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Karl Storz SE & Co. KG

Tuttlingen

Consolidated financial statements for the financial year from January 1st, 2020 to December 31st, 2020**INDEPENDENT AUDITOR'S REPORT**

To KARL STORZ SE & Co. KG, Tuttlingen

AUDIT OPINIONS

We have prepared the consolidated financial statements of KARL STORZ SE & Co. KG, Tuttlingen, and its subsidiaries (the Group) - consisting of the consolidated balance sheet as of December 31, 2020, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the fiscal year from January 1, 2020 to December 31, 2020 and the notes to the consolidated financial statements, including the presentation of the accounting and valuation methods.

In addition, we have audited the group management report of KARL STORZ SE & Co. KG for the fiscal year from January 1, 2020 to December 31, 2020.

According to our assessment based on the knowledge gained during the audit

- The attached consolidated financial statements comply in all material respects with the provisions of German commercial law and, in compliance with German generally accepted accounting principles, provide a true and fair view of the Group's net assets and financial position as of December 31, 2020 and its results of operations for the fiscal year from January 1, 2020 until December 31, 2020 and
- the attached group management report as a whole provides an accurate picture 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.

In accordance with Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any objections to the correctness of the consolidated financial statements and the group management report.

BASIS FOR THE AUDIT OPINIONS

We conducted our audit of the consolidated financial statements and the group management report in accordance with Section 317 HGB, taking into account the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW).

Our responsibilities under those regulations and standards are further described in the "AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND GROUP MANAGEMENT REPORT" section of our auditor's report. We are independent of the group companies in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. 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.

RESPONSIBILITY OF THE LEGAL REPRESENTATIVES FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT

The legal representatives are responsible for the preparation of the consolidated financial statements, which comply with the German commercial law provisions in all material respects, and for the fact that the consolidated financial statements, in compliance with the German principles of proper accounting, give a true and fair view of the asset, financial and earnings situation of the company mediated by the group. Furthermore, the legal representatives are responsible for the internal controls which they have determined to be necessary in accordance with German generally accepted accounting principles in order to enable the preparation of consolidated financial statements that are free from material - intentional or unintentional - misstatements.

In preparing the consolidated financial statements, the legal representatives 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, provided no actual or legal circumstances conflict therewith.

In addition, the executive directors are responsible for preparing the group management report, which as a whole provides a suitable view of the group's position and is consistent with the consolidated financial statements in all material respects, complies with German legal requirements and suitably presents the opportunities and risks of future development. Furthermore, the legal representatives are responsible for the precautions and measures (systems) they have deemed necessary to enable the preparation of a group management report in accordance with the applicable German legal provisions and to provide sufficient suitable evidence for the statements in the group management report can.

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND MANAGEMENT REPORT

Our objective is to obtain reasonable assurance as to whether the consolidated financial statements as a whole are free from material - intentional or unintentional - misstatements and whether the group management report as a whole provides a suitable view of the Group's position and, in all material respects, with the consolidated financial statements and is consistent with the knowledge gained during the audit, the German statutory regulations 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.

Adequate assurance is a high level of assurance, but is no guarantee that an audit conducted in accordance with Section 317 of the German Commercial Code, taking into account the German principles of proper auditing established by the Institut der Wirtschaftsprüfer (IDW) will always uncover a material misstatement. Misstatements may 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 made on the basis of these consolidated financial statements and group management report.

During the audit, we exercise professional judgment and maintain a critical attitude. Over and beyond

- We identify and assess the risks of material - intentional or unintentional - misstatements in the consolidated financial statements and in the group management report, plan and perform audit procedures in response to these risks, and obtain audit evidence that is sufficient and appropriate to serve as a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is greater than that arising from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- We gain an understanding of the internal control system relevant to the audit of the consolidated financial statements and the precautions and measures relevant to the audit of the group management report in order to plan audit procedures that are appropriate in the given circumstances, but not with the aim of providing an audit opinion on the effectiveness of these to deliver systems.
- We evaluate the appropriateness of the accounting methods used by the legal representatives and the justifiability of the estimated values presented by the legal representatives and the 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 cast significant doubt on the Group's ability to continue as a going concern can raise. If we conclude that there is a material uncertainty, we are required to draw attention to the related disclosures in the consolidated financial statements and group management report in the auditor's report, or if this information is inappropriate, to modify our respective audit opinion. We base our conclusions 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 such a way that the consolidated financial statements give a true and fair view of the assets, financial and results of operations of the group.
- we obtain sufficient appropriate audit evidence for the accounting information of the companies or business activities within the group in order 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 bear sole responsibility for our audit opinions.
- We assess the consistency of the group management report with the consolidated financial statements, its compliance with the law and the view of the group's position that it gives.
- we perform audit procedures on the future-oriented information presented by the legal representatives 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 provide a separate audit opinion on the future-oriented information and the underlying assumptions. There is a significant unavoidable risk

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

Stuttgart, June 10, 2021

BDO AG
auditing company
signed Andreas Müller, auditor
signed Steffen Walter, auditor

consolidated balance sheet

ASSETS

| | 12/31/2020 | | Previous year |
|--|-------------|-------------|---------------|
| | EUR | EUR | EUR |
| A. FIXED ASSETS | | | |
| I. Intangible assets | | | |
| 1. Purchased industrial property rights and similar rights | 13,057,858 | | 14,523,517 |
| 2. Goodwill | 3,041,176 | | 1,196,113 |
| | | 16,099,034 | 15,719,630 |
| II. Tangible assets | | | |
| 1. Land and buildings | 242,495,122 | | 252,482,700 |
| 2. Technical installations and machines | 21,127,217 | | 22,373,643 |
| 3. Other equipment, fixtures and fittings | 101,561,658 | | 106,131,675 |
| 4. Payments on account and assets under construction | 12,018,773 | | 17,796,951 |
| | | 377,202,770 | 398,784,969 |
| III. financial investments | | | |
| 1. Shares in affiliated companies | 16,591 | | 16,591 |
| 2. Investments in associated companies | 601,374 | | 403,207 |
| 3. Other holdings | 626,821 | | 630,772 |
| 4. Loans to associates | 1,679,972 | | 2,449,629 |
| 5. Investment securities | 147,340,538 | | 146,475,818 |
| 6. Other Loans | 3,334,985 | | 942,548 |
| | | 153,600,281 | 150,918,565 |

| | 12/31/2020 | Previous year |
|--|-------------|---------------|
| | EUR | EUR |
| | | 546.902.085 |
| | | 565.423.164 |
| B. CURRENT ASSETS | | |
| I. Inventories | | 318.031.849 |
| II. Receivables and other assets | | |
| 1. Trade accounts receivable | 259.239.949 | 310.224.637 |
| 2. Receivables from affiliated companies | 0 | 413 |
| 3. Claims against shareholders | 104,774 | 6,002,387 |
| 4. Receivables from companies in which a participation is held | 1,779,384 | 20,760 |
| 5. Receivables from related companies | 972,435 | 1,921,438 |
| 6. Other Assets | 45.612.807 | 49,653,439 |
| | | 367.823.074 |
| III. securities | | 19.119.025 |
| IV. Cash on hand, bank balances and cheques | | 297.215.936 |
| | | 1.002.189.884 |
| C. PREPAID EXPENSES | | 11.904.520 |
| D. DEFERRED TAX ASSETS | | 44,021,792 |
| | | 1,623,539,360 |
| LIABILITIES | | |
| | 12/31/2020 | Previous year |
| | EUR | EUR |
| A. EQUITY | | |
| I. Equity Interests | | |
| 1. Complementary | 0 | 0 |
| 2. Limited partners | 148.824.520 | 148.824.520 |
| | | 148.824.520 |
| II. Retained Earnings | | |
| 1. Articles of association reserves | 97.030.661 | 60.176.699 |
| 2. Other retained earnings | 411.287.689 | 27,455,553 |
| | | 87.632.252 |
| III. Equity difference from currency translation | | 25,463,931 |
| IV. Consolidated balance sheet profit | | 479.201.998 |
| V. Non-Controlling Interests | | 6,661,512 |
| | | 747.784.213 |
| B. PROVISIONS | | |
| 1. Provisions for pensions and similar obligations | 19,986,647 | 18,869,504 |
| 2. Tax Provisions | 20.215.275 | 14.158.362 |
| 3. Other Provisions | 201.925.724 | 220.138.644 |
| | | 253.166.510 |
| C. LIABILITIES | | |
| 1. Promissory note loan | 250,000,000 | 250,000,000 |
| 2. Liabilities to banks | 13,892,763 | 16,997,414 |
| 3. Deposits Received on Orders | 39,930,400 | 44,328,746 |
| 4. Trade Accounts Payable | 56.145.703 | 55.751.901 |
| 5. Liabilities to shareholders | 145.843.304 | 71.012.638 |
| 6. Liabilities to companies in which an investment relationship exists | 368,673 | 764,399 |
| 7. Liabilities to related companies | 86.807.197 | 91.610.012 |
| 8. Other Liabilities | 54,671,751 | 64,698,372 |
| | | 595.163.482 |
| D. ACCOUNTED EXPENSES | | 27.425.155 |
| | | 1,623,539,360 |

Consolidated income statement

| | 2020 | Previous year |
|--|---------------|---------------|
| | EUR | EUR |
| 1. Revenue | 1,763,448,466 | 1.896.104.183 |
| 2. Production costs of the services rendered to generate sales | -741,599,099 | -827.845.906 |
| 3. Gross profit on sales | 1,021,849,367 | 1.068.258.277 |
| 4. Selling Expenses | -480.307.754 | -565.819.862 |
| 5. Research and Development Expenses | -119.594.469 | -103,494,982 |
| 6. General Administrative Expenses | -213.133.127 | -221.747.342 |

| | 2020 EUR | Previous year EUR |
|---|-------------|----------------------|
| 7. Other operating income | 66,347,425 | 50,288,804 |
| - of which income from currency translation: EUR 44,050,083 (previous year: EUR 26,891,624) | | |
| 8. Other Operating Expenses | -63,570,467 | -45,537,835 |
| - of which expenses from currency translation: EUR -36,485,012 (previous year: EUR -33,698,322) | | |
| 9. Income from participations | 175,000 | 326,783 |
| 10. Results from associates | -221,437 | 166,810 |
| 11. Income from other securities and loans classified as financial assets | 548,259 | 954,770 |
| 12. Other Interest and Similar Income | 3,023,427 | 4,765,994 |
| - of which income from discounting: EUR 64,243 (PY: EUR 128,752) | | |
| 13. Depreciation of financial assets and marketable securities | -3,758,129 | -257,215 |
| 14. Interest and Similar Expenses | | |
| - of which expenses from compounding: EUR 683,709 (PY: EUR 673,787) | -16,774,501 | -14,463,278 |
| 15. Income Taxes | -39,213,396 | -33,735,388 |
| 16. Earnings after taxes | 155,370,198 | 139,705,536 |
| 17. Other Taxes | 0 | -2,407,529 |
| 18. Consolidated net income | 155,370,198 | 137,298,007 |
| 19. Minority Profit | -1,277,633 | -1,012,842 |
| 20. Loss Attributable to Minority Members | 46,238 | 297,983 |
| 21. Consolidated net income excluding minority interests | 154,138,803 | 136,583,148 |
| 22. Earnings Carry Forward | 0 | 342,618,850 |
| 23. Allocation to other revenue reserves | 52,486,353 | 0 |
| 24. Consolidated retained earnings | 101,652,450 | 479,201,998 |

Notes to the consolidated financial statements for 2020

General information

These consolidated financial statements were prepared in accordance with Sections 290 et seq. HGB.

The consolidated financial statements were prepared in accordance with the provisions of the German Commercial Code (HGB) and the relevant provisions for SE & Co. KG in the HGB and the supplementary provisions of the partnership agreement.

The consolidated income statement has been prepared using the cost of sales method in accordance with Section 275 (3) HGB.

For the sake of clarity and clarity of the consolidated financial statements, we have included some of the additional information required for individual items in the consolidated balance sheet and consolidated income statement in the notes.

In the financial year, functional areas were reclassified as explained in the section on accounting and valuation methods in order to improve the depiction of the financial and earnings situation in the income statement.

Registry Information

The company is registered as Karl Storz SE & Co. KG with its registered office in Tuttlingen in the commercial register of the district court in Stuttgart under number HRA 450442.

scope of consolidation

The following companies were included in the consolidated financial statements by way of full consolidation, over which the company exercises direct or indirect control (the amount of the participation of KST is noted in each case in brackets, companies without an addition in brackets are 100% directly or indirectly owned the KST):

The company KARL STORZ ENDOSCOPY NEW ZEALAND Ltd., Lane Cove, which was newly founded on June 23, 2020, was included in the consolidated financial statements for the first time on December 31, 2020.

In the year under review, Karl Storz Endoscopia Latino-America, Inc., Miami, was merged into Karl Storz Veterinary Endoscopy-America Inc., Goleta.

The companies remain essentially unchanged:

| | |
|---------------------|---|
| Almicro GmbH | ALMIKRO GmbH, Bad Krozingen |
| Almicro KG * | ALMIKRO GmbH & Co. KG, Bad Krozingen |
| axiom | Axiom Ventures GmbH, Villingen-Schwenningen |
| Berk wood service * | A. Berkholz Service GmbH, Berlin |
| EFEMA * | Elzacher Feinmechanik GmbH, Elzach |
| EP * | Endo Press GmbH, Tuttlingen |
| KSA Delaware USA | Karl Storz America LLC., Delaware, USA |
| KSEA USA | Karl Storz Endoscopy-America Inc., El Segundo, USA |
| KSESA (49.00%) | KSESA Medical And Surgical Skills Development (Pty.) LTD, Cape Town, South Africa |
| KSI USA | Karl Storz Imaging Inc., Goleta, USA |
| KSLA USA | Karl Storz Lithotripsy-America Inc., Kennesaw, USA |
| KST * | Karl Storz SE & Co. KG, Tuttlingen |
| KST Berlin * | Karl Storz Endoskope Berlin GmbH, Berlin |
| KST INV F | Karl Storz Invest France SASU, Guyancourt, France |
| COAST A | Karl Storz Endoskop Austria GmbH, Vienna, Austria |
| COAST OFF | Karl Storz Endoscopy Australia Pty. Ltd., Sydney, Australia |
| COAST B (99.60%) | Karl Storz Endoscopy Belgium NV, Etterbeek, Belgium |

| | |
|---------------------|--|
| KSTE BR (99.99%) | KARL STORZ MARKETING AMERICA DO SUL Ltda., Sao Paulo, Brazil |
| COAST CDN | Karl Storz Endoscopy Canada Ltd., Mississauga, Canada |
| COAST CN | Karl Storz Endoscopy (Shanghai) Limited, Shanghai, China |
| COAST DK | Karl Storz Endoskopi Danmark A/S, Holte, Denmark |
| COAST E (99.80%) | Karl Storz Endoscopia Iberica, SA, Madrid, Spain |
| CSTE EMG (99.98%) | Karl Storz Endoskope - East Mediterranean and Gulf (Offshore) SAL, Beirut, Lebanon |
| COAST F | Karl Storz Endoscopie France SAS, Guyancourt, France |
| COAST FIN | Karl Storz Endoscopy Suomi Oy, Vantaa, Finland |
| KSTE GB | Karl Storz Endoscopy (UK) Ltd., Dundee, United Kingdom |
| COAST GR | KARL STORZ ENDOSCOPE GREECE MEPE, Thessaloniki, Greece |
| COAST H | KARL STORZ Endoskop Magyarorszag Kft., Budapest, Hungary |
| COAST HK | Karl Storz Endoscopy China Ltd., Hong Kong, China |
| COAST HR | Karl Storz Croatia doo, Zagreb, Croatia |
| COAST I | Karl Storz Endoscopia Italia SRL, Bolzano, Italy |
| COAST IND (99.99%) | Karl Storz Endoscopy India Pvt. Ltd., New Delhi, India |
| KSTE J | Karl Storz Endoscopy Japan KK, Tokyo, Japan |
| KSTE KZ | TOO Karl Storz Endoscopy Kazakhstan, Astana, Kazakhstan |
| COAST MEX (99.99%) | Karl Storz Endoscopia Mexico SA de CV, Mexico City, Mexico |
| COSTS | Karl Storz Endoskopi Norge AS, Hagan, Norway |
| COAST NL | Karl Storz Endoscopie Nederland BV, Vianen, The Netherlands |
| KSTE PL | KARL STORZ Polska Sp.Zoo, Gliwice, Poland |
| KSTE RA (95.00%) | Karl Storz Endoscopia Argentina SA, Vicente Lopez, Argentina |
| COAST RL | Karl Storz Endoskope - Lebanon SAL, Beirut, Lebanon |
| KSTE RO (99.00%) | KARL STORZ Endoscopia Romania SRL, Bucharest, Romania |
| COAST ROK | KARL STORZ Endoscopy Korea Ltd., Seoul, South Korea |
| COAST RP | KARL STORZ Endoscopy Philippines, Inc., Taguig City, Philippines |
| COAST RUSSIA | OOO Karl Storz Endoskopy Wostok, Moscow, Russian Federation |
| KSTES | Karl Storz Endoskop Sverige AB, Skärholmen, Sweden |
| COAST SGP Asia | Karl Storz Endoscopy Asia Marketing Pte. Ltd., Singapore, Singapore |
| KSTE SGP Sales | Karl Storz Endoscopy Singapore Sales Pte. Ltd., Singapore, Singapore |
| COAST SLO | Karl Storz Endoskopija doo, Ljubljana, Slovenia |
| KSTE UA | TOV Karl Storz Ukraine, Kyiv, Ukraine |
| COAST ZA (86.74%) | Karl Storz Endoscopy (South Africa) (Proprietary) Limited, Cape Town, South Africa |
| KSVE EST | OÜ Karl Storz Video Endoscopy Estonia, Laagri, |
| Estonia KSVEA USA | Karl Storz Veterinary Endoscopy-America Inc., Goleta, USA |
| MI3 (84.00%) | MI3 Limited, Colwyn Bay, UK |
| MTF USA | Medical Technology Finance Corp., El Segundo, USA |
| September ** | Storz Endoskop Production GmbH, Tuttlingen |
| Viendis CH (51.00%) | Viendis AG, Uhwiesen, Switzerland |

The companies marked with an asterisk (*) meet the conditions of Section 264 (3) and Section 264b HGB and make use of the exemption provision with regard to disclosure.

The companies marked with an asterisk (**) meet the conditions of Section 264 (3) HGB and make use of the exemption provision with regard to the preparation of a management report and with regard to disclosure.

Furthermore, one company was included about which no information is given due to the threat of significant disadvantages.

Not included due to the application of Section 296 (2) HGB due to their minor importance (sales and annual results < 5% of consolidated sales or consolidated profit):

| | |
|--|---|
| KSTE RC | Karl Storz Endoscopy Taiwan Ltd., New Taipei City, Taiwan |
| For the following companies, due to their minor importance (sales and annual results < 5% of consolidated sales or consolidated profit), the option in accordance with Section 311 (2) HGB was exercised; accounting according to the equity method was omitted: | |
| BTE (26.00%) | Bioscope Technologies Development GmbH, Viechtach |
| DV (7.25%) | Diaspective Vision GmbH, Am Salzhauff, OT Pepelow |
| GLC United States (12.53%) | Gradient Lens Corporation, Rochester, USA |
| VP F (13.92%) | Visible Patient SAS, Strasbourg, France |

We accounted for medi-G GmbH, Leibertingen (medi-G) at equity using the book value method at the time of acquisition in accordance with Section 312 (1) No. 1 HGB (old version). The stake in dermedi-G is 25% and is identical to the voting rights. As of December 31, 2020, there was an equity value of EUR 601 thousand to be accounted for in accordance with DRS 26 no. 54.

We accounted for OPCOS AG (OPCOS), Widnau, Switzerland, at equity using the book value method at the time of acquisition in accordance with Section 312 (1) No. 1 HGB. The stake in OPCOS is 40% and is identical to the voting rights. As of December 31, 2020, there was a negative equity value of EUR 139k that was not to be recognized in accordance with DRS 26, paragraph 54.

With the application of Section 296 (1) No. 1 HGB, there was a status change for KSNDTec from full consolidation to equity accounting.

The resulting negative effect on earnings amounted to EUR 419 thousand. The stake in KSNDTec is 85.5% and is identical to the voting rights. As of December 31, 2020, there was a negative equity value of EUR 1,105k that was not to be recognized in accordance with DRS 26, item 54.

The accounting and valuation principles of the companies included using equity accounting do not differ significantly from those of the companies included in the consolidated financial statements of KST.

Accounting and valuation principles

The consolidated financial statements are prepared in accordance with the accounting standard of the German Commercial Code (HGB).

The financial statements of the companies included in the consolidated financial statements of KST and associated companies were prepared according to uniform accounting and valuation principles. For the preparation of these financial statements, the following accounting and valuation methods were essentially unchanged and decisive.

Other taxes were presented within other operating expenses for the first time in the 2020 financial year. In the previous year, these were reported separately. The previous year's amounts were not adjusted.

The additional reclassifications of functional areas to improve the presentation of the financial and earnings position in the income statement are as follows:

| | 2019 as reported | adjustment due to reclassification | 2019 after adjustment | 2020 |
|--|------------------|---------------------------------------|-----------------------|----------|
| | kEUR | kEUR | kEUR | kEUR |
| Manufacturing costs of the services rendered to generate sales | -827,846 | 1,912 | -825,934 | -741,599 |
| distribution costs | -565,820 | 5,684 | -560.136 | -480.308 |
| Research and development expenses | -103,495 | -14,747 | -118,242 | -119,594 |
| general administrative costs | -221,747 | 7,151 | -214,596 | -213.133 |
| Other operating income(+)/expenses(-) | 4,751 | -2,408 | 2,343 | 2,777 |
| Other taxes | -2,408 | 2.408 | 0 | 0 |

The realization and imparity principles were observed; Assets are valued at acquisition or production costs at most.

Acquired intangible fixed assets are recognized at acquisition or production cost and, if they are subject to wear and tear, are reduced by scheduled depreciation over their useful life (software 1 to 5 years and patents and rights between 3 and 28 years; straight-line method).

Goodwill, including goodwill from the initial consolidation of shares, is amortized on a straight-line basis over a period of 8 to 10 years. Two items of goodwill come from the HBII financial statements, the remaining four from differences from the capital consolidation. In the financial year, new goodwill from the HBII financial statements was included as a result of the first-time inclusion of KSTE NZ. The useful lives reflect the average product life cycles and customer loyalty periods.

Property, plant and equipment are stated at acquisition or production cost and, where depreciable, are reduced by scheduled depreciation (company building 33 years, machines 7 to 15 years, factory and office equipment 5 to 14 years). If the impairment is expected to be permanent, unscheduled depreciation is taken to the lower fair value. In addition to the individual costs, the manufacturing costs of self-constructed systems also include pro rata overheads and depreciation caused by production.

When determining the fixed costs in the financial year, no separation is made into utility costs and idle costs, since the employment achieved in the financial year 2020 was over 70% of normal employment.

In the financial year, a Group company carried out an extraordinary write-down on real estate in the amount of EUR 4,370 thousand (previous year: EUR 0 thousand).

Property, plant and equipment are depreciated over their expected useful lives. Additions since January 1, 2008 are amortized on a straight-line basis.

Low-value assets with a net individual value of up to EUR 250 are expensed immediately in the year of acquisition. Assets with a net individual value of more than EUR 250 to EUR 800 are written off in full in the year of acquisition.

Additions to property, plant and equipment are depreciated on a pro rata basis.

Within financial assets, shares and securities are stated at acquisition cost or, if permanent impairment is expected, at the lower applicable value. Investments in associated companies are generally accounted for at the proportionate net assets. Loans are generally stated at their nominal value. Extraordinary unscheduled write-downs on financial assets in accordance with section 253 (3) sentence 4 of the German Commercial Code were made in the financial year in the amount of EUR 3,588 thousand (previous year: EUR 213 thousand).

Inventories are stated at acquisition or production cost or at the lower applicable value. The manufacturing costs include individual costs plus appropriate overhead costs. Write-downs for inventory risks resulting from the storage period and reduced marketability were made to an appropriate and sufficient extent.

Stocks of raw materials, consumables and supplies are capitalized at average purchase prices or at the lower daily prices on the balance sheet date.

Work in progress and finished goods are valued at manufacturing cost on the basis of itemized calculations based on the current operating accounts, taking into account not only the direct material costs, production wages and special individual costs, but also production and material overheads as well as depreciation in accordance with the minimum scope under commercial law.

In all cases, the valuation was loss-free, ie deductions were made from the probable sales prices for costs still to be incurred and reasonable profit.

Merchandise is accounted for at the lower of average purchase price or market price on the balance sheet date.

Receivables and other assets are reported at their nominal value less value deductions for individual risks and for the general credit risk. Interest-free or low-interest receivables with a term of more than one year are discounted.

Receivables and liabilities are offset against each other if they exist between the same people on the balance sheet date and, in particular, are of the same type and due. Related companies are those non-affiliated companies in which companies of the KARL STORZ Group or their shareholders hold the majority of the voting rights.

Marketable securities are stated at acquisition cost or, in accordance with Section 253 (4) HGB, at the lower value resulting from stock exchange or market prices on the reporting date.

Cash on hand and bank balances are stated at their nominal value.

For the determination of deferred taxes due to temporary or quasi-permanent differences between the commercial law valuations of assets, liabilities and prepaid expenses and their tax valuations or due to tax loss carryforwards, the amounts of the resulting tax burden and relief are calculated using the company-specific tax rates at the time of the reduction of the differences valued and not discounted. Differences based on consolidation measures in accordance with Sections 300 to 307 HGB are also taken into account, but not differences from the first-time recognition of goodwill or a negative difference from capital consolidation.

Deferred taxes include income relating to other periods of EUR 733 thousand.

The provisions for pensions and similar obligations are calculated according to the projected unit credit method using the "2018 G mortality tables" from Prof. Dr. Klaus Heubeck determined. The average market interest rate of 2.30% (previous year: 2.71%) with a remaining term of 15 years was used for discounting in accordance with the provision discounting regulation of November 18, 2009. Country-specific interest rates were used for the foreign subsidiaries. Expected salary increases of 4.0% (previous year: 4.0%) were taken into account in Germany and in a range of 1.5% to 9.74% abroad. The expected increase in pensions was 1.5% in Germany (previous year: 1.5%) and abroad in a range of 1.0% to 4.5% rated. Fluctuation was taken into account at a rate of 0.0% (previous year: 0.0%) in Germany and at a range of 1.00% to 4.00% abroad.

The assets that serve exclusively to meet the pension obligations and are not accessible to all other creditors (coverage assets within the meaning of Section 246 (2) sentence 2 HGB) were offset against the provisions at their fair value in accordance with the contract balances reported by the insurance company (amortized cost).

The tax provisions and other provisions take into account all contingent liabilities and impending losses from pending transactions. They are recognized at the amount required to be paid based on prudent business judgment (ie including future cost and price increases). Provisions with a remaining term of more than one year were

discounted.

The interest expenses incurred are reported in the financial result.

Liabilities are recognized at the settlement amount.

Insofar as valuation units are formed in accordance with Section 254 HGB, the following accounting and valuation principles are applied:

Economic hedging relationships are accounted for by the formation of valuation units. In cases where both the "freezing method", in which the offsetting changes in value from the hedged risk are not accounted for, and the "passing through method", according to which the offsetting changes in value from the hedged risk of both the underlying transaction and the hedging instrument are accounted for can be applied, the freezing method is applied. The offsetting positive and negative changes in value are recorded without affecting the income statement.

currency conversion

Monetary assets and liabilities denominated in foreign currencies are generally translated at the mean spot exchange rate on the balance sheet date as part of subsequent valuation. With a remaining term of one year and less, the realization principle (Section 298 (1) in conjunction with Section 252 (1) No. 4 half-sentence 2 HGB) and the acquisition cost principle (Section 298 (1) in conjunction with Section 253 (1) sentence 1 HGB) apply non-exchange rate related changes in value are not applied.

Non-monetary assets acquired in a foreign currency are only translated at the time of acquisition. Subsequent measurement is based on the acquisition costs recorded in local currency at the time of acquisition.

The asset and liability items in the annual financial statements prepared in a foreign currency, with the exception of equity (capital shares, revenue reserves), which are translated at the historical mean spot exchange rate at the time of initial consolidation, are translated into euros at the respective mean spot exchange rate on the balance sheet date. The items in the income statement have been converted into euros at the average exchange rate. The resulting translation difference is reported within the consolidated equity after the consolidated retained earnings under the item "Equity difference from currency translation".

Exchange rate-related differences from the consolidation of debts are generally included in the item "Equity difference from currency translation" without affecting the result. Effects on earnings from the valuation of the intra-group obligation in the annual financial statements of one of the companies included using the imparity/realization principle in accordance with Section 252 (1) No. 4 and Section 256a HGB are eliminated with an effect on income and included in the item "Equity difference from currency translation".

As part of the elimination of intercompany profits, exchange rate effects for deliveries that are allocated to fixed assets are taken into account. The associated interim profits of the previous year are converted using the mean spot exchange rate on the balance sheet date. The resulting translation difference compared to the previous year is recognized in the income statement.

A currency translation when applying the equity method was not used due to its minor importance.

Argentina was classified as a hyperinflationary economy. The financial statements of the Argentinian subsidiary were adjusted for inflation effects using the index-based method before inclusion in the consolidated financial statements.

Consolidation Principles

Capital consolidation for companies or for purchased equity interests that were consolidated for the first time was done using the acquisition method at the time the company became a subsidiary.

The valuation of the shares belonging to the parent company is offset against the amount of the subsidiary's equity attributable to these shares. Equity is stated at the amount that corresponds to the fair value of the assets, liabilities and deferred items to be included in the consolidated financial statements at the time of consolidation. Any difference remaining after offsetting is reported as goodwill if it arises on the assets side and, if it arises on the liabilities side, under the item "Differential amount from capital consolidation" after equity. The difference amount is released to income,

The decisive point in time for determining the fair value of the assets, liabilities and prepaid expenses to be included in the consolidated financial statements and for the capital consolidation is the point in time when the company became a subsidiary. In the case of subsidiaries whose inclusion was previously waived in accordance with Section 296 HGB, the date of inclusion of the subsidiary in the consolidated financial statements is decisive.

Capital consolidation for companies or for purchased capital shares that were consolidated for the first time before January 1, 2010 was carried out using the revaluation method at the time of acquisition. As far as possible, we assigned the amounts to be capitalized to the relevant asset items; the remainder was reported as goodwill.

Receivables and liabilities between the consolidated companies were offset against each other as part of debt consolidation.

The intercompany profits resulting from intragroup deliveries and services were eliminated. The intercompany profits on holdings of investments accounted for using the equity method were eliminated on a pro rata basis. In accordance with the meaning of Section 304 (1) HGB, no interim results were eliminated from inventories that were delivered at a time when the delivering or receiving company was not included in the consolidated financial statements. Rather, these gains (losses) are considered to be realized for the Group.

Income and expenses between the companies included were offset against each other.

The deferred taxes attributable to consolidation measures affecting net income were accrued in accordance with § 306 HGB and combined with the deferred taxes from the individual financial statements.

The associated companies can be seen from the list of the scope of consolidation. It is recognized using the equity method in accordance with section 312 (1) HGB. As in previous years, the valuation is updated in the financial year by the proportionate annual result and changes in capital. The valuation methods of the associated company are adjusted to the standard group valuation.

Notes to the consolidated balance sheet

Capital assets

The development of the individual fixed asset items is shown on the last page of these notes.

financial investments

In the following cases, financial instruments belonging to the financial assets were reported with a book value above the fair value in exercising the valuation option according to Section 253 (3) sentence 6 HGB:

| | book value | fair value |
|--------|------------|------------|
| | kEUR | kEUR |
| Shares | 1,287 | 1,223 |
| bonds | 1,504 | 1,442 |
| Other | 267 | 262 |

There was no unscheduled write-down because the price of securities up to and on the reporting date had not fallen below the thresholds set by the company for the indication of permanent impairment and because the impairment is unlikely to be permanent due to minor price fluctuations.

The list of shareholdings can be found in the overview "Information on shareholdings pursuant to Section 313 (2) HGB.

Shares in investment funds

The company holds shares of more than 10% in domestic investment funds.

| | value of shares kEUR | Difference to book value kEUR | Distribution for the financial year kEUR |
|----------------------|-------------------------|-------------------------------------|--|
| investment objective | | | |
| special fund | 100,892 | 892 | 0 |

The fund's investment objective is long-term real asset growth, although price fluctuations must be taken into account. The fund invests in different asset classes such as equities, bonds, money market instruments, certificates, bonds, precious metals, etc., with maximum limits being defined for each asset class, taking risk diversification into account. Income is generated from interest and dividends received and from the sale of assets. The aim is to invest in assets that can be liquidated in the short term.

There are no restrictions on the daily return option.

current assets

Inventories were combined into one item in the balance sheet in accordance with Section 298 (1) in conjunction with Section 265 (7) HGB and include the following items:

| | 12/31/2020 kEUR | 12/31/2019 kEUR |
|----------------------------|--------------------|--------------------|
| Raw materials and supplies | 74,824 | 65,276 |
| Unfinished products | 47,986 | 46,763 |
| Finished Goods and Goods | 221,363 | 200,623 |
| Advance payments made | 843 | 5,370 |
| | 345,016 | 318,032 |

Receivables and other assets have the following maturities:

| | 12/31/2020 kEUR | 12/31/2019 kEUR |
|--|--------------------|--------------------|
| 1. Trade accounts receivable | 259,240 | 310,225 |
| of which remaining term of more than one year | 235 | 199 |
| 2. Receivables from affiliated companies | 0 | 1 |
| of which remaining term of more than one year | 0 | 0 |
| 3. Claims against shareholders | 105 | 6,002 |
| of which remaining term of more than one year | 0 | 0 |
| 4. Receivables from companies in which a participation is held | 1,779 | 21 |
| of which remaining term of more than one year | 0 | 0 |
| 5. Receivables from related companies | 972 | 1,921 |
| of which remaining term of more than one year | 0 | 0 |
| 6. Other Assets | 45,613 | 49,653 |
| of which remaining term of more than one year | 2,828 | 3.196 |
| | 307,709 | 367,823 |

As in the previous year, receivables from shareholders relate to clearing transactions. Receivables from related companies include trade accounts receivable in the amount of EUR 501 thousand (previous year: EUR 951 thousand) and other clearing transactions, as in the previous year.

Deferred tax assets

The deferred tax assets stem primarily from deductible temporary differences (of which EUR 33,613 thousand (previous year: EUR 31,522 thousand) from consolidation measures affecting net income, such as debt consolidation and the elimination of interim results).

The calculation was based on tax rates of 12.6% to 14.0% (trade tax) and 15.0% (corporate income tax) for domestic deferred taxes. Corresponding tax rates for comparable foreign taxes were used for foreign deferred taxes.

Equity capital

In addition to the contributions of the limited partners agreed in the partnership agreement for KST in the amount of EUR 1,925,013.93 (DM 3,765,000.00), further amounts totaling EUR 146,899,505.62 were posted to the capital accounts of the limited partners. These are other additional payments analogous to Section 272 (2) No. 4 HGB, which are recorded directly as limited partnership capital due to their legal form. This should not be associated with a change in the contributions agreed in the articles of association.

In the 2020 financial year, the opening values of the other retained earnings were adjusted through carryforwards from previous years.

In addition, the excess share of the consolidated annual surplus in the annual surplus of the parent company is allocated to other revenue reserves.

The disclosure of the reserves under the articles of association relates exclusively to KST.

The development of equity in accordance with the provisions of German Accounting Standard No. 22 (DRS 22) is shown in the consolidated statement of changes in equity.

Equity difference from currency translation

| | 12/31/2020 EUR | 12/31/2019 EUR |
|--|-------------------|-------------------|
| Exchange rate changes from capital and debt consolidation | -24,124,816 | 25,196,443 |
| Exchange rate changes from the translation of the income statements of consolidated subsidiaries | -5,449,151 | 267,488 |
| | -29,573,967 | 25,463,931 |

Group result

In accordance with the provisions of the articles of association in connection with the shareholder resolution of April 1, 2020, profit shares of the parent company are to be attributed to the loan accounts of the shareholders in the respective following year after priority allocation to reserves and repayment of any loss carryforwards. The allocation to reserves is 25% of the net income for the year, whereby the shareholders can decide on a lower or higher allocation, but no more than a rate of 35%. Shares in losses are offset in full against retained earnings.

Other provisions

The other accruals were formed primarily for personnel obligations, guarantee obligations, outstanding invoices and other accruals.

Information on offsetting according to §§ 298 Para. 1 i. In conjunction with Section 246 (2) sentence 2 HGB

| | kEUR |
|---------------------------------------|-------|
| Settlement amount of the offset debts | 1,551 |
| Acquisition costs of the assets | 898 |
| Fair value of assets | 898 |
| Charged Expenses | 8th |
| Offsetting Income | 0 |

liabilities

The remaining terms and the collateral for the liabilities are shown in detail in the schedule of liabilities.

Liabilities schedule in EUR thousand

| type of liability | remaining term | | | | In total | |
|--|-----------------|--------------------------|---------------------------|-----------------|------------|------------|
| | until 1 year | more than that 1 year | more than that 5 years | secured with | 12/31/2020 | 12/31/2019 |
| 1. Promissory note loan | 0 | 250,000 | 96,000 | 0 | 250,000 | |
| (Previous year) | (0) | (250,000) | (96,000) | (0) | | (250,000) |
| 2. Liabilities to banks | 1,188 | 12,705 | 8,981 | 13,614 | 13,893 | |
| (Previous year) | (1,667) | (15,330) | (10,880) | (16.102) | | (16,997) |
| 3. Deposits Received on Orders | 39,930 | 0 | 0 | 0 | 39,930 | |
| (Previous year) | (44,329) | (0) | (0) | (0) | | (44,329) |
| 4. Trade Accounts Payable | 56,145 | 1 | 0 | 0 | 56,146 | |
| (Previous year) | (55,752) | (0) | (0) | (0) | | (55,752) |
| 5. Liabilities to shareholders | 145,843 | 0 | 0 | 0 | 145,843 | |
| (Previous year) | (71,013) | (0) | (0) | (0) | | (71,013) |
| 6. Liabilities to companies in which an investment relationship exists | 369 | 0 | 0 | 0 | 369 | |
| (Previous year) | (764) | (0) | (0) | (0) | | (764) |
| 7. Liabilities to related companies | 68,527 | 18,280 | 6,630 | 0 | 86,807 | |
| (Previous year) | (42,670) | (48,940) | (6,453) | (0) | | (91,610) |
| 8. Other Liabilities | 49,748 | 4,924 | 265 | 0 | 54,672 | |
| (Previous year) | (63,060) | (1,638) | (124) | (0) | | (64,698) |
| - thereof from taxes | 18,197 | 2,971 | 0 | 0 | 21,168 | |
| (Previous year) | (16,089) | (227) | (0) | (0) | | (16,316) |
| - of which within the framework of social security | 2,437 | 477 | 0 | 0 | 2,914 | |
| (Previous year) | (2,321) | (0) | (0) | (0) | | (2,321) |
| total | 361,750 | 285,910 | 111,876 | 13,614 | | |
| (total previous year) | (279,255) | (315,908) | (113,457) | (16.102) | | |

On April 5, 2017, Karl Storz SE & Co. KG placed a promissory note loan for EUR 250,000 thousand. The inflow of funds took place on April 7, 2017. The total volume is divided into three tranches with maturities of two times seven and one of ten years, leading to a broader diversification of the maturity profile. The average annual interest rate is around 1.85% for both fixed and variable interest tranches. The promissory note loan was arranged by Deutsche Bank AG, DZ Bank AG and Landesbank Baden-Württemberg and signed by numerous banks in Germany and abroad. The first lender in this context is DZ Bank AG.

Liabilities to banks are secured by registered land charges valued at EUR 13,614 thousand.

As in the previous year, liabilities to shareholders relate to clearing transactions. Liabilities to companies in which an investment is held include liabilities from deliveries and services amounting to EUR 369 thousand (previous year: EUR 764 thousand). Liabilities to related companies include EUR 11,259 thousand (previous year: EUR 14,671 thousand) in liabilities from deliveries and services and other clearing transactions.

Passive accruals and deferrals

This includes income from patent infringement lawsuits in the amount of EUR 4,303 thousand (previous year: EUR 6,836 thousand) before the balance sheet date, which represents income after this date.

Notes to the consolidated income statement

| | 2020 | | 2019 | |
|---------------------|-----------|-------|-----------|-------|
| | kEUR | % | kEUR | % |
| revenues | | | | |
| - Divisions | | | | |
| human medicine | 1,729,587 | 98.1 | 1,856,325 | 97.9 |
| veterinary medicine | 20,005 | 1.1 | 18,694 | 1.0 |
| Industrial Group | 4,692 | 0.3 | 10,727 | 0.6 |
| Rest | 9,164 | 0.5 | 10,358 | 0.5 |
| | 1,763,448 | 100.0 | 1,896,104 | 100.0 |
| - Regions | | | | |
| America | 738,157 | 41.8 | 849,056 | 44.8 |
| Other countries | 464,117 | 26.3 | 523,521 | 27.6 |
| Rest of Europe | 419,130 | 23.8 | 396,609 | 20.9 |
| Germany | 142,044 | 8.1 | 126,918 | 6.7 |
| | 1,763,448 | 100.0 | 1,896,104 | 100.0 |

In the financial year, wages and salaries amounted to EUR 518,913k (prior year: EUR 552,209k), social security contributions and expenses for pensions and support to EUR 97,541k (prior year: EUR 105,389k), of which EUR 15,604k (prior year: EUR 15,193k) for pensions.

Other operating income includes income relating to other periods from the reversal of value adjustments and provisions as well as gains from the disposal of assets totaling EUR 11,894k (prior year: EUR 9,863k). Exchange rate gains of EUR 44,050k (prior year: EUR 26,892k) are partially related to other periods.

Other operating expenses include expenses relating to other periods from losses from the disposal of assets amounting to EUR 1,315 thousand (previous year: EUR 734 thousand). Exchange rate losses of EUR 36,485 thousand (previous year: EUR 33,698 thousand) are partially related to other periods. Furthermore, the other operating expenses include additions to the value adjustments on receivables in the amount of EUR 3,140 thousand (previous year: EUR 1,359 thousand).

The expenses include property taxes, motor vehicle taxes and other taxes in the amount of EUR 2,940 thousand. In the previous year, the amount of EUR 2,408 thousand was reported under other taxes.

Income from investments includes income of EUR 175 thousand (previous year: EUR 327 thousand) from affiliated companies.

Income from other securities and loans classified as financial assets includes income of EUR 81 thousand (previous year: EUR 21 thousand) from affiliated companies.

Interest income includes interest of EUR 28 thousand (previous year: EUR 8 thousand) from affiliated companies.

Interest expenses include interest of EUR 1,283 thousand (previous year: EUR 2,289 thousand) to related companies.

Income taxes include deferred tax expenses of EUR 4,580k (prior year: EUR 1,586k) and deferred tax income of EUR 6,631k (prior year: EUR 10,937k). This item includes income from credits in the amount of EUR 831k, which are not related to the period. In the previous year, tax expenses of EUR 932 thousand were related to other periods.

Other Information

contingent liabilities

| | kEUR |
|----------------------|-------|
| guarantees | 2,816 |
| warranty obligations | 1,735 |
| Rest | 1,286 |
| | 5,837 |

The risk of claims arising from the contingent liabilities mentioned above is considered to be low based on the experience of the past few years with regard to the contingent liabilities mentioned.

Off-Balance Sheet Transactions

| | kEUR |
|------------------------------|--------|
| Rental and leasing contracts | 47,097 |

The purpose and advantages of the rental and leasing contracts are the procurement of liquidity and the partial avoidance of residual value risks. Risks lie in the contractual commitment over the entire term.

The fees incurred in 2020 from a patent license agreement that can be terminated on an annual basis amounted to TCHF 187. The purpose of the agreement is to enable the Company as the licensee to use patent rights. The license fees are based on the net sales prices of those products or product parts that are manufactured using the contractual property rights. The advantage lies in the fact that license fees are only incurred depending on the sales situation. The risks lie in the associated outflow of liquidity. The contract is not terminated as of December 31, 2020. As patent licenses expire, expenses are expected to decline steadily.

Other miscellaneous financial obligations

In addition, the following financial obligations arise:

| | kEUR |
|-----------------------|---------|
| purchase obligation | 58,869 |
| maintenance contracts | 26,788 |
| grant agreements | 9,753 |
| purchase commitment | 2,651 |
| License Agreement | 2.168 |
| consultancy contracts | 2,044 |
| | 102,273 |

The purpose and advantages of the grant agreements are the use of third-party know-how in the medical technology sector for the purposes of society. Risks lie in a possible lack of subsequent usability of the development work.

Derivative financial instruments

The following derivative financial instruments exist as part of risk management:

| Type of Financial Instrument | Due | nominal amount | fair value | book value | in balance sheet items |
|-------------------------------|------|----------------|------------|------------|------------------------|
| | | kEUR | kEUR | kEUR | |
| Currency-Related Transactions | | | | | |
| forward exchange transaction | 2021 | 12,829 | 627 | N/A | N/A |
| forward exchange transaction | 2021 | 12,803 | 622 | N/A | N/A |
| forward exchange transaction | 2021 | 12,777 | 619 | N/A | N/A |
| forward exchange transaction | 2021 | 15,000 | 12 | N/A | N/A |
| forward exchange transaction | 2021 | 15,000 | 14 | N/A | N/A |
| forward exchange transaction | 2021 | 5,000 | 5 | N/A | N/A |
| forward exchange transaction | 2021 | 202 | -11 | N/A | N/A |
| forward exchange transaction | 2021 | 175 | -7 | N/A | N/A |
| forward exchange transaction | 2021 | 175 | -9 | N/A | N/A |
| forward exchange transaction | 2021 | 175 | -11 | N/A | N/A |
| forward exchange transaction | 2021 | 175 | -11 | N/A | N/A |
| forward exchange transaction | 2021 | 125 | -2 | N/A | N/A |
| forward exchange transaction | 2021 | 125 | -2 | N/A | N/A |
| forward exchange transaction | 2021 | 125 | -2 | N/A | N/A |
| forward exchange transaction | 2021 | 125 | -2 | N/A | N/A |

Members of the Board of Directors of Karl Storz Verwaltungs SE are Dr. hc mult. Sybill Storz, Tuttlingen, and Dr. Klaus M. Irion, Emmingen-Liptingen, and Ortwin Guhl, Tuttlingen.

Proposal for the use of results

The net income attributable to the parent company for the financial year from January 1 to December 31, 2020 amounts to EUR 101,652k. It is proposed to the shareholders' meeting to allocate an amount of EUR 25,413 thousand to the reserves and to credit the remaining amount of EUR 76,239 thousand to the shareholder accounts.

supplementary report

Due to further developments in the product portfolio and the adjustment of the associated range of services, the service capacities in the "GI-Service" area will be reorganized in 2021 and economically unprofitable service locations will be closed. The costs in the low seven-digit range likely to be incurred by a subsidiary in this context will be borne by the parent company KST.

In spring 2021, KARL STORZ separated from the Industrial Group division and sold its legal interest in KARL STORZ NDTec. Significant financial effects are not expected from this.

With regard to future risks from the COVID-19 pandemic, we refer to our statements in the group management report in the sections "Opportunities and risks" and "Other prospects".

corporate relationships

KST is the parent company of the group (largest and smallest group). Disclosure takes place in the Federal Gazette.

Examination and Consulting Fees

The total fee charged by the auditor and its domestic affiliated companies for the financial year is:

| | kEUR |
|-----------------------------|------|
| Final Examination Services | 301 |
| Other Confirmation Services | 7 |
| Tax Advisory Services | 0 |
| Other services | 23 |
| | 331 |

Tuttlingen, June 9, 2021

The management of Karl Storz Verwaltungs SE as personally liable

Shareholders of KARL STORZ SE & Co. KG:

Karl Christian Storz

Executive Director

Development of Group fixed assets

| | As of January 1st, 2020 EUR | Acquisition/manufacturing costs | | Changes in the scope of consolidation EUR |
|--|--------------------------------|---------------------------------|------------------|--|
| | | currency change EUR | additions EUR | |
| I. Intangible assets | | | | |
| 1. Purchased industrial property rights and similar rights | 122.949.708 | -4,536,635 | 2,610,901 | 0 |
| 2. Goodwill | 28.310.358 | 9,896 | 2,122,136 | 0 |
| | 151.260.066 | -4,526,739 | 4,733,037 | 0 |
| II. Tangible assets | | | | |
| 1. Land and buildings | 359.266.227 | -9,441,772 | 3,404,906 | 0 |
| 2. Technical installations and machines | 88.365.689 | -2,688,011 | 6,020,406 | -86,200 |
| 3. Other equipment, fixtures and fittings | 255.715.469 | -9,273,574 | 29,589,976 | -37,922 |
| 4. Payments on account and assets under construction | 17,796,951 | -179,491 | 12,575,358 | 0 |
| | 721.144.336 | -21,582,848 | 51,590,646 | -124.122 |
| III. financial investments | | | | |
| 1. Shares in affiliated companies | 16,591 | 0 | 0 | 0 |
| 2. Investments in associated companies | 403.207 | 0 | 0 | 419,604 |
| 3. Other holdings | 3,631,102 | 0 | 0 | 0 |
| 4. Loans to associates | 2,449,629 | 11,974 | 801,548 | 1,050,000 |
| 5. Investment securities | 146.733.033 | -5,841 | 10,454,237 | 0 |
| 6. Other Loans | 942,548 | -184,658 | 3,330,763 | 0 |
| | 154.176.110 | -178,525 | 14,586,548 | 1,469,604 |
| | 1.026.580.512 | -26.288.112 | 70.910.231 | 1,345,482 |

| | Change in value due to the equity method EUR | Acquisition/manufacturing costs | | As of December 31, 2020 EUR | Accumulated depreciation As of January 1st, 2020 EUR |
|--|--|---------------------------------|-------------------|-----------------------------------|--|
| | | transfers EUR | departures EUR | | |
| I. Intangible assets | | | | | |
| 1. Purchased industrial property rights and similar rights | 0 | 2,792,239 | 803,855 | 123.012.358 | 108.426.191 |
| 2. Goodwill | 0 | 0 | 0 | 30,442,390 | 27.114.245 |

| | Acquisition/manufacturing costs | | | Accumulated depreciation | | |
|--|--|-------------|---------------------------------------|--------------------------|--------------------|------------|
| | Change in value due to the equity method | transfers | departures | As of December 31, | As of January 1st, | |
| | | | | 2020 | 2020 | |
| | | | | EUR | EUR | |
| | 0 | 2,792,239 | 803,855 | 153.454.748 | 135.540.436 | |
| II. Tangible assets | | | | | | |
| 1. Land and buildings | 0 | 11.023.077 | 3,421,419 | 360.831.019 | 106,783,527 | |
| 2. Technical installations and machines | 0 | 1,094,100 | 2,333,142 | 90.372.842 | 65.992.046 | |
| 3. Other equipment, fixtures and fittings | 0 | 2,890,503 | 22.401.039 | 256.483.413 | 149,583,794 | |
| 4. Payments on account and assets under construction | 0 | -17,799,919 | 374,126 | 12.018.773 | 0 | |
| | 0 | -2,792,239 | 28,529,726 | 719.706.047 | 322.359.367 | |
| III. financial investments | | | | | | |
| 1. Shares in affiliated companies | 0 | 0 | 0 | 16,591 | 0 | |
| 2. Investments in associated companies | -221,437 | 0 | 0 | 601,374 | 0 | |
| 3. Other holdings | 0 | 0 | 3,951 | 3,627,151 | 3,000,330 | |
| 4. Loans to associates | 0 | 0 | 0 | 4,313,151 | 0 | |
| 5. Investment securities | 0 | 0 | 8,756,213 | 148.425.216 | 257,215 | |
| 6. Other Loans | 0 | 0 | 748,361 | 3,340,292 | 0 | |
| | -221,437 | 0 | 9,508,525 | 160.323.775 | 3,257,545 | |
| | -221,437 | 0 | 38.842.106 | 1,033,484,570 | 461.157.348 | |
| Accumulated depreciation | | | | | | |
| | currency change | additions | Changes in the scope of consolidation | | transfers | departures |
| | EUR | EUR | EUR | EUR | EUR | EUR |
| I. Intangible assets | | | | | | |
| 1. Purchased industrial property rights and similar rights | -3,766,400 | 5,612,469 | 0 | 0 | 0 | 317,760 |
| 2. Goodwill | -59,982 | 346,951 | 0 | 0 | 0 | 0 |
| | -3,826,382 | 5,959,420 | 0 | 0 | 0 | 317,760 |
| II. Tangible assets | | | | | | |
| 1. Land and buildings | -2.245.113 | 17.200.947 | 0 | 0 | 0 | 3,403,464 |
| 2. Technical installations and machines | -2,132,307 | 7,304,509 | 5,747 | -3,967 | 0 | 1,908,909 |
| 3. Other equipment, fixtures and fittings | -6,091,438 | 27.943.174 | 14,430 | 3,967 | 0 | 16.503.312 |
| 4. Payments on account and assets under construction | 0 | 0 | 0 | 0 | 0 | 0 |
| | -10,468,858 | 52,448,630 | 20.177 | 0 | 0 | 21.815.685 |
| III. financial investments | | | | | | |
| 1. Shares in affiliated companies | 0 | 0 | 0 | 0 | 0 | 0 |
| 2. Investments in associated companies | 0 | 0 | 0 | 0 | 0 | 0 |
| 3. Other holdings | 0 | 0 | 0 | 0 | 0 | 0 |
| 4. Loans to associates | 3,992 | 2,629,187 | 0 | 0 | 0 | 0 |
| 5. Investment securities | 0 | 953,693 | 0 | 0 | 0 | 126,230 |
| 6. Other Loans | 0 | 5.307 | 0 | 0 | 0 | 0 |
| | 3,992 | 3,588,187 | 0 | 0 | 0 | 126,230 |
| | -14.291.248 | 61,996,237 | 20.177 | 0 | 0 | 22,259,675 |
| Accumulated depreciation | | | | | | |
| | | | As of December 31, 2020 | 12/31/2020 | book values | |
| | | | EUR | EUR | EUR | |
| I. Intangible assets | | | | | | |
| 1. Purchased industrial property rights and similar rights | | | 109,954,500 | 13,057,858 | 14,523,517 | |
| 2. Goodwill | | | 27.401.214 | 3,041,176 | 1.196.113 | |
| | | | 137.355.714 | 16.099.034 | 15,719,630 | |
| II. Tangible assets | | | | | | |
| 1. Land and buildings | | | 118.335.897 | 242.495.122 | 252,482,700 | |
| 2. Technical installations and machines | | | 69.245.625 | 21.127.217 | 22,373,643 | |
| 3. Other equipment, fixtures and fittings | | | 154.921.755 | 101.561.658 | 106.131.675 | |
| 4. Payments on account and assets under construction | | | 0 | 12.018.773 | 17,796,951 | |
| | | | 342.503.277 | 377.202.770 | 398,784,969 | |
| III. financial investments | | | | | | |
| 1. Shares in affiliated companies | | | 0 | 16,591 | 16,591 | |
| 2. Investments in associated companies | | | 0 | 601,374 | 403.207 | |
| 3. Other holdings | | | 3,000,330 | 626,821 | 630,772 | |
| 4. Loans to associates | | | 2,633,179 | 1,679,972 | 2,449,629 | |
| 5. Investment securities | | | 1,084,678 | 147.340.538 | 146.475.818 | |
| 6. Other Loans | | | 5.307 | 3,334,985 | 942,548 | |
| | | | 6,723,494 | 153.600.281 | 150.918.565 | |

| | Accumulated depreciation | book values | |
|--|--------------------------|-------------|-------------|
| | As of December 31, 2020 | 12/31/2020 | 12/31/2019 |
| | EUR | EUR | EUR |
| | 486.582.485 | 546.902.085 | 565.423.164 |

The book value of the item "Goodwill" comes from the capital consolidation in the amount of KEUR 894 (previous year: KEUR 1,157), the depreciation on it in the amount of KEUR 263 (previous year: KEUR 263). The depreciation of the "goodwill" item does not contain any unscheduled depreciation in accordance with Section 253, Paragraph 3, Clause 4 of the German Commercial Code.

Information on shareholdings in accordance with Section 313 (2) HGB

attachment to the appendix

| abbreviation | Company name and registered office | currency | Equity capital | Result of the last financial year | | | |
|-------------------|--|----------|----------------|-----------------------------------|-----------|-------------------------------|--------------------|
| | | | in TLW | in EUR thousand ¹⁾ | in TLW | in EUR thousand ¹⁾ | |
| KST inland | Karl Storz SE & Co. KG, Tuttlingen | | | | | | |
| KST Berlin | Karl Storz Endoskope Berlin GmbH, Berlin | EUR | | 84 | | | 0 |
| Berk wood service | A. Berkholz Service GmbH, Berlin | EUR | | 85 | | | 0 |
| KSNDTec | Karl Storz NDTec GmbH, Walsdorf | EUR | | -1,024 | | | -996 |
| AXIOM | AXIOM Ventures GmbH, Villingen-Schwenningen | EUR | | 9,749 | | | 163 |
| EP | Endo Press GmbH, Tuttlingen | EUR | | 26 | | | 0 |
| Almicro GmbH | Almicro GmbH, Bad Krozingen | EUR | | 76 | | | -3 |
| Almicro KG | Almicro GmbH & Co. KG, Bad Krozingen | EUR | | 197 | | | 172 |
| EFEMA | Elzacher Feinmechanik GmbH, Elzach | EUR | | 5,923 | | | 0 |
| SEPT | Storz Endoskop Production GmbH, Tuttlingen | EUR | | 7,000 | | | 0 |
| dv | Diaspective Vision GmbH, Am Salzhaff, OT Pepelow | EUR | | 10 | | | -108 ²⁾ |
| MEDI-G | medi-G GmbH, Leibertingen | EUR | | 4.006 | | | 1,050 |
| BTE | Bioscope Technologies Development GmbH, Viechtach | EUR | | 30 | | | 246 ²⁾ |
| Abroad | | | | | | | |
| COAST F | Karl Storz Endoscopie France SAS, Guyancourt, France | EUR | | 2,328 | | | 1,379 |
| KST INV F | Karl Storz Invest France SASU, Guyancourt, France | EUR | | 605 | | | 47 |
| COAST B | Karl Storz Endoscopy Belgium NV, Etterbeek, Belgium | EUR | | 773 | | | 287 |
| COAST NL | Karl Storz Endoscopie Nederland BV, Vianen, The Netherlands | EUR | | 378 | | | 179 |
| COAST I | Karl Storz Endoscopia Italia SRL, Bolzano, Italy | EUR | | 4,067 | | | 887 |
| KSTE GB | Karl Storz Endoscopy (UK) Ltd., Dundee, United Kingdom | GBP | 14,848 | 16,516 | 4,956 | | 5,513 |
| MI3 | MI3 Limited, Colwyn Bay, UK | GBP | 4.166 | 4,634 | 257 | | 286 |
| COAST DK | Karl Storz Endoskopi Danmark A/S, Holte, Denmark | DKK | 17,071 | 2,294 | 4,837 | | 650 |
| COAST E | Karl Storz Endoscopia Iberica, SA, Madrid, Spain | EUR | | 10,532 | | | 2.188 |
| KSTES | Karl Storz Endoskop Sverige AB, Skärholmen, Sweden | SEC | 47,789 | 4,763 | 9.128 | | 910 |
| COAST FIN | Karl Storz Endoscopy Suomi Oy, Vantaa, Finland | EUR | | -352 | | | 14 |
| COAST N | Karl Storz Endoskopi Norge AS, Hagan, Norway | NOK | -2,232 | -213 | 4,035 | | 385 |
| COAST A | Karl Storz Endoskop Austria GmbH, Vienna, Austria | EUR | | 1,722 | | | 147 |
| Viendis CH | Viendis AG, Uhwiesen, Switzerland | CHF | 7,525 | 6,966 | 2,059 | | 1,906 |
| COAST RUSSIA | OOO Karl Storz Endoskopy Wostok, Moscow, Russian Federation | RUB | 2,473,838 | 27,046 | 1,005,447 | | 10,992 |
| KSVE EST | OÜ Karl Storz Video Endoscopy Estonia, Laagri, Estonia | EUR | | 22,263 | | | 1,150 |
| KSTE UA | TOV Karl Storz Ukraine, Kyiv, Ukraine | UAH | 21,557 | 620 | 3.121 | | 90 |
| COAST RO | KARL STORZ Endoscopia Romania SRL, Bucharest, Romania | RON | 27,880 | 5,727 | 5,562 | | 1.142 |
| KSTE KZ | TOO Karl Storz Endoscopy Kazakhstan, Astana, Kazakhstan | KZT | 316,941 | 613 | 141,479 | | 273 |
| COAST GR | KARL STORZ ENDOSCOPE GREECE MEPE, Thessaloniki, Greece | EUR | | 2,770 | | | 450 |
| COAST HR | Karl Storz Croatia doo, Zagreb, Croatia | HRK | 5,844 | 774 | 960 | | 127 |
| COAST SLO | Karl Storz Endoskopija doo, Ljubljana, Slovenia | EUR | | 1,025 | | | 241 |
| COAST H | KARL STORZ Endoszkop Magyarorszag Kft., Budapest, Hungary | HUF | 165,760 | 456 | 65,613 | | 180 |
| KSTE PL | KARL STORZ Polska Sp. Zo.o., Gliwice, Poland | PLN | 1,759 | 386 | 123 | | 27 |
| KSEA USA | Karl Storz Endoscopy-America Inc., El Segundo, USA | USD | 273,651 | 223.006 | 37,940 | | 30,918 |
| KSLA USA | Karl Storz Lithotripsy-America Inc., Kennesaw, USA | USD | 8.010 | 6,528 | 1,490 | | 1.214 |
| KSA Delaware USA | Karl Storz America LLC, Delaware, USA | USD | 0 | 0 | 0 | | 0 |
| KSI USA | Karl Storz Imaging Inc., Goleta, USA | USD | 98,538 | 80,302 | 8.166 | | 6,655 |
| KSVEA USA | Karl Storz Veterinary Endoscopy-America Inc., Goleta, USA | USD | 10,460 | 8,524 | 2,523 | | 2,056 |
| MTF USA | Medical Technology Finance Corp., El Segundo, USA | USD | 7,654 | 6.237 | 509 | | 415 |
| COAST CDN | Karl Storz Endoscopy Canada Ltd., Mississauga, Canada | CAD | 28,087 | 17,966 | 2,980 | | 1,906 |
| COAST MEX | Karl Storz Endoscopia Mexico SA, Mexico City, Mexico | MXN | 140.012 | 5,734 | -30 | | -1 |
| KSTE RA | Karl Storz Endoscopia Argentina SA, Vicente Lopez, Argentina | ARS | 160,829 | 1,563 | 20,788 | | 202 |
| COAST BR | KARL STORZ MARKETING AMERICA DO SUL Ltda., Sao Paulo, Brazil | BRL | 6,001 | 942 | 388 | | 61 |
| COAST IND | Karl Storz Endoscopy India Pvt. Ltd., New Delhi, India | INR | 1,174,513 | 13,100 | 232,838 | | 2,597 |

| abbreviation | Company name and registered office | currency | Equity capital | Result of the last financial year | | |
|----------------|--|----------|----------------|-----------------------------------|---------|-------------------------------|
| | | | | in EUR thousand ¹⁾ | in TLW | in EUR thousand ¹⁾ |
| KST | Karl Storz SE & Co. KG, Tuttlingen | | in TLW | | | |
| COAST SGP Asia | Karl Storz Endoscopy Asia Marketing Pte. Ltd., Singapore, Singapore | SGD | 3.309 | 2,040 | 504 | 311 |
| KSTE SGP Sales | Karl Storz Endoscopy Singapore Sales Pte. Ltd., Singapore, Singapore | SGD | 6,431 | 3,965 | 641 | 395 |
| KSTE J | Karl Storz Endoscopy Japan KK, Tokyo, Japan | JPY | 1,516,206 | 11,987 | 150,076 | 1,186 |
| COAST HK | Karl Storz Endoscopy China Ltd., Hong Kong, China | HKD | 641.118 | 67,385 | 94,439 | 9,926 |
| COAST CN | Karl Storz Endoscopy (Shanghai) Limited, Shanghai, China | CNY | 519.009 | 64,694 | 72,584 | 9,048 |
| KSTE RC | Karl Storz Endoscopy Taiwan Ltd., New Taipei City, Taiwan | TWD | 364 | 11 | 54 | 2 |
| COAST ROK | KARL STORZ Endoscopy Korea Ltd., Seoul, South Korea | KRW | 3,854,839 | 2,885 | 833.017 | 624 |
| COAST RP | KARL STORZ Endoscopy Philippines INC., Taguig City, Philippines | PHP | 10,528 | 178 | 1,073 | 18 |
| COAST ZA | Karl Storz Endoscopy (South Africa) (Proprietary) Limited, Cape Town, South Africa | ZAR | 68,546 | 3,803 | 2,506 | 139 |
| KSESA | KSESA MEDICAL AND SURGICAL SKILLS DEVELOPMENT (PTY) LTD, Cape Town, South Africa | ZAR | -2,975 | -165 | -1,165 | -65 |
| COAST RL | Karl Storz Endoskope - Lebanon SAL, Beirut, Lebanon | USD | 1,063 | 866 | 252 | 205 |
| COAST EMG | Karl Storz Endoskope - East Mediterranean and Gulf (Offshore) SAL, Beirut, Lebanon | USD | 10,229 | 8,336 | 1,946 | 1,586 |
| COAST OFF | Karl Storz Endoscopy Australia Pty. Ltd., Sydney, Australia | Aud | 8.178 | 5.145 | 2.267 | 1,426 |
| COAST NZ | Karl Storz Endoscopy New Zealand Ltd., Lane Cove, New Zealand | NZD | 1,579 | 930 | 79 | 47 |
| VPF | Visible Patient SAS, Strasbourg, France | EUR | | 2.199 | | -2,691 |
| GLC USA | Gradient Lens Corporation, Rochester, USA | USD | 5.116 | 4.169 | -569 | -464 ²⁾ |
| OPCOS | OPCOS AG, Widnau, Switzerland | CHF | -416 | -385 | -195 | -181 |

¹⁾ The conversion into EUR was carried out using the middle rate on the reporting date.

²⁾ The values shown relate to the last available annual financial statements as of December 31, 2019.

Consolidated statement of changes in equity for 2020

| | Equity statement of the parent company | | | | | |
|--|--|---|---------------------------------------|--|------------|-------------------------|
| | capital shares | | | retained earnings | | Other retained earnings |
| | Complementary | limited partner | total | Reserves according to articles of incorporation | | |
| EUR | EUR | EUR | EUR | EUR | EUR | |
| Status as of 01/01/2020 | 0 | 148.824.520 | 148.824.520 | | 60.176.699 | 27,455,553 |
| Credit to shareholder accounts in borrowed capital | | | | | | |
| Allocations to/ withdrawals from reserves | | | | | 36,853,962 | |
| currency conversions | | | | | | |
| Other changes | | | | | | 331.345.783 |
| Changes in the scope of consolidation | | | | | | |
| Consolidated net income | | | | | | 52.486.353 |
| Status as of 12/31/2020 | 0 | 148.824.520 | 148.824.520 | | 97.030.661 | 411.287.689 |
| | Equity statement of the parent company | | | | | |
| | retained earnings | | | | | |
| | total | Equity difference from currency translation | Profit carryforward/loss carryforward | Consolidated net income attributable to the parent company | | total |
| | EUR | EUR | EUR | EUR | | EUR |
| Status as of 01/01/2020 | 87.632.252 | 25,463,931 | 342,618,850 | 136.583.148 | | 741.122.700 |
| Credit to shareholder accounts in borrowed capital | 0 | | | -110.561.886 | | -110.561.886 |
| Allocations to/ withdrawals from reserves | 36,853,962 | | | -36,853,962 | | 0 |
| currency conversions | 0 | -55,037,898 | | | | -55,037,898 |
| Other changes | 331.345.783 | | -342.618.850 | 10,832,700 | | -440,367 |
| Changes in the scope of consolidation | 0 | | | | | 0 |
| Consolidated net income | 52.486.353 | | | 101,652,450 | | 154.138.803 |
| Status as of 12/31/2020 | 508.318.350 | -29,573,967 | 0 | 101,652,450 | | 729.221.352 |
| | | | Non-Controlling Interests | | | group equity |

| | Non-controlling interests before annual result | Non-controlling interests before annual result | Gains/losses attributable to non-controlling interests | total | group equity total |
|--|--|--|--|-----------|--------------------|
| | EUR | EUR | EUR | EUR | EUR |
| Status as of 01/01/2020 | 5,946,654 | 5,946,654 | 714,859 | 6,661,513 | 747.784.013 |
| Credit to shareholder accounts in borrowed capital | | | | | -110.561.886 |
| Allocations to/ withdrawals from reserves | | | | 0 | 0 |
| currency conversions | | | | 0 | -55,037,898 |
| Other changes | 1,610,736 | | -714,859 | 895,877 | 455,510 |
| Changes in the scope of consolidation | -447,939 | | | -447,939 | -447,939 |
| Consolidated net income | | | 1,231,395 | 1,231,395 | 155.370.198 |
| Status as of 12/31/2020 | 7.109.451 | | 1,231,395 | 8,340,845 | 737.562.198 |

Consolidated cash flow statement

| | 2020 |
|---|---------|
| | kEUR |
| Profit for the period without minority interests, see consolidated income statement | 154,139 |
| Depreciation (+)/write-ups (-) on fixed assets * | 61,996 |
| Increase (+)/decrease (-) in long-term provisions | 1,453 |
| Increase (+)/decrease (-) in current provisions | -4,687 |
| Other non-cash expenses (+)/income (-) | 11,874 |
| Increase (-)/decrease (+) in inventories, trade accounts receivable and other assets not allocable to investing or financing activities | -40,442 |
| Increase (+)/decrease (-) in trade payables and other liabilities not attributable to investing or financing activities | -18,423 |
| Profit (-)/loss from the disposal of fixed assets | -3,946 |
| Interest expense (+)/Interest income (-) | 13,203 |
| Other investment income (-) | -175 |
| Income tax expense (+)/income (-) | 39,213 |
| Income tax payments (-) | -32,376 |
| Cash flow from operating activities | 181,829 |
| Proceeds (+) from disposals of intangible assets | 486 |
| Payments (-) for investments in intangible assets | -4,733 |
| Proceeds (+) from disposals of property, plant and equipment | 10,823 |
| Payments (-) for investments in property, plant and equipment | -51,591 |
| Proceeds (+) from disposals of financial assets | 9,219 |
| Payments (-) for investments in financial assets | -14,587 |
| Interest Received (+) | 2,498 |
| Dividends received (+) | 175 |
| Cash flow from investing activities | -47,710 |
| Payments (-) from the repayment of (financial) loans | -2,892 |
| Payments (+) from received grants/benefits | 1,464 |
| Interest paid (-) | -7,710 |
| Payments (-) to shareholders of the parent company | -30,533 |
| Dividends paid to other shareholders (-) | -440 |
| Cash flow from financing activities | -40,111 |
| Change in cash and cash equivalents (subtotals 1 - 3) | 94,008 |
| Exchange rate-related change in cash and cash equivalents | -15,340 |
| Cash funds at the beginning of the period | 296,792 |
| | 375,460 |

* of which extraordinary unscheduled depreciation on real estate kEUR 4,370 as well as extraordinary unscheduled depreciation on financial assets kEUR 3,588.

Composition of cash funds

| | 2020 |
|--|---------|
| | kEUR |
| liquid funds | 375,671 |
| Liabilities to credit institutions due at any time | -211 |
| cash funds | 375,460 |

Group management report for 2020**Company fundamentals****business model**

The company name and domicile of the abbreviations used in the group management report result from the scope of consolidation as part of the notes.

Modern endoscopy has revolutionized medical diagnostics and surgical techniques. The name KARL STORZ and the product inventions from seven decades have made technological progress possible and accompanied it.

The KARL STORZ company - manufacturer of endoscopes and endoscopic instruments and devices - was founded in 1945 by Dr. medical hc Karl Storz in Tuttlingen (Germany). In more than 75 years of market presence, it has grown into a supplier that is also known worldwide for quality and product innovations. From its headquarters in Tuttlingen (Germany), the company has developed from a two-man operation into a globally active company with today 8,500 employees worldwide.

The KARL STORZ Group includes manufacturing companies in Germany, Switzerland, Estonia and the USA. In addition, there are sales and marketing companies in the countries included in the scope of consolidation.

Since January 2019, Mr. Karl-Christian Storz has been the sole Managing Director of KARL STORZ SE & Co. KG and is thus continuing the tradition of the family company in the third generation. At the same time, Dr. hc mult. Sybill Storz - daughter of the company founder - joined the board of directors of Karl Storz Verwaltungs SE and supports the company as chairwoman of the board of directors.

In implementing his business strategy, Karl-Christian Storz is supported by an eight-strong Executive Management Team with the functions of Global Innovation Management, Global Operations, Global Sales & Marketing, Global Finance, Global Legal/Compliance/Regulatory Affairs, Global IT and Global HR .

The business strategy is geared towards long-term and sustainable consistent quality from within the company. The market offer consists mainly of home-made products and, to a lesser extent, merchandise. In order to ensure an adequate division of labor in the KARL STORZ Group, product development is also carried out at individual production sites.

KARL STORZ is thus able to continuously serve physicians with product solutions from head to toe, i.e. with products for the following specialist areas:

| | |
|--|---------------------------------|
| neurosurgery | spine surgery |
| Dental, oral, maxillofacial surgery | microscopy |
| Otorhinolaryngology | paediatrics |
| Plastic surgery | MTP disposable products |
| anesthesia and emergency medicine | telepresence |
| Cardiovascular Surgery | Devices |
| thorax | navigation |
| gastroenterology | fluorescence imaging |
| NOTES (Natural Orifice Translumenal Endoscopic Surgery) and related procedures | OFFICE1 |
| | OR1™ - |
| | The integrated operating room |
| laparoscopy | ENDOPROTECT1 |
| gynecology | hygiene |
| urology | KARL STORZ Solutions |
| proctology | Emergency and Disaster Medicine |
| Arthroscopy and Sports Medicine | |

The growing need for integration in the clinical environment is met with the development and sale of an independent integration platform for all devices used in the operating room. KARL STORZ has been a pioneer in this field since the late 1990s and has added the software technology pillar to its decades of expertise in the fields of optics, mechanics and electronics. Such a system was established on the market under the name OR1™, which, in addition to the integration of the device control, also enables the central image and video documentation as well as the unhindered exchange of data inside and outside the operating room.

The main production sites are in Switzerland and the USA, with the company's main production site still being in Tuttlingen.

In the financial year there were changes in the composition of the scope of consolidation, which can be found in the notes to the consolidated financial statements.

The technologies required for the product range are developed by the KARL STORZ Group or in cooperation with research institutions and perfected in the group's own production facilities and then produced after a corresponding decision on market opportunities and possible market volumes.

In addition to human medicine, KARL STORZ also offers endoscopic systems for veterinary medicine and for technical applications such as aviation, vehicle technology and traffic, power generation, the process industry, security and infrastructure.

Sustainability as a corporate value

As a family-run, medium-sized company, KARL STORZ has pursued the values of sustainability, quality and innovation since it was founded in 1945. Dealing with employees, customers and business partners in a trusting, honest and fair manner is firmly rooted in the corporate culture and is laid down in the KARL STORZ Code of Conduct. KARL STORZ has been making business decisions for over 75 years, paying attention to the effects these have on employees, customers, business partners and society. As a traditional family business, the company wants to enable future generations to use resources, creativity, experience and knowledge in such a way

In order to publicly confirm these values and promote them in the long term, KARL STORZ has been active in the United Nations Global Compact since 2004. The United Nations Global Compact is a voluntary initiative through which the company commits itself to sustainable and ethical business practices and to compliance with ten principles in the areas of human rights, labor standards, environmental protection and anti-corruption. In the annual Global Compact progress report, KARL STORZ provides transparent information on how the principles mentioned have been observed and promoted in day-to-day business. The Global Compact Progress Report 2020 included initiatives to promote continuing medical education,

Research and Development

KARL STORZ is a technology-oriented company that primarily researches technologies developed independently, in a group of companies or on behalf of others, brings them to series maturity and then manufactures them in its own production facilities. Against this background, the areas of research and development are central areas of the company. In a constantly evolving world market, which is characterized by progress in minimally invasive technologies in medicine combined with new methods of electronic image acquisition and processing, KARL STORZ has focused on the development of new therapeutic and diagnostic products, which on the one hand open up fields of application,

Due to demographic change, even more diagnostic and therapeutic medicine will be required in the future. In order to counter this trend, it is necessary to further develop medical technology in an efficiency-oriented manner. Representative examples of this from KARL STORZ are the consistent expansion of the highly integrated operating room (OR1™), in which the innovative products are networked as an integrated overall system and thus offer the user and operator added value in terms of ergonomics, safety and time savings. With regard to our product innovations, the transition from purely two-dimensional imaging endoscopes to the latest generation of high-resolution 3D video endoscopes should be emphasized.

The 4K image chain also represents the current standard in minimally invasive surgery. KARL STORZ offers the complete image chain from acquisition through processing to documentation and archiving in 4K. The latest technology in the field of 4K imaging helps the surgeons in their work by clearly displaying the finest structures, better depth perception, including in 3D, and the proven S technologies. This is made possible by the higher resolution and the extended color space and implemented with the help of optics and light guides.

An extension of the product range is the IMAGE1® S Rubina system developed by KARL STORZ, which enables the use of fluorescence technology in the near-infrared range with 4K resolution. By superimposing the white-light image with the fluorescence signal in the near-infrared spectrum, important additional information is available to the surgeon directly during the endoscopic work. The light source based on LED technology offers longevity, stability and, thanks to direct communication with the camera system, a highly integrated overall system. The launch of associated, newly developed telescopes in various diameters complement the portfolio.

With the TELE PACK +, KARL STORZ is launching a compact endoscopy system for endoscopic interventions in day clinics and outpatient clinics - flexible and rigid endoscopes are supported in Full HD; even the new sterile disposable endoscopes are compatible. Integrated documentation and network capability integrate TELE PACK + into the processes of practices, day clinics and outpatient clinics.

In the field of ENT, the new video rhino-laryngoscope has been added to the portfolio of video endoscopes since 2020. It is equipped with HD image quality and represents the KARL STORZ high-end version for use on mobile (TELE PACK +) and stationary camera platforms (IMAGE1® S). This product is now also used for diagnostics in private medical practices. The special feature of the new video rhino laryngoscope is that, in addition to white light application, stroboscopy in HD quality is also possible.

In the field of urology, the digital cystoscopy product portfolio was expanded to include the new generation of the C-VIEW. In addition to improved image quality and an atraumatic distal tip, attention was also paid to future-oriented compatibility with the latest camera platforms, such as TELE PACK + or TELECAM C3. In combination with the C-MAC monitor, there is also a mobile solution that can be used completely battery-operated in the various application scenarios of flexible cystoscopy. The C-VIEW is used in particular in outpatient or in private practice.

The flexible intubation video endoscope FIVE S 3.5 is the first component in the portfolio of flexible single-use endoscopes in anesthesia. For the customer, this means that on the one hand they have the choice of opting for a reusable or single-use endoscope from KARL STORZ and on the other hand they can choose, depending on their needs, whether they wish to have visualization using the C-MAC® monitor, the TELE PACK + or preferred by the TELECAM C3. This endoscope integrates seamlessly with the C-MAC® system to provide customers with a comprehensive airway management system.

In the OR1 area, the portfolio was expanded in 2020 with the global solutions OR1 AIR for basic and OR1 NEO® IP for premium integration. In the premium segment, there is flexibility in the video transmission technology (IP or SDI) with the same range of functions for the first time. The SCENARA software solution has been expanded to include communication and workflow functions and thus offers added value and supplements in connection with TELE PACK+, AIDA and OR1 NEO®. In addition, projects were initiated to continuously expand the products into a digital system solution that digitally expands the KARL STORZ portfolio as a whole and supports medical interventions in areas such as workflow, documentation, communication and interoperability.

On the research side, new innovative joint projects in the areas of networking, digital data and workflow analysis were initiated and pursued, in order to use artificial intelligence to further develop endoscopic systems and the highly integrated operating room into intelligent system solutions that support the user.

In addition to innovative new developments, existing products are continuously optimized by carefully testing and evaluating experience gained from using the products and incorporating them into series production as quickly as possible. On the one hand, research and development is carried out by our own centers, on the other hand, to a considerable extent, by way of contract research and within the framework of joint research projects with universities and research institutions worldwide. In addition to the use of a broad medical knowledge base, contract research also uses synergy effects through the integration of technical and scientific institutions.

The implementation of the new MDR guidelines plays a central role at KARL STORZ and especially in the Global Innovation Management (GIM) department. The focus is on securing the large number of existing products that will have to withstand the stricter MDR requirements in the future. This revision goes hand in hand with a continuous, strategic and customer-oriented optimization of the product portfolio in the specialist areas.

Economic and sectoral development

The economic development in 2020 was significantly influenced by the global spread of the corona virus. In connection with the spread of the pandemic and the official restrictions, there was a deep slump in economic activity worldwide in the first half of 2020. Global trade in goods and services collapsed in the first and second quarters. In the first half of the year, there was a sharp decline in GDP in the euro area, which affected industry and the service sector as well as production. In Germany, industrial production fell by more than a quarter in the first four months of the year compared to the previous year. Extensive monetary and fiscal policy measures and the easing of official restrictions due to the falling number of infections led to a recovery in the economic situation in the summer months, so that GDP in the euro area rose significantly. This recovery effect again led to GDP growth of 8.2% in Germany in the third quarter.

In its report on overall economic development in November 2020, the German Council of Economic Experts assumes that the increase in economic activity worldwide will be dampened again in the fourth quarter due to renewed government restrictions in view of the sharp increase in the number of infections. Stagnation in economic output over the winter months is also expected in Germany due to the weaker economic development.

The COVID-19 pandemic is also having a significant impact on sales expectations and growth in the medical technology industry in Germany. After a declining sales development was also observed in our industry in the previous year in a macroeconomically subdued economy, the Bundesverband Medizintechnologie eV (BVMed) also expects an average sales decline of 2.1% in the German market for 2020 and a decline in sales of 4% worldwide .7%. The surgical interventions postponed with the lockdown and the decline in doctor visits are the most important factor for the current decline in sales in the medical technology industry in Germany.

The number of employees in the industry is kept as stable as possible, among other things through the use of short-time work. Furthermore, the industry faces the obstacles of the EU Medical Devices Regulation (MDR), the requirements of which are seen as an obstacle to the future development of the industry. In view of tightened official measures to combat the COVID-19 pandemic and further postponements of selective interventions, there is no sign of relaxation in the medical technology industry.

Sales and earnings situation

In the 2020 financial year, the KARL STORZ Group generated sales (performance indicator) of EUR 1,763.4 million, which corresponds to a decrease in sales of 7.0% compared to the previous year. Although the sales growth forecast in the previous year could not be achieved due to the economic effects of the COVID-19 pandemic, sales remained at a satisfactory level given the economic environment. The development of external sales is distributed among the main companies as follows:

| | 2020 | 2019 | change |
|--------------|---------------|---------------|---------------|
| | million euros | million euros | million euros |
| KSEA USA | 587 | 681 | -94 |
| KST | 406 | 426 | -20 |
| COAST CN | 197 | 229 | -32 |
| COAST RUSSIA | 82 | 76 | 6 |
| KSTE GB | 68 | 63 | 5 |

Our largest sales market is America with a 41.8% share of total sales. We recorded the highest growth rates in Australia and Germany. Due to the exchange rate, there are translation losses in the order of approx. EUR 41.8 million in the sales revenues. These stem mainly from the development of the US dollar exchange rate and the Russian ruble. The translation loss is roughly calculated from the difference in the translation of sales based on the cumulative average rates of the current year and the previous year. There were no significant changes in the product mix by subject area in 2020. The area of telepresence with cameras and image processing systems maintained its leading position in the sales portfolio across all medical specialties. Furthermore, the area of urology accounts for a significant share of sales.

The order backlog as of June 30, 2020 was higher than in the previous year, it decreased over the course of the year and fell below that of the previous year as of the balance sheet date.

With a decrease of 10.4%, the cost of sales fell disproportionately compared to sales, so that the cost of sales ratio was reduced by a total of 1.6 percentage points to 42.1%. It should be noted here that costs in the areas of purchasing and OR1 procurement are included in the cost of sales for the first time in the financial year. These were previously reported under administrative expenses. If this reclassification had already been assumed in 2019, the cost of sales ratio would have been 43.6% in the previous year.

Selling expenses fell by 15.1% compared to the previous year, disproportionately to sales. This includes costs for sales and marketing activities, the implementation and control of sales promotion activities, the design of marketing strategies and commission expenses. Product management expenses were included in research and

development expenses for the first time in the fiscal year. The expenses for sales logistics of the American sales company, which were reported under general and administrative expenses in previous years, were reported under selling expenses for the first time in the financial year. If these reclassification effects were already taken into account in 2019, selling expenses would have increased by 14.3% and declined. The development of selling expenses is mainly due to the economic situation and the declining expenditure on sales-promoting activities.

Due to our strong focus on research and development, our expenses increased from EUR 103.5 million in the previous year to EUR 119.6 million, which corresponds to an increase of 15.6%. The increase in expenses is mainly due to the aforementioned reclassification of product management to this area. Excluding the reclassification, costs would have increased slightly by 1.1%. The R&D rate increased by a total of 1.3 percentage points to 6.8% compared to the previous year. Taking into account the reclassification effects in 2019, the R&D rate in the previous year would have been 6.2%.

General and administrative expenses fell by 3.9% from EUR 221.7 million in the previous year to EUR 213.1 million. Taking into account the reclassification effects already explained in the 2019 financial year, the decrease in general and administrative expenses would have been 0.7%. An opposite effect results from an unscheduled depreciation on real estate assets.

Other operating income and expenses increased by 31.9% and 39.6% respectively compared to the previous year. Compared to the previous year, we recorded a decrease of EUR 2.0 million in 2020. Other taxes were presented within other operating expenses for the first time in the 2020 financial year. In the previous year, these were reported separately. Taking into account the reclassification already in 2019, there would have been an increase of EUR 434 thousand for the balance of other operating income and expenses.

The other operating result in the 2020 financial year will be characterized by gains and losses from foreign currency translation (EUR 7,565 thousand).

The operating result amounts to EUR 206.3 million and is therefore EUR 32.6 million or 18.7% above the previous year. The return on sales ratio (percentage of this operating result in sales) as a further performance indicator increased by 2.5 percentage points to 11.7%.

The investment and financial result deteriorated by EUR 8.5 million (99.9%) compared to the previous year. The reasons for this development are increased interest expenses and an increase in depreciation of financial assets.

In 2020, the KARL STORZ Group achieved a profit after taxes of EUR 154.1 million, of which EUR 52.5 million was allocated to other revenue reserves. The previous year's result is thus exceeded by EUR 17.6 million or 12.9%. This results primarily from savings in operating expenses in the areas of marketing, sales and administration as well as from the reduction in the cost of sales ratio.

asset and financial position

The balance sheet total increased by 1.8% to EUR 1,652.3 million in the year under review. On the assets side, non-current assets fell by a total of EUR 18.5 million, mainly due to the restrained investments in property, plant and equipment caused by the COVID-19 pandemic. The investments of EUR 70.9 million made in the reporting period relate primarily to property, plant and equipment.

While our receivables fell by a total of EUR 60.1 million, inventories increased by EUR 27.0 million.

The increase in inventories compared to the previous year can be attributed, among other things, to purchase agreements with suppliers, in connection with the decline in sales volume caused by COVID-19, to an increase in inventories.

Cash and cash equivalents increased significantly by EUR 78.5 million to EUR 375.7 million in the financial year due to the good annual result.

The cash flow from current business activities amounts to EUR 181,829 thousand. The investment cash flow amounts to EUR -47,710k. The financing cash flow amounts to EUR -40,111 thousand.

On the liabilities side of the balance sheet, group equity decreased by EUR 10.2 million to EUR 737.6 million. This is mainly due to equity differences from currency translation, particularly due to the development of the US dollar. The Group equity ratio fell from 46.1% to 44.6%. It should be noted here that the high inflows of liquidity in 2020 led to a balance sheet extension, which is also reflected in the decline in the equity ratio.

The provisions area was reduced by a total of EUR 11.0 million. The main reason for this are the other provisions in the sales area. The placement of the promissory note issue in the amount of EUR 250.0 million issued in 2017 secures the long-term financing requirements over a remaining term of four and seven years.

Overall statement on the asset, financial and earnings situation

Regardless of the significant effects of the global COVID-19 pandemic, we continue to see the development of the net assets, financial position and results of operations in the 2020 financial year as positive.

Opportunity and risk report

Due to its involvement in the global business world, KARL STORZ is exposed to external and internal influences that result from commercial activities.

We see opportunities in particular in new innovative products, the constant optimization of our business processes in terms of efficiency and effectiveness, our qualified specialists and the expansion of our business relationships. On the other hand, risks can arise at the microeconomic level due to changes in the market environment and at the macroeconomic level due to changes in the political, legal and financial environment. The regulation by new laws in the medical technology and health sector should be mentioned here in particular. Our aim is to seize opportunities while at the same time recognizing and minimizing risks at an early stage.

chances and risks

Macroeconomic

As a globally operating company, we are exposed to macroeconomic changes in many countries and markets.

Due to the COVID-19 pandemic, the International Monetary Fund (IMF) is assuming a severe collapse in the global economy and a global decline in growth of 3.5% in 2020. Recent Vaccine Approvals Boost Hopes for Pandemic Turnaround; however, renewed waves and new variants of the virus remain a concern for the outlook. In view of these extraordinary uncertainties for the global economy, the IMF is forecasting a recovery in 2021 and assumes global growth of 5.5% in the current year.

According to estimates by the IMF, the growth recovery will vary from country to country and will depend in particular on the respective medical care and the political support and promotion measures of the states. Growth of 5.1% is expected for the USA in 2021. A significantly higher increase of 8.3% is assumed for the Chinese market. According to current expectations, however, the euro zone will grow at a lower level of 4.2%, with below-average growth of 3.5% expected in Germany.

Due to the international orientation of KARL STORZ, we assume that we can limit our dependency on individual regions that are developing less dynamically and that we can continue our business activities largely stably.

COVID-19 Pandemic

The spread of the corona virus poses a major challenge for KARL STORZ. Since this is a global crisis, all Group companies worldwide are affected to varying degrees. The risks associated with the crisis are very diverse. They range from procurement bottlenecks, to temporary employee absences due to infections or quarantine orders, to a drop in orders in individual product segments.

KARL STORZ has taken various measures with the aim of protecting employees in their working environment as best as possible and continuing to operate. These include, in particular, comprehensive hygiene measures, mobile office, shift models, spatial separation, use of air purification systems and the internal implementation of rapid corona tests. With the activation of the global pandemic plan and the associated formation of local pandemic teams in all subsidiaries, the necessary measures could be implemented across the group.

As a medical device manufacturer, maintaining operations is of central importance in order to provide patient care with our products in the best possible way. The corona crisis temporarily led to a shift in demand in the product portfolio, with a partially increased demand for applications in the area of "airway management products". In

order to manage this extraordinary demand situation, our employees are committed to supporting doctors, medical professionals and emergency services and thus patients worldwide.

With the progress of vaccinations and a possible weakening of the infection rate, an easing of the situation can be expected in the medium term. However, virus mutations that occur could counteract this development. In this respect, the pandemic situation will continue to be closely monitored and assessed.

Law and Compliance

Due to our international nature, we are bound by a multitude of rules and regulations in many different countries. Violation can result in large fines or government sanctions. KARL STORZ stands for legal and ethical business practices and obliges both employees and business partners to behave in accordance with the law. To this end, KARL STORZ provides employees with guidelines and training courses on topics such as anti-corruption or reporting compliance violations. Business partners and employees worldwide can use the KARL STORZ compliance hotline as a global whistleblower system to report potential violations,

US companies of the KARL STORZ Group and the parent company are currently defendants in civil product liability lawsuits in the USA. As a reaction to the controversial public discussion about the benefits and risks of using morcellators, the FDA (US Food & Drug Administration), the responsible US approval authority for medical devices, has re-examined the approval granted for morcellators. As a result, manufacturers were obliged in April 2014 to add an additional express warning; the approval for the product group remained unaffected. The pending proceedings are being conducted by lawyers in the USA in close coordination with KARL STORZ's liability insurer.

On April 5, 2017, the European Parliament passed the new EU Medical Devices Regulation. This reorganizes the entire legal framework for medical devices in the EU. The subject of the classification of medical devices presents manufacturers with a central challenge. The changes in the Medical Device Regulation (MDR) require a new evaluation of medical devices. For example, the continuous updating of technical documentation is becoming significantly more extensive and requires more resources in the company.

At KARL STORZ, a project team is working on the timely implementation of the requirements. After a transitional period, the MDR will be mandatory from May 26, 2021. The new EU legal framework will not lead to the simplification of placing medical devices on the EU internal market, as initially promised by the Commission, but will significantly complicate this process. This harbors the risk of delays in the market launch, as well as increased costs and the associated hurdles in marketing.

At the end of 2020 we received the first MDR certificates (G10 and G11 certificate). This laid the foundation for the successful transition from MDD to MDR certification. Now successive product groups can be extended to the certificate. Full MDR certification still requires further efforts and thus this topic is still subject to corresponding risks.

innovation and competition

In our industry we are in competition with numerous medical technology companies. Increasing competitive pressure can have a significant impact on the sales volume and pricing of our products. Short product life cycles and a high level of innovation are key characteristics of our industry. Our goal is to bring new, innovative products to market in good time. However, we cannot completely rule out the possibility that the products will not be available until later than planned due to project delays, that competitors will also place these products on the market or that these products will not be accepted by the market as originally expected.

Through ongoing development based on permanent monitoring of the market and the competition, we try to counteract emerging risks. Measures to minimize negative effects on the assets, earnings and financial position are a constant exchange with doctors and scientists, preparation and consideration of market and competition analyses, registration of patents to protect "intellectual property" as well as continuous further development of our portfolio. Increasing digitization and networking in the OR are playing an increasingly important role.

staff

Our recruitment is characterized by intense competition for specialists with the appropriate qualifications and demographic challenges. Country and industry-specific fluctuation risks must be identified in advance and addressed in a targeted manner so that skills and competencies that are critical to success and business can be built up and maintained in the company in the long term.

A loss of employees in key functions represents a corresponding risk. KARL STORZ promotes the personal development of employees in order to strengthen employee loyalty. We use global talent and succession programs in a targeted manner.

We also exchange information with the voluntary employee representatives, with the aim of regular dialogue between management and employees. This enables the workforce to actively communicate various topics, concerns, ideas and suggestions for improvement to management and to initiate improvements in the working environment.

procurement

In addition to market price fluctuations, quality and supply risks in particular can arise when procuring raw materials and products.

Quality controls along the entire value chain reduce the quality and availability risks of our products. This begins with the qualification of our suppliers and continues with comprehensive quality requirements for raw materials, externally sourced semi-finished products, etc.

When it comes to supply, a dependency on individual suppliers can arise. Should one of these suppliers limit, stop or interrupt production, this could potentially have a critical negative impact on the ability to deliver certain products in the portfolio. We reduce the impact of these risks through long-term strategic partnerships, framework agreements for supply-critical and price-critical primary products and alternative procurement strategies (e.g. dual sourcing).

Furthermore, a timely supply of the supply chain with both merchandise and production material is ensured through close coordination with the suppliers in the context of procurement and the exchange of quality-related data. Securing this level is supported by supplier audits.

All warehousing decisions are made primarily under the aspect of security of supply, but also taking into account optimal working capital management.

product risks

Patient health and the safety of instruments and devices are top priorities at KARL STORZ. Quality assurance is therefore of outstanding importance, going beyond the legal requirements.

KARL STORZ has a certified quality management system to ensure product and process quality at all times and to minimize risks.

Detailed tests are carried out in close cooperation with accredited test centers in order to obtain the corresponding product certifications. Our manufacturing and testing processes for the instruments and devices are subject to constant monitoring.

Information Technology (IT)

Information technology used globally is becoming increasingly important at KARL STORZ. Due to the high dependency on IT systems, the security of these systems represents an important foundation for the success of the company. IT applications used worldwide form the basis for the performance of products and solutions. The failure of business-critical IT applications can therefore have a direct impact on our ability to deliver and the quality of the products. There are also risks with regard to unauthorized access to company data.

In order to minimize risks that endanger the confidentiality, availability and integrity of information, we continuously review our processes and technologies. If necessary, the systems are updated immediately and the corresponding processes are adapted.

In addition, our employees are informed, especially in the handling of data and data security, through training courses and work instructions. Despite implemented security measures, a residual risk cannot be completely ruled out.

Financially

KARL STORZ is a global company with sales in all regions of the world. Due to this international orientation, different risks arise, both within the framework of normal business operations from receivables and liabilities and from foreign currency transactions and investments. There are also interest rate risks in the area of financing.

The foreign currency risk from the basic business of the KARL STORZ Group is controlled using various instruments. In the case of USD-based cash flows, largely balanced currency flows are achieved through the USD invoicing of the parent company to the US subsidiaries in purchasing and sales and a natural hedge is created, which limits the USD risk to a minimum. Any net exposure above and beyond this is hedged by forward exchange transactions. In the area of CHF exposure, such a natural hedge cannot be shown due to the asynchronous cash flows. KARL STORZ therefore limits the risk from these transactions through the targeted use of forward exchange transactions.

The goal of optimizing the group interest result of the KARL STORZ Group by taking out or granting intercompany loans was also maintained in 2020. This is intended to avoid the need for outside financing for individual subsidiaries. The interest rate risk, both within the group and for remaining bank loans, is reduced by taking out fixed-interest loans.

In the area of securities held as fixed assets, there is a potential risk of losses in value. We counter this risk by defining portfolio bandwidths for the asset classes when purchasing securities. In addition, we carry out regular monitoring of the investment valuations and take into account negative fluctuations in the balance sheet within appropriate value adjustments.

A general liquidity risk is possible bad debts in the operational business due to a deterioration in the payment behavior of our customers. To reduce this risk, we carry out consistent receivables management as part of a dunning process and secure foreign receivables in particular with letters of credit. Another financial risk is meeting our payment obligations at all times and ensuring our financial flexibility. We counteract this liquidity risk with active liquidity management by maintaining appropriate liquidity reserves and using credit lines.

The placed issue in the amount of EUR 250 million secures the financing needs of the KARL STORZ Group. In order to minimize the interest rate risk, most of the total volume was subscribed with a long-term fixed interest rate and only a small portion with a variable interest portion. Compliance with the agreed key financial figures from this promissory note contract is regularly monitored.

Summary presentation

With the established risk management organization, KARL STORZ has a comprehensive overview of the risk portfolio, the possible effects and the associated opportunities. The optimization of the risk portfolio can be consistently pursued by regularly checking the changes in the risk assessment and the effectiveness of the measures. The overall assessment of the key opportunities and risks does not reveal any risks that alone or in combination with other risks could jeopardize the company's continued existence.

supplementary report

For events of particular importance that occurred after the end of the financial year and are not included in the income statement or the balance sheet, we refer to the supplementary report in the notes to the consolidated financial statements.

More prospects

In its winter 2020 economic forecast, the IFO Institute is assuming that economic development will be dampened by the COVID-19 pandemic. The IFO Institute expects that if the infection protection measures (vaccinations) that have been started develop as planned, the mobility indicators will improve again from the end of the second quarter of 2021 and this will also be accompanied by a significant recovery in economic development. The economic development of the economy in 2021 is therefore heavily dependent on the actual development of the pandemic, which makes reliable planning almost impossible. In general, however, it can be said

There is also a dichotomy of effects in the field of medical technology. On the one hand, manufacturers of products that are affected in the broadest sense with the treatment of COVID symptoms (airway, ventilation) are favoured, on the other hand, manufacturers of products for carrying out standard interventions tend to be negatively affected. This is mainly due to the availability of intensive care beds and nursing staff. Since the necessary, lengthy COVID treatments led to a high utilization of intensive care places, there was a lack of capacity to treat patients with postponable standard interventions, so that these interventions were either not performed at all or performed at a later date.

In the short to medium term, there will continue to be an increasing need for medical services worldwide and therefore also for our products, which is expected to increase further due to the current crisis situation. The growth extends not only to classic AirWay management products, but also to the rest of the KARL STORZ portfolio. This need will continue to increase in the future, not least because of demographic change and in various regions.

The 2021 financial year was stable in the first few months. Despite the currently tense economic environment, sales are higher than in the same period of the previous year. In addition, our incoming orders suggest that business will continue to develop positively in 2021. Overall, the first quarter developed successfully, the net profit for the year is above the previous year and plan. KARL STORZ expects to achieve the goals it has set itself for 2021.

On the value-added side, we continue to expect higher expenses to meet the new European and generally global regulatory requirements, as well as rising personnel and raw material costs, which will have a negative impact on earnings. We counteract these cost factors in order to increase our productivity and profitability through ongoing cost management, the use of further potential savings, especially in the current economic situation, and continuous process improvements.

Based on the exchange rate development of the US dollar and the CHF at the beginning of 2021, we assume that currency effects will only have a minor impact on the result. Due to the current macroeconomic situation, it is not possible to conclusively assess whether this will continue in the manner shown.

Overall, in our current planning for 2021, taking into account all the uncertainties, we are assuming a moderate increase in sales compared to 2020 to over EUR 1.9 billion and a return on sales ratio in the higher single digits.

Tuttlingen, June 9, 2021

The management of Karl Storz Verwaltungs SE as the personally liable partner of KARL STORZ SE & Co. KG:

Karl Christian Storz, Managing Director

The consolidated financial statements for the 2020 financial year were approved on August 30, 2021.