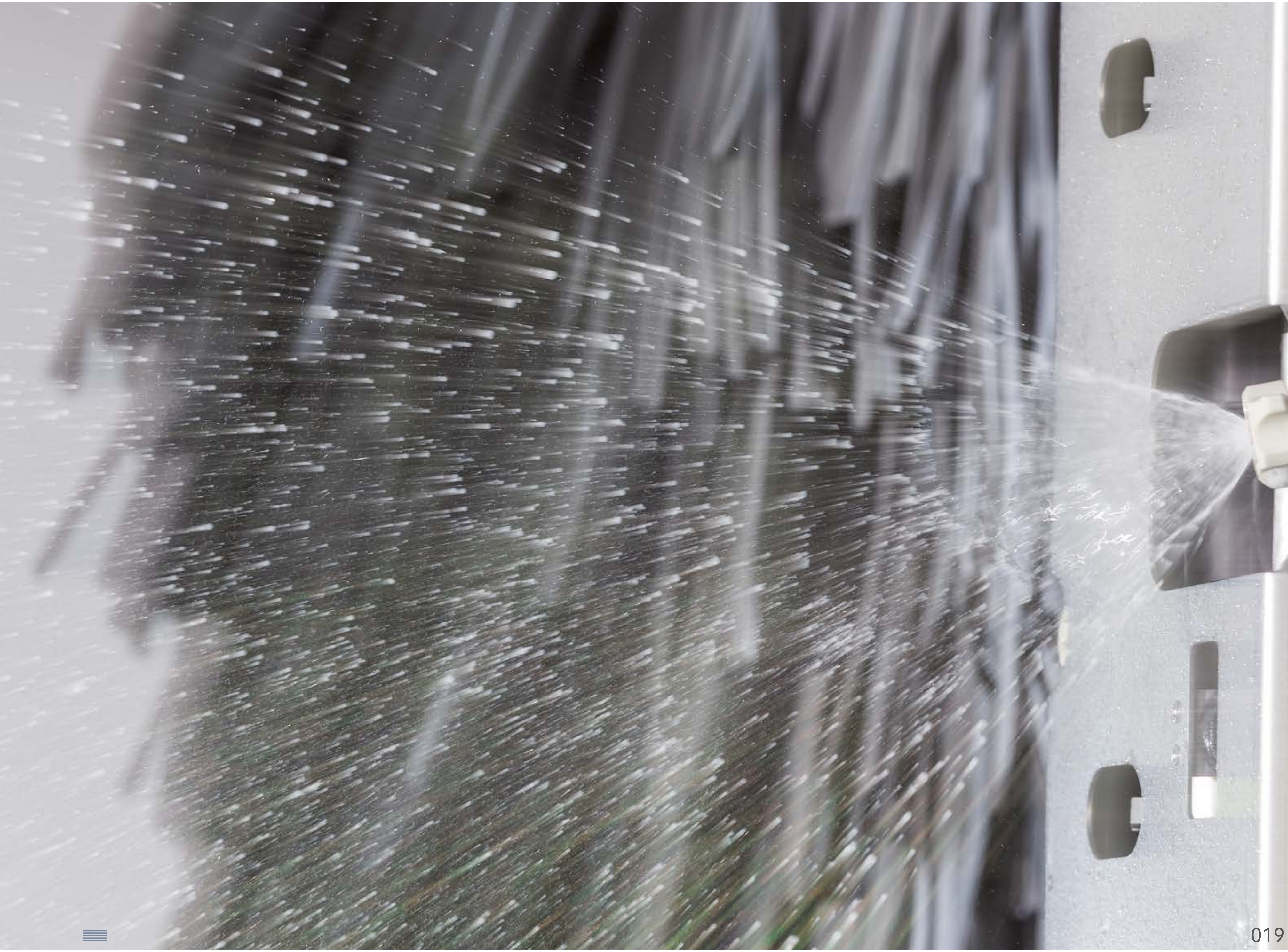
Thomas Hellweg, Product Manager Rollover

Digitalization for perfectly **metered chemicals**

- Automated metering according to wash program
- Fill level monitoring
- Optimized summer/winter mode
- Individual settings for different sections of the vehicle

"It all comes down to getting the wash mixture concentration just right. That is good for the environment, good for the wallet, and makes for a perfectly clean car."

Salwa Zaim El Alaoui, Auwa Chemicals Product Developer




2,58
WashTec

Carwash with **perfect results** aided by **digital control**

- Optimum spray systems apply wash solution and care products evenly over all sections of the vehicle
- Full coverage at high pressure with rotating focused spray nozzles
- FlexControl and MultiFlex: Brush washing perfected with state-of-the-art sensor technology
- Nozzle flow optimization for perfect drying outcome

"**#askWashTec for a perfect wash, shine and dry.**"

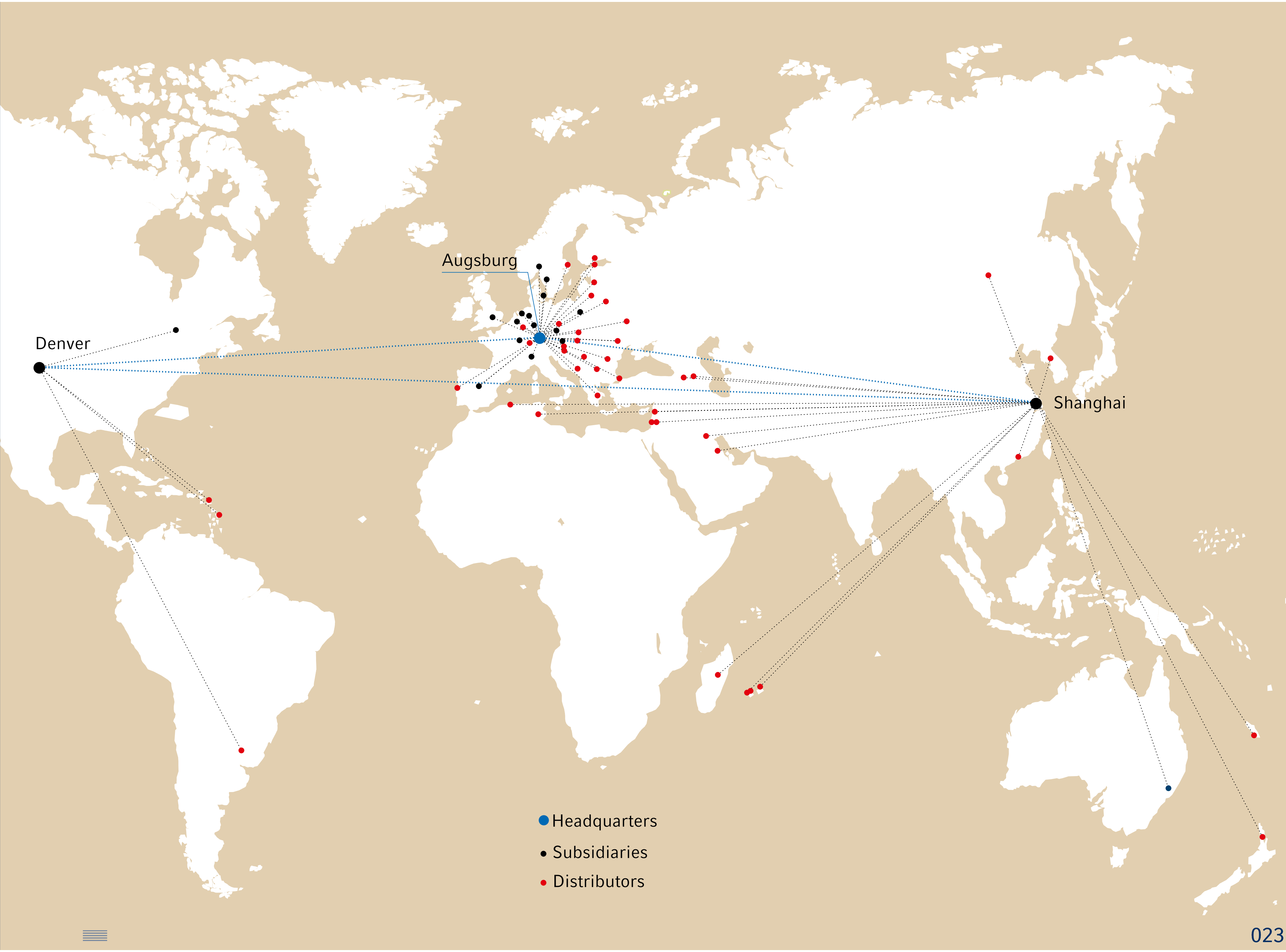
Stefanie Achter, International Key Accounts

Universal service **worldwide**

- Full global spare parts availability
- Customer hotline staffed by knowledgeable professionals
- Digital online system for rapid trouble-shooting
- Worldwide service network with over 800 service technicians

"WashTec has the most universal producer and service network in the industry."

Holger Ritzenhofen, Head of Service Germany


Augsburg
Denver
Shanghai
Headquarters
Subsidiaries
Distributors


WashTec

Driving **digitalisation** technology with **SmartCare**

- Digital communication for maximum availability
- For operators: Remote access to easily manage system settings from any location
- For end users: Easy and efficient wash program selection and payment
- Equipment connected to online service system for rapid troubleshooting
- High quality and elegant design for the perfect carwash

"We provide digital solutions for optimum equipment availability and maximum customer benefit."

Stephan Weber, Chief Sales Officer

Sustainability Report

Sustainable business practices secure the future of our Company. As a manufacturer of automated carwash equipment, we contribute with our business model to the sustainability of our customers' business model. 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.

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 has applied 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. The Company describes whether each aspect is material to it and the general public.

Not all aspects provided for by law are equally material to WashTec's business activities. Policies are therefore presented only for the aspects that are material to WashTec and the general public ("double materiality").

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

The content of the separate combined non-financial report is reviewed by the Supervisory Board. 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 47.

For a description of the diversity policy, please see the combined management report under Corporate Governance Declaration, section 8.1, on page 87.

1.2 Environmental matters

WashTec faces up to its responsibility towards the environment and human society. Car washing by hand or under the wrong conditions leads to a waste of resources in the form of water, washing chemicals and energy. In the manufacture of efficient, resource-conserving automated carwash equipment, WashTec contributes to protecting the environment. We take environmental matters very seriously. This is demonstrated among other things by certifications that WashTec has held for many years and consistently renews. The manufacture and operation of automated carwash systems are more environment-friendly than manual washing (see page 31). Water is a scarce and precious commodity, so we pay particular attention to minimizing carwash resource consumption. With innovative water reclaim solutions, WashTec makes it possible for almost all wastewater to be reused, thus reducing fresh water consumption per vehicle wash to a minimum. So far, however, the majority of wash equipment is so far sold without water reclaim or treatment systems. To significantly increase sales of such equipment, we have created the modular water reclaim system, which allows water reclaim to be precisely tailored to on-site requirements.

WashTec focuses on keeping the resource consumption of washing facilities as low as possible

A further example of our environmental responsibility is our commitment to reduce energy consumption and make use of renewable energy. By applying the life cycle approach, we consider energy requirements from the system design stage. Our energy team also attends to energy-related matters and projects on the basis of our energy management system in accordance with DIN EN 50,001 (see the Energy section under 2.3 WashTec environmental scorecard 2019).

1.3 Employee matters

Objective/policy

WashTec delivers on its responsibility towards the workforce, their families and the people who work with us and operate or use the equipment we produce. A key focus is on safety and health of our employees in the workplace. Experience shows that whatever preventive measures are taken, there is always a residual risk that can result in an accident at work. Our aim is to reduce the number of work-related accidents to zero. We therefore analyze accidents to prevent reoccurrence and regularly assess existing and new hazards to identify potential causes of accidents in advance. Suitable measures are taken to eliminate risk for employees wherever possible and at least reduce it to an acceptable level.

The safety and health of employees are a material aspect for WashTec. 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 our zero-accidents target on the basis of the accident rate [work accidents/million hours worked].

Measures

We apply various measures on a regular basis that enhance workforce occupational safety and thus further reduce or prevent accident risks.

As a preventive measure, for example, the various operating functions conduct risk analyses. They are systematically supported in this by WashTec's in-house Health, Safety and Environment (HSE) department. On the basis of the identified potential hazards, measures are derived, planned and implemented. These include continuous improvements in production and office ergonomics.

Based on the principle that "accidents don't happen, they are caused", WashTec attaches great importance to "near-misses". A simple example is a power cable trailing across the floor: it is only a question of how many people have to pass before there is an accident. 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 training modules using our training tool. Each module ends with a knowledge check to make sure the course content has been learned. Another important factor is provision for simple, quick and meaningful reporting of identified risks. For this purpose, a new app rolled out for all WashTec employees worldwide in 2018 makes it easier than ever to record and report near misses. Immediate action by the local safety officer, who is notified by email, and remedial measures comprise a further step towards eliminating potential causes of accidents before they occur. Such situations are analyzed in groups and collated to provide content for further training units.

Another app is to follow for supervisors' QHSE inspections (standardized hazard analyses), thus ensuring further efficiency gains in the hazard analysis process. Here, too, systematic evaluation enables potential hazards to be identified and suitable action taken.

A further means of reducing potential hazards is the WashTec Tower, a special mobile scaffold for safe working at heights, including on wash equipment. In collaboration with subsidiaries, a project is being carried out to make the WashTec Tower easier to transport in service vehicles. So far, the WashTec Tower has been made available across all European subsidiaries. A reduction in the time taken to put up the WashTec Tower has enhanced acceptance and helps uphold high levels of safety. The effort involved in loading and unloading the WashTec Tower into and out of service vehicles was investigated in a bachelor's thesis in 2019. Potential for improvement in vehicle fittings was identified and will be applied when new vehicles are ordered in 2020.

The WashTec Tower is a mobile special scaffold that allows you to work safely at heights, i.a. also on car washes

For the third time, a colorectal cancer prevention campaign was organized for WashTec employees in Germany, as early detection can lead to very good chances of recovery and increase employee awareness of prevention.

WashTec deploys an e-learning tool, LeManSys, to train employees and external partners in occupational safety matters relevant at WashTec. LeManSys is in use in ten languages across all subsidiaries. As briefly mentioned above, a test is completed to demonstrate that the information provided has been understood and can be implemented.

Processes/due diligence

Preventive activities such as audits, training and hazard assessments are carried out by the HSE department on a continuous basis in order to enhance safety, protect health and prevent accidents. 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".

Prevention will be further improved with the new WashTec Message app, as it ensures that relevant information is directly incorporated in the improvement process. Using the WashTec Message app, every employee can report hazardous situations or incidents online from a mobile phone or personal computer. The app thus provides upfront warning of any hazards. It has already significantly increased reporting rates, including in subsidiaries. Reporting rates have risen thanks to intuitive in-app navigation and the ability to include pictures of a situation.

The HSE department also provides training for all employees via the LeManSys 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.

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 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.

Number of occupational accidents per million hours worked below industry average

In the 2019 reporting year, the number of occupational accidents per million hours worked, at 3.5 as of the year-end, was below the industry average of 22.07 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.

Awards for successful safety activities conferred by major customers in the petroleum industry in past years verify the high standard of our safety culture 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.** and the **Kartei der Not** foundation. In addition to monetary donations, we also held a social project week at **Bunter Kreis** in the year under review. For further information, please see the sustainability report under 2.6, Social commitment. Social involvement is not a material business objective for our business model on the basis of the double materiality criterion.

The support provided by WashTec has no significant impact on the organizations named or the general public. The organizations are pleased to accept the support but are reliant on additional sponsors. There is consequently no significant non-financial aspect to be reported on in the area of social matters.

1.5 Respect for human rights

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 developed a suitable policy to ensure this.

In the supplier declaration drawn up in 2017, all major business partners undertake to comply with the principles and rules laid down by WashTec

The rules and principles are described in the WashTec 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 by the end of 2018 in order to guarantee compliance with WashTec's principles.

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 inherently maintain high standards of respect for human rights. Respect for human rights consequently has no material impact on WashTec's business activities on the basis of the double materiality criterion.

As part of the machinery and plant engineering sector, WashTec operates in an industry that already meets high standards. The automated wash equipment business is not very susceptible to human rights violations. Respect for human rights is therefore assured in WashTec's business activities and does not have to be specifically attained. There is no material non-financial aspect in relation to respect for human rights.

1.6 Anti-corruption and bribery

The WashTec Code of Ethics also sets out rules for anti-corruption and bribery. WashTec expects employees and business partners worldwide to comply with all legal requirements. The Code of Conduct for Suppliers (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 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 compliance training that has been rolled out worldwide.

WashTec additionally set up a whistleblower system in 2016 that allows employees and external parties to report violations anonymously.

Anti-corruption and bribery do not play a material role at WashTec due to the structure of the business. WashTec has nevertheless taken precautionary measures. However, anti-corruption and bribery do not have any material impact on the business activities on the basis of the double materiality criterion. WashTec's impact on the general public is consequently likewise non-material. There is no material non-financial aspect in this regard.

2. Implementation of sustainability at WashTec

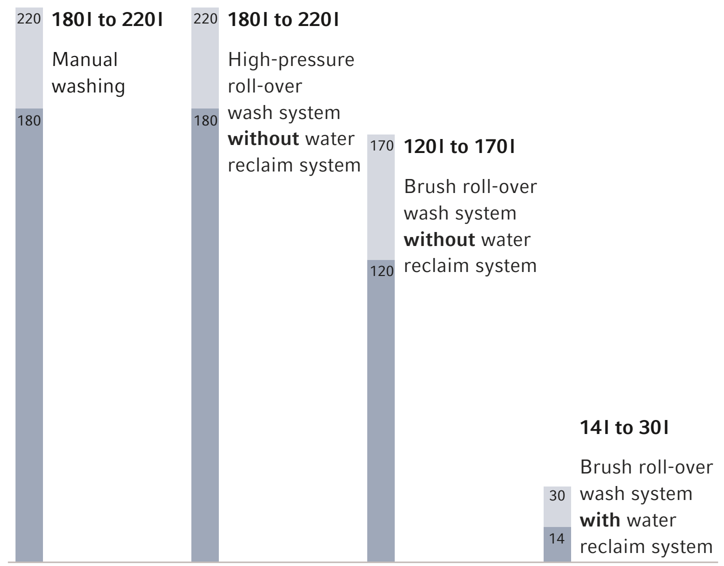
2.1 Product responsibility

WashTec products

- WashTec products enable operators to use their systems efficiently and economically.
- 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 system for gantry carwashes was designed on a modular basis in 2019 to provide the right amount of reprocessed water for the respective product according to on-site requirements. 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. Additionally, a WashTec video demonstrates the importance of water availability and the consequences of water pollution. The film is available on the Company website and is used in discussions with customers to encourage sustainable carwash use.

Minimized 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

With all WashTec and AUWA products, environmental compatibility is paramount.

WashTec and AUWA chemical products

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

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

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

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

2.2 Production

Equipment

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

Since exhaust fumes and exhaust air generated during production are filtered, discharges or emissions of harmful substances are kept to the lowest levels technically feasible at the present time. Products are installed and maintained at our customers' places of business by some 600 in-house service technicians, subcontractors, and sales partners' technical personnel. 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.

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

Wash chemicals

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

In the production of AUWA products, conservation of scarce resources is always a priority. Accordingly, resources that are not relevant to a product’s ability to function are avoided as far as possible. The bulk of 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. The use of high-quality ingredients in a highly concentrated and optimized mixture reduces chemical consumption per wash.

2.3 WashTec environmental scorecard 2019

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

Waste

In 2019, WashTec accumulated 2,513 tons of waste material in Germany by taking back old equipment and due to production waste. This waste is systematically separated into single-material fractions. Strict separation of recyclable materials (such as metals, cable and sheet) is a matter of course for WashTec in order to achieve a high recycling rate.

Disassembled old systems are either refurbished or professionally recycled by authorized service providers.

Energy

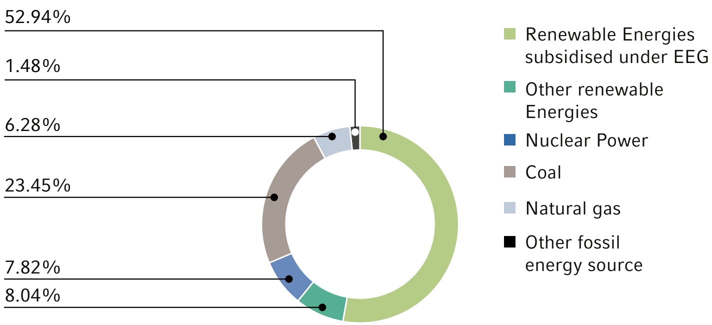
A dedicated, specialist energy team at WashTec constantly attends to potential analysis, measures and implementation in relation to energy-related matters. The largest percentage of total energy consumption at WashTec is accounted for by the vehicle fleet, with 63% of the energy consumption at the Augsburg location. Total energy consumption in Germany fell by 4% year on year at the same level of capacity utilization. The proportion of energy consumption accounted for by the vehicle fleet here was 50%.

Various measures target the vehicle fleet alone, including route optimization to reduce fuel consumption, limiting transportation speeds and the trial deployment of hybrid 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 additional incentives to choose low-emission vehicles. The Company successfully took its first hybrid vehicle into trial service for local transportation at the Augsburg plant in 2018. In the fourth quarter, this trial was extended to pool vehicles at the location. WashTec also offers all visitors a free electric-car parking space with a charging point. Electric mobility is an area that the company has been developing in-house for some years. Examples include replacing diesel forklifts with electric models, with the aim of removing diesel forklifts on site at our production locations entirely. In the next step, gas-powered forklifts will also be replaced with electric models. With regard to using electric road vehicles at WashTec, we continue to watch developments as enabling conditions in areas such as service are unable to be satisfied at the present time.

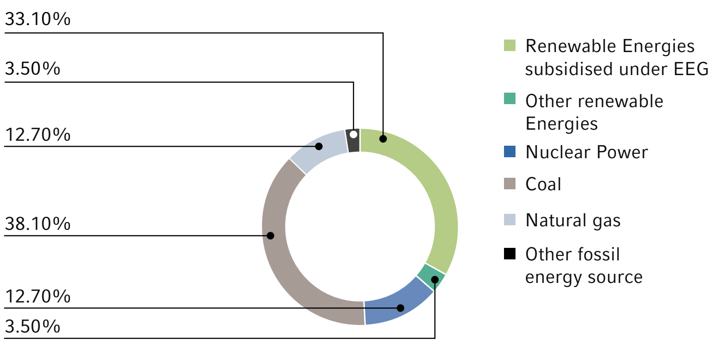
Electromobility is continuously expanded within the company

The electricity that WashTec procures for corporate headquarters and for the main production site in Augsburg is 61.0% renewables-generated (prior year: 57.2%). This figure is significantly higher than the national average of 36.6%. WashTec thus actively contributes on an ongoing basis to lowering CO_2 emissions.

Normal electricity products of TOTAL Energie Gas GmbH



Normal electricity products of Gemany



Electricity mix obtained by WashTec from its electricity provider and German average (as of 2017)

Energy-efficient systems are used to heat the company's buildings. Measures applied include energy reclamation, air recirculation, control technology and insulation of buildings beyond the industry standard. The use of district heating systems, where available, for space heating also contributes to sustainability. Renewable energy, such as solar power, is integrated into new buildings.

For further information and data on energy, please see the sustainability report under heading 1, Separate combined non-financial report.

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 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 extends to additional environmental protection requirements.

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. 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. WashTec places a major focus on responsible resource use.

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 and adopted 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. WashTec has held SRI (Sustainable & Responsible Investment) pass status as a sustainable investment since 2007. In 2018, WashTec was rated Sustainability Class C and incorporated in the Sustainable Hidden Champions Equity Fund.

Customer satisfaction

Annual customer satisfaction surveys have been conducted since 2017

"Would you recommend WashTec?" We ask our worldwide customers this question three months after installing a new gantry carwash. From July 2017 – following a three-month pilot in 2016 – customers have automatically been sent an invitation to take part in an online survey. The responses are automatically collated in-house and tracked in our subsidiaries (except in Belgium and China). In 2019, 86.9% 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.

2.5 Personnel and Compliance

WashTec Code of Ethics, Code of Conduct for Suppliers and whistleblower policy

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.

Every WashTec employee has the task of actively shaping the company.

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.

Implementation of our corporate philosophy with a view to in-company entrepreneurialism at WashTec has been reviewed in entrepreneurship workshops since 2017. Each team is asked in an open dialog about how employees regard themselves as in-company entrepreneurs at WashTec and what the teams can do to come closer to the ideal concept of the in-company entrepreneur. To this end, each team adopts specific action items whose implementation is then tracked. In parallel, WashTec managers advance their capabilities in specially developed leadership training units.

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

Human resource development plays an important role at WashTec. WashTec offers all employees the opportunity to participate in internal and external continuing education and training programs. 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 2018 is to be maintained in 2019. WashTec has offered places for a co-op degree program since 2017.

Employee satisfaction

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

WashTec has been the proud 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 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 and learn from them. The experience gained is passed on in regular training. Implementing the lessons learned – such as in the form of ergonomic workspace design – 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 and the WashTec Health Days held regularly in Germany). E-learning software has helped managers train employees since 2007.

WashTec has a distinctive occupational safety and health management system

WashTec has a well-developed, SCC-certified occupational safety and health management system. WashTec service technicians are under special obligation to learn and understand safety issues. 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. Similarly, the findings of audits on customer premises are used to motivate employees and continually improve working conditions. WashTec launched a new global app in 2018 to further improve accident prevention.

Using the WashTec Message app, every employee can report hazardous situations or incidents online from a mobile phone or personal computer. The app thus provides upfront warning of any hazards. Intuitive app navigation and ready-loaded data enable users to quickly and easily activate a standardized reporting process. The relevant managers are directly linked into the process and have responsibility for the hazard response. Further measures are additionally taken following systematic, Group-wide analysis.

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

Balancing family and career

Balancing family and career is close to every parent's heart. WashTec actively seeks to meet this need by offering individual working arrangements. To this end, WashTec offers a wide range of flexible working time arrangements. Evidence of its success is 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: Bunter Kreis e.V. and Stiftung Kartei der Not

WashTec is committed to the Bunte Kreis e. V., which supports disabled and seriously ill children and their families with 70 specialists

The birth of a handicapped child, 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 handicapped and severely sick children together with their families with comprehensive psychological, social, medical and financial support. Bunter Kreis helps most of all during the period following discharge from hospital, when it assists families in dealing with new challenges and burdens. The reliable follow-up care often also allows children to leave hospital early. Since the frequently time-consuming work of caring for sick children and their families is only partially covered by statutory health insurance, WashTec has continually supported Bunter Kreis with donations in cash and in kind as one of the association's main sponsors since 1996. WashTec once again further stepped up its involvement in 2019. Many trainees voluntarily took part in a project week at the Ziegelhof animal-assisted therapy center for sick children. Trainees carried out various work there to make Ziegelhof winter-ready.

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

For two days, colleagues at the Austrian subsidiary supported the initiative of the Erlebnishof Kumplgut adventure farm and baked cookies for a good cause. Proceeds from the baking challenge benefit children at Kumplgut. The adventure farm aims to help children with cancer and other serious illnesses to convalesce and forget their worries in relaxed surroundings.

Stock market performance in 2019

The DAX climbed during the 2019 stock market year by around 25.5% to 13,249 points, marking the largest annual gain since 2013. This was despite a very cautious beginning to the 2019 calendar year, with expectations for 2019 tending to be subdued by fears of recession, Brexit, growing populism in Europe and not least the US-China trade war.

On the other hand, stock markets benefited in 2019 from central banks resuming their expansive monetary policy in response to weakening economic signals. The loose monetary policy is expected to continue for the time being under the new ECB President, Christine Lagarde. In the USA, too, the general expectations are that there will be no interest rate hike before December 2020.

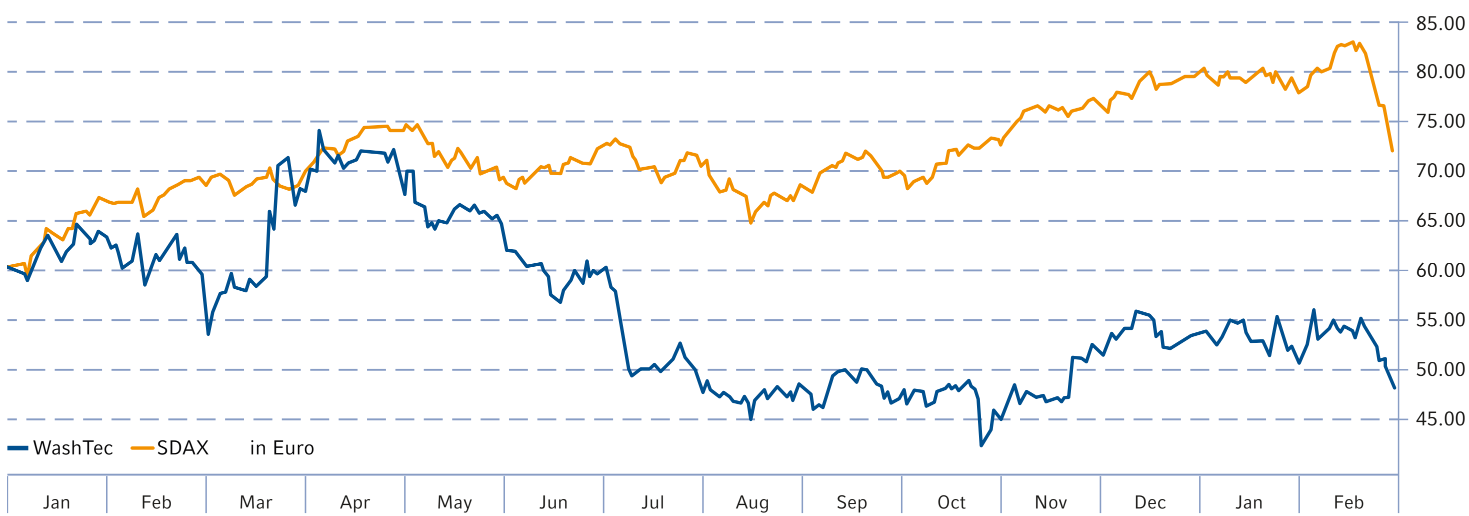
The most recent outlooks for 2020 show moderately positive sentiment. Global economic concerns decreased towards the end of the 2019 calendar year. The partial agreement in the US-China trade dispute, the Conservative victory in the UK general election (and hence clarity about Brexit) and the intensification of expansionary monetary policy by central banks provided for relief on the financial markets. A number of geopolitical uncertainties nevertheless remain, such as growing populism in Europe and recurrent threats of special tariffs, and damage investment confidence among companies and investors.

WashTec AG share performance in 2019

Performance in 2019 largely in line with SDAX index

The WashTec share price began 2019 at €60.90 and marked its low for the year at €41.95 on October 25, 2019. The share price attained its high point for the year of €74.40 on April 3, 2019 and closed the year at €53.70. This is 11.092% down on the prior year-end closing price. These figures relate to closing prices on the Xetra trading platform. After several years in which it significantly outperformed the

Price performance of WashTec shares 2019/2020 compared to the SDAX (indexed)



4.56% dividend yield

SDAX, the performance of the WashTec share price was below that of the SDAX in 2019. Total shareholder return for the full year was –19.73%. This figure includes last year's €2.45 dividend, which represents a dividend yield of over 4% and a payout ratio of over 90%.

As of February 28, 2020, WashTec shares were trading at €48.30 per share.

Attractive dividend policy

Pursuant to a resolution adopted by the Annual General Meeting on April 29, 2019, the Company paid its shareholders a dividend of €2.45 per share for fiscal year 2018. Dividend distributions thus totaled €32.8m in 2019. Based on the year-end share price, the dividend yield was 4.56%. This places WashTec among the strongest performers in terms of dividend yield on the German stock market.

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

The Management Board and Supervisory Board are proposing a dividend of €1.65 for fiscal year 2019.

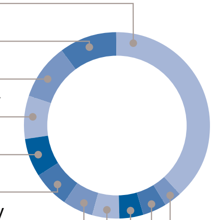
Changes in shareholder structure

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 2019: All changes or secondary offerings were price-neutral without any material impact on the share price.

Shareholder structure as of December 31, 2019

38.57%	Other
9.99%	Axxion S.A.
9.60%	Kempen Oranje Participaties N.V.
7.43%	EQMC Europe Development Capital Fund plc.[4]
6.82%	Dr. Kurt Schwarz[3]
6.27%	Bank of America Corporation[2]
5.43%	Investment AG für langfristige Investoren, TGV
4.58%	Paradigm Capital Value Fund[1]
4.25%	Treasury shares
4.00%	Diversity Industrie Holding AG
3.06%	Wellington Management Group LLP



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

[1] Carne Global Fund Managers (Luxembourg) S.A.
[2] BofA Securities Europe SA (6.22% voting rights)
[3] Leifina GmbH & Co. KG et al
[4] Alantra EQMC Asset Management, SGIIC, S.A. (as investment management function)

Bank of America Corporation, Wilmington, Delaware, United States of America, notified WashTec AG that on meeting the notification threshold on March 28, 2019 Merrill Lynch International's share of voting rights on that date was 6.27%. The Bank of America Corporation was attributed the 6.22% share of voting rights held by BofA Securities Europe SA.

Wellington Management Group LLP, Boston, Massachusetts, United States of America, notified WashTec AG that on meeting the notification threshold on June 17, 2019 its share of voting rights on that date was 3.06%.

FMR LLC, Wilmington, Delaware, United States of America, notified WashTec AG that on meeting the notification threshold on October 25, 2019 its share of voting rights was 2.65% instead of previously 3.35%.

Fidelity Investment Trust, Boston, Massachusetts, United States of America, notified WashTec AG that on meeting the notification threshold on October 25, 2019 its share of voting rights was 2.65% instead of previously 3.01%.

Six investors consequently each hold at least 5.00% of the voting rights. To the knowledge of the Management Board, 38.57% 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:

Transaction date	Person	Transaction type	Office	Quantity
February 28, 2019	Dr. Alexander Selent	Purchase	Supervisory Board	500
April 30, 2019	Dr. Günter Blaschke	Purchase	Supervisory Board	2060
May 3, 2019	Ulrich Bellgardt	Purchase	Supervisory Board	570
May 6, 2019	Dr. Hans-Friedrich Liebler	Purchase	Supervisory Board	200
May 13, 2019	Dr. Hans-Friedrich Liebler	Purchase	Supervisory Board	200
May 29, 2019	Dr. Sören Hein	Purchase	Supervisory Board	450
June 3, 2019	Dr. Hans-Friedrich Liebler	Purchase	Supervisory Board	100
September 24, 2019	Dr. Ralf Koeppe	Purchase	Member of the Management Board	600

Active investor relations

The Management Board communicated with shareholders, journalists and the financial community on an ongoing basis through the year. The Company held financial press conferences and conference calls for analysts and investors on publication of results. At the Annual General Meeting on April 29, 2019, the Management Board shared its detailed position on the current market situation, business development and strategy and discussed these matters with shareholders. The shareholders of WashTec AG were also kept up to date in a timely manner about all important events.

During 2019, WashTec continued its investor relations activities and participated in capital market conferences held by various banks in Germany, France, the UK and the USA. WashTec took part in the Baader Bank Investment Conference, conferences held by Bankhaus Lampe and Berenberg Bank and the Equity Forum in Frankfurt.

Furthermore, roadshows were held in Frankfurt, Sydney, Toronto, London, Denver and New York with investment banks Berenberg, Baader Bank, MM Warburg, Hauck & Aufhäuser and Bankhaus Lampe, each time with very strong interest on the investor side. In addition, numerous investors visited the Company to gain a first-hand impression of the "World of WashTec".

WashTec shares are covered by independent analysts

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

Key data on WashTec shares

		2019	2018	2017
Closing price*	€	53.70	60.40	78.70
High	€	74.40	83.60	79.50
Low	€	41.95	56.80	49.50
Opening price	€	60.90	78.30	49.50
Number of shares as of Dec 31 **	million units	13.4	13.4	13.4
Free float as of Dec 31	%	38.57	35.29	44.33
Market capitalization as of Dec 31	€ m	718.6	808.3	1,053.2
Performance over the year	%	−11.09	−23.25	58.98
(SDAX for comparison)	%	28.86	−20.00	24.87
Earnings per share	€	1.66	2.54	2.76
Dividend per share	€	1.65	2.45	2.45

* based on Xetra closing prices
** excluding 594,646 treasury shares

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.de

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

2019 at a Glance

Overview of group and regions

WashTec Group*

- Revenue of €436.5m or 0.2% higher than prior year (–0.5% adjusted for exchange rates)
- EBIT adjusted for effects of Performance Program: €38.2m; EBIT margin 8.8%
- EBIT down on prior year at €36.3m; EBIT margin 8.3%
- Free cash flow of €15.0m down on prior year

Europe

- Revenue: €353.6m (–0.6%); EBIT: €41.2m
- Growth in direct sales, key account revenue down. Cost pressure with stable revenue performance

North America

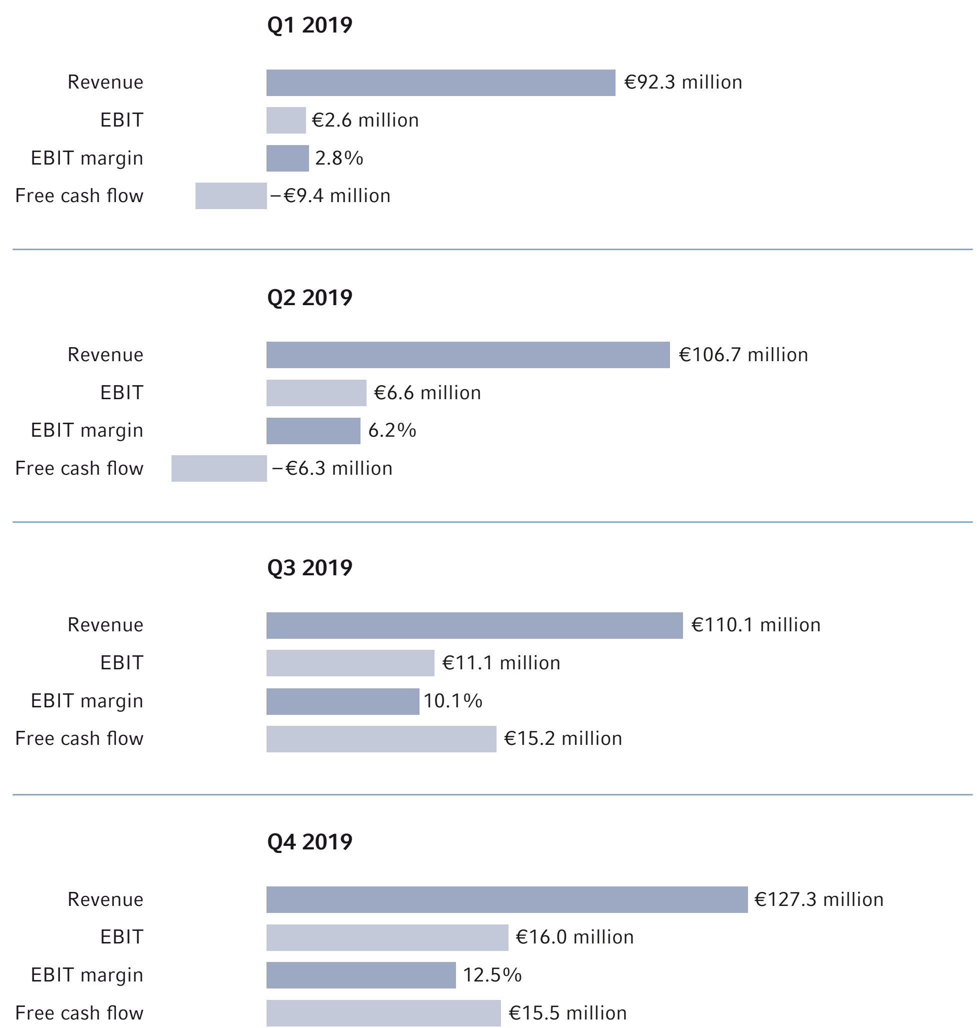
- Revenue: €78.2m (+5.7%), USD 87.2m (+0.4%); EBIT: €–3.4m
- Double-digit growth in direct sales, key account revenue down

Asia/Pacific

- Revenue: €17.6m (+0.0%); EBIT: €–1.3m
- Revenue increase due to growth in China

* Regional data without consolidation

Continuous improvement by quarter



General Information about the Group

1.1 Business model

Sole global supplier – presence in Europe, North America and Asia/Pacific

1

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

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

€ 380.6 million

Chemicals

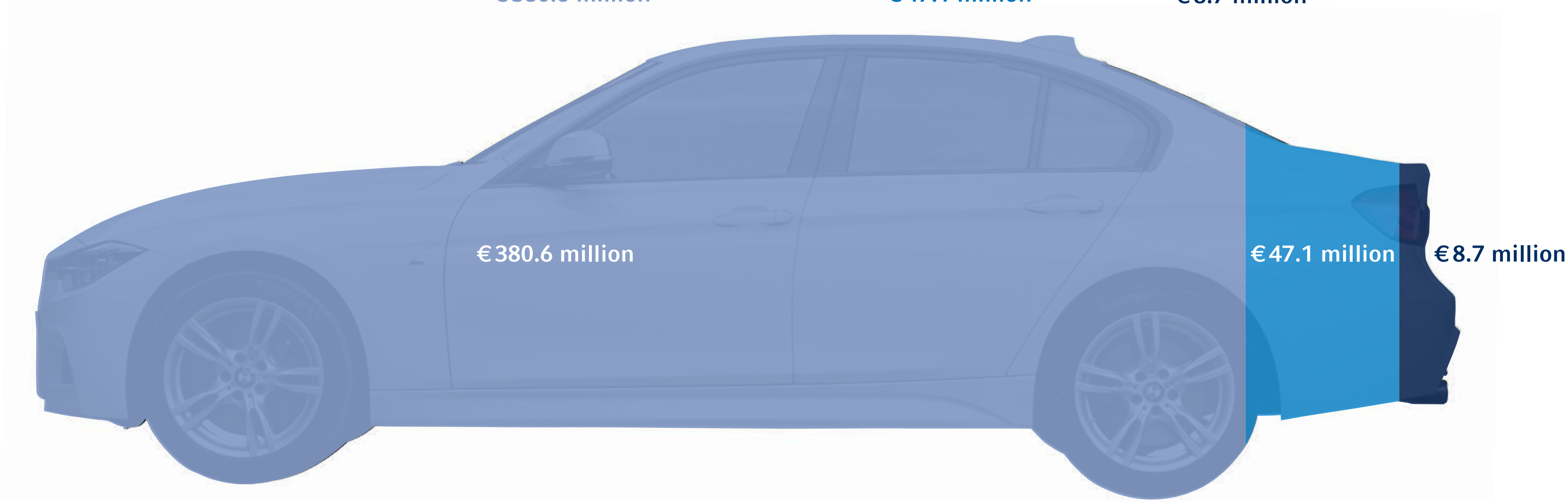
- Detergents
- Care products
- Special products

€ 47.1 million

Operations business and others

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

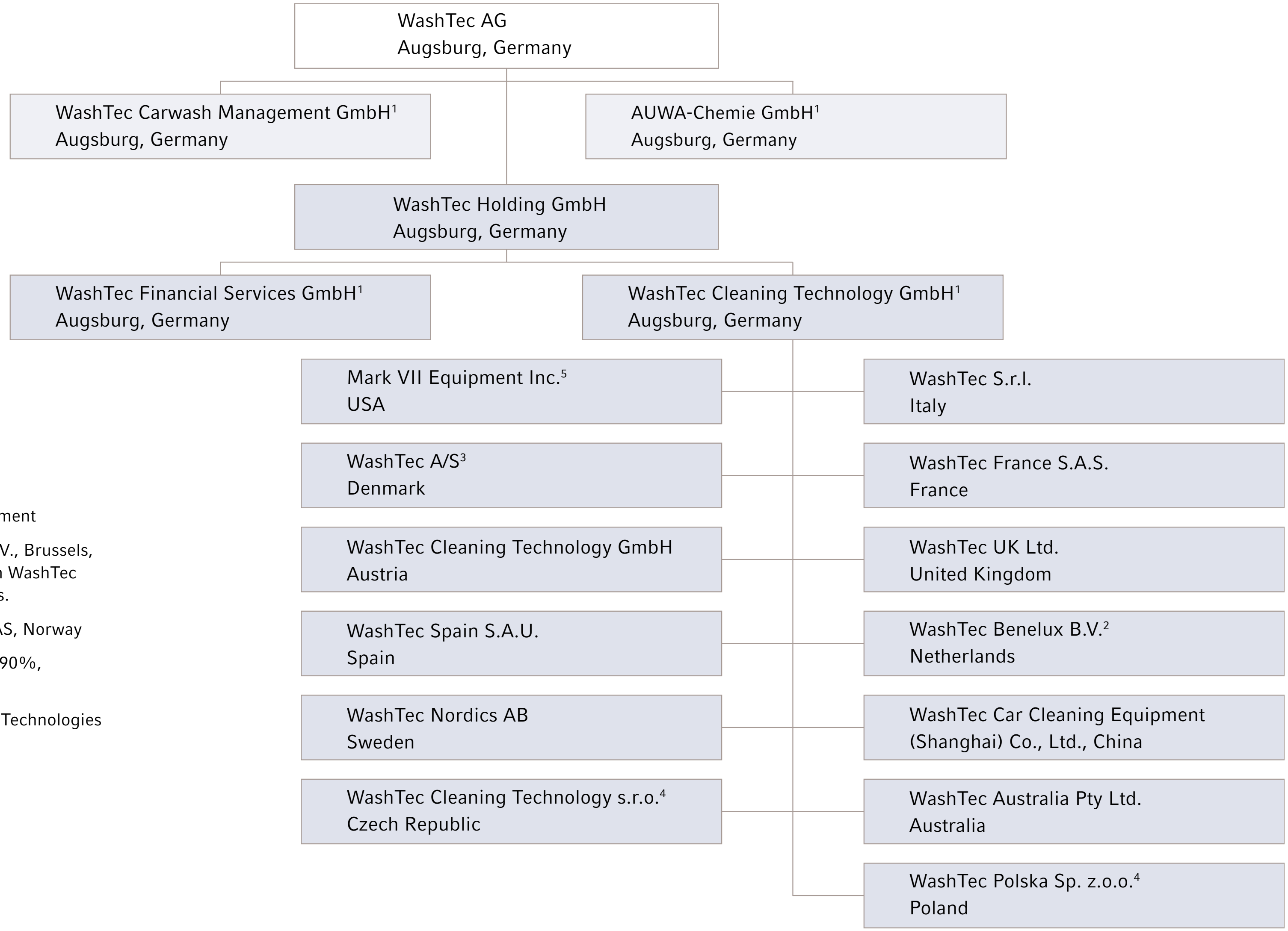
€ 8.7 million



Management Report

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 where required. The direct subsidiaries of WashTec AG are AUWA-Chemie GmbH, WashTec Holding GmbH and WashTec Carwash Management GmbH. WashTec AG has profit and loss pooling agreements with AUWA-Chemie GmbH and WashTec Carwash Management GmbH.

WashTec Holding GmbH

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

WashTec Cleaning Technology GmbH

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

Foreign subsidiaries

The WashTec Group has subsidiaries in all major European, 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

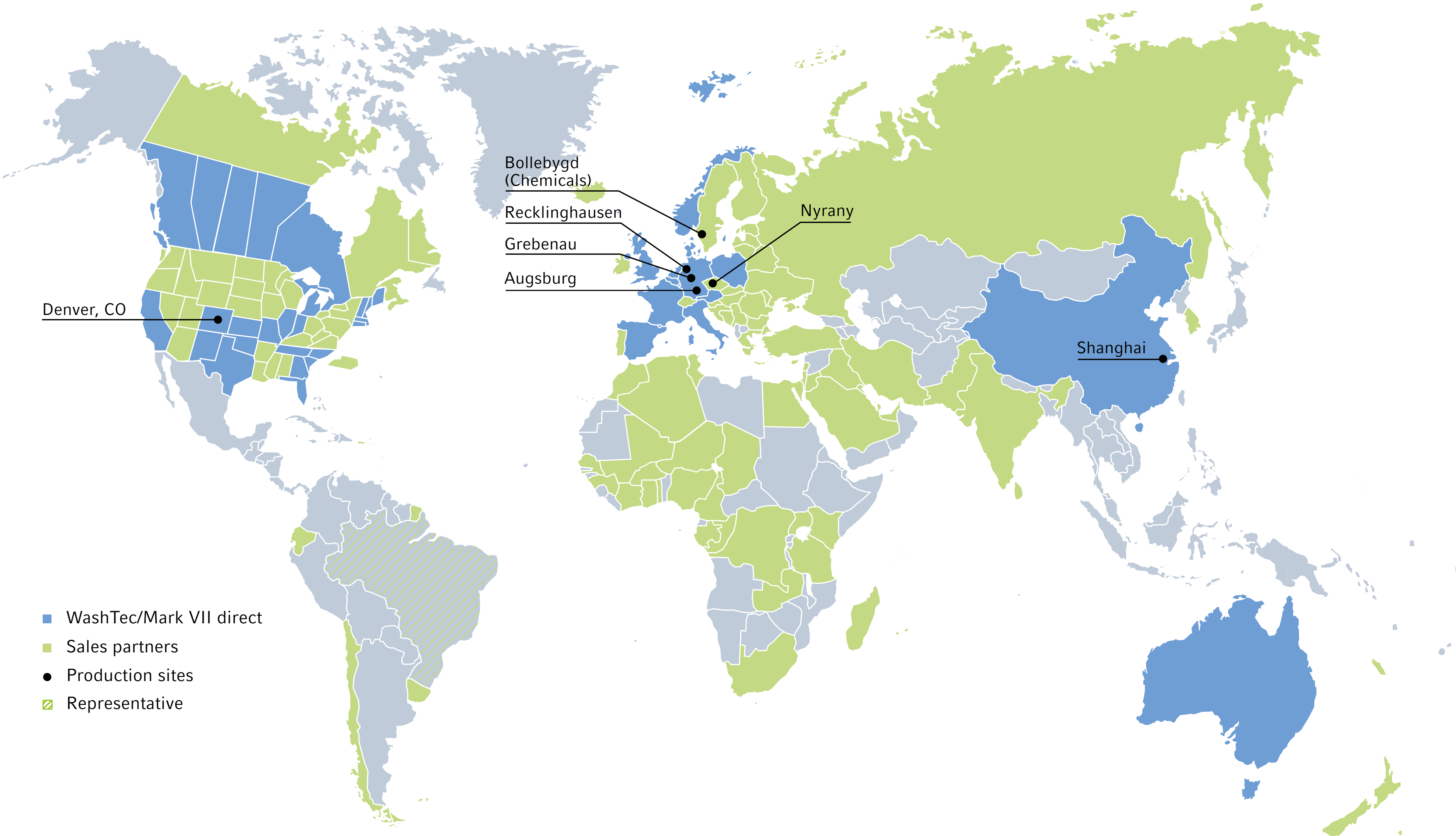
WashTec Financial Services GmbH brokers bespoke financing arrangements for WashTec products on behalf of customers of the WashTec Group. It receives commission from the lenders – mostly leasing companies – involved in the financing arrangements.

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
Representative

1.1.2 Locations

WashTec has a global footprint

The WashTec Group has a global footprint with over 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

Global flagship plant in Augsburg

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). All products are made using the latest technology and state-of-the-art production methods that are subject to ongoing development.

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 separately 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. Until now, no clear favorite has emerged as to which drive concept will prevail in the future (such as hybrid or electric), which means that it remains unclear where vehicles will 'fill up' in the future. 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 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 – the accident rate – and of the remaining key performance indicators.

1.3.2 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, more than 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 €8.4m (prior year: €8.0m).

The Group's capitalized development costs came to €0.7m in fiscal year 2019 (prior year: €2.8m). Added to this is €1.3m (prior year: €0.9m) which was unable to be capitalized.

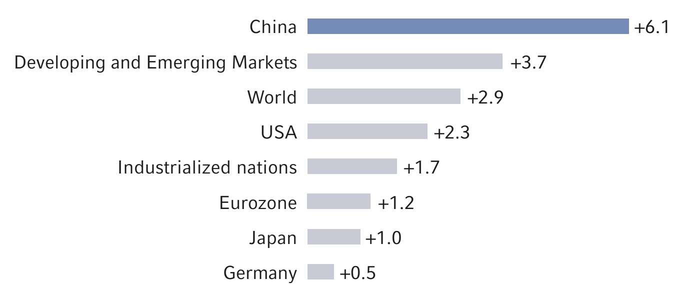
Report on Economic Position

2.1 Overall economic and industry-specific environment and conditions

2.1.1 Overall economic development

Global economic growth (Status: February 22, 2020)
According to the International Monetary Fund (IMF), the global economy grew by 2.9% in 2019. Global economic growth of 3.2% is forecast for 2020. For the eurozone, the IMF sees little change with growth of 1.3% and 1.4% in 2020 and 2021 (following 1.2% in 2019). With an estimated 1.1% in 2020, growth in Germany is above the prior year (2019: 0.5%). However, some key industries, such as the automotive sector, are far less optimistic about this growth in Germany for 2020. The reasons for this are not only the technological transition phase from vehicles with conventional to non-conventional drive systems but also the general, worldwide purchasing restraint, accompanied by falling employment and increasing short-time working. The growth forecast for the USA is 2.0% in 2020. Developing and emerging economies continue to contribute to global economic growth. According to forecasts, their economic growth rate will rise to 4.4% in the coming year and to no less than 4.6% in 2021. In China, the IMF expects economic growth of 5.6% in 2020. The forecast was revised downwards by 0.4% in February due to the coronavirus.

Economic growth 2019 in %



Source: International Monetary Fund (IMF) World Economic Outlook Update, January 2020

Industry environment
The carwash sector showed moderate growth in fiscal year 2019 but faced an increasingly challenging economic environment. As the global economic trend weakened, global tendencies towards protectionism, geopolitical tensions and the increasingly unpredictable course of the trade dispute between the USA and China led to a general mood of caution on the markets.

In Europe, while the decision on the United Kingdom's withdrawal from the European Union has provided clarity, there is still considerable uncertainty about the precise form that Brexit will take – including the possibility of a hard Brexit – which is affecting investment decisions by our customers. The falling oil price additionally made some of our major "big oil" customers somewhat cautious in their investment behavior. 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 2019 than in the first. For operators, carwash business is highly weather-dependent. In Europe, after near-ideal conditions in fiscal year 2018 with an exceptionally warm spring and summer, the first half of fiscal year 2019 bought significantly worse carwash weather. For the APAC region, China was a notable growth driver in fiscal year 2019.

2.1.2 Market for carwash equipment

Carwash as a profitable business for operators

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 key customer groups include carwash operators, automobile repair shops, supermarket chains, road freight companies and public transport operators.

Competition
In Europe – a developed market with intense competition – WashTec's own research shows the Company to be the clear market leader in terms of market coverage and market share.

The developed North American market is more fragmented on the customer and supplier side than Europe.

Asian markets predominantly served by local competitors are Japan and South Korea. The 'missionary' Chinese market has an array of local providers alongside WashTec. Both European and American competitors contend for the developed Australian market.

Sales markets
Germany and Europe remain 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 is not itself an operating entity and earns income exclusively from dividends paid by WashTec Holding GmbH as well as from profit transfers made by WashTec Carwash Management GmbH and AUWA-Chemie GmbH. The following discussion therefore primarily relates to the Group. WashTec AG is discussed separately in section 2.6.

Rounding differences possible		2018	Guidance 2019	2019	Change
Revenue	€m	435.4	significant increase	436.5	0.2%
EBIT	€m	51.5	significant increase	36.3	–29.5%
Free cash flow	€m	32.3	slight increase	15.0	–53.6%
ROCE	%	28.5	≥25%	18.4	–
Accident rate (work accidents/ million hours worked)		0.9	0	3.5	–

Revenue and business development
Revenue rose by 0.2% in 2019 to €436.5m (prior year: €435.4m). Adjusted for exchange rate effects, revenue growth was slightly down year-on-year at 0.5%. The target for 2019 of significant revenue growth on the prior year was thus not attained. Revenue performance was primarily influenced by slow orders from large customers, while revenue in the direct customer business showed double-digit growth.

EBIT decreased by 29.5% to €36.3m (prior year: €51.5m). Adjusted for effects of the Performance Program, EBIT went down by 25.8% to €38.2m. The target of a significant increase was thus not attained. The main reason for this was capacity expansion – notably in field sales and service to strengthen direct sales

– combined with a substantially more positive expectation for business development. Cost-cutting measures introduced during the year were able to compensate only partially for the negative effect.

The original guidance for fiscal year 2019 was revised during the year due to the above-mentioned developments. The most recently communicated guidance of stable revenue performance and EBIT performance at around 9% before one-off expenses was met with the final figures. It was possible to halt the trend towards unchecked cost increases.

Free cash flow decreased by 53.6% to €15.0m (prior year: €32.3m). The projected slight increase in free cash flow was consequently not attained. The main reason for this, aside from the Group’s weaker earnings, was a temporary increase in trade receivables at the end of the fiscal year due to the exceptionally strong sales in the final months of 2019.

ROCE came to 18.4%. The targeted level of over 25% was thus not attained. Here too, aside from first-time application of IFRS 16 and the resulting recognition of right-of-use assets, the main reasons for this were the weak earnings and the higher NOWC mainly due to the increase in trade receivables at the end of the 2019 financial year. Adjusted for the effects of IFRS 16, ROCE was 19.8%.

The number of work accidents per million hours worked, at 3.5, was below the industry average of 22.07 reported by the employers’ liability insurance associations (Berufsgenossenschaften). The target of zero accidents was not attained in 2019. WashTec continues to aim for zero accidents.

The WashTec Group’s business performance in 2019 was below the guidance given at the beginning of the fiscal year but was in line with the updated expectations most recently communicated to the capital market. Business performance in the Europe region was below our expectations in fiscal year 2019. Investment decisions by our major customers were influenced in 2019 by the changes in Europe associated with the impending Brexit. The falling oil price additionally made “big oil” network operators somewhat cautious in their investment behavior. Geopolitical tensions and globally increasing protectionist tendencies connected with the trade war between the USA and China resulted in sluggish economic growth and thus a weak start to the 2019 fiscal year.

The course of business in the North America region was affected by a weak start followed, primarily in the second half year, by an increasingly positive business trend peaking in the final quarter of 2019. Also in the second half of fiscal year 2019, we were able to win back a major chemicals customer lost in 2018.

2.3 Position

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

Rounding differences possible		2017	2018	2019
Revenue	€m	425.0	435.4	436.5
EBIT	€m	52.2	51.5	36.3
Equity ratio	in %	40.3	40.2	30.7
Free cash flow	€m	28.1	32.3	15.0

2.3.1 Order backlog

The Group’s year-end order backlog was up on the prior year. Since the WashTec Group’s orders generally cycle through within six to ten weeks, the order backlog serves as an indicator for the months ahead but has only limited indicative value for business development over fiscal year 2020 as a whole.

2.3.2 Results of operations

2.3.2.1 Income statement

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

In €m Rounding differences possible	2019	2018	Change (absol.)	Change (in %)
Revenue	436.5	435.4	1.1	0.2
Cost of materials (including change in inventory)	194.9	189.1	5.8	3.1
Other operating income (including capitalized development costs)	5.6	8.1	−2.5	−30.9
Personnel expenses*	139.9	135.2	6.6	4.9
Other operating expenses**	52.5	58.0	−5.5	−9.5
Depreciation and amortization	16.5	9.8	6.7	68.4
Adjusted EBIT	38.2	–	–	–
Adjusted EBIT margin in %	8.8	–	–	–
One-off expenses	1.9	–	–	–
EBIT	36.3	51.5	−15.2	−29.5
EBIT margin in %	8.3	11.8	−3.5	–
Financial result	−0.6	−0.6	0	0
EBT	35.7	50.8	−15.1	−29.7
Taxes	13.4	16.8	−3.4	−20.2
Consolidated net income	22.3	34.0	−11.7	−34.4
Earnings per share	1.66	2.54	−0.88	−34.6

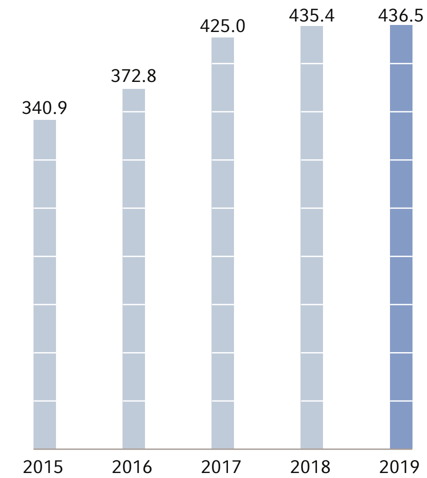
* Excluding one-off expenses from the Performance Program
** Including expense from impairments of trade receivables and other taxes

2.3.2.2 Revenue development

The WashTec Group's revenue totaled €436.5m and was therefore slightly higher (by €1.1m or 0.2%) than the prior year figure of €435.4m.

6.4% average revenue growth from 2015 to 2019

Revenue development in €m



Adjusted for exchange rate effects, full-year revenue was €433.2m, a slight decrease of 0.5% on the prior year (€435.4m). The exchange rate effect was notably a result of appreciation of the US dollar against the euro. A detailed discussion about the development of the individual segments is provided under Segment Reporting in section 2.3.3.

Revenue by products

In €m Rounding differences possible	2019	2018	Veränd. (absolut)	Veränd. (in %)
Equipment and Service	380.6	377.8	2.8	0.7
Chemicals	47.1	45.6	1.5	3.3
Carwash management business and others	8.7	12.0	−3.3	−27.5
Total	**436.5**	435.4	**1.1**	**0.2**

Equipment and Service revenue was €380.6m, a slight 0.7% above the prior-year figure of €377.8m. Revenue growth in this product segment differed between the customer groups. While double-digit growth rates were generated in direct sales, revenue with major customers was down. The fact that total revenue matched the previous year despite this decrease confirms the Company's focus on improving efficiency in direct sales.

Business performance in Chemicals was also positive overall, although this year did not see a repeat of the revenue growth usual in previous years. Revenue grew here by €1.5m to €47.1m (prior year: €45.6m). The main reason for this was the significantly worse carwash weather compared with the prior year and the resulting reduction in carwash volumes in the first half of the year. In the second half of the year, the Company was once again able to generate around 10% revenue growth in this area.

Revenue in the Carwash Management business (previously the Operations business) and from arranging finance for wash equipment accounts for only about 2% of WashTec Group revenue and was down as expected due to the sales of locations last 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 rose from €189.1m to €194.9m.

Due to changes in the product and regional mix and to cost increases, primarily for raw materials, gross profit rose from €246.3m to €241.6m. As a result, the gross margin decreased by 1.3 percentage points year-on-year to 55.3%.

Personnel expenses
Personnel expenses went up compared with the prior year from €135.2m to €141.8m due to the larger average number of employees (primarily in field sales and service), collectively agreed pay increases and expenses in connection with the Performance Program. Adjusted for the one-off expenses, the increase in personnel expenses was €4.7m or 3.4%. Personnel expenses excluding one-off expenses came to €139.9m. The year-on-year increase in personnel expenses was reduced from 6% the first half year to 1.3% in the second half as a result of the effected cost-cutting measures. The personnel expense ratio (personnel expenses as a percentage of revenue) went up by 1.4 percentage points from 31.1% to 32.5%.

The number of employees at the year-end was 1,874 and therefore 4 more than the prior year. However, the figure was 14 down on the 1,888 employees at the end of the third quarter 2019. The announced gradual reduction in the workforce to around 1,820 employees by December 31, 2020 will be implemented in a socially responsible manner and phased accordingly over the entire year.

Other operating expenses
Other operating expenses* fell by €5.5m to €52.5m (prior year: €58.0m). Unlike the prior year, this includes the effect of the first time adoption of IFRS 16 (a reclassification of expense items from other operating expenses to depreciation and amortization). Adjusted for this effect, other operating expenses went up by €2.3m, mainly due to higher energy, vehicle and consulting costs and to expenses in connection with the measurement of trade receivables. Costs in this area were kept stable in the second half of the year.

Overall, the first time adoption of IFRS 16 had only a minor impact of approximately €0.2m on the WashTec Group's EBIT.

* Including expense from impairments of trade receivables and other taxes

The exchange rate losses contained in other operating expenses increased slightly to €2.0m (prior year: €1.9m).

Other operating income
Other operating income (excluding capitalized development costs) fell by €0.4m from €5.3m in the prior year to €4.9m. The decrease mainly relates to gains recognized in the prior year from the scheduled sale of wash equipment at a number of operator locations.

2.3.2.3.2 Exchange rate effects

Changes in the US dollar-euro exchange rate do not generally have a material impact on the operating business because most value is created and most revenue is recognized within North America.

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

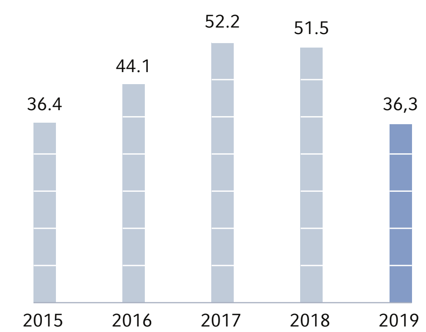
2.3.2.3.3 Depreciation and amortization

Depreciation and amortization increased to €16.5m (prior year: €9.8m), mainly due to the first time adoption of IFRS 16. Adjusted for this effect, depreciation and amortization fell slightly by €0.4m.

2.3.2.3.4 EBIT

Earnings before interest and taxes (EBIT) were down 29.5% to €36.3m (prior year: €51.5m). Adjusted for the one-off expenses from the Performance Program, EBIT was €38.2m.

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

The EBIT margin decreased to 8.3% (prior year: 11.8%). Adjusted for the one-off expenses from the Performance Program, the EBIT margin was 8.8%.

2.3.2.3.6 Financial result

Net financial expenses, at €−0.6m, were on the same level as in the prior year (prior year: €−0.6m). In comparison with the prior year, this figure additionally includes an effect in the amount of approximately €0.3m from the change in accounting policy due to the first time adoption of IFRS 16.

Analysis of financial result

Rounding differences possible, €m	2019	2018
Other interest income	0.1	0.1
Financial income	**0.1**	**0.1**
Interest-bearing loans	0.3	0.5
Interest expense from discounting lease liabilities*	0.4	0.1
Other interest expense	0.1	0.1
Financial expense	**0.8**	**0.8**
Financial result	**−0.6**	**−0.6**

* Prior year: finance lease liabilities

2.3.2.3.7 EBT

Earnings before tax (EBT) decreased to €35.7m (prior year: €50.8m).

2.3.2.3.8 Taxes

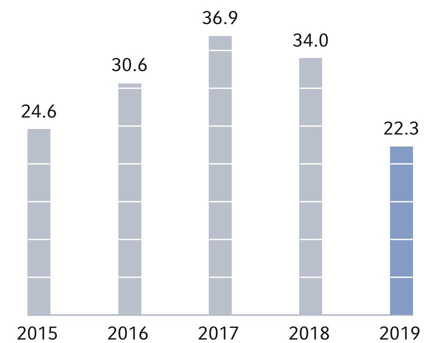
The taxes of €13.4m (prior year: €16.8m) consist of current tax expense and deferred taxes mainly relating to temporary differences. The tax rate (relative to EBT) rose to 37.6% (prior year: 33.0%). The main causes of the higher tax rate compared to the prior year are the higher proportion of the loss in North America within total Group earnings for which no deferred taxes are recognized.

The loss carryforwards are exclusively held by international subsidiaries.

2.3.2.3.9 Consolidated net income

Consolidated net income went down by €11.7m to €22.3m (prior year: €34.0m). On the basis of the average number of shares (13,382,324), earnings per share (basic = diluted) decreased by 34.6% to €1.66 (prior year: €2.54).

Consolidated net income in €m, multi-year comparison

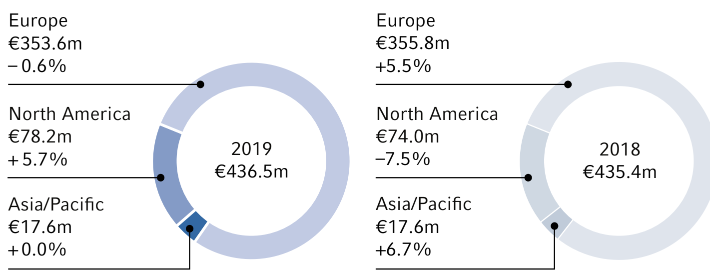


2.3.2.4 Use of funds/dividends

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 April 28, 2020, to appropriate the distributable profit of €22,581,092.36 shown in the Company's annual financial statements for fiscal year 2019 as follows: Payment of a dividend in the amount of €1.65 per eligible share, totaling €22,080,834.60, with the remaining distributable profit of €500,257.76 to be carried forward.

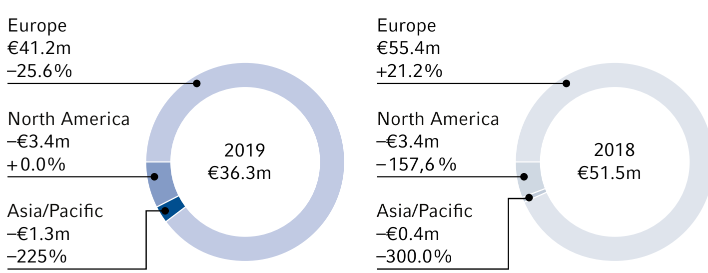
2.3.3 Reporting by region

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 possible		2019	2018	Change (in %)
Revenue	€m	353.6	355.8	– 0.6
EBIT	€m	41.2	55.4	– 25.6
EBIT margin	in %	11.7	15.6	–
Employees (as of Dec 31)		1,489	1,480	0.6

Market environment

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

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

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

Business development Europe

Rounding differences possible		2018	Guidance 2018	2019	Change (in %)
Revenue	€m	335.8	slight increase	353.6	−0.6
EBIT	€m	55.4	significant increase	41.2	−25.6

Revenue development

At €353.6m, revenue in Europe was stable relative the prior year (€355.8m). The forecast of a slight increase was thus not attained. As is the case for the WashTec Group as a whole, revenue performance here was notably affected by the slow revenue with major customers. In contrast, direct sales recorded good growth. Despite unfavorable weather in the first half year, Chemicals revenue grew on a full-year basis.

Earnings development

EBIT in Europe decreased significantly from €55.4m in the prior year to €41.2m. The EBIT margin was 11.7% (prior year: 15.6%). Earnings performance thus fell short of the guidance issued at the beginning of the year. A major reason for the lower earnings was the capacity expansion in direct customer contact activities in previous years for greater focus on direct sales customers (field sales and service). This was adjusted in the course of implementing the Performance Program. The one-off expenses for this program in the amount of €1.9m are included in the segment's earnings. Adjusted for these effects, EBIT in the Europe segment was €43.1m with an EBIT margin of 12.2%.

2.3.3.2 North America

North America region key figures

Rounding differences possible		2019	2018	Change (in %)
Revenue	€m	78.2	74.0	5.7
EBIT	€m	−3.4	−3.4	0.0
EBIT margin	in %	−4.4	−4.6	–
Employees (as of Dec 31)		282	288	−2.1

Market environment

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

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

Business development North America

Rounding differences possible		2018	Guidance 2019	2019	Change (in %)
Revenue	€m	74.0	significant increase	78.2	5.7
EBIT	€m	−3.4	significant increase	−3.4	0.0

Revenue development

Revenue in North America went up from €74.0m in the prior year to €78.2m. In US dollars, revenue was USD 87.2m (prior year: USD 86.8m) and thus remained stable. The forecast of significant revenue growth (adjusted) was not attained. Revenue performance in direct sales was nonetheless strongly positive with double-digit revenue growth. This positive performance was unfortunately not sufficient to offset the decrease in revenue with major customers.

China: Substantial market growth expected in the mid to long term

Earnings development

Earnings in North America were stable at €–3.4m (prior year: €–3.4m). The target of a significant increase in EBIT was thus not attained. Many processes and workflows in the region were improved in the past year, with the result that the number of employees was reduced at the year-end despite the investment in capacity expansion necessitated by the newly won chemicals tender.

2.3.3.3 Asia/Pacific

Asia/Pacific region key figures

Rounding differences possible		2019	2018	Change (in %)
Revenue	€m	17.6	17.6	0.0
EBIT	€m	−1.3	−0.4	−225
EBIT margin	%	−7.4	−2.5	–
Employees (as of Dec 31)		60	58	3.4

Market environment

The Chinese market for car washes is still dominated by hand washes because of the ongoing low cost of labor. 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. Since 2008, WashTec has had its own assembly and procurement location near Shanghai.

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

Business development Asia/Pacific

Rounding differences possible		2018	Guidance 2019	2019	Change (in %)
Revenue	€m	17.6	significant increase	17.6	0.0
EBIT	€m	−0.4	significant increase	−1.3	−225

Revenue development in Asia/Pacific

At €17.6m, Asia/Pacific revenue was on the same level as in the prior year (€17.6m). The forecast of a significant increase in revenue was thus not attained. Revenue performance was very positive in China. In Australia, WashTec's largest market in the region, revenue growth was significantly impacted by the loss of a major customer. This also had an adverse effect on performance in this region, especially on the earnings side. It was possible to stabilize performance in the Australian market over the course of the year, as a result of which the region completed the year with a significant increase in orders received and hence also a larger order backlog.

Earnings development

EBIT decreased to €–1.3m (prior year: €–0.4m). The original forecast of significantly higher EBIT for 2019 was consequently not attained. As mentioned above, earnings were negatively impacted in particular by the revenue-driven decline in profitability in the Australian market combined with investment in growth in China.

2.3.4 Net assets

2.3.4.1 Asset and capital structure

Condensed consolidated balance sheet

Rounding differences possible, €m	2019	2018
Non-current assets (incl. right-of-use assets)	109.3	91.4
Receivables and other assets	111.4	92.8
Inventories	38.1	37.3
Deferred tax assets	3.7	4.1
Cash and cash equivalents	12.4	11.6
Equity	84.5	95.4
Interest-bearing loans	47.1	18.7
Other liabilities and provisions	116.9	97.4
of which provisions (including income taxes)	29.4	29.0
of which trade payables	20.8	18.5
Contract liabilities	21.9	21.5
Deferred tax liabilities	4.5	4.2
Balance sheet total	**274.9**	**237.2**

The WashTec Group's balance sheet total went up from €237.2m to €274.9m.

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 €14.0m and technical equipment and machinery in the amount of €11.5m. Intangible assets (excluding goodwill) total €12.3m. Also included are right-of-use assets in the amount of €21.5m.

Receivables and other assets went up from €92.8m to €111.4m as of the reporting date. The increase mainly related to trade receivables due to the revenue growth in the final months of the fiscal year. Trade receivables rose from €76.4m to €91.4m.

Inventories went up slightly from €37.3m to €38.1m at the end of the year.

Deferred tax assets totaling €3.7m (prior year: €4.1m) related to temporary differences between the tax base and IFRS carrying amounts.

Cash and cash equivalents went up from €11.6m in the prior year to €12.4m.

2.3.4.1.2 Liabilities and equity

The first time adoption of IFRS 16 Leases resulted in an increase in total assets as of December 31, 2019 due to the recognition of right-of-use assets in the amount of €21.5m. This resulted in a negative effect on the equity ratio in the amount of 2.2 percentage points. **Equity** went down from €95.4m to €84.5m. 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 decreased to 30.7% (prior year: 40.2%).

Equity ratio of 30.7% after first time adoption of IFRS 16

Bank liabilities rose compared to December 31, 2018 from €18.7m to €47.1m.

WashTec held bank deposits totaling €12.4m as of the year-end. These were countered by bank liabilities in the amount of €47.1m and lease liabilities (prior year: finance lease liabilities) in the amount of €21.7m. Recognition of right-of-use assets in accordance with IFRS 16 in the amount of €18.7m, the €32.8m dividend payment and the lower free cash flow increased net financial debt (cash and cash equivalents less current and non-current financial liabilities) by €46.3m to €56.4m at the year-end.

Trade payables rose from €18.5m to €20.8m. The increase resulted from working capital optimization measures.

Contract liabilities increased slightly by €0.4m to €21.9m (prior year: €21.5m).

Deferred tax liabilities decreased to €4.5m (prior year: €4.2m).

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 higher than in the prior year at €29.4m (prior year: €29.0m).

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, 2019, the Group had a credit line for a total amount of €87.5m (prior year: €87.4m). The undrawn amount of the credit line available for future operating activities and to meet obligations was €33.9m as of the reporting date (prior year: €59.6m).

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

Investments mainly in digitisation and development of new products

The focus of capital expenditure was on Europe (€6.7m). This 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 (€0.3m) and Asia/Pacific (€0.6m).

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

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

2.3.5.3 Cash flow statement

Rounding differences possible, €m	2019	2018	Change (absol.)	Change (in %)
EBT	35.7	50.8	−15.1	−29.7
Net cash flows from operating activities	21.8	38.2	−16.4	−42.9
Net cash flows from investing activities	−6.8	−6.0	−0.8	−13.3
Free cash flow	15.0	32.3	−17.3	−53.6
Net cash flows from financing activities	−42.0	−35.2	−6.8	−19.3
Net change in cash funds	−27.0	−2.9	−24.1	−831.0
Cash funds as of December 31	−34.7	−7.1	−27.6	−388.7

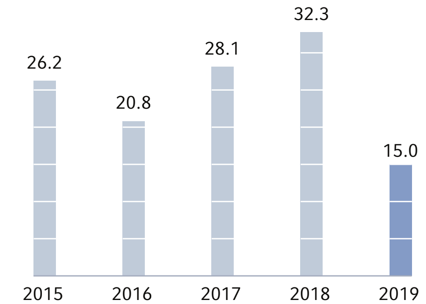
The **cash inflow from operating activities (net cash flow)** decreased to €21.8m (prior year: €38.2m). Aside from the lower earnings relative to the prior year, the main factor here was an increase in net operating working capital (NOWC). The change in accounting in accordance with IFRS 16 must be considered when comparing with the prior year. This resulted in an increase in depreciation and amortization, which is non-cash for the purpose of determining net cash flow. Adjusted for this effect, net cash flow decreased by €14.7m.

Net operating working capital (trade receivables + inventories – trade payables – prepayments on orders) increased by €13.4m from €82.6m to €96.2m. This resulted from a substantial increase in trade receivables due to the revenue generated in the final months of the fiscal year.

The **net cash outflow from investing activities** was €6.8m in fiscal year 2019 (prior year: €6.0m). Payments for capital expenditure were below the prior-year level at €7.7m (prior year: €9.4m)

Free cash flow [cash inflow from operating activities (net cash flow) – cash outflow from investing activities] decreased to €15.0m (prior year: €32.3m). Adjusted for the above-mentioned effects of accounting in accordance with IFRS 16, free cash flow went down to €7.9m.

Free cash flow in €m



The **cash outflow from financing activities** was €42.0m (prior year: €35.2m). This includes dividend payments, interest payments and repayments of lease liabilities. The increase in the cash outflow is mainly due to the change in the presentation of lease payments from net cash flow to cash flow from financing activities as a result of accounting in accordance with IFRS 16.

It is necessary to take into account the effects of accounting in accordance with IFRS 16 in the depreciation and amortization item, which also has an impact on the repayment of lease liabilities item.

Cash funds (net) went down due to the lower earnings, the higher NOWC and the dividend payments to €−34.7m as of December 31, 2019 (prior year: €−7.1m). The Company was able to meet its payment obligations at all times.

2.4 Non-financial performance indicator

Accident rate

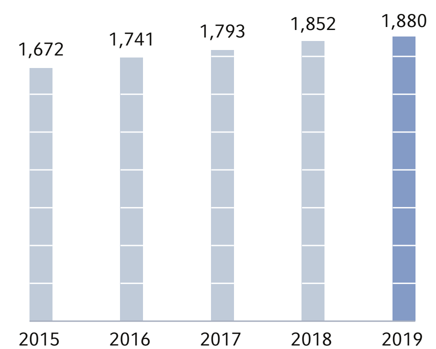
Rounding differences possible	2018	Guidance 2019	2019	Change (in %)
Work accidents/ million hours worked	0.9	0	3.5	–

WashTec uses the number of work accidents per million hours worked as a non-financial performance indicator. The figure of 3.5 for 2019 was below the industry average of 22.07 reported by the employers' liability insurance associations (Berufsgenossenschaften). The target of zero accidents in 2019 was consequently not attained. WashTec continues to aim for the ambitious target of zero accidents.

2.5 Employees

The number of employees rose slightly by four to 1,874 as of December 31, 2019 (prior year: 1,870). The average number of employees during the year was 1,880 (prior year: 1,852).

Average number of employees by year



As part of the Performance Program, the Company pressed ahead with ongoing reductions in the workforce during the second half year. Between the end of the third quarter and the end of 2019, the number of employees thus decreased by 14, from 1,888 to 1,874. The gradual reduction in the workforce to around 1,820 employees by December 31, 2020 will be implemented in a socially responsible manner and phased accordingly over the entire year.

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

The WashTec workforce is key to the WashTec Group's business success. After substantial increases in past years, expenditure for continuing education and training remained at a high level.

2.6 WashTec AG

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

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

2.6.1 Results of operations

Income Statement of WashTec AG (condensed)

Rounding differences possible, €m	2019	2018	Change (absol.)	Change (in %)
Revenue	3.4	3.4	0.0	0.0
Personnel expenses	3.3	3.3	0.0	0.0
Other operating expenses	2.3	2.3	0.0	0.0
Investment result	24.1	38.3	−14.2	−37.1
EBT	22.6	36.6	−14.0	−38.3
Net income for the period	20.9	33.8	−12.9	−38.2
Profit carried forward	1.7	0.7	1.0	142.9
Distributable profit	**22.6**	**34.5**	**−11.9**	**−34.5**

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

WashTec AG's **personnel expenses** (HGB-basis) of €3.3m (prior year: €3.3m) include Management Board remuneration as shown in the remuneration report on pages 94 to 97 and personnel expenses for the Legal and Investor Relations functions.

Other operating expenses (HGB-basis), at €2.3m, were at the same level as in the prior year (prior year: €2.3m).

Net income for the period (HGB-basis) went down from €33.8m to €20.9m.

The **investment result** (HGB-basis) primarily includes income under control and profit and loss pooling agreements in the amount of €4.0m (prior year: €8.2m) 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 €20.0m (prior year: €30.0m).

2.6.2 Net assets and financial position

Balance Sheet of WashTec AG (condensed)

Rounding differences possible, €m	2019	2018	Change (absol.)	Change (in %)
Non-current assets	128.1	128.1	0.0	0.0
Receivables, other assets	35.0	42.6	−7.6	−17.8
Equity	151.7	163.6	−11.9	−7.3
Provisions	4.0	4.5	−0.5	−11.1
Liabilities	7.4	2.7	4.7	174.1
Balance sheet total	**163.1**	**170.8**	**−7.7**	**−4.5**

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 €35.0m (prior year: €42.6m) primarily result from general clearing transactions with affiliated companies under profit and loss pooling agreements.

Equity (HGB-basis) was €151.7m (prior year: €163.6m). This yields an equity ratio of 93.0% (prior year: 95.8%).

Equity ratio of WashTec AG 93%

Provisions (HGB-basis) stood at €4.0m (prior year: €4.5m) and mainly related to employee bonuses, legal and consulting expenses, auditing costs, Management Board remuneration and Supervisory Board remuneration.

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

2.6.3 Opportunities and risk report

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

2.6.4 Miscellaneous

The principles underlying the remuneration system for the Management Board members and the members of the Supervisory Board are explained in the remuneration report, section 8.4, 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.

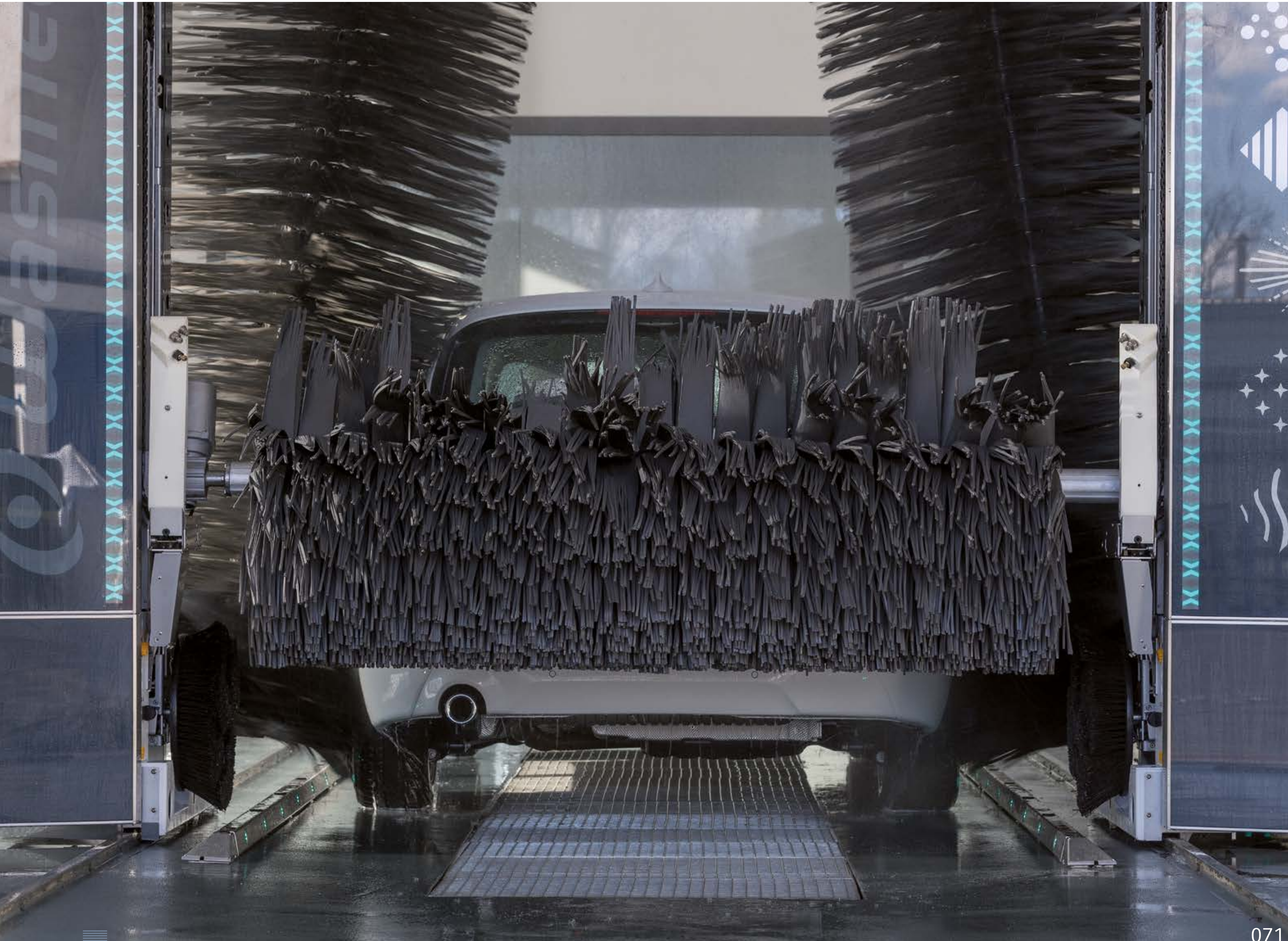
2.6.5 Outlook

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.

3 Report on post-balance sheet date events

Significant events after the balance sheet date

The Group is closely monitoring the development of the "coronavirus" issue. In particular, country-specific risks and risks in the supply chain and service areas are actively monitored. Action plans have been prepared for various scenarios. The facts are currently too volatile to allow a final assessment of the consequences on a global basis.



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 its preparation and that could impact the expected development and business performance of the WashTec Group.

4.1.1 Business policy and strategy

In 2020 and going forward, the WashTec Group continues to pursue its strategy of maximizing customer benefit and expanding 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. Even though the number of new vehicle registrations has declined slightly in recent years, it is expected that automated vehicle washing will gradually become increasingly generally accepted.

4.1.3 General economic conditions

A detailed description of the economic environment and the development of the world economy is provided in section 2.1 of this management report. On the whole, 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 2020 is subject to uncertainties that could have a material effect on budgeted revenue and earnings performance. The effects on the outlook due to the coronavirus crisis are finally determined by various factors. At present, it is not possible to foresee over what period of time, in which divisions and to what extent there will be negative effects and to what extent these can be offset by opposing positive effects. 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 beyond the levels already attained. The focus in 2020 is on sales efficiency in product-related matters and digitalization. Capital expenditure is intended to increase relative to the prior year and the number of employees is to be reduced continuously to around 1820 by December 31, 2020.

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 2020:

- **Europe:** The market in Europe will not significantly change in 2020. The order volume is expected to be the same in 2020 as in 2019. Competition remains very strong. Capital spending shows a slight downward trend. There is considerable uncertainty in the economic environment.

Market in Europe estimated to be constant

The company expects that revenue in the region will remain stable, while earnings will improve slightly compared to 2019.

Europe		2019	Guidance 2020
Revenue	€m	353.6	stable
EBIT	€m	41.2	slight 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 2020 will be on growth in direct sales business and on further increasing internal process efficiency and profitability in the region. WashTec anticipates slight growth in revenue and EBIT – excluding exchange rate effects – in 2020 as a whole.

North America		2019	Guidance 2020
Revenue	€m	78.2	slight increase
EBIT	€m	−3.4	slight increase

- **Asia/Pacific:** The region was down in 2019, especially as regards earnings, due to the business performance in Australia. Based on activities already implemented and developments in the second half of 2019, WashTec anticipates an increase in business for 2020. WashTec expects a stable revenue and a slight increase in EBIT for the segment as a whole. This forecast is based on the assumption that the economic impacts of the coronavirus will not spread further and will be overcome in China by the beginning of the second quarter at the latest.

Asia/Pacific		2019	Guidance 2020
Revenue	€m	17.6	stable
EBIT	€m	−1.3	slight increase

- **Group:** WashTec is aiming for stable revenue performance for the Group in fiscal year 2020, with a slight increase in EBIT. Regarding free cash flow, the Company expects a significant increase.

Our goal as a company is to employ the capital available to us profitably and efficiently. We use the return on capital employed (ROCE) ratio as our central measure of capital efficiency. Our target is to increase ROCE over 25%. For the coming year, we expect ROCE of about 20%.

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

In summary, the Management Board expects in its guidance that the key performance figures will develop as follows. The overall guidance is based on the assumption that business development will be manageable due to the coronavirus crisis. The EBIT guidance is based on revenue development in the lower end of the range.

		2019	Guidance 2020
Revenue	€m	436.5	stable
EBIT	€m	36.3	slight increase
Free cash flow	€m	15.0	significant increase
ROCE	in %	18.4	around 20%
Accident rate: (work accidents/ million hours worked)		3.5	0

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

For WashTec AG, in light of the charging-on of costs to subsidiaries, stable revenue growth and therefore stable earnings before tax in 2020. The results also depend on the future profit distributing potential of the subsidiaries.

4.2 Opportunities and risk report

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

There were no material changes in the opportunity and risk structure relative to the prior year. Opportunities and risks as of the December 31, 2019 balance sheet 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.

Currently increasing uncertainties regarding the global economic outlook, among other things due to the ongoing trade conflict between the USA and China, could have an unfavorable impact on investment propensity.

The economic slowdown that had already begun in late 2018 further intensified in 2019. This lowers expectations with regard to sales volumes throughout the economy. The automotive industry is hit especially hard by this decline. Growing skepticism about future developments may also make WashTec customers reluctant to invest.

Now that Brexit has actually taken place as of January 31, 2020, the risk of the United Kingdom leaving the European Union without a deal has not been confirmed. It is now a matter of what agreement is reached on the future relationship. Business and consumer uncertainty in this regard may continue to have a negative impact on investment decisions.

The direct impacts on the business development of the WashTec Group are not considered to be material. 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.

The coronavirus outbreak from the beginning of 2020 could have a significant impact on the global economy. A further intensification of the situation in the rest of the world and thus possible restrictions on the economy (e.g. plant closures, quarantine, etc.) could also have a significant impact on the WashTec Group's business.

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.

Certain regions that WashTec views as strategically important growth markets are now in a somewhat worse economic condition than they were in the prior year.

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. This risk remains similar relative to the prior year due to forthcoming negotiations with major customers. The resulting risks may have a significant impact on revenue performance in the coming year.

The global economic slowdown could also make major customers reluctant to invest.

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.

The trend in crude oil prices has been stable in recent years. Significant change here is not currently expected, especially considering the downward trend seen in recent months.

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

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

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

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 would encumber the financial position, financial performance and cash flows of the WashTec Group due to interest on tied-up capital and/or 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.

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, security and environment (HSSE) 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 economic slowdown in recent months has eased the situation for suppliers and reduced this risk for the time being.

Such risk is minimized 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.

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 interest of new investors, then this could lead to takeover or to significant changes in ownership structure.

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

4.2.2.10 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

The WashTec Group completed its corporate refinancing project in fiscal year 2018. The Company has been able to obtain far greater flexibility in financing for the future and an improvement in borrowing terms.

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 should additional financing requirements arise as a result of business development.

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

4.2.2.14 Tax risks

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

Further risks 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	likely	material	material
Climate and environmental risks	possible	insignificant	relevant
Customer, competition and market	possible	material	material
Capital expenditure	very unlikely	insignificant	negligible
Innovations and patents	possible	minor	relevant
Quality and processes	possible	minor	relevant
Supplier risks	possible	material	material
Capacity risks	possible	insignificant	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	insignificant	relevant
Tax risks	possible	insignificant	relevant
Employee risks	unlikely	minor	relevant

4.2.4 Overall risk assessment

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

There has been a slight decrease in total number of risks that could have a material effect on the WashTec Group. Risks relating to decisions of major customers and risks relating to the introduction of new products have once again risen somewhat compared with the prior year. As in the prior year, default risk is classified as very small due to larger total customer receivables in combination with extended payment terms. Nevertheless, there has been no fundamental change in the overall risk situation. No risk has been identified that raises doubt about the Group's ability to continue as a going concern.

Compared to the prior year, the risk assessment has changed, particularly with regard to the overall economic development due to the coronavirus crisis that has arisen. At present, it is not possible to foresee over what period of time, in which divisions and to what extent there will be negative effects and to what extent these can be offset by opposing positive effects.

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 Consolodated Financial Reporting Process

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

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

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

6 Risk Relating to the Use of Financial Instruments

The risks for the WashTec Group arising from derivative financial instruments comprise cash flow, liquidity, currency, credit and default risks. Company policy is to avoid or limit 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 Disclosure

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.

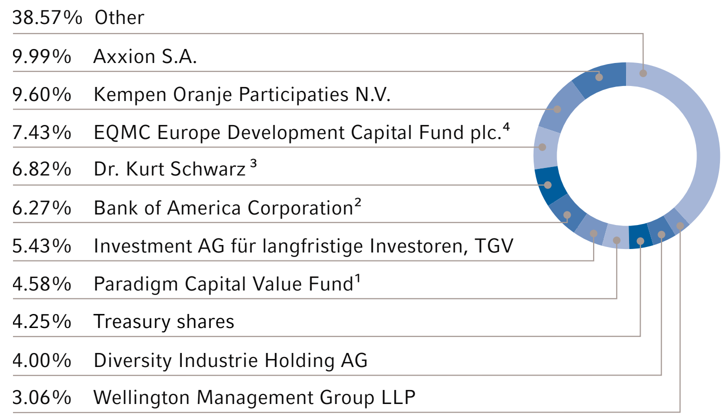
Section 315a no. 1 HGB: Subscribed capital
The Company's subscribed capital of €40,000,000 is divided into 13,976,970 no-par-value bearer shares that each grant the same rights, including the same voting rights. There are no different classes of shares. The Management Board is not aware of any restrictions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

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

Section 315a no. 3 HGB: Direct and indirect shareholdings
To the knowledge of the Management Board, 38.75% of the Company's shares (as of December 31, 2019) 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 close to but below 10% of voting rights are held by Axxion S.A., Luxembourg (9.99%), Kempen Oranje Participations N.V., Netherlands (9.60%) and EQMC Europe Development Capital Fund plc., Ireland (7.43%).

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

Shareholder structure as of December 31, 2019



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

[1] Carne Global Fund Managers (Luxembourg) S.A.
[2] BofA Securities Europe SA (6.22% voting rights)
[3] Leifina GmbH & Co. KG et al
[4] Alantra EQMC Asset Management, SGIIC, S.A. (as investment management function)

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

Section 315a no. 5 HGB: System of control of any employee share scheme
There are no employee interests in capital.

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

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

In accordance with the 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 2019 reporting year, the Management Board comprised up to four members and temporarily five members. For the period February 28, 2019 to July 15, 2019, no member of the Management Board was appointed CEO. The Articles of Association do not lay down any special requirements with respect to the appointment and removal of one or all of the members of the Management Board. The Supervisory Board is responsible for appointments and removals. Members may be reappointed to the Management Board or have their term of office extended.

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

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

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

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

By resolution of the Annual General Meeting on May 11, 2016, the Management Board was authorized, subject to the consent of the Supervisory Board, to increase the registered share capital on one or more occasions on or before May 10, 2019 by a total amount of up to €8,000,000 (authorized capital) by issuing new no-par-value bearer shares in exchange for cash and/or non-cash contributions. The Management Board has not made use of these authorizations.

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.

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

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

This authorization expired on May 10, 2019. The Management Board has not made use of these authorizations. No resolution for a new authorization was passed at the Annual General Meeting of April 29, 2019.

Share buy-back

Unless expressly permitted by law, the Company cannot acquire or make use of treasury shares except with authorization from the Annual General Meeting. As the authorization to purchase treasury shares granted by resolution of the Annual General Meeting of May 11, 2016 expired on May 10, 2019, it was resolved at the Annual General Meeting of April 29, 2019 to revoke the existing authorization and to grant the Company renewed authorization to purchase and make use of treasury shares. By resolution of the Annual General Meeting of 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.

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

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

8 Corporate Governance Declaration (Section 289f HGB)

(including Corporate Governance Report)

The actions of the Management Board and Supervisory Board of WashTec AG follow the principles of good and responsible corporate governance. In this declaration, the Management Board reports in accordance with Sections 289f and 315d of the German Commercial Code (Handelsgesetzbuch, or HGB) on corporate governance at WashTec AG and in the WashTec Group. The Management Board and Supervisory Board further provide information on the corporate governance of the Company pursuant to Section 3.10 of the German Corporate Governance Code (the 'Code') as amended February 7, 2017.

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 requirements of the Code. The recommendations of the Code are largely complied with. In all other respects, the recommendations of the Code as amended February 7, 2017 are met. The exceptions are disclosed by the Management Board and Supervisory Board in the Declaration of Conformity to the Code dated December 19, 2019. In accordance with the resolution of the Annual General Meeting of May 11, 2016 to refrain from publishing information about the remuneration of individual Management Board members, and in departure from Section 4.2.5 paras. 3 and 4 of the Code, the information there referred to is not disclosed for each member of the Management Board and the model tables relating to Section 4.2.5 para. 3 of the Code are not used.

8.1 Corporate and managerial structure

Supervisory Board

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 of the Supervisory Board 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 assuming the role of financial expert on the basis of his special expertise and experience. 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.

By resolution of the Supervisory Board of July 11, 2019, Supervisory Board member Dr. Günter Blaschke was appointed member of the Management Board and also Chief Executive Officer for the period July 15, 2019 to December 31, 2019 pursuant to Section 105 (2) of the German Stock Corporation Act (AktG). Dr. Blaschke's Supervisory Board mandate and his memberships of the Personnel, Innovation and Sales Strategy Committee were suspended during that period.

For the same period, Mr. Ulrich Bellgardt was appointed Chairman and Dr. Alexander Selent was appointed Deputy Chairman of the Supervisory Board.

Effective January 1, 2020 onward, Dr. Günter Blaschke was appointed Chairman and Mr. Ulrich Bellgardt was appointed Deputy Chairman of the Supervisory Board.

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

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

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

Supervisory Board has six members and several committees

The Supervisory Board is composed of six shareholder representatives. In its assessment, all present members of the Supervisory Board are independent within the meaning of the Code – 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, and regularly reviews, among other things, the compensation system for the Management Board, including the main contractual elements of that system (Section 4.2.2 of the Code). Management Board decisions of major significance – for example, acquisitions, divestitures and financing measures – are subject to Supervisory Board approval.

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

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

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

Management Board

The Management Board of WashTec AG, as the Company's executive body, is required to act in the Company's best interests, 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.

Ms. Karoline Kalb, Mr. Axel Jaeger and Mr. Stephan Weber were members of the Management Board for the entire duration of the reporting period. Dr. Volker Zimmermann was member of the Management Board as CEO until February 28, 2019. Dr. Zimmermann was responsible for the areas of Development, *Supply Chain*, *Service Support*, *Quality* and *Purchasing*. These responsibilities were assumed by Dr. Ralf Koeppe in his capacity as Chief Technical Officer from July 1, 2019. Ms. Kalb was responsible for the areas of *Human Resources*, *Legal* and *Compliance*, *Investor Relations* and *Special Projects*. Mr. Weber was responsible for *Sales*, *Marketing* and *Product Management*. Mr. Jaeger was responsible for *Finance*, *IT* and *Audit*.

In accordance with Section 105 (2) of the German Stock Corporation Act (AktG), Dr. Günter Blaschke was appointed member of the Management Board and also Chief Executive Officer for the period July 15, 2019 to December 31, 2019. Effective January 1, 2020 onward, Dr. Koeppe serves as CEO alongside his office as CTO.

Dr. Zimmermann, Chief Executive Officer and Chief Technical Officer of WashTec AG, left the Company by mutual agreement as of February 28, 2019.

Ms. Kalb, member of the Management Board responsible for Human Resources, Legal & Compliance, Investor Relations and Special Projects, left the Company on December 31, 2019 by mutual agreement after her term of office expired. Her responsibilities were divided up and were assumed from January 1, 2020 by Dr. Koeppe and Mr. Jaeger.

Managers' transactions

Under Article 19 of the Market Abuse Regulation (EU) No 596/2014, members of the Management Board and Supervisory Board, as well as persons closely associated with them, are required to disclose any purchase or sale of securities in WashTec AG or of financial instruments linked thereto once the purchase and sale transactions reach a total amount of €5,000 (effective January 1, 2020: €20,000) within a calendar year.

Date of transaction	First and last name	Type	Location of transaction	Position/ status	Date of publication	Quantity	Course/ Price in € (Ø)	Total volume in €
Feb 28, 2019	Dr. Alexander Selent	Purchase	Xetra	Member of the supervisory board	Mar 4, 2019	500	53.7410	26,870.50
Apr 30, 2019	Dr. Günter Blaschke	Purchase	Xetra	Member of the supervisory board	May 2, 2019	2060	70.2000	144,612.00
May 3, 2019	Ulrich Bellgardt	Purchase	Xetra	Member of the supervisory board	May 7, 2019	570	67.1033	38,248.90
May 6, 2019	Dr. Hans-Friedrich Liebler	Purchase	Xetra	Member of the supervisory board	May 7, 2019	200	66.6000	13,320.00
May 13, 2019	Dr. Hans-Friedrich Liebler	Purchase	Xetra	Member of the supervisory board	May 14, 2019	200	65.1510	13,030.20
May 29, 2019	Dr. Sören Hein	Purchase	Outside a trading venue	Member of the supervisory board	May 26, 2019	450	65.7900	29,605.50
June 3, 2019	Dr. Hans-Friedrich Liebler	Purchase	Xetra	Member of the supervisory board	June 3, 2019	100	62.6500	6,265.00
Sep 24, 2019	Dr. Ralf Koeppe	Purchase	Xetra	Member of the management board	Sep 24, 2019	600	48.5981	29,158.90

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, 2019, 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, 2019, the members of the Management Board held shares of WashTec AG as follows: Ms. Karoline Kalb 3,590 shares, Dr. Koeppe 600 shares, Mr. Axel Jaeger 4,900 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 conjunction with 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.

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

In 2019, as in previous years, WashTec AG published all documents of relevance to its Annual General Meeting on the Internet in German and in English. The WashTec AG website thus provides a comprehensive information platform for both national and international investors, including with regard to the Annual General Meeting. WashTec AG does not webcast its Annual General Meeting and does not electronically transmit notices of convocation.

Diversity policy

WashTec pursues the fundamental aim of enabling the composition of the Management Board and the Supervisory Board to be based on qualification. The composition of the Supervisory Board reflects the Company's purpose and size, the composition of the workforce and WashTec's international business activities (in accordance with Section 5.4.1 of the Code).

Positions on the Board of Management and Supervisory Board are assigned to women if suitably qualified. The Management Board had one woman member, Ms. Karoline Kalb, in the reporting year.

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

In appointments to the Management Board and Supervisory Board, experience in a related industry is desirable.

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.

Also 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 2019 reporting year, the percentage of women on the Supervisory Board corresponded to the set quota.

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 2019 reporting year were 9.09% at the first management level below the Management Board and 15.38% 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, the corporate governance report (as a part of the Annual Report) and further documents concerning corporate governance (such as the WashTec Code of Ethics) are available for downloading from the Investor Relations section of the Company's website, www.washtec.de.

WashTec has established a 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 19, 2019 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 19, 2019 pursuant to Section 161 AktG

The Management Board and Supervisory Board submitted the last Declaration of Conformity on December 20, 2018 and updated it on March 13, 2019 and July 11, 2019.

The Management Board and Supervisory Board declare that from submission of the last Declaration of Conformity on December 20, 2018, WashTec AG complied, and will comply in the future, with the recommendations of the German Corporate Governance Code issued by the Government Commission of the German Corporate Governance Code as amended on February 7, 2017 and published on April 24, 2017, with the following exceptions:

- *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 is refrained from accordingly, and therefore in departure from Section 4.2.5 paras. 3 and 4 of the Code, the information there referred to is not disclosed for each member of the Management Board and the model tables relating to Section 4.2.5 para. 3 of the Code are not used.*

- *At its meeting of February 27, 2019, the Supervisory Board resolved that, following the departure of the previous Chief Executive Officer as of February 28, 2019, no new Chief Executive Officer or Spokesperson of the Management Board of WashTec AG should be appointed for the time being. This departure from Section 4.2.1 sentence 1 of the Code, under which the Management Board should have a Chief Executive Officer or Spokesperson, was disclosed by the Management Board and Supervisory Board in the updated Declaration of Conformity of March 13, 2019. By resolution of the Supervisory Board of July 11, 2019, Supervisory Board member Dr. Günter Blaschke was appointed member of the Management Board and also Chief Executive Officer for the period July 15, 2019 to December 31, 2019 pursuant to Section 105 (2) of the German Stock Corporation Act (AktG). For the period from January 1, 2020, member of the Management Board Dr. Ralf Koeppe was appointed Chief Executive Officer. Accordingly, the recommendation in Section 4.2.1 sentence 1 of the Code is once again complied with effective July 15, 2019 onward.*

- *Under Section 4.2.3 para. 2 sentence 2 of the Code, monetary remuneration of members of the Management Board should comprise fixed and variable components. It is not clear whether this recommendation also applies to members of the Supervisory Board who are appointed to the Management Board pursuant to Section 105(2) AktG. The Management Board and the Supervisory Board therefore declared as a precautionary measure in the updated Declaration of Conformity of July 11, 2019 that Dr. Günter Blaschke, a member of the Supervisory Board appointed to the Management Board pursuant to Section 105 (2) AktG for the period July 15, 2019 to December 31, 2019, would solely receive fixed remuneration for his service on the Management Board, without any variable components. With the return of Dr. Blaschke to the Supervisory Board as of January 1, 2020, the monetary remuneration of members of the Management Board once again comprises fixed and variable components.*

- *Under Section 5.1.2 para. 2 sentence 3 of the Code, an age limit should be set for members of the Management Board. The Supervisory Board has consequently set a standard age limit for members of the Management Board. The Management Board and the Supervisory Board declared as a precautionary measure in the updated Declaration of Conformity of July 11, 2019 that Dr. Günter Blaschke, a member of the Supervisory Board appointed to the*

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

Management Board pursuant to Section 105 (2) AktG for the period July 15, 2019 to December 31, 2019, exceeded the regular age limit. With the return of Dr. Blaschke to the Supervisory Board as of January 1, 2020, the regular age limit for members of the Management Board is once again complied with.

Augsburg, December 19, 2019
Management Board and Supervisory Board"

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

The remuneration of the members of the Management Board complies with the statutory requirements of the German Stock Corporation Act and with the recommendations contained in the Code. The remuneration system was last discussed in depth by the Supervisory Board at its meeting of December 20, 2018 and adopted by resolution, including the major elements of remuneration (Section 4.2.2 para. 1 of the Code). 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 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. 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. No bonuses are paid on appointment.

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

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 (preamendment). The Management Board has been provided with an exemption from the disclosures pursuant to Section 314 (1) no. 6a sentences 5 to 8 HGB for the fiscal year commencing January 1, 2016 and for all subsequent fiscal years up to and including at the latest the fiscal year ending December 31, 2020. Further details on remuneration are provided in the notes to the consolidated financial statements starting on page 146.

Supervisory Board remuneration

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

Each member of a committee (with the exception of the Audit Committee) receives additional fixed remuneration of €2,500. The 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 2019 for services provided individually (Section 5.4.6 of the Code).

The Annual General Meeting 2018 resolved a new 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 June 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. It is payable 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 participate in the LTIP, Dr. Blaschke, Mr. Bellgardt, Dr. Hein and Dr. Liebler participating with the maximum number of shares.

Supervisory Board remuneration 2019

Rounding differences possible, €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

Supervisory Board remuneration 2018

Rounding differences possible, €k	Fix	Variable	Attendance fees	Total	Cap[1]	Payout amount	Multi-year variable remuneration (long-term component)[2]
Dr. Günter Blaschke	100.0	0	62.0	162.0	200.0	162.0	–
Ulrich Bellgardt	70.0	0	47.5	117.5	150.0	117.5	–
Jens Große-Allermann	35.0	0	20.5	55.5	75.0	55.5	–
Dr. Sören Hein	35.0	0	24.5	59.5	75.0	59.5	–
Dr. Hans-Friedrich Liebler	35.0	0	21.0	56.0	75.0	56.0	–
Dr. Alexander Selent[4]	35.0	0	38.0	73.0	100.0	73.0	–
Total	**310.0**	**0**	**213.5**	**523.5**	**675.0**	**523.5**	**–**

[1] Payout limited by cap (according to term of service/position), [2] Fair value of LTIP at grant date

Augsburg, March 12, 2020

Dr. Ralf Koeppe
Chief Executive Officer

Axel Jaeger
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, 2019	Jan 1 to Dec 31, 2018
Revenue	7	436,480	435,446
Other operating income	8	4,854	5,266
Capitalized development costs		706	2,842
Change in inventory		−978	−3,230
Total		**441,061**	**440,323**
Cost of raw materials, consumables and supplies and of purchased material		155,530	147,430
Cost of purchased services		38,417	38,455
Cost of materials		**193,948**	**185,885**
Personnel expenses	9	141,822	135,218
Amortization, depreciation and impairment		16,523	9,796
Other operating expenses	10	50,589	57,068
Impairment loss of trade receivables		780	−92
Other taxes		1,094	977
Total operating expenses		**404,757**	**388,853**
EBIT		**36,304**	**51,471**
Financial income		135	123
Financial expenses		759	754
Financial result	11	**−623**	**−631**
EBT		**35,681**	**50,839**
Income taxes	12	13,430	16,804
Consolidated net income		**22,251**	**34,035**
Average number of shares in units		**13,382,324**	**13,382,324**
Earnings per share (basic = diluted) in €	13	**1.66**	**2.54**

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, 2019	Jan 1 to Dec 31, 2018
Consolidated net income	**22,251**	**34,035**
Actuarial gains/losses from defined benefit obligations and similar obligations	−956	5
Deferred taxes	283	7
Items that will not be reclassified to profit or loss	**−673**	**12**
Adjustment item for currency translation of foreign subsidiaries	23	842
Exchange differences on net investments in subsidiaries	284	−275
Deferred taxes	−22	−51
Items that may be subsequently reclassified to profit or loss	**285**	**516**
Other comprehensive income	**−388**	**528**
Total comprehensive income	**21,863**	**34,563**

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

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

Rounding differences may occur.

Consolidated Balance Sheet – Assets

in €k	Note	Dec 31, 2019	Dec 31, 2018
Non-current assets			
Property, plant and equipment	14	33,238	37,347
Goodwill	14	42,312	42,312
Intangible assets	14	12,251	11,754
Right-of-use assets	15	21,488	n/a
Non-current trade receivables	19	7,313	7,729
Other non-current financial assets	20	240	176
Other non-current non-financial assets	20	486	470
Deferred tax assets	16	3,740	4,131
Total non-current assets		**121,069**	**103,919**
Current assets			
Inventories	17	38,097	37,272
Current trade receivables	19	84,041	68,631
Tax receivables	18	15,244	12,230
Other current financial assets	20	1,335	842
Other current non-financial assets	20	2,737	2,713
Cash and cash equivalents	21	12,426	11,630
Total current assets		**153,880**	**133,319**
Total assets		**274,949**	**237,238**

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, 2019	Dec 31, 2018
Equity			
Subscribed capital	22	40,000	40,000
Contingent capital	*22*	*0*	*8,000*
Capital reserves	23	36,463	36,463
Treasury shares	24	−13,177	−13,177
Other reserves and currency translation effects	25	−5,445	−5,057
Profit carried forward		4,385	3,137
Consolidated net income		22,251	34,035
		84,478	**95,401**
Non-current liabilities			
Non-current lease liabilities*	29	14,224	2,068
Provisions for pensions	26	10,938	10,065
Other non-current provisions	27	3,904	4,009
Other non-current financial liabilities	30	57	53
Other non-current non-financial liabilities	30	1,431	1,001
Non-current contract liabilities	31	2,118	1,887
Deferred tax liabilities	16	4,486	4,247
Total non-current liabilities		**37,158**	**23,329**
Current liabilities			
Interest-bearing loans	28	47,132	18,741
Current lease liabilities*	29	7,467	897
Trade payables	30	20,783	18,463
Income tax liabilities		4,886	5,867
Other current financial liabilities	30	18,475	18,116
Other current non-financial liabilities	30	25,120	27,784
Other current provisions	27	9,625	9,028
Current contract liabilities	31	19,825	19,612
Total current liabilities		**153,313**	**118,508**
Total equity and liabilities		**274,949**	**237,238**

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.

* In the previous year, finance lease liabilities

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 December 31, 2017	**13,382,324**	**40,000**	**36,463**	**−13,177**	**−5,586**	**36,490**	**94,191**
Adjustment as of January 1, 2018*						−566	−566
As of January 1, 2018	**13,382,324**	**40,000**	**36,463**	**−13,177**	**−5,586**	**35,924**	**93,625**
Income and expenses recognized directly in equity					572		572
Taxes on transactions recognized directly in equity					−44		−44
Dividend						−32,787	−32,787
Consolidated net income						34,035	34,035
As of December 31, 2018	**13,382,324**	**40,000**	**36,463**	**−13,177**	**−5,057**	**37,171**	**95,401**
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
Consolidated 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**

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.

* Adjustment as of Jan 1, 2018 due to the first-time adoption of IFRS 9 Financial Instruments.

Consolidated Cash Flow Statement

in €k	Note	Jan 1 to Dec 31, 2019	Jan 1 to Dec 31, 2018
EBT		**35,681**	**50,839**
Amortization, depreciation and impairment		16,523	9,796
Gain/loss from disposals of non-current assets		−61	−1,128
Other gains/losses		1,422	−2,752
Financial income		−135	−123
Financial expenses		759	754
Movements in provisions		386	−1,001
Income tax paid		−16,520	−20,837
Gross cash flow		**38,055**	**35,548**
Increase/decrease in trade receivables		−14,989	−1,264
Increase/decrease in inventories		−441	3,879
Increase/decrease in trade payables		2,247	3,761
Increase/decrease in prepayments on orders		−237	−2,204
Increase/decrease in net operating working capital		**−13,420**	**4,172**
Changes in other net working capital		−2,827	−1,496
Net cash inflow from operating activities		**21,808**	**38,225**
Purchase of property, plant and equipment (without leases*)		−7,699	−9,430
Proceeds from sale of property, plant and equipment		884	3,455
Net cash outflow from investing activities		**−6,815**	**−5,975**
Free cash flow		**14,993**	**32,250**
Dividend payout		−32,787	−32,787
Interest received		135	123
Interest paid		−759	−723
Repayment of lease liabilities**		−8,565	−1,781
Net cash outflow from financing activities		**−41,975**	**−35,168**
Net increase/decrease in cash and cash equivalents		**−26,982**	**−2,918**
Net foreign exchange difference		**−613**	**−252**
Cash and cash equivalents at January 1		**−7,111**	**−3,941**
Cash and cash equivalents at December 31	21	**−34,706**	**−7,111**
Composition of cash and cash equivalents for cash flow purposes:			
Cash and cash equivalents		**12,426**	**11,630**
Interest-bearing loans		**−47,132**	**−18,741**
Cash and cash equivalents at December 31		**−34,706**	**−7,111**

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.

* In the previous year, finance leasing

** In the previous year, finance lease liabilites

Notes to the Consolidated Financial Statements of WashTec AG (IFRS) for Fiscal Year 2019

General

1. General information on the Group

The consolidated financial statements of the WashTec Group for the fiscal year January 1 to December 31, 2019 were prepared and submitted to the Supervisory Board for review on March 11/12, 2020. They are to be approved at the Supervisory Board meeting on March 11/12, 2020 and subsequently released for publication by the Management Board. The consolidated financial statements and Group Management Report may be accessed through the Bundesanzeiger (Federal Gazette) and the Unternehmensregister (Company Register) and downloaded from our website, www.washtec.de.

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

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

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

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

2. Basis of preparation of the consolidated financial statements

The consolidated financial statements of WashTec AG have been prepared in accordance with the International Financial Reporting Standards (IFRSs) of the International Accounting Standards Board (IASB) in force as of the balance sheet date together with the interpretations of the IFRS IC (IFRIC). They comply with the accounting standards applicable in the European Union for fiscal year 2019 and are also supplemented by additional information required under section 315e of the German Commercial Code (Handelsgesetzbuch, or HGB) and by the Group Management Report.

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

The consolidated financial statements are prepared on a historical cost basis except with respect to non-current trade receivables and to derivative financial instruments 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.

3. Basis of consolidation

The consolidated financial statements include the financial statements of WashTec AG and its subsidiaries as of December 31 of each fiscal year. The financial statements of 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 intra-group balances, transactions, income, expenses as well as unrealized gains and losses resulting from intragroup transactions are eliminated in full.

In addition to the parent company, the consolidated financial statements of WashTec AG also contain the following group entities as of December 31, 2019. 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, 2019 in €k	Profit/loss for 2019 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	72,611	20,412
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	6,936	1,544
Mark VII Equipment Inc., Arvada, USA	100	C	I	16,339	−3,698
WashTec S.r.l., Casale, Italy	100	C	VI	896	−325
WashTec UK Ltd., Great Dunmow, United Kingdom	100	C	VI	3,436	71
California Kleindienst Limited, Wokingham, United Kingdom [5)]	100	A		0	0
WashTec A/S, Hedehusene, Denmark	100	C	VI	2,428	721
WashTec Bilvask AS, Billingstad, Norway [4)]	100	F	VI	2,440	1,151
WashTec Cleaning Technology GmbH, Vienna, Austria	100	C	VI	3,013	566
WashTec Spain S.A.U., Madrid, Spain	100	C	VI	1,870	540
WashTec Car Cleaning Equipment (Shanghai) Co. Ltd., Shanghai, China	100	C	VII	−1,702	−463
WashTec Cleaning Technology s.r.o., Nyrany, Czech Republic	100	D	VII	4,458	336
WTMVII Cleaning Technologies Canada Inc., Grimsby, Ontario, Canada [6)]	100	E	VI	−7,761	806
WashTec Australia Pty Ltd., Sydney, Australia	100	C	VI	3,703	296
WashTec Cleaning Technology España S.A., Bilbao, Spain [5)]	100	C		1	0
WashTec Benelux B.V., Zoetermeer, Netherlands [3)]	100	C	VI	5,238	389
WashTec Nordics AB, Bollebygd, Sweden	100	C	VI	2,633	881
WashTec Polska Sp. z o.o., Warsaw, Poland	100	D	VI	270	105

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

Financial Statements

4. Effects of new financial reporting standards

New or amended financial reporting standards entered into force in the period under review. The WashTec Group applied the following new and revised IFRS Standards and Interpretations in fiscal year 2019:

Standards applied and amendments to existing standards

Standard/ Inter-pretation	Title	Mandatory adoption	EU endorsement	Material effects on WashTec
IFRS 16	Leases	January 1, 2019	November 9, 2017	For a description of the effects of IFRS 16, please see the explanatory notes below the table
IFRS 9	Amendments to IFRS 9 – Prepayment Features with Negative Compensation	January 1, 2019	March 26, 2018	None
IFRIC 23	Uncertainty over Income Tax Treatments	January 1, 2019	October 24, 2018	None
IAS 28	Amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures	January 1, 2019	February 11, 2019	None
IAS 19	Amendments to IAS 19 – Plan Amendment, Curtailment or Settlement	January 1, 2019	March 14, 2019	None
IFRS	Annual Improvements to IFRS (2015-2017 cycle)	January 1, 2019	March 15, 2019	None

IFRS 16 Leases requires lessees normally to recognize all leases as a right-of-use asset and a lease liability. There are practical expedients for short-term leases and leases of low-value assets. The new standard primarily relates to leases previously accounted for by lessees as operating leases and to all new leases. IFRS 16 was applied for the first time using the modified retrospective approach. Profit carried forward is unaffected. Prior-year comparative figures have not been restated.

On transition to IFRS 16, right-of-use assets and lease liabilities were recognized in the amount of €18,679k each as of January 1, 2019. The newly recognized leases primarily relate to rented buildings and leasing of service vehicles. As a result of the first time adoption of IFRS 16, earnings per share for the period January 1, 2019 to December 31, 2019 were reduced by €0.01 per share.

On the first time adoption of IFRS 16, the WashTec Group made use of the practical expedient for leases of low-value assets. In addition, initial direct costs were excluded from the measurement of right-of-use assets. There were no onerous leases at the date of first time adoption of IFRS 16 and therefore no right-of-use assets were impaired.

In respect of existing leases previously classified as operating leases, right-of-use assets were recognized at the date of first time adoption with the same carrying amount as the associated lease liability. Lease liabilities are measured at the present value of the remaining lease payments. They are discounted using the lessee's incremental borrowing rate as of January 1, 2019. The lessee's incremental borrowing rate was determined over various maturities on the basis of a risk-free interest rate plus a margin and a country-specific risk. The lessee's weighted average incremental borrowing rate applied to lease liabilities as of January 1, 2019 was 1.5%.

For leases previously classified as finance leases, the right-of-use asset and the lease liability were measured on first time adoption of IFRS 16 at the carrying amount of the leased asset in accordance with IAS 17 and the carrying amount of the lease liability in accordance with IAS 17 immediately before the date of first time adoption of IFRS 16. The measurement principles under IFRS 16 were only applied from then onwards.

Reconciliation of operating lease obligations as of December 31, 2018 to lease liabilities recognized as of January 1, 2019 in accordance with IFRS 16:

in €k	
Operating lease obligations as of December 31, 2018	29,781
Discounting using the lessee's incremental borrowing rate at the date of first time adoption of IFRS 16	–265
Finance lease liabilities as of December 31, 2018	2,965
Contracts that do not contain a lease as defined in IFRS 16	–7,706
Non-lease components	–2,874
Practical expedients for leases of low-value assets	–220
Other	–37
Lease liabilities as of January 1, 2019	**21,644**
Current lease liabilities	7,564
Non-current lease liabilities	14,080

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 2019 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, 2019. First time adoption of the standards is planned when they are recognized and endorsed by the European Union.

Standards and amendments not yet applied

Standard/ Inter-pretation	Title	Mandatory adoption	EU endor-sement	Material effects on WashTec
IFRS	Amendments to References to the Con-ceptual 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	January 1, 2020	January 16, 2020	None
IFRS 3	Amendments to IFRS 3 – Definition of a Business	January 1, 2020	Expected in Q1 2020	None
IFRS 17	Insurance contracts	January 1, 2021	Yet to be determined	None
IAS 1	Amendments to IAS 1 – Classification of Liabilities as Current or Non-Current	January 1, 2022	Yet to be determined	None

5. Accounting policies

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

Currency translation

The consolidated financial statements are presented in euro, 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. Where changes in the fair value of a non-monetary item are recognized in other comprehensive income, any exchange differences relating to that item are recognized in other comprehensive income. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of resulting assets and liabilities are 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 weighted 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 (IAS 16).

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 at least annually and whenever there is an indication that it may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is allocated, from the acquisition date, to the Group’s cash generating units that are expected to benefit from the synergies of the business combination.

Intangible assets

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

Intangible assets are mostly amortized using the following useful lives:

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

Acquired intangible assets

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

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

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

Internally generated intangible assets (research and development costs)

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

After initial recognition of 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 benefits. During the development phase, when the useful life is indefinite, the asset is tested annually for impairment.

Impairment of non-financial assets

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

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

Goodwill is tested for impairment by estimating the recoverable amount of the cash generating unit to which the goodwill has been allocated. The 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 within the meaning of IFRS 9 are classified as measured at amortized cost (AC), measured at fair value through other comprehensive income (FVthOCI) or measured 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. They are carried at par 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 measured at fair value through profit or loss, as of each balance sheet date for impairment.

A loss 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 loss allowance is recognized in the amount of the lifetime expected credit losses.

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

Trade receivables have the same kind of 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 loss 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 within the meaning of IFRS 9 are classified as measured at amortized cost (FLAC) or measured at fair value through profit or loss (FVthP/L).

Financial liabilities within the meaning of IFRS 9 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 as defined in IFRS 9. 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 as defined in IFRS 9, changes in fair value are likewise recognized in profit or loss. The Group does not currently apply hedge accounting. An assessment is carried out as of each balance sheet date.

Net investments in foreign operations

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

Inventories

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

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

Treasury shares

The cost of any treasury shares purchased by WashTec AG is accounted for as a single adjustment in equity. Purchases, sales and retirements of treasury shares are not recognized in profit or loss.

Provisions

Other provisions

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

Provisions for pensions

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

Provisions for partial retirement arrangements

Partial retirement arrangements are primarily based on the block model. They result in two types of obligations that are measured at present value in accordance with actuarial principles and are accounted for separately: The first type of obligation relates to the accumulated outstanding settlement amount, which is recognized pro rata over the active/working phase. The accumulated outstanding settlement amount is based on the difference between the compensation earned by 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 members of the Management Board and Supervisory Board of WashTec AG receive cash-settled share-based remuneration as consideration 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 balance sheet 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 period of time in exchange for a 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 practical expedients 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. Such 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 possibility 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 in accordance with IFRS 15 are recognized as contract liabilities in the balance sheet (see also Revenue Recognition). The items presented as contract liabilities in the Group are prepayments on orders and deferred income, which mostly relate to full maintenance, extended guarantees and prepaid service agreements.

Income taxes

The current income tax charge is calculated for the consolidated financial statements on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where subsidiaries operate and generate taxable profit. For recognized tax provisions, the expected tax payment is used as a best estimate. Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Current and deferred taxes are recognized in profit or loss unless tax relates to transactions that are recognized 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 usual payment period is 30 days. An exception is a once-only financing program with a 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 the transfer of the goods or services 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 usual payment period 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.

Some contracts feature rights of return relating to the obligation to take back equipment previously sold to oil companies. 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.

Earnings per share

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

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

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, 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. 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 property, plant 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 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.

Deferred tax assets

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

Pensions, other post-employment benefits and partial retirement benefits

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

Share-based payment

Cash-settled share-based payment is recognized at fair value at each balance sheet date. In order to estimate the fair value of shared-based payment, it is necessary to determine the most suitable valuation technique, which is dependent on the granting conditions. It is also necessary to determine suitable input parameters for the valuation technique, notably volatility of the share price and the risk-free rate of interest for the remaining term. The assumptions and techniques used are shown in Note 37.

Provisions

Provisions for termination benefits and guarantee provisions 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.

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 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
Consolidated 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

By segment 2018 in €k	**Europe**	**North America**	**Asia/Pacific**	**Consolidation**	**Group**
Revenue	**355,777**	**73,957**	**17,614**	**−11,903**	**435,446**
of which with third parties	344,062	73,770	17,614	0	435,446
of which with other segments	11,716	188	0	−11,903	0
EBIT	**55,440**	**−3,371**	**−432**	**−166**	**51,471**
EBIT margin in %	15.6	−4.6	−2.5	–	11.8
Financial income					123
Financial expenses					754
EBT					**50,839**
Income taxes					16,804
Consolidated net income					**34,035**
Capital expenditure on intangible assets and property, plant and equipment	10,128	738	101	0	10,967
Amortization, depreciation and impairment of intangible assets and property, plant and equipment	8,732	842	222	0	9,796

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

January to December 2019 in €k	Europe	North America	Asia/ Pacific	Consoli-dation	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

January to December 2018 in €k	Europe	North America	Asia/ Pacific	Consoli-dation	Group
Recognition at a point in time	354,296	71,572	17,614	–11,903	431,579
Recognition over time	1,481	2,385	0	0	3,866

The consolidated revenue was generated in the following products:

in €k	2019	2018
Equipment and Service	380,631	377,828
Chemicals	47,126	45,584
Carwash Management Business and Others	8,722	12,033
Total	**436,480**	435,446

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 €124,337k, relating to Equipment and Service, Chemicals, Carwash Management Business and Others. France accounts for 14.5% of consolidated revenue. External sales outside of Europe are primarily generated in North America and are mostly attributable to the United States. Transactions with one major customer marginally exceeded 10% of total revenue in the segments Europe and North America.

The Group's geographical segments are based on the location of its assets. 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 entities in other countries. Revenue with other countries is generated through exports to independent dealers.

Group assets can be broken down into the following segments:

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*

2018 in €k	Germany	Europe	North America	Asia/ Pacific	Group
Property, plant and equipment	30,795	4,698	1,631	223	37,347
Capital expenditure on property, plant and equipment	*5,045*	*1,653*	*721*	*101*	*7,520*
Intangible assets including goodwill	49,881	4,132	14	39	54,066
Capital expenditure on intangible assets	*3,399*	*32*	*17*	*0*	*3,448*
Right-of-use assets*	n/a	n/a	n/a	n/a	n/a
Capital expenditure on right-of-use assets	*n/a*	*n/a*	*n/a*	*n/a*	*n/a*

* In the prior year, the WashTec Group solely recognized leased assets for leases classified as finance leases under IAS 17. The assets concerned were included in property, plant and equipment. Concerning the restatements on first time adoption of IFRS 16 as of January 1, 2019, please see Note 4.

Notes to the Consolidated Income Statement

8. Other operating income

Other operating income totaling €4,854k (prior year: €5,266k) consists primarily of income arising from exchange rate differences in the amount of €2,115k (prior year: 1,091k), deferred income from operator models in the amount of €609k (prior year: €1,213k), income from insurance settlements in the amount of €292k (prior year: €221k), income from the sale of scrap in the amount of €617k (prior year: €782k) and income from the sale of acquired vehicles and from the sale of other property, plant and equipment totaling €101k (prior year: €1,198k).

9. Personnel expenses

Personnel expenses consist of the following:

in €k	2019	2018
Wages and salaries	119,641	114,814
Social security contributions	10,654	9,790
Employer share of statutory and voluntary pension insurance (defined contribution)	9,075	8,666
Pension and partial retirement costs	2,453	1,947
Total	**141,822**	**135,218**

Total personnel expenses include extraordinary expenses in connection with the Performance Program in the amount of €1.9m.

The average number of employees by function is as follows:

Average number of employees	2019	2018
Sales, marketing and servicing	1,130	1,105
Production, technology and development	578	573
Finance and administration	172	174
Total	**1,880**	**1,852**

10. Other operating expenses

Other operating expenses are as follows:

in €k	2019	2018
Travel expenses (including hospitality)	7,811	7,968
Vehicle costs	7,701	10,903
Temporary workers	5,086	5,641
IT and communication expenses	4,982	4,764
Maintenance/repairs	4,428	4,670
Trade fair, marketing and PR expenses	4,076	4,168
Legal and consulting fees	3,592	3,001
Miscellaneous administrative expenses/other expenses	3,292	3,757
Exchange differences	2,018	1,913
Patents, licenses and development costs	1,725	1,385
Insurance (including product liability)	1,601	1,182
Training/continuing education costs	1,599	1,645
Office supplies	1,010	915
Other rental expenses*	939	4,337
Bank charges and contributions	729	819
Total	**50,589**	**57,068**

* Prior year: Rent/operating leases excluding vehicles

The other rental expenses include €405k in expenses for leases of low-value assets that are not short-term leases. Low-value assets mainly comprise IT equipment. Also included are €5k in expenses for variable lease payments not taken into account in the measurement of lease liabilities.

11. Financial result

in €k	2019	2018
Other interest income	135	123
Financial income	**135**	**123**
Expense from interest-bearing loans	338	539
Interest expense from discounting lease liabilities*	367	113
Other interest expense	53	103
Financial expenses	**759**	**754**
Financial result	**−623**	**−631**

* Prior year: finance lease liabilities under IAS 17

Of the interest income and interest expense, a total of €–256k (prior year: €–518k) is classified in the measurement categories financial assets at amortized cost (AC) and financial liabilities at amortized cost (FLAC).

Total interest income and total interest expense are allocated as follows to the measurement categories in accordance with IFRS 9:

in €k	Measurement category in accordance with IFRS 9	2019	2018
Total interest income	AC	17	94
	FLAC	118	29
Total interest expense	FLAC	−391	−641

12. Income taxes

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

The following table shows a reconciliation of expected and actual 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 37.6% (prior year: 33.1%).

Tax expenses consist of the following:

in €k	2019	2018
Expected income tax expense	11,393	16,233
Differences from foreign tax rates	−328	−272
Non-deductible expenses	1,034	1,264
Effect of non-recognition of deferred taxes on temporary differences and tax loss carryforwards	1,261	537
Effects of utilization of loss carryforwards from non-recognition of deferred tax assets	−256	−22
Effect of measurement of deferred taxes on temporary differences	122	0
Adjustment for actual tax from prior years	−28	−800
Other	232	−135
Actual income tax expense	**13,430**	**16,804**

in €k	2019	2018
Actual tax expense (+)/income (–)	12,531	16,669
Deferred tax expense(+)/income (–)	899	135
Income taxes	**13,430**	**16,804**

13. Earnings per share

Calculation of basic earnings per share for 2019 and 2018:

in €/€k/number of shares	2019	2018
Consolidated net income	22,251	34,035
Weighted average number of shares outstanding	13,382,324	13,382,324
Earnings per share (basic = diluted)	**1.66**	**2.54**

The Management Board and Supervisory Board will recommend to the Annual General Meeting, which is due to be held on April 28, 2020, to appropriate the distributable profit of €22,581,092.36 shown in the Company's annual financial statements for fiscal year 2019 as follows: Payment of a dividend in the amount of €1.65 per eligible share, totaling €22,080,834.60, with the remaining distributable profit of €500,257.76 to be carried forward.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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					
	January 1, 2019	Additions	Disposals	Reclassifica-tions	Currency trans-lation effects	December 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**

in €k	Cost					
	January 1, 2018	Additions	Disposals	Reclassifica-tions	Currency trans-lation effects	December 31, 2018
Land, land rights and buildings	**47,683**	531	507	22	62	**47,792**
Technical plant and machinery	**36,303**	1,622	7,033	7,428	−13	**38,307**
Other plant, fixtures and fittings	**21,282**	2,146	2,378	221	102	**21,373**
Finance leases	**13,484**	1,537	3,291	−6,410	−2	**5,318**
Prepayments and construction in progress	**1.845**	1,683	37	−1,630	6	**1,867**
Property, plant and equipment	**120,597**	**7,520**	**13,245**	**−368**	**154**	**114,657**
Internally generated development costs	**15,776**	113	0	0	130	**16,019**
Licenses and software acquired	**14,045**	598	141	470	−2	**14,970**
Patents, technologies and other intangible assets	**4,308**	7	0	0	−64	**4,252**
Goodwill	**82,638**	0	0	0	800	**83,439**
Prepayments and development projects in progress	**5,583**	2,729	0	−101	0	**8,210**
Intangible assets	**122,351**	**3,448**	**141**	**368**	**865**	**126,891**
Total fixed assets	**242,948**	**10,968**	**13,386**	**0**	**1,019**	**241,548**

* In the prior year, the Group solely recognized leased assets for leases classified as finance leases under IAS 17. The assets concerned were included in property, plant and equipment and were therefore included in changes in fixed assets. Due to the first time adoption of IFRS 16 as of January 1, 2019, right-of-use assets are now presented in Note 15.

Depreciation, amortization and impairment						Carrying amount		in €k
January 1, 2019	Additions	Disposals	Reclassifica-tions	Currency trans-lation effects	December 31, 2019	January 1, 2019	December 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**

Depreciation, amortization and impairment						Carrying amount		in €k
January 1, 2018	Additions	Disposals	Reclassifica-tions	Currency trans-lation effects	December 31, 2018	January 1, 2018	December 31, 2018	
31,906	1,500	404	0	61	**33,063**	15,777	14,729	Land, land rights and buildings
24,274	2,897	5,186	5,648	−10	**27,623**	12,029	10,684	Technical plant and machinery
13,269	2,961	2,045	75	−129	**14,131**	8,014	7,242	Other plant, fixtures and fittings
10,546	963	3,291	−5,722	−2	**2,493**	2,938	2,825	Finance leases
0	0	0	0	0	**0**	1,845	1,867	Prepayments and construction in progress
79,994	**8,321**	**10,926**	**0**	**−80**	**77,310**	**40,603**	**37,347**	**Property, plant and equipment**
14,070	559	0	0	130	**14,759**	1,706	1,261	Internally generated development costs
11,981	848	134	0	−2	**12,694**	2,064	2,276	Licenses and software acquired
4,238	69	0	0	−61	**4,245**	70	6	Patents, technologies and other intangible assets
40,326	0	0	0	801	**41,127**	42,312	42,312	Goodwill
0	0	0	0	0	**0**	5,583	8,210	Prepayments and development projects in progress
70,616	**1,475**	**134**	**0**	**868**	**72,825**	**51,735**	**54,066**	**Intangible assets**
150,610	**9,796**	**11,060**	**0**	**788**	**150,135**	**92,338**	**91,413**	**Total fixed assets**

Finance leases under IAS 17 (to December 31, 2018)

in €k	2019	2018
Carwash sale and leaseback	n/a	2,825
Total	**n/a**	**2,825**

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

Intangible assets

The addition in prepayments and development projects in progress was mostly the result of capitalized development costs for the new gantry carwash. Its market launch will take place in 2020. The capitalized development costs were tested as of the year-end for impairment, which did not result in recognition of any impairment loss.

Research and development costs in the amount of €1,251k (prior year: €919k) were not capitalized as the criteria for capitalization under IAS 38 were not met.

Goodwill

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

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

In accordance with the approach described in Note 5, goodwill is tested for impairment on the basis of the Group-level medium-term forecast for 2020 through 2025.

Medium-term 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 2.5% p.a. in the Europe segment and between 6.2% and 10.4% in the remaining segments
- Cost increases of 2–3%
- Wage and salary cost increases of approximately 3–5% p.a.

Assumptions made for discounting purposes were a discount rate of 5.9% (prior year: 6.5%) and a long-term growth rate in perpetuity of 1.0% (prior year: 1.0%).

The discount rate is based on a weighted cost of debt of 0.9% (prior year: 1.6%) and the weighted cost of equity. The cost of equity is based on a risk-free rate of return averaging 0.1% (prior year: 1.5%) and a beta of 1.0 (prior year: 1.04).

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 plant, fixtures and fittings. The right-of-use assets for machinery comprise the assets accounted for as finance leases in accordance with IAS 17 until December 31, 2018.

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

in €k	Dec. 31, 2019	Jan. 1, 2019*
Right-of-use assets – land and buildings	13,756	12,043
Right-of-use assets – other plant, fixtures and fittings	5,583	6,636
Right-of-use assets – machinery	2,150	2,825
Total	**21,488**	**21,504**

* In the prior year, the WashTec Group solely recognized leased assets and lease liabilities for leases classified as finance leases under IAS 17. The assets concerned were included in property, plant and equipment and the liabilities in the finance lease liabilities balance sheet item. Concerning the restatements on first time adoption of IFRS 16 as of January 1, 2019, please see Note 4.

Additions to right-of-use assets in fiscal year 2019 amounted to €9,640k and disposals to €1,566k.

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

in €k	2019	2018
Right-of-use assets – land and buildings	4,107	n/a
Right-of-use assets – other plant, fixtures and fittings	3,513	n/a
Right-of-use assets – machinery	470	n/a
Total	**8,089**	**n/a**

Please see Note 29 for further information on lease liabilities.

16. Deferred Taxes

There are deferred tax assets in the amount of €3,740k (prior year: €4,131k) and deferred tax liabilities in the amount of €4,486k (prior year: €4,247k) 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 difference and it is not probable that the temporary difference will reverse in the foreseeable future. The tax base of the unrecognized deferred tax liabilities is €1,914k (prior year: €2,232k).

Loss carryforwards and temporary differences have been recognized as deferred tax assets to the extent it is probable that the loss carryforwards or the temporary differences will be utilized on the basis of the internal mid-term planning (2020 through 2025).

To the extent that it is not probable that loss carryforwards will be able to be utilized against future taxable profit, 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 €19,345k (prior year: €17,075k) and temporary differences in the amount of €13,496k (prior year: €12,309k). This corresponds to €4,910k (prior year: €4,338k) in deferred tax assets not recognized for loss carryforwards and €3,339k (prior year: €3,269k) 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 €14,933k have time restrictions with regard to utilization. Of this total, €2,546k will expire between 2020 and 2024 and €12,387k 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 2019	Deferred tax assets 2018	Deferred tax liabilities 2019	Deferred tax liabilities 2018
Property, plant and equipment	383	197	–1,206	–1,918
Intangible assets	56	58	–3,783	–3,687
Right-of-use assets	58	n/a	–4,893	n/a
Inventories	1,118	1,303	-21	–92
Receivables	179	132	–1,102	–832
Lease liabilities*	4,586	494	-58	0
Provisions	2,675	2,528	0	0
Other liabilities	1,501	1,716	–25	–27
Contract liabilities	167	0	–116	0
Other	21	114	–287	–150
Total	**10,744**	**6,542**	**–11,491**	**–6,706**
of which non-current	*6,223*	*3,675*	*–8,335*	*–5,467*
of which current	*4,522*	*2,867*	*–3,157*	*–1,239*

* Prior year: finance lease liabilities under IAS 17

Deferred tax assets and liabilities totaling €7,097k (prior year: €2,564k) were offset in accordance with the offsetting rules in IAS 12.

€261k (prior year: €–44k) in deferred taxes were recognized in equity in the reporting year. The aggregate amount of deferred taxes recognized in equity is consequently €1,819k (prior year: €1,558k).

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

in €k	2019			2018		
	Before income tax	Income tax	After income tax	Before income tax	Income tax	After income tax
Adjustment item for currency translation of foreign subsidiaries	23	0	23	842	0	842
Exchange differences on net investments in subsidiaries	284	−21	263	−275	−51	−326
Changes in actuarial gains and losses	−956	283	−673	5	7	12
Changes recognized through other comprehensive income	**−649**	**261**	**−388**	**572**	**−44**	**528**

17. Inventories

in €k	2019	2018
Raw materials, consumables and supplies, including merchandise	22,234	20,211
Work in progress	10,179	10,488
Finished goods	5,575	6,244
Prepayments	109	330
Total	**38,097**	**37,272**

Additions in write-downs on inventories came to €1,687k in the reporting year (prior year: €31k). The increase mainly results from the adjustment of the allowance for inventory risks resulting from the period of storage in connection with the market launch of the new gantry carwash.

18. Tax receivables

in €k	2019	2018
Current tax receivables	15,244	12,230
Total	**15,244**	**12,230**

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

19. Trade receivables

in €k	2019	2018
Non-current trade receivables	7,313	7,729
Current trade receivables	84,041	68,631
Total	**91,355**	**76,361**

Current trade receivables are generally due between 0 and 90 days net.

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 amount €96,599k (prior year: €81,082k) as a whole. Therein gross carrying amounts of trade receivables that are credit-impaired at balance sheet date of €1,236k (prior year: €1,052k) are included. Total gross carrying amounts of trade receivables also include gross carrying amounts of trade receivables, for which the loss allowance is measured at an amount equal to lifetime expected credit losses and are as follows:

in €k					
Year	Current	Over 30 days past due	Over 60 days past due	Over 120 days past due	Total
2019	73,610	4,202	5,066	12,485	95,363
2018	63,319	2,744	3,941	10,026	80,030

For the majority of overdue trade receivables securities comprise.

Impairments of trade receivables are as follows:

in €k	2019	2018
As of January 1 (under IAS 39)	n/a	4,248
Effect of IFRS 9	n/a	566
As of January 1 (under IFRS 9)	**4,722**	**4,814**
Additions	741	102
Utilization	−106	−20
Reversals	−229	−164
Change in lifetime expected credit losses	117	−11
As of December 31	**5,245**	**4,722**

20. Other assets

in €k	2019	2018
Other non-current financial assets	240	176
Other non-current non-financial assets	486	470
Other current financial assets	1,335	842
Other current non-financial assets	2,737	2,713
Total	**4,798**	**4,201**
of which non-financial prepaid expenses	*1,767*	*1,897*

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 €12,426k (prior year: €11,630k) 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	2019	2018
Cash and cash equivalents	12,426	11,630
Overdrafts/current interest-bearing loans	−47,132	−18,741
Cash funds	**−34,706**	**−7,111**

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

in €k	January 1, 2019	Changes arising from cash flows	Non-cash changes	December 31, 2019
			Raising 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**

in €k	January 1, 2018	Changes arising from cash flows	Non-cash changes	December 31, 2018
			Raising of finance lease liabilities	
Non-current lease liabilities	2,150	−1,313	1,230	2,067
Current lease liabilities	1,058	−468	307	897
Total	**3,209**	**−1,781**	**1,537**	**2,965**

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.

	2019	2018
Ordinary shares (thousand)	13,977	13,977
Share capital per share (€)	2.86	2.86

As of December 31, 2019, 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 April 29, 2019 resolved to appropriate the distributable profit of €34,484,446.82 shown in the Company's annual financial statements for fiscal year 2018 as follows: Payment of a dividend of €2.45 per eligible share, totaling €32,786,693.80, with the remaining distributable profit of €1,697,753.02 to be carried forward.

Authorized capital
As the authorized capital by resolution of the Annual General Meeting of May 11, 2016 expired on May 10, 2019, it was resolved at the Annual General Meeting on April 29, 2019 to revoke the previous authorized capital and to authorize the Management Board once again to create authorized capital with the possibility to exclude shareholder preemptive rights.

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 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.

Contingent capital and issue of warrant-linked and convertible bonds, participation rights or participation bonds or a combination of such instruments
The Contingent Capital I existing pursuant to Section 5.2 of the Company's Articles of Association expired on May 10, 2019 since the authorization granted by the Annual General Meeting on May 11, 2016 to issue warrant-linked and convertible bonds, participation rights or participating bonds

or a combination of such instruments was never exercised. No proposal to renew that authorization was put forward at the Annual General Meeting on April 29, 2019.

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, 2019. This corresponds to 594,646 shares.

Purchase and use of treasury shares

As the authorization to acquire treasury shares granted by resolution of the Annual General Meeting of May 11, 2016 expired on May 10, 2019, it was resolved at the Annual General Meeting of April 29, 2019 to revoke the previous authorization and to grant the Company renewed authorization to acquire and make use of treasury shares.

In accordance with the renewed authorization, 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 this authorization becomes effective or, if lower, at the time this 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. The redemption 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

Other reserves notably relate to the recognition of actuarial gains and losses relating to pension provisions:

in €k	January 1, 2019	Change in income and expenses recognized directly in equity	Change in deferred taxes	December 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**

in €k	January 1, 2018	Change in income and expenses recognized directly in equity	Change in deferred taxes	December 31, 2018
Hedge reserve	−500	0	0	−500
Exchange differences on net investments in subsidiaries	−1,655	−275	−51	−1,981
Actuarial gains/losses	−3,136	5	7	−3,124
Other reserves	**−5,292**	**−270**	**−44**	**−5,606**
Currency translation effects	−293	842	0	549
Total	**−5,585**	**572**	**−44**	**−5,057**

26. Provisions for pensions

The provisions relate mainly to WashTec Cleaning Technology GmbH and WashTec Holding GmbH, Augsburg, Germany, and have been recognized in order to reflect obligations arising from future and current benefit entitlements to current and former employees and their surviving dependants. The pension plan provides for retirement benefits (from the age of 63), early retirement 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 0.6% (prior year: 1.6%). 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 0.6% (prior year: 1.6%). The Prof. Dr. Klaus Heubeck mortality tables 2018 G 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, 2019 was 228 employees (prior year: 237 employees), and the total number of all persons holding a pension commitment is 392 employees (prior year: 393 employees). The new valuations include the effects of experience adjustments in the amount of €−37k (prior year: €−126k).

All actuarial gains and losses were recognized in other comprehensive income. Actuarial gains and losses in the fiscal year under review were €−956k (prior year: €5k). In total, actuarial gains and losses of €−5,527k (prior year: €−4,571k) have been recognized in other comprehensive income as of December 31, 2019.

The present value of the defined benefit obligation developed as follows in fiscal years 2018 and 2019:

in €k	2019	2018
As of January 1	10,065	10,247
Expected return	8	9
Pensions paid	−442	−456
Service cost in the reporting period	200	135
Interest expense	152	135
Actuarial gains and losses	956	−5
As of December 31	**10,938**	**10,065**

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	−8	**−8**
Gains and losses from changes in financial assumptions	918	0	**918**
Gains and losses from portfolio changes	46	0	**46**
Total	**964**	**−8**	**956**

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 in 2018 and 2019 is shown in the following table:

in €k	2019	2018
Fair value of reimbursement rights as of January 1	470	455
Expected return	16	15
Fair value of reimbursement rights as of December 31	**486**	**470**

Sensitivity analysis for pension obligations in accordance with IAS 19

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

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

		Effect on the defined benefit obligation (DBO)	
Assumptions	**Changes**	**2019**	2018
Life expectancy	Increase by one year	5.1%	4.8%
Increase in living costs	Increase by 0.25%	2.2%	2.1%
Interest rate	Increase by 0.25%	−2.5%	−2.4%
Interest rate	Decrease by 0.25%	2.6%	2.5%

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	594	2,274	7,754	10,622

27. Other provisions

in €k		As of January 1 2019	Addition	Utilization	Reversals	Exchange differences	As of December 31 2019	of which current	of which non-current	Provisions in 2018	
										of which current	of which non-current
Partial retirement		1,195	472	−387	0	0	1,280	598	682	521	674
Warranty		6,226	4,539	−4,103	−781	24	5,904	5,867	37	6,178	48
Repurchase obligations		3,582	529	−683	0	0	3,428	821	2,608	836	2,746
Legal and consulting fees		756	298	−181	−262	0	611	611	0	756	0
Termination benefits		442	1,458	−437	-5	0	1,458	1,458	0	442	0
Other		836	180	−36	−133	0	848	272	576	295	541
Total	**2019**	**13,037**	**7,476**	**−5,828**	**−1,180**	**24**	**13,529**	**9,625**	**3,904**	–	–
	2018	**13,859**	**6,019**	**−5,370**	**−1,465**	**−4**	**13,037**	**–**	**–**	9,028	4,009

The provision for partial retirement was measured in accordance with IAS 19 (revised). The calculation was based on an interest rate of −0.2% (prior year: 0.0%) and annual salary increases of 1.5% (prior year: 1.5%).

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

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

The provision for termination benefits in the amount of €1.458k (prior year: €442k) mostly related to provisions for planned personnel measures in implementation of the Performance Program.

The other provisions totaling €848k (prior year: €836k) mainly relate to provisions for potential claims in the amount of €689k (prior year: €695k).

Contingent liabilities for the WashTec Group as of the balance sheet date primarily consisted of contractual performance obligations and potential expenses in connection with repurchasing equipment in the amount of €1,109k (prior year: €1,165k), 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 €86.5m at its disposal, consisting of demand facilities totaling €60.0m and long-term facilities with terms of up to three years totaling €26.5m. 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 €87.5m.

As of December 31, 2019, there were short-term loans in the amount of €47.1m (prior year: €18.7m) that, as in the prior year, consisted entirely of overdraft borrowings. In addition, the guarantee facilities were used in the amount of €6.5m (prior year: €9.0m). The undrawn amount of the credit line available for future operating activities and to meet obligations was €33.9m as of the reporting date (prior year: €59.6m).

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 0.25% and 0.64% in the reporting year.

29. Leases

in €k	December 31, 2019	January 1, 2019*
Current lease liabilities	7,467	7,564
Non-current lease liabilities	14,224	14,080
Total lease liabilities	**21,691**	21,644

* In the prior year, the WashTec Group solely recognized leased assets and lease liabilities for leases classified as finance leases under IAS 17. The assets concerned were included in property, plant and equipment and the liabilities in the finance lease liabilities balance sheet item. Concerning the restatements on first time adoption of IFRS 16 as of January 1, 2019, please see Note 4.

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, 2019 relate to variable lease payments in the amount of €1k.

A number of property leases contain extension and termination options. As the option periods are in the future, there are no lease payments related to these. Potential future cash outflows in the amount of €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 €8,565k in fiscal year 2019. Future cash outflows arising from leases not yet commenced to which the WashTec Group committed in fiscal year 2019 amount to €640k. Profits from sale and leaseback transactions amount to €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.

In the prior year, the WashTec Group had finance lease and operating lease obligations that were accounted for in accordance with IAS 17.

Finance leases under IAS 17 (to December 31, 2018)

In order to provide customers, and in particular large operator groups or oil companies, with equipment under an operator model in return for compensation based on the number of washes, equipment manufactured by WashTec is sold to a leasing company. The agreements between the leasing company and WashTec were classified as finance leases in accordance with IAS 17 because substantially all the risks and rewards incidental to ownership were transferred to the WashTec Group as lessor.

The minimum lease payments for finance lease liabilities in the prior year were as follows:

Lease payment due in €k	< 1 year	1–5 years	> 5 years	Total
Minimum lease payment 2018	969	1,754	441	3,164
Interest expense for lease liability as of each balance sheet date	72	121	6	199
Present value of minimum lease payment 2018	**897**	**1,633**	**435**	**2,965**

Operating leases under IAS 17 (to December 31, 2018)

Obligations under operating leases classified by maturities were as follows in the prior year (€k):

Year	< 1 year	1–5 years	> 5 years	Total
2018	13,439	14,660	1,681	29,781

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

30. Other liabilities

in €k	Non-current (> 1 year)		Current (< 1 year)	
	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
Accrued liabilities	0	0	11,264	11,846
Liabilities to trading partners	0	0	4,884	4,354
Debtors with credit balances	0	0	1,601	969
Other	57	53	726	947
Total other financial liabilities	**57**	**53**	**18,475**	**18,116**
Liabilities to employees	1,342	1,001	14,434	15,138
Taxes and levies	0	0	6,866	7,775
Liabilities for social security	0	0	1,203	1,190
Other	89	0	2,619	3,681
Total other non-financial liabilities	**1,431**	**1,001**	**25,120**	**27,784**
Total	**1,488**	**1,054**	**43,595**	**45,900**

The accrued liabilities in the amount of €11,264k (prior year: €11,846k) 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, 2019	Dec 31, 2018
Prepayments on orders	12,424	12,575
Deferred income for full maintenance, extended guarantees and prepaid service agreements	9,519	8,924
Total	**21,943**	**21,499**

Management expects that 90.3% (prior year: 91.2%) of these unsatisfied (or partially unsatisfied) performance obligations will be recognized as revenue in fiscal year 2020. The remaining 9.7% (prior year: 8.8%) are expected to be recognized as revenue in fiscal year 2021. The amount stated does not include any variable consideration components that are constrained.

Revenue recognition in relation to contract liabilities:

in €k	2019	2018
Revenue recognized in the fiscal year included in the balance of contract liabilities at the beginning of the period		
Prepayments on orders	12,575	14,795
Deferred income for full maintenance, extended guarantees and prepaid service agreements	7,037	8,732

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

32. Financial risk management objectives and methods

The risks for the Group arising from derivative financial instruments comprise credit and liquidity risk along with market price risk in the form of interest and currency risk. Company policy is to avoid or limit such risk as far as possible. Substantially all hedging is coordinated and undertaken centrally. For example, the Group regularly identifies all items that are subject to interest and exchange rate risks, assesses the probability of occurrence of negative developments for the Company 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, very strict 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. Impairments recognized on receivables are expected to be sufficient to cover actual risk. Please see Note 19 for further information.

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

There is presumed to be a concentration of credit risk if a single customer or oil company makes up more than 10% of revenue. Revenue with one major customer marginally exceeded 10% of total revenue. This revenue is additionally covered by credit loss insurance. There is therefore no enhanced credit risk in this regard.

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 Company 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. For additional details, please see Note 28.

The table below shows all contractually agreed undiscounted payments of principal and interest on financial liabilities recognized as of December 31, 2019 for future fiscal years.

The table includes all instruments held at 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. The derivative financial liabilities relate to measurement of a forward exchange transaction as of the balance sheet date.

in €k	Carrying amount in	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
Derivative financial liabilities	0	0	0	0

in €k	Carrying amount in	Cash flows		
	2018	2019	2020–2023	2024 ff.
Interest-bearing loans	18,741	18,755	0	0
Finance lease liabilities	2,965	969	1,754	441
Trade payables	18,463	18,463	0	0
Other financial liabilities	18,169	18,169	0	0
Derivative financial liabilities	208	208	0	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 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.

The coronavirus outbreak from the beginning of 2020 could have a significant impact on the global economy. A further intensification of the situation in the rest of the world and thus possible restrictions on the economy (e.g. plant closures, quarantine, etc.) could also have a significant impact on the WashTec Group's business.

Currency risk

Movements in the USD/EUR exchange rate could have a material effect on consolidated net income because a portion of business is conducted by the subsidiary in the United States. A forward exchange transaction entered into in the 2018 financial year expired on December 17, 2019. Changes in the fair value of the forward exchange transaction were recognized in profit or loss.

Furthermore, the Group holds non-current loan receivables against subsidiary Mark VII Equipment Inc., Arvada, USA. As of December 31, 2019, there was one net investment in a foreign operation, in the amount of USD 4.0m. Mark VII Equipment Inc., Arvada, USA also has a long-term CAD loan receivable against its Canadian subsidiary that constitutes a net investment in a foreign operation. As of December 31, 2019, this amount remained unchanged at CAD 7.8m. Accordingly, the translation effects of these loans are recognized in other comprehensive income.

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

The following table shows the sensitivity of consolidated earnings before taxes to a reasonably possible change in the EUR/USD exchange rate. All other variables are held constant.

in €k	Change in USD exchange rate 2019	−5%	5%
	Impact on EBT	−618	618

in €k	Change in USD exchange rate 2018	−5%	5%
	Impact on EBT	−407	407

Interest rate risk

Interest rate risks in the Group are primarily connected with interest-bearing loans as the base interest rate for the credit lines is based on EURIBOR. Nor would a 10 base point increase of the EURIBOR result in a significant impact to 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 2019, net financial liabilities amounted to €56,397k (prior year: €10,076k). 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 and class of financial instrument.

Carrying amounts, measurement and fair value by category:

in €k	Measurement category in accordance with IFRS 9	Carrying amount Dec 31, 2019	Measurement under IFRS 9		Measurement under IAS 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	–	
Derivative financial liabilities	FVthP/L*	0	–	0	–	0	
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	–			
Financial instruments measured at fair value through profit or loss (FVthP/L)		0	–	0			

* AC: financial assets measured at amortized cost; FLAC: financial liabilities measured at amortized cost; FVthP/L: measured at fair value through profit or loss
** For shortterm financial instruments measured at amortized cost it is assumed that the carrying amount is a reasonable approximation of the fair value at balance sheet date. The Effect for longterm financial instruments measured at amortized cost is not material.

in T€	Measurement category in accordance with IFRS 9	Carrying amount December 31, 2018	Measurement under IFRS 9		Measurement under IAS 17	Fair value December 31, 2018**	IFRS 13 level
			Amortized cost	At fair value through profit or loss			
Assets							
Cash and cash equivalents	AC*	11,630	11,630	–	–	–	
Current trade receivables	AC*	68,631	68,631	–	–	–	
Non-current trade receivables	AC*	7,729	7,729	–	–	–	
Other current financial assets	AC*	842	842	–	–	–	
Other non-current financial assets	AC*	176	176	–	–	–	
Equity and liabilities							
Trade payables	FLAC*	18,463	18,463	–	–	–	
Interest-bearing loans	FLAC*	18,741	18,741	–	–	–	
Other current financial liabilities	FLAC*	18,116	18,116	–	–	–	
Other non-current financial liabilities	FLAC*	53	53	–	–	–	
Finance lease liabilities	n/a	2,965	–	–	2,965	2,965	
Derivative financial liabilities	FVthP/L*	208	–	208	–	208	2
Aggregated presentation by measurement category in accordance with IFRS 9							
Financial assets measured at amortized cost (AC)		89,008	89,008	–			
Financial liabilities measured at amortized cost (FLAC)		55,373	55,373	–			
Financial instruments measured at fair value through profit or loss (FVthP/L)		208	–	208			

* AC: financial assets measured at amortized cost; FLAC: financial liabilities measured at amortized cost; FVthP/L: measured at fair value through profit or loss
** For shortterm financial instruments measured at amortized cost it is assumed that the carrying amount is a reasonable approximation of the fair value at balance sheet date. The Effect for longterm financial instruments measured 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 fair value hierarchy in accordance with IFRS 13, 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 (prior year: finance lease liabilities) is determined by discounting the expected future cash flows at current market interest rates.

Foreign exchange forwards are measured at fair value using publicly available or observable expected exchange rates.

The fair value of the foreign exchange forwards is classified by maturity as follows:

in €k	2019	2018
Current	0	208
Total	**0**	**208**

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	2018	2018
Financial assets at amortized cost (AC)	809	–141
Financial liabilities at amortized cost (FLAC)	–1,051	–1,098
Financial liabilities at fair value through profit or loss (FVthP/L)	0	–200

The net gains or losses in the financial assets measured at amortized cost category are primarily attributable to foreign currency measurement, in the financial liabilities measured at amortized cost category to interest expenses and foreign currency measurement. The net gains or losses in the financial liabilities at fair value through profit or loss category relate in the prior year to the fair value measurement of derivative financial instruments.

Miscellaneous information

34. Declaration of Conformity under § 161 AktG

WashTec AG has issued the declaration required under Section 161 AktG for fiscal year 2019 and has made it available to shareholders on www.washtec.de.

The Management Board approved the consolidated financial statements on March 11/12, 2020 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 11/12, 2020.

35. Auditor's fees

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

in €k	2019	2018
Annual accounts auditing	567	447
Tax consulting services	0	25
Other services	0	2
Total	**567**	**474**

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, 2019. €34k relates to audit services in the prior year.

36. Information about the Company's governing bodies

Management Board

Name	Profession, place of residence	Management Board portfolio*
Dr. Günter Blaschke (July 15 to December 31, 2019)	Businessman, Buchloe	Chief Executive Officer, Coordination, Performance
Axel Jaeger	Businessman, Wallhausen	Finance, IT, Audit
Karoline Kalb (until December 31, 2019)	Attorney at law, Augsburg	Human Resources, Legal and Compliance, Investor Relations and Special Projects
Dr. Ralf Koeppe (from July 1, 2019)	Diplom degree in engineering, Augsburg	Development, Supply Chain, Service Support, Quality and Purchasing, Corporate Culture and Corporate Philosophy
Stephan Weber	Diplom degree in engineering, Werther	Sales, Marketing and Product Management
Dr. Volker Zimmermann (until February 28, 2019)	Mechanical engineer, Munich	Development, Supply Chain, Service Support, Quality and Purchasing

* Mrs. Kalb›s Management Board responsibilities are divided between Dr. Koeppe and Mr. Jaeger.

Supervisory Board

Name	Profession, place of residence	Memberships in other statutory supervisory boards	Memberships in comparable domestic and international supervisory bodies of business enterprises
Dr. Günter Blaschke (January 1 to July 14, 2019)	Businessman, Buchloe	■ Leifheit AG, Nassau (member of the Supervisory Board from April 1, 2019; Chairman of the Supervisory Board from April 2, 2019)	■ None
Ulrich Bellgardt	Business consultant, Hubersdorf, Switzerland	■ KROMI Logistik AG, Hamburg (Chairman of the Supervisory Board since January 4, 2018)	■ None
Jens Große-Allermann	Member of the Management Board of Investmentaktiengesellschaft für langfristige Investoren TGV and Member of the Management Board of Fiducia Treuhand AG, Bonn	■ GESCO AG, Wuppertal (Member of the Supervisory Board) ■ KROMI Logistik AG, Hamburg (Deputy Chairman of the Supervisory Board) ■ Sparta AG, Hamburg (Member of the Supervisory Board until May 15, 2019) ■ FPM Deutsche Investmentgesellschaft mit Teilgesellschaftsvermögen i.L., Frankfurt (until February 5, 2019)	■ None
Dr. Sören Hein	Partner, MIG Verwaltungs AG, Munich	■ APK AG, Merseburg (Member of the Supervisory Board from June 27, 2019)	■ Konux, Inc., Delaware, USA (Member of the Board of Directors) ■ Liva Healthcare Holding ApS, Copenhagen, Denmark (Member of the Board of Directors from March 11, 2019) ■ Liva Healthcare A/S, Copenhagen, Denmark (subsidiary of Liva Healthcare Holding ApS) (Member of the Board of Directors from October 7, 2019)
Dr. Hans-Friedrich Liebler	Managing Director of Lenbach Capital GmbH, Gräfelfing	■ None	■ autowerkstattgroup N.V., Amsterdam, Netherlands (Member of the Supervisory Board)
Dr. Alexander Selent	Diplom degree in business administration, Limburgerhof	■ None	■ 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. 94–97.

Amount of Management Board compensation (HGB)

Total remuneration granted in fiscal year 2019 to the Management Board (DRS 17) amounted to €1,365k (prior year: €4,278k). €1,250k (prior year: €1,079k) of this total consisted of non-performance-related components, €114k (prior year: €608k) of performance-related components and €0k (prior year: €2,591k) of components with a long-term incentive effect.

Total remuneration granted to the members of the Management Board active in each reporting year (HGB):

in €k	2019	2018
Fixed remuneration	1,075	1,015
Incidental benefits	175	65
Total (fixed)	**1,250**	**1,079**
Single-year variable remuneration	79*	608
Fair value of multi-year variable remuneration at grant date	0	2,591
Bonus (once-only)	35	0
Total (variable)	**114**	**3,199**
Total remuneration	**1,365**	**4,278**

* 2019 figure includes offsetting effects from prior year due to changes in 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:

in units	2019	2018
Axel Jaeger	4,900	4,900
Karoline Kalb (until December 31, 2019)	3,590	3,590
Dr. Ralf Koeppe (from July 1, 2019)	600	–
Stephan Weber	3,740	3,740
Dr. Volker Zimmermann (until February 28, 2019)	–	16,100

Former members of the Management Board

There are pension obligations to a former Management Board member and to surviving dependants of a former Management Board member in the amount of €287k (prior year: €260k), which are covered by a relief fund. A severance payment of €990k (prior year: €650k) related to one member of the Management Board. This includes compensation for a post-contractual non-compete covenant in the amount of €340k (prior year: €0k).

Management Board and Supervisory Board

In relation to fiscal year 2019, the Group is affected by the disclosure obligations under IAS 24 solely as they pertain to business transactions with members of the Management Board and Supervisory Board and with former members of the Management Board. The terms and conditions of the transactions correspond to those of arms-length transactions.

The total expense recognized for Management Board remuneration in accordance with IFRS was €2,319k (prior year: €3,201k). €1,250k (prior year: €1,079k) consisted of fixed remuneration and €35k (prior year: €0k) of short-term benefits. In addition to the expense recognized for single-year variable remuneration in the amount of €79k (prior year: €608k), €163k (prior year: €864k) was recognized in the reporting year as expense for long-term share-based payment for fiscal years 2018 to 2020. The decrease relative to the prior year is due to the changes in the Management Board. An amount of

€1,027k (prior year: €864k) was recognized in other liabilities for the future disbursement of long-term share-based payment for the members of the Management Board active as of December 31, 2019. In addition, the total expenses include €792k (prior year: €650k) relating to early termination of a Management Board contract. Of this amount, an expense of €142k (prior year: €0k) relates to compensation for a post-contractual non-compete covenant.

The total expense recognized for remuneration of the Supervisory Board in accordance with IFRS was €560k (prior year: €848k). The expense recognized for fixed remuneration was €263k (prior year: €310k) and that recognized for single-year variable remuneration was €0k (prior year: €0k). Other remuneration, predominantly attendance fees, amounted €208k (prior year: €214k). In addition, members of the Supervisory Board of WashTec AG received long-term share-based payment for fiscal years 2019 to 2021 for which a total amount of €89k (prior year: €1,296k for long-term share-based payment for fiscal years 2015 to 2018) was recognized in other liabilities. The expense recognized in this connection in the fiscal year was €89k (prior year: €324k).

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. These are 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 amount paid out depends on percentage target attainment of certain value creation targets over the term and on personal investment in Company shares. Payment is made at the end of the incentive period.

The previous Supervisory Board cash-settled share-based compensation for fiscal years 2015 to 2018 expired at the end of fiscal year 2018 and was paid out in April 2019. In order to participate in the new cash-settled share-based compensation, which has an incentive period from January 1, 2019 to December 31, 2021, a Supervisory Board member is required to already have held a personal investment in shares in the Company or to have made such an investment by July 31, 2019. The amount paid out depends on percentage target attainment of certain value creation targets over the term and on personal investment in Company shares. Payment is made on the day of the Company's Annual General Meeting in fiscal year 2022.

The obligations were measured at fair value as for cash-settled share-based compensation in accordance with IFRS 2. The material assumptions used in measuring the fair value of the Management Board cash-settled long-term share-based payment are based on an expected volatility of the share price of 37.7% and a risk-neutral interest rate of −0.5% with a remaining duration of one year. The material assumptions used in measuring the fair value of Supervisory Board cash-settled long-term share-based payment are based on an expected volatility of the share price of 37.0% and a risk-neutral interest rate of −0.4% with a remaining duration of two years.

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

in €k	2019	2018
LTIP obligations	1,116	2,160
Total	**1,116**	**2,160**

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

in €k	2019	2018
LTIP expenses	252	1,188
Total	**252**	**1,188**

Supervisory Board

Supervisory Authority remuneration (HGB)

Supervisory Board remuneration comprises fixed and variable remuneration components in accordance with the Articles of Association. 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, the remuneration for the Deputy Chairman of the Supervisory Board is limited to a maximum total of €150,000 and the remuneration for the Chairman of the Supervisory Board is limited to a maximum total of €200,000. The longterm variable remuneration component 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 2018 for services provided individually (Section 5.4.6 of the German Corporate Governance Code 2017).

The 2018 Annual General Meeting has approved a multi-year variable remuneration in the form of a Long Term Incentive Program (LTIP) for the Supervisory Board with an incentive period from January 1, 2019 to December 31, 2021, stipulating a personal investment in WashTec shares on or before July 31, 2019 as a condition for participation (Chairman: 4,000 shares maximum; all other Supervisory Board members: 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 of 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.

Total remuneration granted in fiscal year 2019 to the Supervisory Board members amounted to €740k (prior year: €524k). €263k (prior year: €310k) of this total related to fixed remuneration, €0k (prior year: €0k) to variable remuneration, €208k (prior year: €214k) to attendance fees and €268k (prior year: €0k) to multi-year variable remuneration (fair value at grant date).

Supervisory Board shareholdings developed as follows:

in units	2019	2018
Dr. Günter Blaschke	52,060	50,000
Ulrich Bellgardt	28,070	27,500
Jens Große-Allermann*	0	0
Dr. Sören Hein	5,450	5,000
Dr. Hans-Friedrich Liebler	5,500	5,000
Dr. Alexander Selent	1,500	1,000

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

38. Events after the balance sheet date

The Group is closely monitoring the development of the "coronavirus" issue. In particular, country-specific risks and risks in the supply chain and service areas are actively monitored. Action plans have been prepared for various scenarios. The facts are currently too volatile to allow a final assessment of the consequences on a global basis.

Augsburg, March 12, 2020

Dr. Ralf Koeppe
Chief Executive Officer

Axel Jaeger
Member of the
Management Board

Stephan Weber
Member of the
Management Board

Financial Statements

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 12, 2020

Dr. Ralf Koeppe Chief Executive Officer	Axel Jaeger Member of the Management Board	Stephan Weber Member of the Management Board

Further Information

"Independent Auditor's Report

To WashTec AG, Augsburg

Report on the Audit of the Consolidated Financial Statements and of the Group Management Report

Audit Opinions

We have audited the consolidated financial statements of WashTec AG, Augsburg, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2019, 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 2019, 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 2019. 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 pursu-ant 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 2019, and of its financial performance for the financial year from 1 January to 31 December 2019, 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 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matter of most significance in our audit was as follows:

1 Recoverability of goodwill

Our presentation of this key audit matter has been structured as follows:

1 Matter and issue

2 Audit approach and findings

3 Reference to further information

Hereinafter we present the key audit matter:

1 Recoverability of goodwill

1 In the Company's consolidated financial statements Goodwill amounting in total to EUR 42,312 thousand (15,4 % 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 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 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. 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 greater than the recoverable amount. Taking into account the information available, we determined that the carrying amounts of the cash-generating units, including the goodwill, were adequately covered by the discounted future cash flows.

Overall, the measurement inputs and assumptions used by the executive directors are in line with our expectations and are also within the ranges considered by us to be reasonable.

3 The Company's disclosures on the "Goodwill" balance sheet item are contained in sections 5, 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 management report
- the corporate governance report pursuant to No. 3.10 of the German Corporate Governance Code (with the exception of the remuneration 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 statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor’s report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor’s report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group’s position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 29 April 2019. We were engaged by the supervisory board on 24 October 2019. We have been the group auditor of the WashTec AG, Augsburg, without interruption since the financial year 2008.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Holger Graßnick."

Munich, March 12, 2020

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Holger Graßnick	Sebastian Stroner
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)


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Financial Statements of WashTec AG – Balance Sheet (HGB)

Assets	Dec 31, 2019	Dec 31, 2018
in €k, rounding differences possible		
A. Non-current assets		
I. Property, plant and equipment		
Fixtures and fittings	61	73
II. Financial assets		
Shares in affiliated companies	128,049	128,049
	128,109	**128,121**
B. Current assets		
I. Receivables and other assets		
1. Liabilities to affiliated companies	21,151	30,894
2. Other assets	13,813	11,678
of which more than one year €0k (prior year: €0k)		
	34,964	**42,572**
II. Cash and cash equivalents	1	0
	1	**0**
C. Prepaid expenses	**65**	**104**
Total assets	**163,139**	**170,798**

Equity and Liabilities	Dec 31, 2019	Dec 31, 2018
in €k, rounding differences possible		
A. Equity		
I. Subscribed capital	**40,000**	**40,000**
Contingent capital	*0*	*8,000*
Treasury shares (notional amount)	–1,702	–1,702
	38,298	**38,298**
II. Capital reserves	**90,845**	**90,845**
III. Retained earnings	**22,581**	**34,484**
	151,724	**163,628**
B. Provisions		
1. Tax provisions	1,456	805
2. Other provisions	2,588	3,687
	4,044	**4,492**
C. Liabilities		
1. Trade payables	77	157
2. Liabilities to affiliated companies	6,217	942
3. Other liabilities	1,077	1,579
of which taxes €1,572k (prior year: €1,780k)		
of which for social security €5k (prior year: €6k)		
of which liabilities to shareholders		
€2k (prior year: €2k)		
	7,371	**2,679**
Total equity and liabilities	**163,139**	**170,798**

Financial Statements of WashTec AG – Income Statement (HGB)

in €k, rounding differences possible	Dec 31, 2019	Dec 31, 2018
1. Revenue	3,448	3,396
2. Other operating income	711	584
of which from affiliated companies €94k (prior year: €126k)		
of which from currency translation €0k (prior year: €1k)		
	4,159	**3,980**
3. Cost of materials (cost of sales)		
Cost of purchased services	−25	−25
4. Personnel expenses		
a) Wages and salaries	−3,193	−3,278
b) Social security, pension and other benefit costs	−74	−69
of which for pensions €–17k (prior year: €–15k)		
	−3,268	**−3,347**
5. Amortization, depreciation and impairment of intangible assets and property, plant and equipment	−14	−14
6. Other operating expenses	−2,331	−2,282
of which from currency translation €–1k (prior year: €–4k)		
	−5,638	**−5,668**
	−1,478	**−1,688**
7. Income from profit and loss pooling agreements	4,027	8,189
8. Income from participating interests	20,000	30,000
of which from affiliated companies €20,000k (prior year: €30,000k)		
9. Other interest and similar income	66	91
of which from affiliated companies €90k (prior year: €199k)		
of which from discounting €0k (prior year: €3k)		
10. Interest and similar expenses	−40	−28
of which to affiliated companies €–22k (prior year: €–78k)		
	24,053	**38,252**
EBT	22,574	36,564
11. Income taxes	−1,678	−2,731
12. Net income	20,896	33,832
13. Other taxes	−12	−13
14. Net income for the period	20,883	33,819
15. Profit carried forward	1,698	665
16. Distributable profit	**22,581**	**34,484**

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)
HS(S)E	Health, safety, (security) and environment
IAS	International Accounting Standards
IASB	International Accounting Standards Board
ICS	Internal control system
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards; Internationally harmonized and applied financial reporting standards compiled by the International Accounting Standards Board (IASB)
Inc.	Incorporated (American company form)

IMF	International Monetary Fund
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/ Directors' dealings	Managers' own transactions
Net financial debt	Cash and cash equivalents less current and non-current financial liabilities
NOWC	Net operating working capital; NOWC is calculated as (trade receivables + inventories) – (trade payables + prepayments on orders)
Pty Ltd.	Proprietary limited (Australian company form)
RMS	Risk management system
ROCE	EBIT/capital employed
Roll-over system	In a roll-over system, washing and drying is performed by a railed gantry that moves back and forth several times over the stationary vehicle
S.A.	Société Anonyme (French company form)
S.A.S.	Société of par actions simplifiée (French company form)
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)
Tender	Tender procedure, common in the carwash sector, where customers (usually large oil companies) invite several potential carwash equipment suppliers to submit a tender; negotiations then follow on the basis of the offers submitted and suppliers are listed in framework agreements
Total Energie Gas GmbH	WashTec's electricity suppliers at the Augsburg location
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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Distributors

An up-to-date list of our international sales partners can be found online at www.washtec.de

Group Level Key Performance Indicators (KPIs)

2015 through 2019

		2015	2016	2017	2018	2019
Revenue	€m	340.9	372.8	425.0	435.4	436.5
EBIT	€m	36.4	44.1	52.2	51.5	36.3
EBIT margin	in %	10.7	11.8	12.3	11.8	8.3
EBT	€m	35.9	43.6	51.6	50.8	35.7
Consolidated net income	€m	24.6	30.6	36.9	34.0	22.3
Earnings per share[1]	in €	1.78	2.29	2.76	2.54	1.66
Dividend per share	in €	1.70	2.10	2.45	2.45	1.65
Free cash flow	€m	26.2	20.8	28.1	32.3	15.0
Balance sheet total	€m	190.0	218.1	233.9	237.2	274.9
Equity	€m	80.3	87.4	94.2	95.4	84.5
Employees [2]	people	1,672	1,741	1,793	1,852	1,880

[1] Weighted average number of outstanding shares as of Dec 31, 2015: 13.8m, since Dec 31, 2016: 13.4m

[2] Average for the year

Financial Calendar

Mar 18, 2020	Annual Report 2019
Apr 28, 2020	Quarterly statement Q1 2020
Jul 28, 2020	Q2 Report 2020
Oct 27, 2020	Quarterly statement Q1–3 2020
Nov 16–18, 2020	Equity Forum, Frankfurt

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