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Karl Storz SE & Co. KG

Tuttlingen

Consolidated financial statements for the financial year from January 1, 2021 to December 31, 2021**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, 2021, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the fiscal year from January 1, 2021 to December 31, 2021 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, 2021 to December 31, 2021.

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, 2021 and its results of operations for the financial year from January 1, 2021 until December 31, 2021 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 findings obtained in the audit, complies with German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report which contains 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, May 17, 2022

BDO AG
auditing company
Andreas Mueller, auditor
Andreas Schuster, auditor

consolidated balance sheet

ASSETS

	12/31/2021		Previous year
	EUR	EUR	EUR
A. FIXED ASSETS			
I. Intangible assets			
1. Purchased industrial property rights and similar rights	10,349,900		13,057,858
2. Goodwill	2,677,785		3,041,176
3. Advance payments made	665,608		0
		13,693,293	16.099.034
II. Tangible assets			
1. Land and buildings	243.655.595		242.495.122
2. Technical installations and machines	25,075,794		21.127.217
3. Other equipment, fixtures and fittings	98,996,722		101.561.658
4. Payments on account and assets under construction	23,774,723		12.018.773
		391.502.834	377.202.770
III. financial investments			
1. Shares in affiliated companies	16,591		16,591
2. Investments in associated companies	744,969		601,374
3. Other holdings	626,821		626,821
4. Loans to associates	1,756,564		1,679,972
5. Investment securities	174.390.237		147.340.538
6. Other Loans	7,804,620		3,334,985

	12/31/2021		Previous year
	EUR	EUR	EUR
		185.339.802	153.600.281
		590.535.929	546.902.085
B. CURRENT ASSETS			
I. Inventories		364.510.147	345.016.291
II. Receivables and other assets			
1. Trade accounts receivable	324.284.777		259.239.949
2. Receivables from affiliated companies	3		0
3. Claims against shareholders	866.439		104.774
4. Receivables from companies in which a participation is held	72.270		1.779.384
5. Receivables from related companies	1.112.312		972.435
6. Other Assets	65.067.457		45.612.807
		391.403.258	307.709.349
III. securities		26.475.961	18.635.259
IV. Cash on hand, bank balances and cheques		551.397.541	375.671.058
		1.333.786.907	1.047.031.957
C. PREPAID EXPENSES		19.830.757	12.880.837
D. DEFERRED TAX ASSETS		64.178.563	45.494.805
		2.008.332.156	1,652,309,684
LIABILITIES			
	12/31/2021		Previous year
	EUR	EUR	EUR
A. EQUITY			
I. Equity Interests			
1. Complementary	0		0
2. Limited partners	148.824.520		148.824.520
		148.824.520	148.824.520
II. Retained Earnings			
1. Articles of association reserves	122.443.774		97.030.661
2. Other retained earnings	430.332.919		411.287.689
		552.776.693	508.318.350
III. Equity difference from currency translation		17.360.663	-29,573,967
IV. Consolidated balance sheet profit		177.105.306	101,652,450
V. Non-Controlling Interests		8,629,650	8,340,845
		904.696.832	737.562.198
B. PROVISIONS			
1. Provisions for pensions and similar obligations	20,839,234		19,986,647
2. Tax Provisions	27.307.528		20.215.275
3. Other Provisions	260.413.511		201.925.724
		308.560.273	242.127.646
C. LIABILITIES			
1. Promissory note loan	250,000,000		250,000,000
2. Liabilities to banks	13.091.101		13,892,763
3. Deposits Received on Orders	57,665,577		39,930,400
4. Trade Accounts Payable	86,558,654		56.145.703
5. Liabilities to shareholders	168.623.028		145.843.304
6. Liabilities to companies in which an investment relationship exists	452,900		368,673
7. Liabilities to related companies	132.411.833		86.807.197
8. Other Liabilities	60.082.661		54,671,751
		768.885.754	647,659,791
D. ACCOUNTED EXPENSES		26.189.297	24.960.049
		2.008.332.156	1,652,309,684

Consolidated income statement

	2021	Previous year
	EUR	EUR
1. Revenue	1.979.805.736	1,763,448,466
2. Production costs of the services rendered to generate sales	-805.184.710	-741,599,099
3. Gross profit on sales	1.174.621.026	1,021,849,367
4. Selling Expenses	-546,562,946	-480.307.754
5. Research and Development Expenses	-125.791.016	-119.594.469
6. General Administrative Expenses	-253.638.219	-213.133.127

	2021 EUR	Previous year EUR
7. Other operating income	72.734.058	66,347,425
- of which income from currency translation: EUR 48,353,095 (previous year: EUR 44,050,083)		
8. Other Operating Expenses	-67.371.449	-63.570.467
- of which expenses from currency translation: EUR -42,886,243 (PY: EUR -36,485,012)		
9. Income from participations	125,000	175,000
10. Results from associates	143,595	-221,437
11. Income from other securities and loans classified as financial assets	747,145	548,259
12. Other Interest and Similar Income	4,167,789	3,023,427
- of which income from discounting: EUR 50,718 (PY: EUR 64,243)		
13. Depreciation of financial assets and marketable securities	-1,279,852	-3,758,129
14. Interest and Similar Expenses		
- of which expenses from compounding: EUR 530,325 (previous year: EUR 683,709)	-19.299.009	-16.774.501
15. Income Taxes	-41,680,952	-39.213.396
16. Earnings after taxes	196.915.170	155.370.198
17. Consolidated net income	196.915.170	155.370.198
18. Minority Profits	-324,635	-1,277,633
19. Loss Attributable to Minority Members	35,830	46,238
20. Consolidated net income excluding minority interests	196.626.365	154.138.803
21. Earnings Carry Forward	0	0
22. Allocation to other revenue reserves	19.521.059	52.486.353
23. Consolidated retained earnings	177.105.306	101,652,450

Notes to the consolidated financial statements for 2021

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.

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 Endoskope Swiss AG, Schaffhausen, which was newly founded on December 1, 2021, was included in the consolidated financial statements for the first time on December 31, 2021.

In the year under review, Medical Technology Finance Corp., El Segundo, was merged with Karl Storz Endoscopy-America, Inc., El Segundo.

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
 COAST E (99.80%)
 CSTE EMG (99.98%)

COAST F
 COAST FIN
 KSTE GB
 COAST GR
 COAST H
 COAST HK
 COAST HR
 COAST I
 COAST IND (99.99%)

KSTE J
 KSTE KZ
 COAST MEX (99.99%)

COAST N
 COAST NL
 COAST NZ

KSTE PL
 KSTE RA (95.00%)
 COAST RL
 KSTE RO (99.00%)

COAST ROK
 COAST RP
 COAST RUSSIA

KSTES
 COAST SGP Asia
 KSTE SGP Sales
 COAST SLO
 KSTE UA
 COAST ZA (86.74%)

KSVE EST
 KSVEA USA
 MI3 (84.00%)
 September **
 Viendis CH (51.00%)

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 (11.85%) Visible Patient SAS, Strasbourg, France

Karl Storz NDTec GmbH, Walsdorf, was deconsolidated as part of the sale to NDTec AG, Walsdorf, which was completed on April 30, 2021.

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 medi-G is 25% and is identical to the voting rights. As of December 31, 2021, there was an equity value of EUR 745 thousand to be accounted for in accordance with DRS 26 item 54.

We accounted for OPCOS AG, Widnau, Switzerland (OPCOS) 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, 2021, there was a negative equity value of EUR 294k 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.

Karl Storz Endoskopi Danmark A/S, Holte, Denmark
 Karl Storz Endoscopia Iberica, SA, Madrid, Spain
 Karl Storz Endoskope - East Mediterranean and Gulf (Offshore) SAL, Beirut, Lebanon
 Karl Storz Endoscopie France SAS, Guyancourt, France
 Karl Storz Endoscopy Suomi Oy, Vantaa, Finland
 Karl Storz Endoscopy (UK) Ltd., Dundee, United Kingdom
 KARL STORZ ENDOSCOPE GREECE MEPE, Thessaloniki, Greece
 KARL STORZ Endoskop Magyarorszag Kft., Budapest, Hungary
 Karl Storz Endoscopy China Ltd., Hong Kong, China
 Karl Storz Croatia doo, Zagreb, Croatia
 Karl Storz Endoscopia Italia SRL, Bolzano, Italy
 Karl Storz Endoscopy India Pvt. Ltd., New Delhi, India
 Karl Storz Endoscopy Japan KK, Tokyo, Japan
 TOO Karl Storz Endoscopy Kazakhstan, Astana, Kazakhstan
 Karl Storz Endoscopia Mexico SA de CV, Mexico City, Mexico
 Karl Storz Endoskopi Norge AS, Hagan, Norway
 Karl Storz Endoscopy New Zealand Ltd., Lane Cove, New Zealand
 Karl Storz Endoscopy New Zealand Ltd., Lane Cove, New Zealand
 KARL STORZ Polska Sp.Zoo, Gliwice, Poland
 Karl Storz Endoscopia Argentina SA, Vincente Lopez, Argentina
 Karl Storz Endoskope - Lebanon SAL, Beirut, Lebanon
 KARL STORZ Endoscopia Romania SRL, Bucharest, Romania
 KARL STORZ Endoscopy Korea Ltd., Seoul, South Korea
 KARL STORZ Endoscopy Philippines, Inc., Taguig City, Philippines
 OOO Karl Storz Endoscopy Wostok, Moscow, Russian Federation
 Karl Storz Endoskop Sverige AB, Skärholmen, Sweden
 Karl Storz Endoscopy Asia Marketing Pte. Ltd., Singapore, Singapore
 Karl Storz Endoscopy Singapore Sales Pte. Ltd., Singapore, Singapore
 Karl Storz Endoskopija doo, Ljubljana, Slovenia
 TOV Karl Storz Ukraine, Kyiv, Ukraine
 Karl Storz Endoscopy (South Africa) (Proprietary) Limited, Cape Town, South Africa
 OÜ Karl Storz Video Endoscopy Estonia, Laagri, Estonia
 Karl Storz Veterinary Endoscopy-America Inc., Goleta, USA
 MI3 Limited, Colwyn Bay, UK
 Storz Endoskop Production GmbH, Tuttlingen
 Viendis AG, Uhwiesen, Switzerland

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. 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 2021 was over 70% of normal employment.

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 depreciation of financial assets in accordance with Section 253 (3) Sentence 4 of the German Commercial Code (HGB) amounting to EUR 1,272 thousand (previous year: EUR 3,591 thousand) was carried out in the financial year.

Inventories are stated at acquisition or production cost or at the lower applicable value. The manufacturing costs include individual costs plus appropriate overhead costs. The manufacturing costs of the services rendered to generate the sales revenue are the same as the capitalized manufacturing 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.

The provisions for pensions and similar obligations are determined using the projected unit credit method using Klaus Heubeck's "2018 G mortality tables". The average market interest rate of 1.87% (previous year: 2.30%) 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 7.4% abroad. The expected increase in pensions was rated at 1.5% (previous year: 1.5%) in Germany and at a range of 1.0% to 7.6% abroad. 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 6.00% 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 items of fixed assets can be found in the appendix to the 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	3,260	3,089
bonds	19,770	19,596
Other	1,845	1,770

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	Difference to book value	Distribution for the financial year
	kEUR	kEUR	kEUR
investment objective			
special fund	105,388	5,388	0

The investment objective of the fund is long-term capital growth with moderate returns, although price fluctuations must be taken into account. The general orientation is therefore to be regarded as solid and profit-oriented according to SRRRI standards. The fund's investment portfolio consists of different asset classes in which the fund managers invest, such as stocks, bonds, money market instruments, certificates, bonds, precious metals, etc. The respective maximum investment limits per asset class and currency are defined in an investment guideline. This serves to spread the risk in the fund. Income is generated from interest and dividends received from the investment securities. In addition, profits or losses are realized through the sale of investment securities. In principle, 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:

	12/31/2021	12/31/2020
	kEUR	kEUR
Raw materials and supplies	91,037	74,824
Unfinished products	54,843	47,986
Finished Goods and Goods	216,737	221,363
Advance payments made	1,893	843
	364,510	345,016

Receivables and other assets have the following maturities:

	12/31/2021	12/31/2020
	kEUR	kEUR
1. Trade accounts receivable	324,285	259,240
of which remaining term of more than one year	196	235
2. Receivables from affiliated companies	0	0
of which remaining term of more than one year	0	0
3. Claims against shareholders	866	105
of which remaining term of more than one year	0	0
4. Receivables from companies in which a participation is held	72	1,779
of which remaining term of more than one year	0	0
5. Receivables from related companies	1,112	972
of which remaining term of more than one year	0	0
6. Other Assets	65,068	45,613
of which remaining term of more than one year	3,220	2,828
	391,403	307,709

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 545 thousand (previous year: EUR 501 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 35,296 thousand (previous year: EUR 33,613 thousand) from consolidation measures affecting profit, 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 146,899,506.62 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.

The excess share of the consolidated annual surplus in the annual surplus of the parent company is transferred to the other revenue reserves.

The statement of social reserves 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

	12/31/2021	12/31/2020
	EUR	EUR
Exchange rate changes from capital and debt consolidation	14,947,924	-24,124,816
Exchange rate changes from the translation of the income statements of consolidated subsidiaries	2,412,739	-5,449,151
	17,360,663	-29,573,967

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 mainly formed for obligations in the personnel area, guarantee obligations, commissions 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	2,306
Acquisition costs of the assets	1,537
Fair value of assets	1,537
Charged Expenses	9
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				secured with	In total	
	up to 1 year	of which more than 1 year	of which more than 5 years			12/31/2021	12/31/2020
1. Promissory note loan	31,000	219,000	96,000	0	250,000		
(Previous year)	(0)	(250,000)	(96,000)	(0)		(250,000)	
2. Liabilities to banks	1,330	11,761	8,055	16,560	13,091		
(Previous year)	(1,188)	(12,705)	(8,981)	(13,614)		(13,893)	
3. Deposits Received on Orders	57,666	0	0	0	57,666		
(Previous year)	(39,930)	(0)	(0)	(0)		(39,930)	

type of liability	remaining term				In total	
	up to 1	of which more than 1	of which more than 5	secured	12/31/2021	12/31/2020
	year	year	years	with		
4. Trade Accounts Payable	86,556	3	0	0	86,559	
(Previous year)	(56,145)	(1)	(0)	(0)		(56,146)
5. Liabilities to shareholders	168,623	0	0	0	168,623	
(Previous year)	(145,843)	(0)	(0)	(0)		(145,843)
6. Liabilities to companies in which an investment relationship exists	453	0	0	0	453	
(Previous year)	(369)	(0)	(0)	(0)		(369)
7. Liabilities to related companies	113,730	18,682	6,776	0	132,412	
(Previous year)	(68,527)	(18,280)	(6,630)	(0)		(86,807)
8. Other Liabilities	57,561	2,521	240	0	60,082	
(Previous year)	(49,748)	(4,924)	(265)	(0)		(54,672)
- thereof from taxes	22,860	172	0	0	23,032	
(Previous year)	(18,197)	(2,971)	(0)	(0)		(21,168)
- of which within the framework of social security	2,920	0	0	0	2,920	
(Previous year)	(2,437)	(477)	(0)	(0)		(2,914)
total	516,919	251,967	111,071	16,560		
(total previous year)	(361,750)	(285,910)	(111,876)	(13,614)		

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 variable-interest tranche was terminated prematurely by Karl Storz SE & Co. KG and will be repaid in the spring of 2022 in the amount of EUR 31,000 thousand. The bonded loan was issued by Deutsche Bank AG, DZ Bank AG and Landesbank Baden-Württemberg arranged and signed by numerous banks from Germany and abroad. The first lender in this context is DZ Bank AG. The funds are used for general corporate financing and strengthen strategic liquidity.

Liabilities to banks are secured by registered land charges valued at EUR 16,560 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 453 thousand (previous year: EUR 369 thousand). Liabilities to related companies include EUR 16,666 thousand (previous year: EUR 11,259 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 2,543 thousand (previous year: EUR 4,303 thousand) before the balance sheet date, which represents income after this date.

Notes to the consolidated income statement

	2021		2020	
	kEUR	%	kEUR	%
revenues				
- Divisions				
human medicine	1,946,375	98.3	1,729,587	98.1
veterinary medicine	23,184	1.2	20,005	1.1
Industrial Group	3,283	0.2	4,692	0.3
Rest	6,964	0.3	9,164	0.5
	1,979,806	100.0	1,763,448	100.0
- Regions				
America	829,611	41.9	738,157	41.8
Other countries	538,490	27.2	464,117	26.3
Rest of Europe	489,444	24.7	419,130	23.8
Germany	122,261	6.2	142,044	8.1
	1,979,806	100.0	1,763,448	100.0

In the financial year, wages and salaries amounted to EUR 587,716k (prior year: EUR 518,913k), social security contributions and expenses for pensions and support to EUR 108,821k (prior year: EUR 97,541k), of which EUR 15,205k (prior year: EUR 15,604k) 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 14,667k (prior year: EUR 11,894k). Exchange rate gains of EUR 48,353k (prior year: EUR 44,050k) 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 4,998 thousand (previous year: EUR 1,315 thousand). Exchange rate losses of EUR 42,886 thousand (previous year: EUR 36,485 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 2,975 thousand (previous year: EUR 3,140 thousand).

Income from investments includes income of EUR 125 thousand (previous year: EUR 175 thousand) from companies in which an investment is held.

Income from other securities and loans classified as financial assets includes income of EUR 63 thousand (previous year: EUR 81 thousand) from companies in which an investment is held.

Interest income includes interest of EUR 0 thousand (previous year: EUR 28 thousand) from companies in which an investment is held.

Interest expenses include interest of EUR 1,363 thousand (previous year: EUR 1,283 thousand) to related companies.

Income taxes include deferred tax expenses of EUR 434 thousand (previous year: EUR 4,580 thousand) and deferred tax income of EUR 17,348 thousand (previous year: EUR 6,631 thousand). Income taxes include expenses relating to other periods in the amount of EUR 1,451 thousand (previous year: EUR 831 thousand).

Other Information

contingent liabilities

	kEUR
guarantees	2,660
warranty obligations	2,285
Rest	1,344
	6,289

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

Rental and leasing contracts	kEUR
	45.008

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 2021 from a patent license agreement that can be terminated on an annual basis amounted to TCHF 147. 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, 2021. As patent licenses expire, expenses are expected to decline steadily.

Other miscellaneous financial obligations

In addition, the following financial obligations arise:

	kEUR
purchase obligation	48,230
maintenance contracts	46,899
grant agreements	6,479
purchase commitment	3,533
License Agreement	1,375
consultancy contracts	1.208
	107,724

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	2022	12,348	-802	N/A	N/A
forward exchange transaction	2022	12,507	-610	N/A	N/A
forward exchange transaction	2022	12,624	-449	N/A	N/A
forward exchange transaction	2022	12,601	-502	N/A	N/A
forward exchange transaction	2022	15,979	-429	N/A	N/A
forward exchange transaction	2022	22,590	1,524	N/A	N/A
forward exchange transaction	2022	12.018	46	N/A	N/A
forward exchange transaction	2022	7,500	-105	N/A	N/A
forward exchange transaction	2022	7,500	-105	N/A	N/A
forward exchange transaction	2022	7,500	-105	N/A	N/A
forward exchange transaction	2022	250	7	N/A	N/A
forward exchange transaction	2022	250	7	N/A	N/A
forward exchange transaction	2022	250	6	N/A	N/A
forward exchange transaction	2022	250	6	N/A	N/A
forward exchange transaction	2022	250	6	N/A	N/A
forward exchange transaction	2022	250	6	N/A	N/A
forward exchange transaction	2022	250	8th	N/A	N/A
forward exchange transaction	2022	250	8th	N/A	N/A
forward exchange transaction	2022	250	8th	N/A	N/A
forward exchange transaction	2022	250	8th	N/A	N/A
forward exchange transaction	2022	250	6	N/A	N/A
forward exchange transaction	2022	250	6	N/A	N/A
forward exchange transaction	2022	250	6	N/A	N/A
forward exchange transaction	2022	250	6	N/A	N/A
forward exchange transaction	2022	250	6	N/A	N/A
forward exchange transaction	2022	250	6	N/A	N/A
forward exchange transaction	2022	250	6	N/A	N/A
forward exchange transaction	2022	250	6	N/A	N/A
forward exchange transaction	2022	250	6	N/A	N/A
forward exchange transaction	2022	250	4	N/A	N/A
forward exchange transaction	2022	250	4	N/A	N/A
forward exchange transaction	2022	250	4	N/A	N/A
forward exchange transaction	2022	250	4	N/A	N/A
forward exchange transaction	2022	250	4	N/A	N/A
forward exchange transaction	2022	250	4	N/A	N/A
forward exchange transaction	2022	250	4	N/A	N/A
forward exchange transaction	2022	250	4	N/A	N/A

valuation units

The following valuation units were formed:

Underlying transaction / hedging instrument	Risk / type of valuation unit	included amount	Amount of hedged risk
(1) Planned purchases in EUR/ FX forwards	Foreign currency risk/micro hedge	EUR 22,000 thousand	EUR 218 thousand
(2) Planned purchases in EUR/ FX forwards	Foreign currency risk/micro hedge	EUR 22,500 thousand	EUR 315 thousand
(3) Planned sales in USD/FX futures	Foreign currency risk/micro hedge	TUSD 78,700	EUR 2,792 thousand
(4) Planned purchases in CHF/ FX forwards	Foreign currency risk/micro hedge	TCHF 37,500	kEUR -1,570

to 1):

The British subsidiary concluded forward exchange transactions for planned purchases of finished goods in 2022 from the parent company and third parties, which are invoiced in EUR. Anticipatory valuation units were formed for these in view of the reliably plannable scope and timing. The hedging rate of the valuation unit (1) is 45%. The opposing cash flows of the underlying and hedging transactions are expected to balance each other out in full in the 2022 hedging period, since the risk positions (underlying transactions) will be hedged in the same amount in the same currency and term by forward exchange transactions immediately after they arise.

to (2):

A Swiss subsidiary concluded forward exchange transactions for planned purchases of products in 2022, in particular from the parent company, which are invoiced in EUR. Anticipatory valuation units were formed for these in view of the reliably plannable scope and timing. The hedging rate of the valuation unit (2) is up to 60%. The opposing cash flows of the underlying and hedging transactions are expected to balance each other out in full in the 2022 hedging period, since the risk positions (underlying transactions) will be hedged in the same amount in the same currency and term by forward exchange transactions immediately after they arise.

to 3):

For the planned purchases and sales of goods invoiced in USD in 2022 between the parent company and the subsidiaries and third parties, forward exchange transactions were concluded by the parent company. Currency hedging was also carried out for dividend payments to be received. Anticipatory valuation units (hedging rate up to 85%, the remaining 15% are used by the parent company for cash flows in USD) were formed for these in view of the reliably plannable scope and timing. The opposing cash flows of the underlying and hedging transactions are expected to balance each other out in full in the 2022 hedging period, since the risk positions (underlying transactions) are hedged by forward exchange transactions in the same amount in the same currency and with the same term as soon as they arise. The "critical terms match method" is used to measure the effectiveness of the hedging relationship.

to (4):

The parent company concluded forward exchange transactions for planned purchases of products in 2022 from the subsidiary and third parties, which are invoiced in CHF. Anticipatory valuation units were formed for these in view of the reliably plannable scope and timing. The hedging rate of the valuation unit (4) is up to 85%. The opposing cash flows of the hedged underlying transactions and the hedging transactions are expected to balance each other out in full in the 2022 hedging period, since the risk positions (underlying transactions) will be hedged by forward exchange transactions in the same amount in the same currency and term immediately after they arise.

difference

According to Section 268 (8) HGB, there is a difference of the following amounts:

from the capitalization of deferred taxes	kEUR
from the passivation	64,179
Pension provisions Section 253 (2) in conjunction with (6) HGB	1.158

Employees

On average over the year, 5,884 white-collar workers and 1,608 blue-collar workers were employed.

Disclosures and explanations on the cash flow statement

Cash and cash equivalents consist of cash on hand and bank balances less liabilities to banks that are due at any time.

Managing directors

Management is carried out by Karl Storz Verwaltungs SE, Tuttlingen, represented by the director with sole power of representation:

Mr. Karl-Christian Storz, Tuttlingen.

The job of the managing director corresponds to his position in the organ.

With reference to Section 314 (3) sentence 2 of the German Commercial Code, the salaries of the managing directors are not disclosed.

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, 2021 amounts to EUR 177,105 thousand. It is proposed to the shareholders' meeting to allocate an amount of EUR 44,276 thousand to the reserves and to credit the remaining amount of EUR 132,829 thousand to the shareholder accounts.

supplementary report

After the balance sheet date, no other events of particular importance occurred that have a significant financial impact. With regard to the future risks from the corona pandemic and the armed conflict between Russia and Ukraine, we refer to our statements in the 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:

Final Examination Services	kEUR
of which aperiodic	350
Other Confirmation Services	37
Other services	7
	11

Tuttlingen, May 16, 2022

*The management of Karl Storz Verwaltungs SE as personally liable**Shareholders of KARL STORZ SE & Co. KG:**Karl Christian Storz, Managing Director***Development of Group fixed assets**

	As of January 1st, 2021	Acquisition/manufacturing costs			Changes in the scope of consolidation
		currency change	additions		
	EUR	EUR	EUR		EUR
I. Intangible assets					
1. Purchased industrial property rights and similar rights	123.012.358	4,376,263	2,208,124		0
2. Goodwill	30,442,390	331,959	0		0
3. Advance payments made	0	0	665,608		0
	153.454.748	4,708,222	2,873,732		0
II. Tangible assets					
1. Land and buildings	360.831.019	12,784,766	2,681,417		0
2. Technical installations and machines	90.372.842	3,139,283	7,528,437		0
3. Other equipment, fixtures and fittings	256.483.413	12,865,504	28.479.031		0
4. Payments on account and assets under construction	12.018.773	228,610	22,396,362		0
	719.706.047	29.018.163	61.085.247		0
III. financial investments					
1. Shares in affiliated companies	16,591	0	0		0
2. Investments in associated companies	601,374	0	0		0
3. Other holdings	3,627,151	0	0		0
4. Loans to associates	4,313,151	114,577	0		0
5. Investment securities	148.425.216	0	34.242.210		0
6. Other Loans	3,340,292	353,369	5,142,933		0
	160.323.775	467,946	39.385.143		0
	1,033,484,570	34.194.331	103.344.122		0

	Change in value due to the equity method	Acquisition/manufacturing costs			As of December 31, 2021
		transfers	departures		
	EUR	EUR	EUR		EUR
I. Intangible assets					
1. Purchased industrial property rights and similar rights		0	189,455	767,515	129.018.685
2. Goodwill		0	0	0	30,774,349
3. Advance payments made		0	0	0	665,608
		0	189,455	767,515	160.458.642
II. Tangible assets					
1. Land and buildings		0	3,760,610	228,862	379,828,950
2. Technical installations and machines		0	4,251,242	5,628,806	99,662,998
3. Other equipment, fixtures and fittings		0	2,405,127	37,094,566	263.138.509
4. Payments on account and assets under construction		0	-10.606.434	119,375	23,917,936
		0	-189,455	43.071.609	766,548,393
III. financial investments					
1. Shares in affiliated companies		0	0	0	16,591
2. Investments in associated companies		143,595	0	0	744,969
3. Other holdings		0	0	0	3,627,151
4. Loans to associates		0	-1,800,000	0	2,627,728
5. Investment securities		0	0	7,497,036	175.170.390
6. Other Loans		0	1,800,000	1,894,675	8,741,919
		143,595	0	9,391,711	190.928.748
		143,595	0	53.230.835	1.117.935.783

	As of January 1st, 2021	Accumulated depreciation			Changes in the scope of consolidation
		currency change	additions		
	EUR	EUR	EUR		EUR
I. Intangible assets					
1. Purchased industrial property rights and similar rights	109,954,500	3,827,368	5,627,638		0
2. Goodwill	27.401.214	282.109	413,241		0
3. Advance payments made	0	0	0		0
	137.355.714	4,109,477	6,040,879		0
II. Tangible assets					

	Accumulated depreciation			
	As of January 1st, 2021	currency change	additions	Changes in the scope of consolidation
	EUR	EUR	EUR	EUR
1. Land and buildings	118.335.897	3,850,546	14.155.894	0
2. Technical installations and machines	69.245.625	2,572,838	7,444,071	0
3. Other equipment, fixtures and fittings	154.921.755	9,844,290	28,417,451	0
4. Payments on account and assets under construction	0	6.138	137,075	0
	342.503.277	16,273,812	50.154.491	0
III. financial investments				
1. Shares in affiliated companies	0	0	0	0
2. Investments in associated companies	0	0	0	0
3. Other holdings	3,000,330	0	0	0
4. Loans to associates	2,633,179	37,985	0	0
5. Investment securities	1,084,678	0	271,658	0
6. Other Loans	5.307	0	1,000,000	0
	6,723,494	37,985	1,271,658	0
	486.582.485	20,421,274	57.467.028	0
		Accumulated depreciation		
		transfers	departures	As of December 31, 2021
		EUR	EUR	EUR
I. Intangible assets				
1. Purchased industrial property rights and similar rights		0	740,721	118.668.785
2. Geschäfts- oder Firmenwert		0	0	28.096.564
3. Geleistete Anzahlungen		0	0	0
		0	740.721	146.765.349
II. Sachanlagen				
1. Grundstücke und Bauten		0	168.982	136.173.355
2. Technische Anlagen und Maschinen		130.028	4.805.358	74.587.204
3. Andere Anlagen, Betriebs- und Geschäftsausstattung		-130.028	28.911.681	164.141.787
4. Geleistete Anzahlungen und Anlagen im Bau		0	0	143.213
		0	33.886.021	375.045.559
III. Finanzanlagen				
1. Anteile an verbundenen Unternehmen		0	0	0
2. Beteiligungen an assoziierten Unternehmen		0	0	0
3. Sonstige Beteiligungen		0	0	3.000.330
4. Ausleihungen an assoziierte Unternehmen		-1.800.000	0	871.164
5. Wertpapiere des Anlagevermögens		0	576.183	780.153
6. Sonstige Ausleihungen		1.800.000	1.868.008	937.299
		0	2.444.191	5.588.946
		0	37.070.933	527.399.854
			Buchwerte	
			31.12.2021	31.12.2020
			EUR	EUR
I. Immaterielle Vermögensgegenstände				
1. Entgeltlich erworbene gewerbliche Schutzrechte und ähnliche Rechte			10.349.900	13.057.858
2. Geschäfts- oder Firmenwert			2.677.785	3.041.176
3. Geleistete Anzahlungen			665.608	0
			13.693.293	16.099.034
II. Sachanlagen				
1. Grundstücke und Bauten			243.655.595	242.495.122
2. Technische Anlagen und Maschinen			25.075.794	21.127.217
3. Andere Anlagen, Betriebs- und Geschäftsausstattung			98.996.722	101.561.658
4. Geleistete Anzahlungen und Anlagen im Bau			23.774.723	12.018.773
			391.502.834	377.202.770
III. Finanzanlagen				
1. Anteile an verbundenen Unternehmen			16.591	16.591
2. Beteiligungen an assoziierten Unternehmen			744.969	601.374
3. Sonstige Beteiligungen			626.821	626.821
4. Ausleihungen an assoziierte Unternehmen			1.756.564	1.679.972
5. Wertpapiere des Anlagevermögens			174.390.237	147.340.538
6. Sonstige Ausleihungen			7.804.620	3.334.985
			185.339.802	153.600.281
			590.535.929	546.902.085

The book value of the item "Goodwill" comes from the capital consolidation in the amount of KEUR 714 (previous year: KEUR 894), the depreciation on it in the amount of KEUR 180 (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	Name and registered office of the company	Karl Storz SE & Co. KG, Tuttlingen	currency	Equity capital		Result of the last financial year	
				in TLW	in EUR thousand ¹⁾	in TLW	in EUR thousand ¹⁾
KST inland							
KST Berlin	Karl Storz Endoskope Berlin GmbH, Berlin		EUR		84		0
Berk wood service	A. Berkholz Service GmbH, Berlin		EUR		85		0
AXIOM	AXIOM Ventures GmbH, Villingen-Schwenningen		EUR		9,871		123
EP	Endo Press GmbH, Tuttlingen		EUR		26		0
Almicro GmbH	Almicro GmbH, Bad Krozingen		EUR		72		-4
Almicro KG	Almicro GmbH & Co. KG, Bad Krozingen		EUR		359		334
EFEMA	Elzacher Feinmechanik GmbH, Elzach		EUR		5,923		0
SEPT	Storz Endoskop Production GmbH, Tuttlingen		EUR		7,000		0
dv	Diaspective Vision GmbH, Am Salzhauff, OT Pepelow		EUR		137		68
MEDI-G	medi-G GmbH, Leibertingen		EUR		3,780		275
BTE	Bioscope Technologies Development GmbH, Viechtach		EUR		30		246 ³⁾
Abroad							
COAST F	Karl Storz Endoscopie France SAS, Guyancourt, France		EUR		3,983		1,654
KST INV F	Karl Storz Invest France SASU, Guyancourt, France		EUR		696		91
COAST B	Karl Storz Endoscopy Belgium NV, Etterbeek, Belgium		EUR		787		14
COAST NL	Karl Storz Endoscopie Nederland BV, Vianen, The Netherlands		EUR		391		13
COAST I	Karl Storz Endoscopia Italia SRL, Bolzano, Italy		EUR		4,976		908
KSTE GB	Karl Storz Endoscopy (UK) Ltd., Dundee, United Kingdom		GBP	14,334	17,059	3,487	4,150
MI3	MI3 Limited, Colwyn Bay, UK		GBP	4,414	4,910	249	277
COAST DK	Karl Storz Endoskopi Danmark A/S, Holte, Denmark		DKK	20.119	2,705	3,049	410
COAST E	Karl Storz Endoscopia Iberica, SA, Madrid, Spain		EUR		8,094		1,561
KSTES	Karl Storz Endoskop Sverige AB, Skärholmen, Sweden		SEC	53,064	5,177	8,275	807
COAST FIN	Karl Storz Endoscopy Suomi Oy, Vantaa, Finland		EUR		-283		69
COAST N	Karl Storz Endoskopi Norge AS, Hagan, Norway		NOK	-548	-55	1,684	169
COAST A	Karl Storz Endoskop Austria GmbH, Vienna, Austria		EUR		2,052		330
KSTE Swiss AG	Karl Storz Endoskope Swiss AG, Schaffhausen, Switzerland		CHF	95	92	-5	-5
Viendis CH	Viendis AG, Uhwiesen, Switzerland		CHF	7,519	7,278	994	962
COAST RUSSIA	000 Karl Storz Endoskopy Wostok, Moscow, Russian Federation		RUB	3,598,868	42,191	1,125,030	13,189
KSVE EST	OÜ Karl Storz Video Endoscopy Estonia, Laagri, Estonia		EUR		24,486		2,224
KSTE UA	TOV Karl Storz Ukraine, Kyiv, Ukraine		UAH	27,831	896	6,274	202
COAST RO	KARL STORZ Endoscopia Romania SRL, Bucharest, Romania		RON	26,881	5,432	3,951	798
KSTE KZ	TOO Karl Storz Endoscopy Kazakhstan, Astana, Kazakhstan		KZT	329,495	662	12,554	25
COAST GR	KARL STORZ ENDOSCOPE GREECE MEPE, Thessaloniki, Greece		EUR		3,143		373
COAST HR	Karl Storz Croatia doo, Zagreb, Croatia		HRK	5,911	786	67	9
COAST SLO	Karl Storz Endoskopija doo, Ljubljana, Slovenia		EUR		1,280		256
COAST H	KARL STORZ Endoszkóp Magyarorszá g Kft., Budapest, Hungary		HOOF	194,358	526	28,598	77
KSTE PL	KARL STORZ Polska Sp. Zo.o., Gliwice, Poland		PLN	1,837	400	78	17
KSEA USA	Karl Storz Endoscopy-America Inc., El Segundo, USA		USD	272,253	240,379	16,602	14,658
KSLA USA	Karl Storz Lithotripsy-America Inc., Kennesaw, USA		USD	8,508	7,512	498	440
KSA Delaware USA	Karl Storz America LLC, Delaware, USA		USD	0	0	0	0
KSI USA	Karl Storz Imaging Inc., Goleta, USA		USD	98,508	86,975	1,970	1,739
KSVEA USA	Karl Storz Veterinary Endoscopy-America Inc., Goleta, USA		USD	9,909	8,749	-552	-487
COAST CDN	Karl Storz Endoscopy Canada Ltd., Mississauga, Canada		CAD	24,951	17,336	1,863	1,294
COAST MEX	Karl Storz Endoscopia Mexico SA, Mexico City, Mexico		MXN	137,698	5,950	-2,314	-100
KSTE RA	Karl Storz Endoscopia Argentina SA, Vicente Lopez, Argentina		ARS	280,619	2,403	37,860	324
COAST BR	KARL STORZ MARKETING AMÉRICA DO SUL Ltda., Sao Paulo, Brazil		BRL	6,642	1,053	640	101
COAST IND	Karl Storz Endoscopy India Pvt. Ltd., New Delhi, India		INR	1,485,453	17,636	310,940	3,692
COAST SGP Asia	Karl Storz Endoscopy Asia Marketing Pte. Ltd., Singapore, Singapore		SGD	3,795	2,484	486	318
KSTE SGP Sales	Karl Storz Endoscopy Singapore Sales Pte. Ltd., Singapore, Singapore		SGD	6,725	4,401	294	192
KSTEJ	Karl Storz Endoscopy Japan KK, Tokyo, Japan		JPY	1,644,677	12,614	128,471	985

abbreviation	Name and registered office of the company Karl Storz SE & Co. KG, Tuttlingen	currency	Equity capital	Result of the last financial year	
				in EUR thousand ¹⁾	in EUR thousand ¹⁾
KST			in TLW		
COAST HK	Karl Storz Endoscopy China Ltd., Hong Kong, China	HKD	615,731	69,706	12,890
COAST CN	Karl Storz Endoscopy (Shanghai) Limited, Shanghai, China	CNY	597,913	83.105	161.104
KSTE RC	Karl Storz Endoscopy Taiwan Ltd., New Taipei City, Taiwan	TWD	597	19	185
COAST ROK	KARL STORZ Endoscopy Korea Ltd., Seoul, South Korea	KRW	4,956,742	3,682	1.101.902
COAST RP	KARLSTORZ Endoscopy Philippines INC., Taguig City, Philippines	PHP	17,276	299	2,748
COAST ZA	Karl Storz Endoscopy (South Africa) (Proprietary) Limited, Cape Town, South Africa	ZAR	74,589	4.129	6,043
KSESA	KSESA MEDICAL AND SURGICAL SKILLS DEVELOPMENT (PTY) LTD, Cape Town, South Africa	ZAR	-4,203	-233	-1,228
COAST RL	Karl Storz Endoskope - Lebanon SAL, Beirut, Lebanon	USD	778	687	-284
COAST EMG	Karl Storz Endoskope - East Mediterranean and Gulf (Offshore) SAL, Beirut, Lebanon	USD	10,890	9,615	661
COAST OFF	Karl Storz Endoscopy Australia Pty. Ltd., Sydney, Australia	Aud	11,568	7.408	3,390
COAST NZ	Karl Storz Endoscopy New Zealand Ltd., Lane Cove, New Zealand	NZD	2.019	1.218	440
VPF	Visible Patient SAS, Strasbourg, France	EUR		3,883	
GLC USA	Gradient Lens Corporation, Rochester, USA	USD	6,549	5,782	1,010
OPCOS	OPCOS AG, Widnau, Switzerland	CHF	-175	-169	241

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, 2020. ³⁾ The values shown relate to the last available annual financial statements as of December 31, 2019.

Consolidated statement of changes in equity for 2021

	Equity statement of the parent company		
	capital shares		
	Complementary EUR	limited partner EUR	total EUR
Status as of 01/01/2020	0	148.824.520	148.824.520
Credit to shareholder accounts in borrowed capital			
Allocations to/ withdrawals from reserves			
Währungsumrechnungen			
Sonstige Veränderungen			
Änderungen des Konsolidierungskreises			
Konzernjahresüberschuss			
Stand zum 31.12.2020	0	148.824.520	148.824.520
Stand zum 01.01.2021	0	148.824.520	148.824.520
Gutschrift auf Gesellschafterkonten im Fremdkapital			
Einstellungen in/ Entnahmen aus Rücklagen			
Währungsumrechnungen			
Sonstige Veränderungen			
Änderungen des Konsolidierungskreises			
Konzernjahresüberschuss			
Stand zum 31.12.2021	0	148.824.520	148.824.520
	Eigenkapitalspiegel des Mutterunternehmens		
	Gewinnrücklagen		
	Rücklagen gemäß Gesellschaftsvertrag EUR	Sonstige Gewinnrücklagen EUR	Summe EUR
Stand zum 01.01.2020	60.176.699	27.455.553	87.632.252
Gutschrift auf Gesellschafterkonten im Fremdkapital			0
Einstellungen in/ Entnahmen aus Rücklagen	36.853.962		36.853.962
Währungsumrechnungen			0
Sonstige Veränderungen		331.345.783	331.345.783
Änderungen des Konsolidierungskreises			0
Konzernjahresüberschuss		52.486.353	52.486.353
Stand zum 31.12.2020	97.030.661	411.287.689	508.318.350
Stand zum 01.01.2021	97.030.661	411.287.689	508.318.350
Gutschrift auf Gesellschafterkonten im Fremdkapital			0
Einstellungen in/ Entnahmen aus Rücklagen	25.413.113		25.413.113
Währungsumrechnungen			0
Sonstige Veränderungen		-475.828	-475.828
Änderungen des Konsolidierungskreises			0
Konzernjahresüberschuss		19.521.059	19.521.059

Eigenkapitalspiegel des Mutterunternehmens				
Gewinnrücklagen				
	Rücklagen gemäß Gesellschaftsvertrag		Sonstige Gewinnrücklagen	Summe
	EUR		EUR	EUR
Stand zum 31.12.2021	122.443.774		430.332.919	552.776.693
Eigenkapitalspiegel des Mutterunternehmens				
	Eigenkapitaldifferenz aus Währungsumrechnung	Gewinnvortrag/ Verlustvortrag	Konzernjahresüberschuss, der dem Mutterunternehmen zuzurechnen ist	Summe
	EUR	EUR	EUR	EUR
Stand zum 01.01.2020	25.463.931	342.618.850	136.583.148	741.122.700
Gutschrift auf Gesellschafterkonten im Fremdkapital			-110.561.886	-110.561.886
Einstellungen in/ Entnahmen aus Rücklagen			-36.853.962	0
Währungsumrechnungen	-55.037.898			-55.037.898
Sonstige Veränderungen		-342.618.850	10.832.700	-440.367
Änderungen des Konsolidierungskreises				0
Konzernjahresüberschuss			101.652.450	154.138.803
Stand zum 31.12.2020	-29.573.967	0	101.652.450	729.221.352
Stand zum 01.01.2021	-29.573.967	0	101.652.450	729.221.352
Gutschrift auf Gesellschafterkonten im Fremdkapital			-76.239.337	-76.239.337
Allocations to/ withdrawals from reserves			-25.413.113	0
currency conversions	46,934,630			46,934,630
Other changes				-475,828
Changes in the scope of consolidation				0
Consolidated net income			177.105.306	196.626.365
Status as of 12/31/2021	17.360.663		177.105.306	896.067.182
Non-Controlling Interests				
	Non-controlling interests before annual result	Gains/losses attributable to non-controlling interests	total	
	EUR	EUR	EUR	EUR
Status as of 01/01/2020	5,946,654	714,859	6,661,512	
Credit to shareholder accounts in borrowed capital			0	
Allocations to/ withdrawals from reserves			0	
currency conversions			0	
Other changes	1,610,736	-714,859	895,877	
Changes in the scope of consolidation	-447,939		-447,939	
Consolidated net income			1,231,395	1,231,395
Status as of 12/31/2020	7.109.451		1,231,395	8,340,845
Status as of 01/01/2021	7.109.451		1,231,395	8,340,845
Credit to shareholder accounts in borrowed capital			0	
Allocations to/ withdrawals from reserves			0	
currency conversions			0	
Other changes	1,231,395	-1,231,395	0	
Changes in the scope of consolidation			0	
Consolidated net income			288,805	288,805
Status as of 12/31/2021	8,340,846		288,805	8,629,650
group equity				
total				
EUR				
Status as of 01/01/2020			747.784.213	
Credit to shareholder accounts in borrowed capital			-110.561.886	
Allocations to/ withdrawals from reserves			0	
currency conversions			-55,037,898	
Other changes			455,510	
Changes in the scope of consolidation			-447,939	
Consolidated net income			155,370.198	
Status as of 12/31/2020			737.562.198	
Status as of 01/01/2021			737.562.198	
Credit to shareholder accounts in borrowed capital			-76.239.337	
Allocations to/ withdrawals from reserves			0	
currency conversions			46,934,630	
Other changes			-475,828	

	group equity
	total
	EUR
Changes in the scope of consolidation	0
Consolidated net income	196.915.170
Status as of 12/31/2021	904.696.832

Consolidated cash flow statement

	2021	Previous year
	kEUR	kEUR
Profit for the period without minority interests, see consolidated income statement	196,626	154,139
Depreciation (+)/write-ups (-) on fixed assets *	57,467	61,996
Increase (+)/decrease (-) in long-term provisions	1,333	1,453
Increase (+)/decrease (-) in current provisions	53,857	-4,687
Other non-cash expenses (+)/income (-)	-3,957	11,874
Increase (-)/decrease (+) in inventories, trade accounts receivable and other assets not allocable to investing or financing activities	-105,128	-40,442
Increase (+)/decrease (-) in trade payables and other liabilities not attributable to investing or financing activities	56,761	-18,423
Profit (-)/loss from the disposal of fixed assets	2,838	-3,946
Interest expense (+)/Interest income (-)	14,384	13,203
Other investment income (-)	-125	-175
Income tax expense (+)/income (-)	41,681	39,213
Income tax payments (-)	-55,965	-32,376
Cash flow from operating activities	259,772	181,829
Proceeds (+) from disposals of intangible assets	27	486
Payments (-) for investments in intangible assets	-2,874	-4,733
Proceeds (+) from disposals of property, plant and equipment	5,364	10,823
Payments (-) for investments in property, plant and equipment	-61,085	-51,591
Proceeds (+) from disposals of financial assets	7,931	9,219
Payments (-) for investments in financial assets	-39,385	-14,587
Interest Received (+)	3,913	2,498
Dividends received (+)	125	175
Cash flow from investing activities	-85,984	-47,710
Payments (+) from taking out (financial) loans **	37,354	0
Payments (-) from the repayment of (financial) loans	-977	-2,892
Payments (+) from received grants/benefits	2,154	1,464
Interest paid (-)	-6,647	-7,710
Payments (-) to shareholders of the parent company	-50,484	-30,533
Dividends paid to other shareholders (-)	-476	-440
Cash flow from financing activities	-19,076	-40,111
Change in cash and cash equivalents (subtotals 1 - 3)	154,712	94,008
Exchange rate-related change in cash and cash equivalents	21,008	-15,340
Cash funds at the beginning of the period	375,460	296,792
	551,180	375,460

* of which exceptional unscheduled depreciation on financial assets EUR 1,272 thousand.

** including cash pooling with related companies

Composition of cash funds

	2021	Previous year
	kEUR	kEUR
liquid funds	551,398	375,671
Liabilities to credit institutions due at any time	-218	-211
cash funds	551,180	375,460

Group management report for 2021**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 8,300 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.

Karl-Christian Storz has been the sole Managing Director of KARL STORZ SE & Co. KG since January 2019 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 a seven-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	paediatrics
Dental, oral, maxillofacial surgery	MTP disposable products
Otorhinolaryngology	telepresence
Plastic surgery	Devices
anesthesia and emergency medicine	navigation
Cardiovascular Surgery	fluorescence imaging
thorax	OFFICE 1
gastroenterology	OR1™ -
NOTES (Natural Orifice Translumenal Endoscopic Surgery) and related procedures	The integrated operating room ENDOPROTECT1
laparoscopy	hygiene
gynecology	KARL STORZ Solutions
urology	Emergency and Disaster Medicine
proctology	Equipment trolleys & holding systems
Arthroscopy and Sports Medicine	documentation
spine surgery	System Assisted Surgery
microscopy	

Dem wachsenden Bedürfnis nach Integration im Klinikumfeld wird mit der Entwicklung und dem Vertrieb einer eigenständigen Integrationsplattform für alle im Operationssaal eingesetzten Geräte entsprochen. Seit Ende der 1990er Jahre ist KARL STORZ Vorreiter in diesem Bereich und hat seine über Jahrzehnte währende Expertise in den Bereichen Optik, Mechanik und Elektronik um die Technologiesäule Software erweitert. Unter dem Namen OR1™ wurde ein solches System, welches neben der Integration der Gerätesteuerung auch die zentrale Bild- und Videodokumentation sowie den ungehinderten Datenaustausch innerhalb und außerhalb des Operationssaals ermöglicht, im Markt etabliert. Aufbauend auf diesen Kernfunktionen wurde dieses System zu einem integrierten Managementsystem ausgebaut, welches den gesamten OP-Bereich abdeckt.

Wesentliche Produktionsstätten befinden sich in der Schweiz, Estland und in den USA, wobei der zentrale Produktionsstandort für das Unternehmen nach wie vor in Tuttlingen gelegen ist.

Im Geschäftsjahr haben sich Änderungen in der Zusammensetzung des Konsolidierungskreises ergeben, die dem Konzernanhang zu entnehmen sind.

Die für die Produktpalette erforderlichen Technologien werden von der KARL STORZ Gruppe oder in Zusammenarbeit mit Forschungseinrichtungen erarbeitet und in eigenen, dem Gruppenverbund zugehörigen Produktionsstätten perfektioniert und sodann nach entsprechender Entscheidung über Marktchancen und mögliche Marktvolumina produziert.

Neben der Humanmedizin bietet KARL STORZ ebenfalls endoskopische Systeme für die Veterinärmedizin an.

Nachhaltigkeit als Unternehmenswert

Als familiengeführtes und mittelständisch geprägtes Unternehmen verfolgt das Unternehmen KARL STORZ seit seiner Gründung im Jahr 1945 die Werte Nachhaltigkeit, Qualität und Innovation. Vertrauensvoll, ehrlich und fair mit Mitarbeitern, Kunden und Geschäftspartnern umzugehen, ist in der Unternehmenskultur fest verwurzelt und im KARL STORZ Verhaltenskodex festgehalten. Seit über 75 Jahren fällt KARL STORZ unternehmerische Entscheidungen und achtet hierbei darauf, welche Auswirkungen diese auf Mitarbeiter, Kunden, Geschäftspartner sowie die Gesellschaft haben. Als traditionsreiches Familienunternehmen möchte das Unternehmen zukünftigen Generationen ermöglichen, Ressourcen, Kreativität, Erfahrung und Wissen so einzusetzen, damit auch zukünftig medizinischer Fortschritt möglichst vielen Menschen zugutekommen kann.

Um diese Werte öffentlich zu bestätigen und langfristig zu fördern, ist KARL STORZ seit 2004 im United Nations Global Compact aktiv. Der Global Compact der Vereinten Nationen ist eine freiwillige Initiative, durch die sich das Unternehmen zu einem nachhaltigen und ethischen Wirtschaften sowie der Einhaltung von zehn Prinzipien im Bereich der Menschenrechte, der Arbeitsnormen, des Umweltschutzes und der Anti-Korruption selbstverantwortlich verpflichtet. Im jährlichen Global Compact Fortschrittsbericht informiert KARL STORZ transparent, wie die genannten Prinzipien im Geschäftsalltag beachtet und gefördert wurden. Im Global Compact Fortschrittsbericht 2021 wurden unter anderem Initiativen zur Förderung der medizinischen Fortbildung, Unterstützung von Kindern und Jugendlichen sowie Ökologie im Arbeitsalltag vorgestellt.

Forschung und Entwicklung

KARL STORZ ist ein technologieorientiertes Unternehmen, das vorwiegend eigenständig, im Firmenverbund oder im Auftrag entwickelte Technologien erforscht und zur Serienreife bringt, sowie anschließend in eigenen Fertigungsstätten herstellt. Vor diesem Hintergrund sind die Bereiche Forschung und Entwicklung zentrale Unternehmensbereiche. In einem sich stets weiterentwickelnden Weltmarkt, der durch den Fortschritt der minimalinvasiven Technologien in der Medizin verbunden mit neuen Methoden der elektronischen Bilderfassung und -Verarbeitung geprägt ist, hat KARL STORZ einen Schwerpunkt auf die Entwicklung neuer therapeutischer und diagnostischer Produkte gelegt, die zum einen neue Anwendungsfelder erschließen, zum anderen auch bestehende Anwendungsfelder im Hinblick auf die geringe Invasivität des Vorgehens und schließlich durch Nutzung neuester Technologien eine Optimierung des diagnostischen und therapeutischen Ergebnisses erzielen sollen.

Aufgrund des demografischen Wandels wird zukünftig noch mehr diagnostische und therapeutische Medizin erforderlich sein. Um diesem Trend zu begegnen, ist es notwendig, die Medizintechnik effizienzorientiert weiterzuentwickeln. Repräsentative Beispiele seitens KARL STORZ hierfür sind die konsequente Erweiterung des hochintegrierten Operationssaals (OR1™), in welchem die innovativen Produkte als integriertes Gesamtsystem vernetzt sind und so dem Nutzer und Betreiber einen Mehrwert hinsichtlich Ergonomie, Sicherheit und Zeitersparnis bieten. Hinsichtlich unserer Produktinnovationen ist der Übergang von rein zweidimensional abbildenden Endoskopen zu hochauflösenden 3D-Videoendoskopen neuester Generation hervorzuheben.

Auch stellt die 4K-Bildkette den aktuellen Standard in der minimalinvasiven Chirurgie dar. KARL STORZ bietet die vollständige Bildkette von der Aufnahme über die Verarbeitung bis hin zur Dokumentation und Archivierung in 4K. Die neueste Technologie aus dem Bereich der Bildgebung 4K hilft den Operateuren bei Ihrer Arbeit mittels klarer Darstellung feinsten Strukturen, einer besseren Tiefenwahrnehmung auch in 3D sowie den bewährten Visualisierungstechnologien (S-Technologien). Dies wird durch die höhere Auflösung und den erweiterten Farbraum ermöglicht und mit Hilfe von Optiken und Lichtleitern umgesetzt.

Eine Erweiterung der Produktpalette stellt das von KARL STORZ entwickelte System IMAGE1® S Rubina dar, welches die Nutzung von Fluoreszenztechnologie im Nahinfrarot-Bereich in 4K-Auflösung ermöglicht. Durch die Überlagerung des Weißlichtbildes mit dem Fluoreszenzsignals im Nahinfrarot- Spektrum stehen dem Operateur somit die wichtigen, zusätzlichen Informationen direkt während des endoskopischen Arbeitens zur Verfügung. Die Lichtquelle auf Basis von LED-Technologie bietet Langlebigkeit, Stabilität und aufgrund der direkten Kommunikation mit dem Kamerasystem ein hochintegriertes Gesamtsystem. Der Launch dazugehöriger, neu entwickelter Endoskope in verschiedenen Durchmessern ergänzen das Portfolio.

Parallel zu neuen Bildgebungstechnologien sehen wir, dass auch neue Generationen von Fluoreszenzmarkern kurz vor einer klinischen Zulassung stehen. Für eine zukunftsgerichtete Endoskopie gilt es die erforderlichen Bildgebungsmodalitäten zur Fluoreszenzbildgebung auf Basis neuer Marker produkttechnisch zu adressieren. Auch neue Nahinfrarottechnologien werden hier künftig eine Rolle für eine markerfreie Bilddiagnostik spielen. Der diagnostische Mehrwert der Bildanalyse wird hier zukünftig im Wettbewerb ein stärkeres Differenzierungsmerkmal für die endoskopischen Bildgebung sein als die rein visuelle Bildqualität, die sich bereits nahe an den physikalisch erreichbaren Limits befindet.

Für endoskopische Eingriffe in Tageskliniken und Ambulanzen bringt KARL STORZ mit dem TELE PACK + ein kompaktes Endoskopie-System auf den Markt - unterstützt werden flexible und starre Endoskope in Full HD; selbst die neuen sterilen Einweg-Endoskope sind kompatibel. Integrierte Dokumentation und Netzwerkfähigkeit binden TELE PACK + in die Abläufe von Praxis, Tagesklinik und Ambulanzen ein.

Im Bereich der HNO ergänzt das Video-Rhino-Laryngoskop das Portfolio der Videoendoskope. Es ist mit HD-Bildqualität ausgestattet und repräsentiert die KARL STORZ High-End Version für die Verwendung an mobilen (TELE PACK +) sowie stationären Kameraplattformen (IMAGE1® S). Für die Diagnostik findet dieses Produkt nun auch in niedergelassenen Arztpraxen Verwendung. Die Besonderheit des neuen Video-Rhino-Laryngoskopes ist, dass zusätzlich zu einer Weißlichtanwendung auch eine Stroboskopie in HD-Qualität ermöglicht wird.

Unser Produkt-Portfolio in Bezug auf sterile flexible Einwegendoskope bedient neben der Anästhesie auch die HNO und zukünftig ebenfalls die Urologie. Für das FIVE S 5.3 (Anästhesie) haben wir die Zulassung in den USA Ende Dezember 2021 und für das FLEX-X C1 (Urologie) Anfang 2022 erhalten. Zentraler Gedanke unser für das Produktsegment der flexiblen Endoskope bestimmten Marktstrategie ist der hybride Ansatz, das heißt, die sinnvolle Kombination von wiederverwendbaren flexiblen Endoskopen und sterilen Einweg-Endoskopen. Somit versetzen wir unsere Kunden in die Lage, für den jeweils individuellen medizinischen Einsatz die geeignete produktbezogene Auswahl zu treffen, um so die medizinische Anwendung zu optimieren, aber gleichzeitig den wirtschaftlichen Aspekten Rechnung zu tragen.

Mit dem UNIDRIVE SELECT entwickelt KARL STORZ eine neue Generation an fachgebietsübergreifender, multifunktionaler Steuerkonsole für Motorensysteme. Diese zeichnet sich durch individuelle Softwarepakete aus, welche die Fachgebiete Urologie, Gynäkologie, Neuro- und Wirbelsäulenchirurgie, Arthroskopie und das Fachgebiet HNO abdecken. Die Kombination von applikationsspezifischer Benutzerschnittstelle mit den zugehörigen Handstücken und Zubehör garantiert für alle Anwendungsfälle optimale Ergonomie und Performanz. Die ersten drei Fachgebiete sind für Q1/2022 geplant.

Mittels KARL STORZ HIVE Ethernet Gerätekommunikation wird ein Systemverbund mit der Spül- und Saugpumpe ENDOMAT SELECT ermöglicht. Moderne - auch kabellose - Pedalkonzepte komplettieren die Bedienung. Das resultierende System aus UNIDRIVE SELECT und ENDOMAT SELECT ermöglicht leistungsfähige, fachgebietsspezifische Motorensystem Anwendungen mit automatisierter Spülunterstützung bei gleichzeitig einfacher Bedienung.

Im Bereich der Urologie wurde das Produktportfolio der digitalen Cystoskopie um die neue Generation des C-VIEW erweitert. Neben einer verbesserten Bildqualität und einer atraumatisch geformten distalen Spitze wurde auch auf eine zukunftsorientierte Kompatibilität zu den neuesten Kameraplattformen, wie TELE PACK + oder TELECAM C3, geachtet. In Kombination mit dem C-MAC Monitor ergibt sich zudem eine mobile Lösung, die komplett batteriebetrieben in den verschiedenen Anwendungsszenarien der flexiblen Cystoskopie eingesetzt werden kann. Verwendung findet das C-VIEW insbesondere im ambulanten oder im niedergelassenen Bereich.

Das flexible Intubations-Videoendoskop FIVE S 3.5 ist der erste Baustein im Portfolio der flexiblen Einweg-Endoskope in der Anästhesie. Für den Kunden bedeutet dies, dass er einerseits die Wahl hat, sich für ein wiederverwendbares oder auch Einweg-Endoskop von KARL STORZ zu entscheiden und andererseits kann er je nach seinen Bedürfnissen wählen, ob er eine Visualisierung durch den C-MAC® Monitor, den TELE PACK + oder durch die TELECAM C3 bevorzugt. Dieses Endoskop fügt sich nahtlos in das C-MAC® System ein, um den Kunden ein umfassendes Airway Management System zu bieten.

The topic of robotics is becoming increasingly important in medical technology and thus also at KARL STORZ. The use of this technique aims to increase safety, efficiency and precision during the operation. In order to do justice to this growing market, the Robotic Solutions division was expanded and realigned in 2021. The previous investment in this area is to be continued and further expanded. In this context, the partnership with the companies Medtronic and Medtronic should also be emphasized.

In the OR1 area, the portfolio was expanded 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.

With artificial intelligence, a new, more and more important and powerful tool is available on the way to attentive, intelligent products and solutions in the field of surgery. The possible uses are diverse - from diagnostics and intervention planning to the improvement and partial automation of the surgical intervention, support for documentation and the entire surgical workflow, post-operative analysis of the recorded data and accompanying improvement in the maintenance of the devices and systems.

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 recovery that began at the end of last year, which began after the global recession triggered by Corona, slowed down in the first months of the 2021 financial year. This also applied to the euro area, where the number of infections, which rose again at the beginning of the year, was temporarily negatively affected. In view of the rapid vaccination progress and the gradual opening of the restricted service areas, economic development picked up again strongly in the second quarter. Growing global demand, supply-side delivery bottlenecks and rising energy prices led to a sharp rise in inflation. As the year progressed, the pandemic situation in many regions of the world worsened again from the summer months through to winter due to the emerging delta variant of the coronavirus. This affected both emerging markets and advanced economies. As a result, the positive development of global gross domestic product in the first half of the year lost significant momentum in the second half of the year. In its annual report, the German Council of Economic Experts expects global GDP to increase by 5.7% for the year as a whole. This affected both emerging markets and advanced economies. As a result, the positive development of global gross domestic product in the first half of the year lost significant momentum in the second half of the year. In its annual report, the German Council of Economic Experts expects global GDP to increase by 5.7% for the year as a whole. This affected both emerging markets and advanced economies. As a result, the positive development of global gross domestic product in the first half of the year lost significant momentum in the second half of the year. In its annual report, the German Council of Economic Experts expects global GDP to increase by 5.7% for the year as a whole.

The German economy was also significantly influenced by the factors mentioned in 2021. After an economic recovery in the second quarter, which was mainly due to the vaccination progress, a weakening also set in in Germany as the year progressed as a result of the global supply and capacity bottlenecks in the global value chains. Economic growth therefore still amounted to 1.8% in the third quarter. Overall, the German Council of Economic Experts expects average GDP growth of 2.7% in 2021.

After the significant slump in sales in the medical technology industry in 2020, the industry in Germany has recovered slightly with expected sales growth of 3.0% in 2021, according to the Federal Association of Medical Technology. Sales growth of 3.1% is expected worldwide. The pre-crisis level has not yet been reached. The majority of companies are assuming better sales results for 2021 than in the previous year, although individual areas of the industry are still being affected by the consequences of the corona crisis. Existing staff is kept by the companies, only a few companies in the industry are shedding staff. In addition, jobs will also be created as there is a high demand for specialist staff. The EU Medical Devices Regulation (MDR) is still seen as a major obstacle to development within the industry. Burdens are also expected from rising raw material prices and logistics costs as well as from new regulatory framework conditions. The topics of digitization and outpatient treatment are becoming increasingly important in the industry. The COVID-19 pandemic will remain a challenge. The topics of digitization and outpatient treatment are becoming increasingly important in the industry. The COVID-19 pandemic will remain a challenge.

Sales and earnings situation

In the 2021 financial year, the KARL STORZ Group generated sales (performance indicator) of EUR 1,979.8 million, which corresponds to a sales increase of 12.3% compared to the previous year. The sales growth forecast for 2021 was thus exceeded by 6.6%. The development of external sales is distributed among the main companies as follows:

	2021	2020	change
	million euros	million euros	million euros
KSEA USA	675	587	88
KST	349	406	-57
COAST CN	269	197	72
COAST RUSSIA	127	82	46
KSTE GB	83	68	14

Our largest sales market is America with a 41.9% share of total sales. While sales in Germany fell noticeably as a result of the COVID-19 pandemic, sales to other EU countries and America increased significantly. This particularly affected sales in Eastern Europe, where we recorded the highest growth rate, and in the USA. Currency-related translation losses in the sales revenue amount to approx. EUR 26.2 million. These stem mainly from the development of the US dollar exchange rate. 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 2021. 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 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 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 increased continuously over the course of 2021 and was significantly higher than the previous year's level as of the balance sheet date.

At 8.6%, the cost of sales increased at a lower rate than sales, so that the cost of sales ratio was reduced by a total of 1.4 percentage points to 40.7%. On the one hand, price adjustments had an impact on sales. On the other hand, there were positive effects from the exchange rate development of Swiss francs and US dollars, in which a large proportion of the service relationships of the KARL STORZ Group are billed.

Selling expenses increased by 13.8% compared to the previous year, slightly faster than 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. The main factors affecting the development of selling expenses were the increased employee commission expenses in the area of sales, rising freight and delivery costs and rising costs for sales, promotion and advertising activities. In the previous year, this area was affected by various restrictions due to the COVID-19 pandemic. In view of the resurgent market activity, these requirements were no longer

Due to our focus on research and development, our expenses increased from EUR 119.6 million in the previous year to EUR 125.8 million, which corresponds to an increase of 5.2%. The increase is mainly driven by the further expansion of employee capacities and the associated increase in personnel costs. In addition, in 2021 investments were made in particular in the area of robotic solutions. At 6.4%, the R&D quota is almost at the previous year's level (6.8%).

General and administrative expenses increased by 19.0% year-on-year from EUR 213.1 million to EUR 253.6 million. The main reason for this is the cost development in the area of Quality Management & Regulatory Affairs. In connection with the implementation of the European Medical Devices Regulation (MDR), staff capacities were increased and external and internal consulting and services were used. In addition, investments were made in the development of the information security area.

Other operating income and expenses increased by 9.6% and 6.0% respectively compared to the previous year. The positive balance of other operating income and expenses amounted to EUR 5.4 million and thus improved by EUR 2.6 million compared to the previous year. This includes positive effects from reversals and adjustments in fixed assets and from the reversal of provisions.

The operating result amounts to EUR 249.1 million and is therefore EUR 42.8 million or 20.8% above the previous year. The return-on-sales ratio (the percentage of this operating result to sales) as a further performance indicator improved from 11.7% to 12.6%.

The investment and financial result improved by EUR 1.6 million (9.5%) compared to the previous year. The main reason for this development is reduced depreciation on financial assets.

In 2021, the KARL STORZ Group achieved a profit after taxes of EUR 196.6 million, of which EUR 19.5 million was transferred to other revenue reserves. The decisive factor was the improvement in the gross profit, which exceeded the cost increases in the sales, research and development areas and administration and thus led to an increase in the annual profit of EUR 42.5 million or 27.6%.

asset and financial position

The balance sheet total increased by 21.5% to EUR 2,008.3 million in the year under review.

On the assets side, long-term assets grew by EUR 43.6 million (8.0%). The reasons for this are, in particular, investments in securities made under financial assets. In property, plant and equipment, the first advance payments were also made for construction projects. In current assets, inventories increased by EUR 19.5 million, receivables and other assets rose by a total of EUR 83.7 million. This increase is mainly due to receivables from end customers. In addition, further investments were made in other securities. Cash and cash equivalents increased by EUR 175.7 million to EUR 551.4 million in the financial year. The decisive factor here was the positive annual result.

The cash flow from current business activities amounts to EUR 259,772k. The investment cash flow amounts to EUR -85,984 thousand. The financing cash flow amounts to EUR -19,076 thousand.

On the liabilities side of the balance sheet, group equity increased by EUR 167.1 million to EUR 904.7 million. This is due in particular to the increase in the annual result for 2021, the allocation of reserves and currency translation effects from equity consolidation. The equity ratio grew only moderately by 0.4 percentage points to 45.0% due to the increase in total assets. In addition, provisions increased by EUR 66.4 million and liabilities by EUR 121.2 million. The main reasons for the change in provisions were increases in personnel provisions, warranty provisions and other provisions. The increase in liabilities primarily related to liabilities to related companies.

The change resulted from the cash pooling started in 2021 in the amount of EUR 37.2 million. The increase in liabilities to shareholders resulted primarily from the appropriation of profits from the previous year. The promissory note loan taken out in 2017 in the amount of EUR 250 million also secures the long-term financing requirements over a remaining term of three and six years. The increase in liabilities to shareholders resulted primarily from the appropriation of profits from the previous year. The promissory note loan taken out in 2017 in the amount of EUR 250 million also secures the long-term financing requirements over a remaining term of three and six years. The increase in liabilities to shareholders resulted primarily from the appropriation of profits from the previous year. The promissory note loan taken out in 2017 in the amount of EUR 250 million also secures the long-term financing requirements over a remaining term of three and six years.

Overall statement on the asset, financial and earnings situation

Regardless of the effects of the global COVID-19 pandemic that will still be noticeable in 2021, we view the development of the net assets, financial position and results of operations in the financial year as very positive.

Opportunity and risk report

Due to its international business relationships, KARL STORZ is exposed to external and internal influences that result from commercial activities.

Therein lie opportunities that we see 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. However, there are also corresponding risks associated with this, which 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 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.

Following the global economic recovery in 2021 and growth of 5.9%, the International Monetary Fund (IMF) assumes in its January report for 2022 a moderate increase in global economic output of 4.4%. In October, the growth estimate for the current year was still 4.9%.

The IMF sees the main reasons for this in the resurgence of mobility restrictions associated with the spread of the new Omikron variant in numerous countries, rising energy prices and international supply bottlenecks, which are leading to higher and more broadly based inflation and slowing down the recovery in private consumption. This applies in particular to the two largest economies in the USA and China, whose future expectations were cut by 1.2% and 0.8% respectively. For the euro zone, the IMF moderately lowers its forecast for 2022 to 3.9%. The German economy is also affected by this, for which growth is expected to be 0.8% lower at 3.8%.

According to the IMF, there are risks to economic development in particular in future pandemic events and the emergence of new dangerous COVID-19 variants, as well as in an ongoing disruption to international supply chains, volatile energy prices and growing geopolitical tensions.

On February 24, 2022, Russia launched a military attack on Ukraine, as a result of which the international community, in particular the European Union and the USA, imposed extensive economic sanctions on Russia. Russia has reacted to this with initial counter-sanctions. KARL STORZ is monitoring the conflict very closely and assessing the resulting risks. Wherever possible, measures are implemented to limit the identified risks and to ensure compliance with newly emerging regulations in the context of the sanctions. At the same time, we monitor developments on the energy, materials and foreign exchange markets in order to react to them in a timely manner. While business activities at our Ukrainian subsidiary have come to a standstill since the beginning of hostilities in February, sales at the Russian subsidiary are currently at the same level as in the previous year. The duration of the conflict and its macroeconomic and geopolitical effects cannot be fully estimated at this time. Due to these uncertainties, effects on the net assets, financial position and results of operations of KARL STORZ are difficult to assess. The sales of the KARL STORZ Group in this region amounted to a low three-digit million amount in the past fiscal year. The sales with the Russian subsidiary are currently at the level of the previous year. The duration of the conflict and its macroeconomic and geopolitical effects cannot be fully estimated at this time. Due to these uncertainties, effects on the net assets, financial position and results of operations of KARL STORZ are difficult to assess. The sales of the KARL STORZ Group in this region amounted to a low three-digit million amount in the past fiscal year. The sales with the Russian subsidiary are currently at the level of the previous year. The duration of the conflict and its macroeconomic and geopolitical effects cannot be fully estimated at this time. Due to these uncertainties, effects on the net assets, financial position and results of operations of KARL STORZ are difficult to assess. The sales of the KARL STORZ Group in this region amounted to a low three-digit million amount in the past fiscal year. Due to these uncertainties, KARL STORZ's financial position and results of operations are difficult to assess. The sales of the KARL STORZ Group in this region amounted to a low three-digit million amount in the past fiscal year. Due to these uncertainties, KARL STORZ's financial position and results of operations are difficult to assess. The sales of the KARL STORZ Group in this region amounted to a low three-digit million amount in the past fiscal year.

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 coronavirus continues to pose a major challenge for KARL STORZ. Since this is a global crisis, all Group companies around the world 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 took various measures at an early stage 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 offices, the use of air purification systems, the implementation of rapid corona tests and company vaccination programs for employees and their families.

The goals of pandemic management, which are primarily to protect employees and at the same time keep business operations running efficiently, were also achieved in 2021. There was no significant impairment of operational processes in any of the production facilities. As a manufacturer of medical devices, operational capability is of central importance in order to provide patient care with our products in the best possible way.

With the progress of vaccinations, the increasing availability of medicines and a trend towards higher levels of immunization, an easing of the situation is expected in the medium term. However, the risk of emerging viral mutations remains. This could exacerbate the situation again in the future. In this respect, it will continue to be necessary to closely monitor and assess the pandemic situation in order to be able to identify the resulting risks at an early stage and react accordingly.

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 exclusively for legal and ethical business practices and obliges both employees and business partners to behave in accordance with the law.

At the end of 2019, the EU Whistleblower Directive came into force, which stipulates that companies with more than 249 employees in the company must set up a whistleblower system. The aim of the directive is to strengthen the individual protection of whistleblowers and the institutional framework for reports. The directive was supposed to be transposed into national law by all member states by December 17, 2021. However, Germany has not yet fulfilled its obligation to implement the EU Whistleblower Directive, which is why it is still awaited when the directive will be transposed into German law. KARL STORZ is therefore concentrating exclusively on the EU directive for the time being and complied with the EU requirements at an early stage. A central whistleblower system - the compliance hotline - was set up in 2018. For subsidiaries based in the EU with more than 50 employees, however, it will no longer be sufficient from December 17, 2023 to only operate a centrally organized whistleblower system. Rather, a decentralized system will probably also be required. The whistleblower system at KARL STORZ must therefore be adjusted accordingly by the end of 2023. The Compliance department is examining the planned requirements of the EU directive and is already planning the measures

On June 11, 2021, the Supply Chain Due Diligence Act (LkSG) was passed in the Bundestag. The law obliges German companies to better meet their global responsibility for respecting human rights and environmental standards. The company's duty of care extends to the entire supply chain - from the raw material to the finished product for sale. The requirements for companies are graded according to the different stages in the supply chain. The aim is to improve the protection of human rights in global supply chains. The law applies from 2023 to companies with more than 3,000 employees and thus also to KARL STORZ. From this follows, among other things, that KARL STORZ must carry out risk analyzes in its own business area and with direct suppliers in order to identify human rights and environmental risks. Based on the findings of this risk analysis, KARL STORZ must implement a policy statement and measures based on it.

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 classification and recertification of medical devices presents manufacturers with a key challenge. The changes in the Medical Device Regulation (MDR) require a new evaluation of medical devices with significantly higher requirements. For example, the ongoing updating of technical documentation is becoming significantly more extensive and takes up more resources in the company. But the requirements for the collection, provision and traceability of product data have also increased significantly.

At KARL STORZ, a project team is working on the timely implementation of the requirements. The MDR has been mandatory since May 26, 2021. From this point on, certifications are only possible according to the MDR. The validity of the MDD certificates will expire in July 2023, which poses a major challenge due to the variety and number of products. i.e. From this point on, only MDR-compliant articles may be placed on the market. By the end of 2021, around 93% of Class 1 products had already been converted in accordance with the new regulation. The conversion of the class 2 products was started in the year under review and will continue to be intensively pursued. In the course of the conversion, there are also external dependencies, such as the timely receipt of required information or documentation from suppliers. But also on the part of the notified bodies, the prerequisites and sufficient capacities for the new conformity assessment procedure must be created, which can affect higher classified products, especially Class 3 products. Due to these dependencies, there is a risk that the conversion of individual products or product groups may be delayed. which may affect higher classified products, particularly Class 3 products. Due to these dependencies, there is a risk that the conversion of individual products or product groups may be delayed. which may affect higher classified products, particularly Class 3 products. Due to these dependencies, there is a risk that the conversion of individual products or product groups may be delayed.

Contrary to the simplification of placing medical devices on the market initially promised by the Commission, the practical implementation shows that this process is becoming more complicated. The conversion ties up a great deal of human resources, causes immense costs and carries the risk of delays in the market launch.

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 again reviewed 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 otherwise unchanged. Only one case is currently pending.

This is conducted by lawyers in the USA in close coordination with KARL STORZ's liability insurer.

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.

We try to counter emerging risks through continuous development based on permanent monitoring of the market and the competition. 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 professionals with the right skills 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.

In addition, we promote voluntary employee representation 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

International supply chains are always associated with risks. In 2021, KARL STORZ faced particular challenges.

A high global demand for production goods, increasing port congestion and production delays led in some cases to supply bottlenecks on the procurement side. Rising COVID-19 cases, extreme weather events and the Suez Canal blockade had exacerbated the situation. Electronic components such as semiconductors and camera heads were particularly affected by the delivery bottlenecks at KARL STORZ. This was expressed above all by extremely long lead times, non-compliance with delivery commitments and the failure to name binding delivery dates on the part of the supplier. Despite existing measures to minimize the risks in this context, no influence could be exerted on the majority of the risk causes. Risk-minimizing measures such as keeping stocks only have a limited compensating effect, so that from a certain point in time the internal supply chain came under pressure. It can be assumed that the tense supply situation will continue in 2022. An internal working group is focusing on all related, necessary measures to continue to ensure the best possible care. that the tense supply situation will continue in 2022. An internal working group is focusing on all related, necessary measures to continue to ensure the best possible care. that the tense supply situation will continue in 2022. An internal working group is focusing on all related, necessary measures to continue to ensure the best possible care.

Irrespective of global logistics problems, a dependency on individual suppliers can arise when procuring preliminary products or services. 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 effects of these risks through long-term strategic cooperation, 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 therefore has 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. To counter these risks, the Information Security department and the role of Chief Information Security Officer were created in 2021.

The increasing threat of cyber attacks worldwide makes it essential to deal with cyber risks appropriately. With advancing digitalization, networking and complexity, the probability of becoming the target of a cyber attack is constantly increasing. Cyber attacks can lead to great financial damage and a massive loss of reputation. 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.

The Purchasing, Compliance and Information Security departments coordinate their due diligence processes to form a uniform third-party risk management system in order to holistically identify, analyze and evaluate risks in the supply chain and in our partners and to define measures.

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 issuing intercompany loans and a cash pool set up in 2021 was also maintained in 2021. This is intended to avoid the need for outside financing for individual subsidiaries.

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 monitor 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 regular 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. A promissory note loan was concluded in several tranches in 2017 to secure long-term corporate financing. 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.

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 2021 economic forecast, the IFO Institute assumes that the corona pandemic and the supply bottlenecks will continue to determine and noticeably slow down the development of the global economy in the coming months. Due to the increasing incidence of infection in Europe over the winter, numerous countries will again take health policy measures that will restrict economic and social activities again. Contrary to previous assumptions, the delivery bottlenecks and shortages have not resolved in recent months. On the contrary, the shortage of materials has increased and is increasingly becoming a production obstacle for many companies. However, the IFO Institute expects that with a defusing of the pandemic situation, Adjustments to production processes and price allocation mechanisms in the summer half of 2022 will gradually ease the excess demand and inflation dynamics, so that the economic slump of the winter months will be followed by a strong recovery. The sometimes very high order backlog should also contribute to this, which should lead to a significant acceleration in investment dynamics. The IFO Institute is therefore anticipating robust growth of 4.4% worldwide and 3.9% in Europe for the year as a whole. so that the economic slump of the winter months will be followed by a strong recovery. The sometimes very high order backlog should also contribute to this, which should lead to a significant acceleration in investment dynamics. The IFO Institute is therefore anticipating robust growth of 4.4% worldwide and 3.9% in Europe for the year as a whole. so that the economic slump of the winter months will be followed by a strong recovery. The sometimes very high order backlog should also contribute to this, which should lead to a significant acceleration in investment dynamics. The IFO Institute is therefore anticipating robust growth of 4.4% worldwide and 3.9% in Europe for the year as a whole.

The political tensions between Ukraine and Russia, which have been increasing since the end of the year, have led to considerable uncertainties, both political and economic, especially since the start of hostilities in February. The duration and extent of these are currently difficult to estimate. The IFO Institute therefore recently corrected the forecast for global economic growth to 3.5% in its spring 2022 joint forecast and to 3.3% in the euro area.

The consequences of the corona pandemic continued to be felt in the medical technology sector in the past financial year. Postponed elective procedures, the decline in patients in hospitals and fewer contacts with customers are the biggest sales hurdles in the industry. The challenges of the future also include digital change, the transformation of industry towards more sustainability and climate protection as well as the EU medical device Ordinance (MDR), which continues to tie up high human and financial resources. KARL STORZ meets these challenges with great care and sustainability.

In the short to medium term, we continue to see an increasing need for medical services worldwide and thus also for our products, which is likely to increase due to current developments. The growth extends to both classic AirWay management products and the rest of the KARL STORZ portfolio. We assume that this need will continue to grow in the future, not least because of demographic change and in different regions.

Sales for the 2022 financial year were stable in the first few months. Despite individual influencing factors and the currently tense economic environment, they are above the same period of the previous year.

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. The development of the tense global supply chain situation will be of particular importance. We counteract these cost factors in order to increase our productivity and profitability through ongoing cost management, the use of further savings potentials, 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 2022, we assume that currency effects will have a moderate impact on earnings for the year as a whole. 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 2022, after weighing all the uncertainties, we are assuming sales of EUR 1.8 - 2.0 billion and a return on sales ratio in the mid-single digits.

Tuttlingen, May 16, 2022

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 2021 financial year were approved on September 12, 2022.
