Holding our own in the crisis
The financial year at a glance

Progress in all areas
Sustainability at Endress+Hauser

annual report

2020

Endress+Hauser

Financial highlights

	(EUR in thousands)			(CHF in thousands)		
	2020	**2019**	Change	**2020**	**2019**	Change
Net sales	2,576,792	2,651,800	−2.8%	2,759,074	2,944,718	−6.3%
Operating profit (EBIT)	337,065	343,429	−1.9%	360,908	381,365	−5.4%
Profit before taxes (EBT)	337,567	346,889	−2.7%	361,446	385,207	−6.2%
Net income	254,854	265,875	−4.1%	272,882	295,244	−7.6%
Return on Sales (ROS)	13.1%	13.1%		13.1%	13.1%	
Productivity factor	1.34	1.34		1.34	1.34	
Equity	2,425,118	2,285,672	6.1%	2,622,669	2,480,914	5.7%
Equity ratio	77.0%	75.6%		77.0%	75.6%	
Total capital employed	3,149,214	3,024,918	4.1%	3,405,749	3,283,306	3.7%
Capital expenditures	205,949	231,135	−10.9%	220,518	256,666	−14.1%
Cash flow from operating activities *)	439,383	347,284	26.5%	470,465	385,645	22.0%
Number of employees	14,454	14,328	0.9%			

*) 2019 without effects from transfer of German pension liabilities

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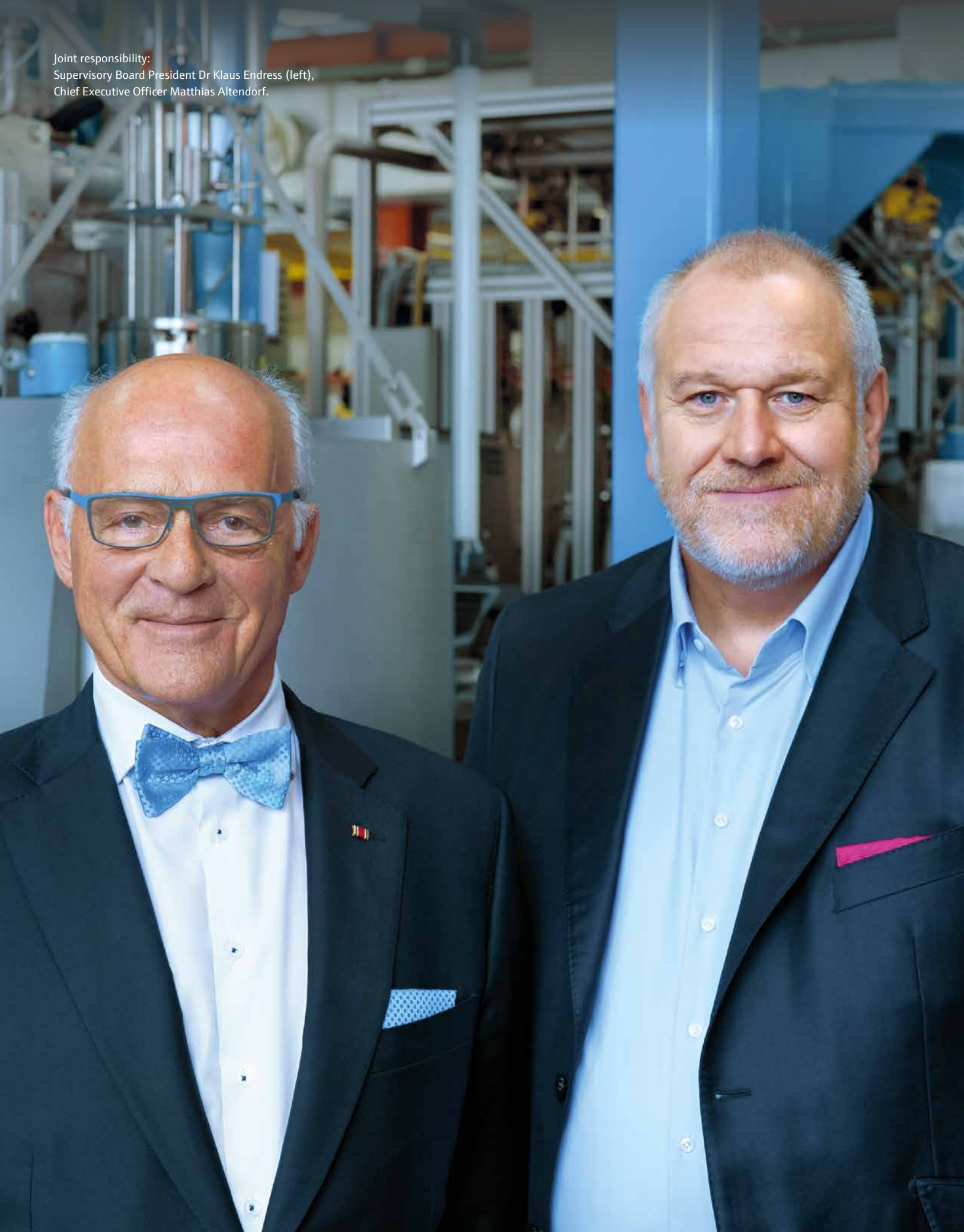

Joint responsibility:
Supervisory Board President Dr Klaus Endress (left),
Chief Executive Officer Matthias Altendorf.

Holding our own in the crisis

For more than a year, the coronavirus pandemic has dominated our lives and work. It caused a great deal of human suffering and led to economic disruptions. While the impacts on individual industries and regions are starkly different, the uncertainty associated with the pandemic continues to pose challenges for our customers and the company to this day.

At all times, our employees, and people in general, were our main concern. This is the only way to ensure reliable support for our customers. We were successful in both aspects. Our protective measures had an effect. We bridged the physical distance that the virus requires of us with emotional and digital proximity. All around the world, our plants were able to reliably deliver our products. Our sales and service centers could keep our customers' plants in operation.

IN PARTNERSHIP AND SOLIDARITY

We made it clear from the very beginning that we wanted to avoid layoffs and reduced working hours because of the coronavirus pandemic. In doing so, we provided our employees with a sense of security, which allowed them to fully concentrate on their tasks and act agilely, responsibly and creatively at all times.

Today we can state that we have coped well with this extremely difficult year. Our sales fell slightly, but without the exchange rate effects we would have nearly reached the prior year's figures. We kept return on sales at the 2019 level and even employed additional people. Our financial strength did not suffer during the crisis. We were able to implement all major projects and continued to follow our long-term goals.

We coped better than expected for a long time with this year of crisis. We owe this fact to our customers who worked together with us in a spirit of trust and partnership, our employees who demonstrated exceptional dedication and a high degree of solidarity, and our shareholders who met their responsibilities in this situation. Our heartfelt thanks go out to all of them.

WE CREATE VALUE FOR SOCIETY

Our strategy proved itself during the pandemic. It was right that we accelerated digitalization in our products, in our collaboration with customers and in all business processes. And it was important to be at our customers' side from product and process development through to production, and to support them both in lab and process with measurement and analysis technology.

During the Covid-19 crisis, it became apparent both internally and externally that our benefits for customers and society are high. We have experienced that important goals can be accomplished, simply because we can unleash enormous forces together. That is what gives us confidence that we can cope with the time ahead even when the coronavirus will continue to be with us.

Dr Klaus Endress
President of the Supervisory Board

Matthias Altendorf
CEO of the Endress+Hauser Group

Statement from the Supervisory Board

Measured against the global economic slump caused by the coronavirus pandemic, Endress+Hauser performed well in 2020. Despite a decline in sales, we were still able to maintain profitability at a high level, avoid reductions in working hours, slightly increase headcounts and continue to expand our global production and sales network. We also managed during this difficult period to inspire customers and take advantage of the opportunities that the crisis offered us.

Behind this success is a tremendous joint effort. What distinguishes Endress+Hauser and other outstanding companies is solidarity. Collaboration in a spirit of loyalty and trust released extraordinary forces and enabled a special result. On behalf of the Supervisory Board and the Endress family, my heartfelt appreciation and personal thanks thus go out to all of our employees around the world, as well as to the management of the Group.

Despite the pandemic situation, the Supervisory Board dealt with all significant business activities of the Group in 2020. After the outbreak, the board consulted in an online environment. The Supervisory Board held four sessions. The specialist committees met as required – since April, partly through virtual meetings – and developed recommendations

The Supervisory Board of the Endress+Hauser Group (from left): Vice President Michael Ziesemer, Dr Hans Jakob Roth, Antonietta Pedrazzetti, Dr Heiner Zehntner (Secretary), Thomas Kraus, Supervisory Board President Dr Klaus Endress, Mathis Büttiker and Hans-Peter Endress.

that were presented to the entire board. The President of the Supervisory Board worked closely with the Executive Board and met with the CEO on a regular basis to exchange views.

PricewaterhouseCoopers AG in Basel, Switzerland completed its audit of the consolidated financial statements in March 2021 and granted an unqualified opinion. At the meeting on 9 April 2021, the Supervisory Board acknowledged the annual report and recommended acceptance to the Annual General Meeting. The consolidated financial statements were adopted by the Endress+Hauser AG Annual General Meeting on 3 May 2021.

While the first few months of 2021 were marked by economic recovery, there is still a high degree of uncertainty in light of further pandemic waves and virus mutations. Nevertheless we remain confident in our outlook for the future because we have the flexibility and agility to respond quickly to changing conditions, we maintain a global presence and our activities are important to our customers – but also because we are addressing the challenges in the right spirit. All of these things will make continued success possible in a world that has become even more fragile through Covid-19.

Dr Klaus Endress
President of the Supervisory Board

Architect of the modern Group

Klaus Riemenschneider, former President of the Supervisory Board of the Endress+Hauser Group, suddenly and unexpectedly passed away in December 2020 at the age of 77. Born in 1943 in Frielendorf in Germany, after training as a bank clerk he initially worked on the staff of the German Air Force. After obtaining a degree in business administration, he then joined Endress+Hauser in 1971 and would soon become the right-hand man of company founder Georg H Endress.

Klaus Riemenschneider
(1943 – 2020)

Klaus Riemenschneider became the Group's first controller in 1975. In addition to the finance department, he was responsible for the human resources, legal, tax, insurance and licenses areas until 1998. After suffering a serious illness, he worked as Corporate Director Business Development and Human Resources and served on the Executive Board. He was then appointed president of the newly created Supervisory Board in 2002, a position he held until the end of 2013.

The Executive Board of the Endress+Hauser Group (from left):
Corporate Director Analytical Business Dr Manfred Jagiella, General Counsel Dr Heiner Zehntner, Chief Sales Officer Nikolaus Krüger, Chief Information Officer Pieter de Koning, Chief Operating Officer Dr Andreas Mayr, Chief Executive Officer Matthias Altendorf, Chief Human Resources Officer Jörg Stegert and Chief Financial Officer Dr Luc Schultheiss.

With foresight and entrepreneurship, Klaus Riemenschneider had a major hand in shaping the fortunes of Endress+Hauser for more than three decades. A wide range of accomplishments bear his signature, such as the company's evolution from level measurement specialist to comprehensive provider of process automation technology and the creation of sales companies, including outside of Europe, as well as the establishment of a modern structure to support the constantly growing Group.

LOYAL TO THE COMPANY AND THE FAMILY

Klaus Riemenschneider served as an important coach and mentor to generations of managers and was especially loyal to Endress+Hauser, a trait that earned him the trust of the Endress family and a stellar reputation within the Group. He was actively involved in the Georg H Endress Foundation from its inception in 1989 and served as president until his death. During his time with the foundation, he was an advocate for universities in the region, as well as for cross-border collaboration.

Time and again, Klaus Riemenschneider had to wrestle with health setbacks. And time and again, he fought back with vigor and optimism. The news of his death provoked deep sadness within the Group, which will always remember him and his service to Endress+Hauser with a debt of gratitude and appreciation.

2020

The year in review

JANUARY

Pandemic: Endress+Hauser reacts to the spread of the **coronavirus** at the end of January with the first travel restrictions – initially in Asia, then worldwide. Extensive worldwide protective measures go into effect as early as February.

APRIL

Sustainability: Endress+Hauser scores 72 out of a possible 100 points in the **EcoVadis** audit, thus landing in the top two percent of its comparison group.

Patents: Endress+Hauser has been advocating the protection of intellectual property for 20 years through the **Patent Rights Incentive Program**. Since then the number of patent applications filed each year has increased nearly six-fold.

MAY

Service: Endress+Hauser releases the **Visual Support App** early in order to be able to support customers remotely despite travel, movement and social contact restrictions.

JUNE

Anniversary: Subsidiary company **Analytik Jena**, specialist for analysis and bioanalysis laboratory instrumentation, celebrates its 30th anniversary.

Groundbreaking:
In Wörrstadt, Germany, in the vicinity of Frankfurt Airport, logistics partner Hellmann is constructing a new European **logistics hub** for the Group.

Half a century:
Endress+Hauser Liquid Analysis, our Product Center that specializes in liquid analysis, turns 50.

AUGUST

SEPTEMBER

Celebration: The **Netherlands** sales center, the Group's first foreign subsidiary, turns 60. The Swiss sales center was also established in 1960, seven years after the creation of the company in Germany.

Online: In the absence of the usual large trade fairs, Endress+Hauser opens a **virtual booth** to present its newest products, solutions and services.

DECEMBER

Mourning: Long-serving Supervisory Board President **Klaus Riemenschneider** passes away unexpectedly at the age of 77.

During the Covid-19 crisis, Endress+Hauser ensured the supply of materials around the world and maintained the ability to deliver.

Endress+Hauser Group Management Report

Endress+Hauser held its own in the crisis year of 2020. We were able to protect people's health and to maintain good customer support. We ensured the supply of materials around the world and sustained our ability to deliver. Despite declining sales, the Group kept profits and the workforce at stable levels. The company is well positioned for economic recovery.

The Endress+Hauser Group

CORPORATE PROFILE

Endress+Hauser has been a reliable partner for 68 years. We support our customers in the process industry to improve their products and to manufacture them even more efficiently.

Our core expertise lies in the fields of process and laboratory instrumentation. With our products, solutions and services, we help our customers to design safe, reliable, efficient and eco-friendly processes across the entire life cycle. Our customers value our deep understanding of their applications and the special requirements of their industry.

Our offering for process automation includes products, solutions and services for flow, level, pressure and temperature measurement, process analysis and data management. In laboratory automation, under the Analytik Jena brand we market analytical instruments and bioanalytical systems.

Most of our commercial customers operate in the food & beverage, chemical, life sciences, oil & gas, water & wastewater, power & energy, and mining, minerals & metals industries. In laboratory automation we also serve customers from healthcare and academia.

GROUP STRUCTURE

At the end of 2020, the Group comprised 127 companies in 51 countries. The parent company of the Group is Endress+Hauser AG in Reinach, Switzerland. Our production centers bundle the know-how from research, development, production, product marketing, quality assurance and logistics. The Endress+Hauser sales centers act as the face of the company when it comes to the market and customers. In collaboration with our representatives, they are responsible for worldwide sales, marketing and services. Production centers and sales centers are legally independent business units, as are the support and holding companies that perform cross-corporate functions. Some of the recently acquired companies also have integrated structures for production, sales and support functions.

Group management lies in the hands of the Executive Board of Endress+Hauser AG, chaired by the CEO. Business and organizational regulations define the competencies and responsibilities of the Executive Board and the independent Supervisory Board.

VALUES AND STRATEGY

Our vision describes the high-level, long-term goal of the company: We strive to be a successful family company. In lab and process automation, customers around the world trust and rely on our products, solutions and services to improve their processes, and thus their products. And from our mission we formulate a mandate: We support our customers to improve their products and to manufacture them even more efficiently.

Aligned along these principles, our Strategy 2020+ outlines our medium- and long-term objectives for our process automation business that guide our entrepreneurial actions. This strategy is based on seven focal points that allow the company to align the business in accordance with our customers' changing requirements. For laboratory analysis, our subsidiary Analytik Jena GmbH adopts its own business strategy. In 2020, the Group management started to revise the strategic framework. The plan is to present and roll out the 2027+ strategy worldwide in late summer 2021.

Endress+Hauser is founded on a corporate culture firmly rooted in the company. Fundamental principles and values have

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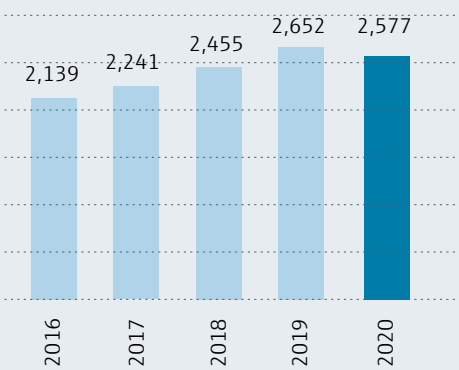
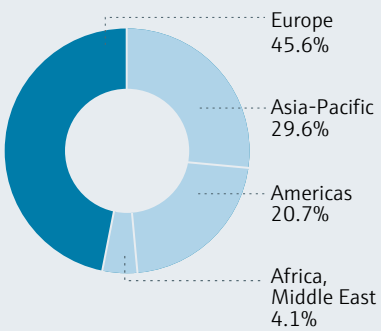
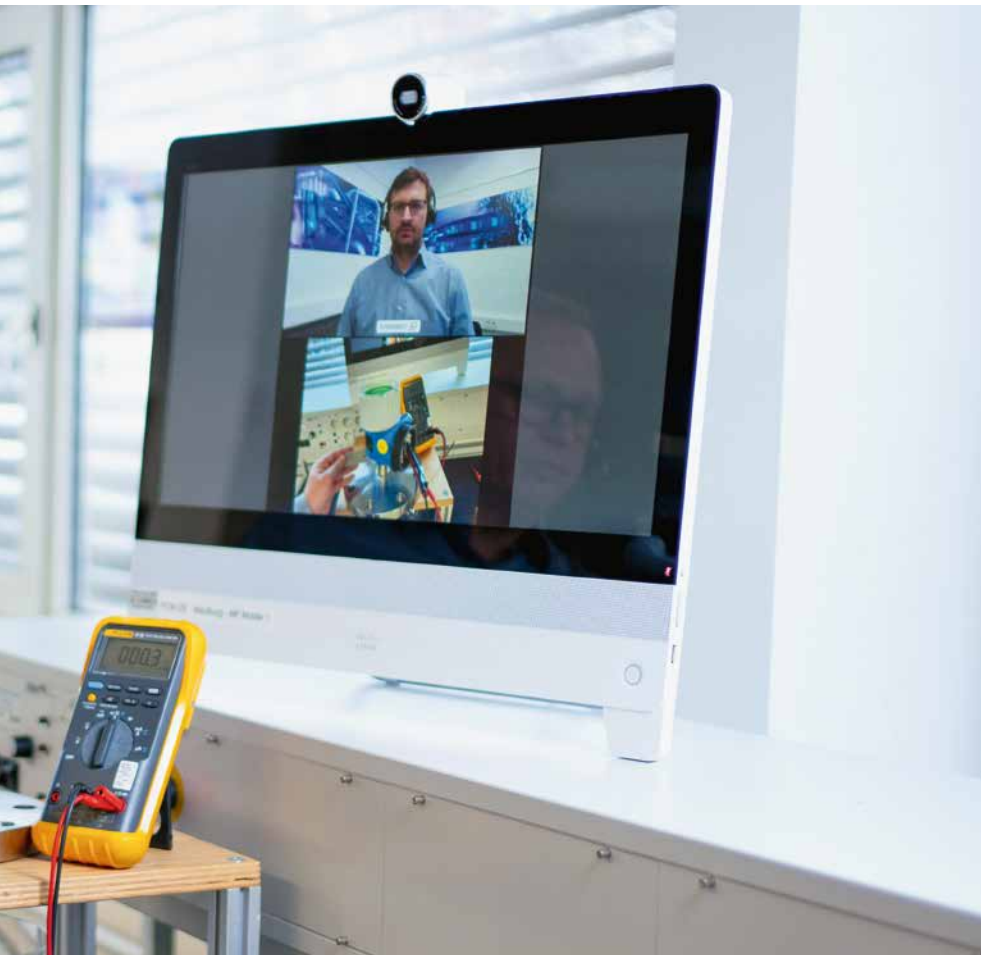
Net sales and net sales by regions
(EUR in millions)







1
The smart software that gets installed here expands the functions of instruments.

2
Autonomous mobile robots carry materials and components across production halls.

3
Digital technology enables customers to conduct factory acceptance tests remotely.

been recorded in the Spirit of Endress+Hauser. In addition, a binding Endress+Hauser Code of Conduct has been implemented across the Group. A Brand Guide raises our employees' awareness of the importance of the Endress+Hauser brand and how to implement it correctly.

TECHNOLOGY AND INNOVATION

Last year we launched 40 new products and 675 device options among our markets and customers. We applied for 276 patents at patent offices around the world. This is clear evidence of Endress+Hauser's strong focus on innovation. More than 8,900 active patents and patent applications protect our intellectual property.

In 2020, we spent 195.1 million euros on research & development, a decrease of 3.4 percent compared to the previous year. This equates to an unchanged 7.6 percent of our consolidated sales. More than 1,100 of our employees are working on the development of new products, solutions and services.

Market development

BUSINESS ENVIRONMENT

The International Monetary Fund (IMF) has recorded an unprecedented slump in global economic activity in the first six months of 2020 as a consequence of the coronavirus pandemic. Based on a strong recovery in the second half of the year, experts assume an overall decline of the global economy of 3.3 percent.

The industrialized nations had to cope with a drop in economic output of 4.7 percent. The negative growth amounts to 3.5 percent in the USA, 6.6 percent in the Eurozone, 4.9 percent in Germany and 4.8 percent in Japan. Among the nations that were hit hard by the pandemic and suffered from severe economic repercussions are France (minus 8.2 percent), Italy (minus 8.9 percent), the United Kingdom (minus 9.9 percent) and Spain (minus 11.0 percent).

In emerging and developing countries, economic output declined by 2.2 percent in 2020. India reports a negative growth of 8.0 percent, Russia of 3.1 percent and Brazil of 4.1 percent. Year-on-year, only the Chinese economy did not encounter a slump but a growth of 2.3 percent.

MARKET TRENDS

According to the German Electrical and Electronic Manufacturers' Association (ZVEI), the measurement technology and process automation industry proved essentially robust in this time of crisis. In terms of incoming orders, the association anticipates a global decline in the single-digit percentage area. As reported, the industry received positive momentum from China, Scandinavia and the Eastern European markets. On the other hand, regions heavily dependent on the oil & gas business remained weaker. Less cyclical sectors like life sciences, food & beverage and water & wastewater provided stability during the crisis, whereas the chemical, oil & gas, and mining, minerals & metals industries were hit hard.

COMPETITION

The lines between factory and process automation are becoming less strict, a development driven in part by digitalization and modularization of production plants. Major competitors are strengthening their efforts to position themselves accordingly. Within our own closer market environment, the competitive situation has not changed significantly. Competition is especially strong in individual product segments. More local providers are becoming visible in emerging countries. In addition, suppliers in the field of factory automation are increasingly establishing themselves in the market for process sensor technology.

ENDRESS+HAUSER IN THE MARKETPLACE

Consolidated sales for the Endress+Hauser Group decreased in the pandemic year of 2020. The depreciation of most currencies against the euro has contributed substantially to this development. In terms of local currencies, we kept sales at almost the same level as in the previous year. Based on our own observations, we were hit less severely by the decline in business than the industry as a whole, and, as a consequence, we gained market share.

Following a good start to 2020 including a high order backlog, the outbreak of the coronavirus pandemic and the corresponding restrictions in public and economic life resulted in a negative performance of virtually all markets around the world. Despite a general upturn in the last few months, recovery was very different across regions and sectors until the end of the year.

Of our three top-selling sales centers, only China recorded growth in a year-on-year comparison. The country that was hit first by the pandemic has overcome the crisis at the fastest pace. Our largest single market thus left behind the other two market heavyweights Germany and the USA, which both reported a drop in sales.

Europe held up well in 2020 overall. Most export-oriented countries, including Germany, Italy, the Netherlands, Spain and the United Kingdom, suffered during the pandemic. France and Switzerland bucked the trend with further growth, as did some Eastern and Northern European markets like Finland, Hungary, Ireland, Poland and Romania.

As well as China, in the Asia-Pacific region India, Japan and South Korea experienced good growth. After a strong performance in the previous year, business in Australia declined sharply in 2020. We also had to record a significant decline in the USA and Canada, whereas Mexico registered gains. Most countries in Latin America report good growth. In the Middle East and Africa, on the other hand, our sales took a downward turn.

Markets that are more dependent on cyclical sectors, such as the chemical, oil & gas, and mining, minerals & metals industries, faced serious difficulties. These markets had to bear the full impact of the economic slump. On the other hand, non-cyclical sectors, such as life sciences, food & beverage, water & wastewater and the power & energy industries, performed better.

While our process automation business was beginning to feel some pressure in 2020, laboratory instrumentation encountered significant growth. Analytik Jena provided solutions in the field of PCR diagnostics used in the detection of the novel coronavirus. Liquid analysis also showed a positive trend in the past year.

We believe these developments confirm our strategic goal to in future assist our customers from laboratory to process and strengthen our offerings in the area of advanced analysis technology. Furthermore, evidence highlights our strategic focus on digitalization, which offers opportunities we want to make better use of in our products, in the collaboration with our customers and in our internal processes.

Thanks to our investments in digital workplaces, some 10,000 employees were able to switch to working from home virtually overnight. Using digital tools and platforms, we could provide support to our customers when servicing was required, even at a long distance. Almost 40,000 customers signed up for new personal accounts on our website to make full use of functions like purchase orders, quotations and contracts. Our online business grew by 39 percent.

Corporate development

GENERAL DEVELOPMENT

Despite the predominant downward trend in terms of sales and numbers of units, we continued to drive the long-term development of the Group, we expanded and strengthened our sales, manufacturing and support networks, we gave confidence to our employees and our partners and have met our responsibilities to society and environment.

At the same time, we successfully maintained productivity at a high level and ensured profitable operation in a difficult market environment. In recent years we achieved a higher flexibility in cost items and made up for fluctuations in incoming orders by becoming a very adaptive organization. The financial power of the Group has not been compromised during the crisis. This reflects our goal of maintaining a balanced corporate development that ultimately and equally serves the interests of our customers, employees and shareholders.

Production introduced additional shifts at many sites to allow employees to keep distance at their workstations.

ESTABLISHMENT, ACQUISITION AND DIVESTITURE OF COMPANIES

In 2020, we consolidated our European support for advanced analysis technology under the roof of a legal entity in Lyon, France. We set up sales offices in Bulgaria and the Philippines. Our long-standing sales support center for the Latin American region in Panama is now operated as an independent company.

At the same time, we have focused our portfolio once again. Analytik Jena sold its interest in the German diagnostics manufacturer AJ Roboscreen GmbH. In South Africa, we sold the business of our high-temperature thermometer specialist company Endress+Hauser Pyrotemp (Pty.) Ltd. Under their new ownership, long-term development perspectives are good for both companies.

STRATEGIC PARTNERSHIPS

In order to address the challenges of digitalization, we are increasingly seeking to strengthen relationships with partners. We are among the founding members of the Open Industry 4.0 Alliance, a joint operation of currently 73 companies aiming at an open ecosystem for the digitalization of industrial production. Meanwhile, 13 prominent manufacturers have joined our own Open Integration Partner Program. In collaboration with our partners, we strive to ensure the smooth interaction of different products in Industry 4.0 applications.

ECONOMIC INDICATORS

With a decrease in net sales of 2.8 percent in 2020, we remained below our initial expectations. In view of the impact of the pandemic on the global economy and its consequences for many of our customers, for some time we expected much more serious effects. Moreover, the decline is mainly due to foreign exchange rate effects. Cost reductions helped us to maintain a return on sales of 13.1 percent, which is at the previous year's level and slightly above our strategic goal of 13.0 percent.

The productivity factor – reflecting the net value added in relation to personnel expenses – remained unchanged at the high figure of 1.34, slightly above our target of 1.33. The equity ratio at the end of the year increased to 77.0 percent, 1.4 percentage points more than the previous year. Our strategy requires a minimum ratio of 70.0 percent.

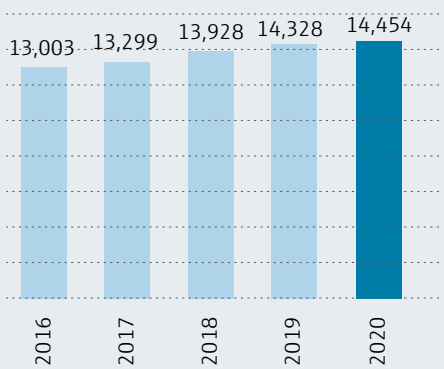
SOCIAL AND ENVIRONMENTAL INDICATORS

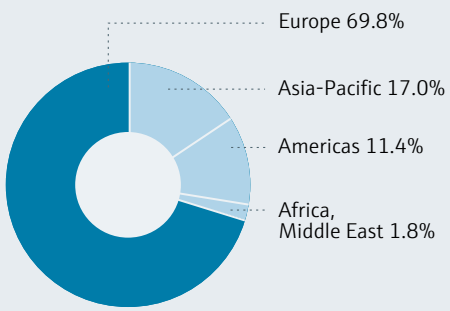
Endress+Hauser is keenly aware of its economic, social and ecological responsibilities. We understand creation and preservation of secure jobs to be part of our corporate social responsibility. Against this backdrop, we felt it was important not to lay off any employees as a consequence of the pandemic and to avoid reduced working hours.

In 2020, we used a very cautious approach to hiring. Our global workforce increased by 126 to 14,454, a gain of 0.9 percent. As usual, we were in a position to offer virtually every apprentice a permanent position upon completion of their vocational training. Across the whole Group, we trained 332 young people. This equates to a trainee ratio of 2.3 percent. We offer vocational training programs in some European countries, India and the USA. We continued to sponsor talented and keen people in their engineering and business administration studies and again sought cooperation with colleges and universities around the world at many levels.

This year we submitted our seventh sustainability report together with our Group management report (starting on page 66). We consider the EcoVadis benchmark a key indicator in this

Employees of the Endress+Hauser Group





regard. In the past year, for the fourth time in a row we achieved gold status in this audit. With 72 out of 100 points (2019: 68 points), we are among the top 2 percent of the companies in our comparison group. Our strategic goal is to place in the top 25 percent. The regular renewal audit was not yet completed by the editorial deadline of this management report at the beginning of April 2021.

Results of operation, financial position and net assets

SALES PERFORMANCE

In 2020, our net sales sank from 2.652 billion to 2.577 billion euros, significantly impacted by exchange rate effects. Apart from the Swiss franc, on average all of our major currencies depreciated against the euro over the year in review. At constant currencies, revenues would have been higher by some 70.0 million euros and would have almost reached the previous year's level.

Our revenues declined in 2020 globally. Our business contracted by 0.8 percent in Europe, by 1.1 percent in Asia-Pacific and by 2.7 percent in Africa and the Middle East. At 9.1 percent, the Americas experienced the most severe slump in sales. Our laboratory business grew by 38.2 percent while at the same time we had to shoulder a 4.8 percent decline in the field of process technology.

Income statement in brief (EUR in thousands)

	2020	2019	Change	
Net sales	2,576,792	2,651,800	−75,008	−2.8%
Total operating expenses	−2,270,796	−2,341,987	71,191	−3.0%
Operating profit (EBIT)	**337,065**	**343,429**	**−6,364**	**−1.9%**
Net financial result	502	3,460	−2,958	
Profit before taxes (EBT)	**337,567**	**346,889**	**−9,322**	**−2.7%**
Income taxes	−82,713	−81,014	−1,699	2.1%
Net income	**254,854**	**265,875**	**−11,021**	**−4.1%**

Balance sheet in brief (EUR in thousands)

	2020	2019	Change	
Non-current assets	1,476,449	1,380,070	96,379	7.0%
Inventories	357,467	375,891	−18,424	−4.9%
Accounts receivable	543,171	572,147	−28,976	−5.1%
Short-term financial assets	315,497	275,470	40,027	14.5%
Cash and cash equivalents	456,630	421,340	35,290	8.4%
Total assets	**3,149,214**	**3,024,918**	**124,296**	**4.1%**
Total equity	2,425,118	2,285,672	139,446	6.1%
Retirement benefit obligations	178,852	153,883	24,969	16.2%
Other non-current liabilities	133,193	132,425	768	0.6%
Trade accounts and notes payable	96,197	109,091	−12,894	−11.8%
Other current liabilities	315,854	343,847	−27,993	−8.1%
Total assets	**3,149,214**	**3,024,918**	**124,296**	**4.1%**

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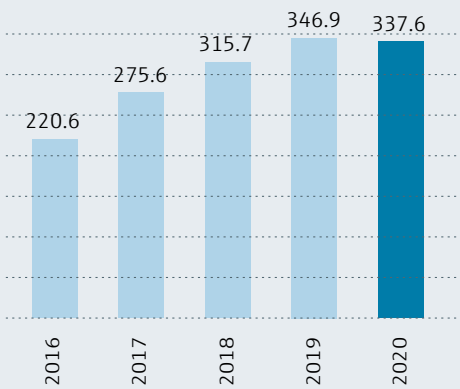
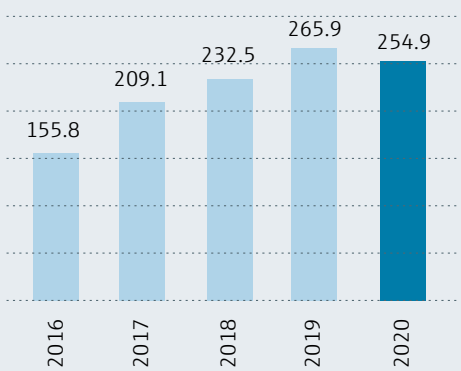
Analysis technology remained a growing segment even in the crisis year of 2020.

2
Wearing protective masks at work has become commonplace in the pandemic.

Profit before taxes
(EUR in millions)



Net income
(EUR in millions)



CONSOLIDATED INCOME STATEMENT

Operating profit (EBIT) fell by 1.9 percent to 337.1 million euros, a lower than average outcome compared to consolidated sales. Total operating expenses declined by 3.9 percent to 2.271 billion euros, offsetting the decline in sales.

Due to a very cautious approach to hiring and effects resulting from variable remuneration components and exchange rates, personnel expenses rose by a mere 0.4 percent to 1.019 billion euros. Expenses for purchased goods and services decreased to a greater extent than sales by 3.4 percent to 702.9 million euros. Other operating expenses were reduced by 13.1 percent to 399.8 million euros. They include, among other things, sales-related commissions for our representatives and costs for trade fairs as well as customer workshops. Depreciation and amortization increased 6.7 percent to 148.9 million euros, owing to our extensive investment activities and adjustments relating to non-recoverable goodwill.

Profit before taxes (EBT) decreased by 2.7 percent to 337.6 million euros, mainly because the financial result of 0.5 million euros is significantly below the level achieved in 2019 (3.5 million euros). Benefiting from lower currency hedging costs, net foreign exchange losses of 6.7 million euros are significantly lower than in the previous year (16.9 million euros). The interest result remains almost unchanged and is slightly negative again at minus 0.3 million euros. Thanks to the recovery of the stock markets in the second half of 2020, we were able to achieve a positive result from financial assets amounting to 7.5 million euros (2019: 20.6 million euros).

Our net income declined by 4.1 percent to 254.9 million euros. This results from a higher effective tax rate of 24.5 percent. Due to one-off effects resulting from the corporate tax reforms in Switzerland, in 2019 the rate was 23.4 percent.

CONSOLIDATED BALANCE SHEET

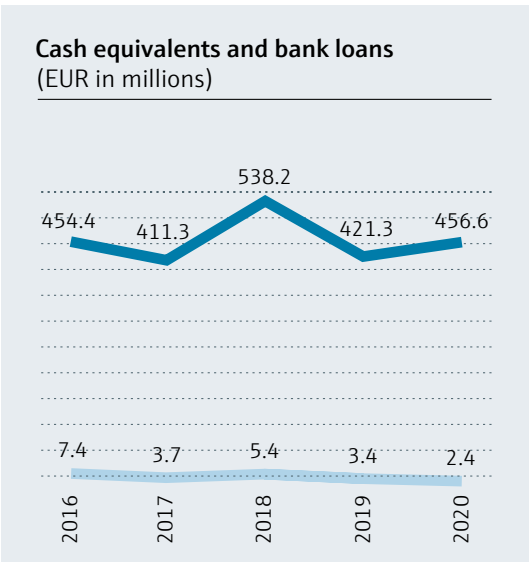
Exchange rate effects are reflected in the consolidated balance sheet. Non-current assets increased by 7.0 percent to 1.476 billion euros in 2020. Tangible fixed assets reached 1.061 billion euros at the end of the year, 4.4 percent more than in 2019 – a consequence of exchange rate developments as well as our still extensive investment activities. Long-term financial assets increased by 74.6 million euros to 172.9 million euros owing to reallocations of funds and the appreciation of the Swiss franc.

Current assets increased by 1.7 percent to 1.673 billion euros. Short-term financial assets rose by 14.5 percent to 315.5 million euros. Cash and cash equivalents increased by 8.4 percent to 456.6 million euros. In view of the sales development, we systematically reduced inventories by 4.9 percent to 357.5 million euros. Trade accounts receivable decreased by 5.6 percent to 450.5 million euros, owing to the depreciation of most currencies against the euro and a reporting-day effect.

Equity increased by 6.1 percent to 2.425 billion euros. At the same time, total assets climbed by 4.1 percent to 3.149 billion euros on account of exchange rate effects and the appreciation of our assets. As a consequence, the equity ratio further grew by 1.4 percentage points to 77.0 percent, a highly respectable figure for our industry.

Retirement benefit obligations rose by 16.2 percent to 178.9 million euros as a result of the low interest rate policy. Long- and short-term provisions decreased by 12.9 percent to 133.1 million euros. This includes provisions for variable and performance-based salary components, which we were able to lower compared to 2019.

We decreased the level of bank loans to 2.4 million euros; we only use this method of financing where internal financing does not appear to be possible or sensible. Our total liabilities decreased by 2.0 percent to 724.1 million euros. The Group's healthy financial situation is also shown in a strong cash flow



from operating activities. Due to impacts from the reduction of inventories and current receivables, the cash flow increased by 26.5 percent to 439.4 million euros.

CAPITAL EXPENDITURES

Last year we invested 205.9 million euros in buildings, plant and machinery, software and information technology, 10.9 percent less than the previous year. We did not stop any of our large-scale investment projects in response to the pandemic but delayed individual IT projects. This allowed us to further strengthen our sales and production network throughout the world.

At 56.1 million euros, the largest single project concerns the expansion of our production center for flow measurement engineering in Reinach, Switzerland. Flow measurement engineering capacity will also be increased in Aurangabad, India (7.2 million euros). In Maulburg, Germany the production facility for level and pressure measurement engineering is being expanded. Over the coming years, we will invest 46.0 million euros in the future sustainability of the location.

Our production center for liquid analysis in Gerlingen, Germany is constructing a new office building at a cost of 9.8 million euros and in addition expands its sensor manufacturing facilities in Waldheim, Germany at an expense of 18.2 million euros. The production center for temperature engineering and system products is planning to build a 3.6 million euro dedicated manufacturing building in Aurangabad, India.

In Burlington, Ontario, the Canadian sales center is constructing a new customer experience and training center for 13.1 million euros. The sales center in Mexico is building its own premises in Mexico City at a cost of 8.7 million euros. The US sales center took into operation a regional center in the Houston, Texas metropolitan area for 22.5 million euros.

Supplemental report

EVENTS AFTER THE END OF THE FINANCIAL YEAR

The outbreak of the novel coronavirus declared a pandemic by the World Health Organization (WHO) in March 2020 continues. So far, the vaccination campaigns against SARS-CoV-2 that are underway in many parts of the world cannot prevent further waves of infection in most countries. In addition, the appearance and spreading of viral mutations cause new concerns. Due to necessary protective measures and related restrictions of economic activities, there is still a great deal of uncertainty about the possible impact on the Group's business.

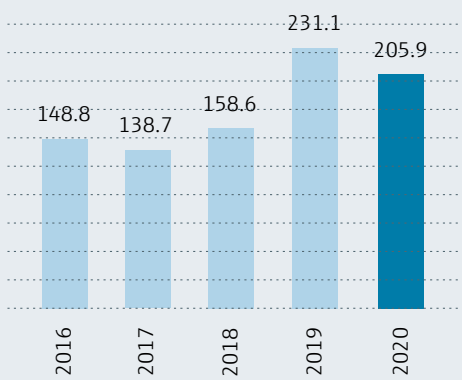
Risk report

RISK MANAGEMENT

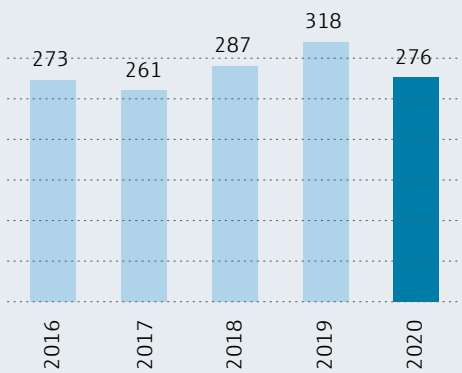
On principle, Endress+Hauser takes only calculable risks when making business decisions. According to the principles of corporate governance, we introduced an Internal Control System (ICS), designed to meet the needs of our company.

The company attempts to reduce uncertainty resulting from economic and sector-related developments, fluctuations in exchange rates, political events of worldwide significance or natural disasters by means of broad-based support in the market in terms of industries, regions and customer segments as well as products, solutions and services. The Supervisory Board plays an important role as a supervisory and advisory body and supports the work of the Executive Board constructively, thus increasing the quality of all fundamental business decisions.

Capital expenditures
(EUR in millions)



Patent applications of the Endress+Hauser Group



Digitalization of industrial production holds considerable growth potential and provides momentum.

RISKS FOR THE COMPANY

In accordance with our risk-management guidelines, we raise awareness of business risks at all levels and encourage all employees to avoid and minimize risk. A Group standard for Business Continuity Management has been introduced. Appropriate coverage is provided in terms of essential liability and claims risks. There are currently no significant risks resulting from court cases.

We reduce financial risks from exchange and interest rates with the aid of derivative hedging instruments. Explanations of our financial risk management can be found in our accounting policies. Manufacturing close to customers in the various regions of the world reduces the impact of exchange rate fluctuations. These production sites mainly invoice in the respective local currencies.

A consistent IT security concept guarantees an exceptionally high level of protection from loss of data. Environmental and security risks connected with our activities and our production sites are negligible.

Report on opportunities

OPPORTUNITY MANAGEMENT

Opportunities for the company arise from its strategic focus, economic development, the outcomes of its research & development work and the performance and achievements of the company's employees. In all these areas Endress+Hauser pursues systematic approaches to safeguard sustained business success.

OPPORTUNITIES FOR THE COMPANY

Our broad-based focus allows us to partake in the growth of varied industries in the process industry. The worldwide presence of sales and production makes sure that we remain dynamic as a business, especially in emerging countries.

To ensure that enough talented and dedicated employees, apprentices and trainees find their way to us, we rely on activities at many levels to make Endress+Hauser a more attractive employer. These activities, which are adapted to the needs of the respective local organization, include continuous investments in up-to-date professional education and training programs, targeted measures for a better work–life balance and retirement models tailored to the needs of the employee.

Our close cooperation with selected universities, colleges and research facilities, as well as wide-ranging activities in research & development, keep our powers of technological innovation at a high level. This is supplemented by increased efforts to create new expertise and skills outside our established structures with the help of start-ups and corporate venturing. These new entities are designed to serve over time as a breeding ground for innovations across the entire company.

Digitalization, which offers the potential for driving efficiency across the entire value chain, is currently providing additional opportunities for the Group companies. We want to grow above average in the mid to long term by employing advanced analytical engineering to a greater degree in process technology applications, as well as by developing the market for laboratory analysis.

Report on expected developments

BUSINESS ENVIRONMENT

According to the IMF, the approval of new vaccines raises hope that a turning point can be reached in the battle against Covid-19. On the other hand, experts are concerned about further waves of the pandemic and novel variants of the virus. Despite this uncertainty, the organization forecasts global growth of 6.0 percent in 2021 and believes economic output will increase by 5.1 percent in industrialized countries and by 6.7 percent in emerging and developing countries.

The IMF expects economic recovery to vary considerably across countries, depending, among other things, on access to medical treatment, the effectiveness of political measures and the respective structural characteristics prevailing at the beginning of the crisis. For 2021, experts expect a 6.4 percent growth in the USA, 4.4 percent in the Eurozone and 3.6 percent in Germany. For China, the forecast includes an increase in economic performance of 8.4 percent, for India the figure is 12.5 percent, for Brazil 3.7 percent and for Russia 3.8 percent.

OBJECTIVES OF COMPANY DEVELOPMENT

With regard to the automation sector, the German industry association ZVEI expects a significant economic recovery in 2021 while pointing out that there is still considerable uncertainty due to the pandemic. The association regards these positive prospects as well founded not least in long-term development trends, which include the need for effective climate protection and the advancing digitalization of industrial manufacturing.

For our part, we had an entirely positive start to the new year. After the first three months, incoming orders are above our targets and even compared to the strong first quarter of 2020 we see growth. Export-oriented countries in particular make up ground again. Asia is developing particularly strongly, as well as Europe and South America. North America, Africa and the Middle East still are restrained, but are seemingly gaining momentum. At the same time we feel there is not yet stable development.

Consolidated in euros, our target for the Group is growth in the mid-single-digit range. In this context, we again expect negative currency effects. On the earnings side, we anticipate a decline in profitability. Many of the savings we realized in 2020, for example by omitting business travel, customer seminars and event attendance, cannot be repeated. Moreover, performance-based salary components will go up again as business improves. Rising prices for transportation, raw materials and components

are going to impact expenses. We will add new jobs only as far as it is justified by the course of business or as is required to reach our business goals.

To be able to offer improved on-site support to our customers, we are setting up new sales offices in Egypt, Kazakhstan, Oman and Peru. Furthermore, we want to intensify our online sales activities. We see an increasing market potential outside the actual process industry and want to better cover these sales channels in future.

Besides, we hope to gain some momentum from the digitalization of our products and anticipate continued strong development in the area of laboratory and process analysis technology. Last but not least, we consider innovation one of the most important drivers of our business. In the course of the year, we plan to bring 74 product innovations to the market.

Our strategy 2027+ that we want to roll out beginning in the fall will encompass the new economic, social and political environment and provide the Group with a road map for future challenges. In parallel, we will revise our business processes across all our divisions and units to meet the requirements of our customers and markets even better.

IMPORTANT PROJECTS

We are planning investment projects totaling over 270 million euros in 2021. A large proportion of this amount will again flow into our production facilities. This relates to the expansion of our sites in Reinach, Switzerland; Maulburg, Gerlingen and Waldheim, Germany; Aurangabad, India and a new project in Suzhou, China. To support our sales organization, new buildings are being constructed in Burlington, Canada and Mexico City, Mexico. In addition, our sales center in India plans a new building in Mumbai.

GENERAL STATEMENT ON CORPORATE DEVELOPMENT

Thanks to our broad base in terms of products, regions and industries, and also owing to our sustainable strategic alignment, we see ourselves as well positioned even in an adverse environment. Our independence as a financially sound family company allows us to continue to guide the Group through difficult times with a long-term perspective and further pursue key future projects. We are in a position to quickly make the necessary decisions.

We keep addressing this special situation caused by the coronavirus pandemic with a high degree of flexibility and agility. Even during this crisis, we want to take advantage of the opportunities we have and continue to successfully develop the company in an environment that is likely to change for a long period or perhaps even permanently.

Consolidated balance sheet

Assets

		EUR in thousands		CHF in thousands	
Non-current assets	Notes	**Year ended 31.12.2020**	**Year ended 31.12.2019**	**Year ended 31.12.2020**	**Year ended 31.12.2019**
Tangible fixed assets	11	1,060,560	1,015,810	1,146,953	1,102,580
Intangible assets	12	134,664	155,909	145,634	169,227
Long-term financial assets	13	172,889	98,296	186,973	106,692
Deferred tax assets	20	108,336	110,055	117,161	119,456
Total non-current assets		**1,476,449**	**1,380,070**	**1,596,721**	**1,497,955**
Current assets					
Inventories	14	357,467	375,891	386,586	408,000
Trade accounts receivable	15	450,471	477,163	487,166	517,922
Current income tax assets		12,135	7,727	13,124	8,387
Other accounts receivable	16	80,565	87,257	87,128	94,710
Short-term financial assets	13	315,497	275,470	341,197	299,001
Cash and cash equivalents	17	456,630	421,340	493,827	457,331
Total current assets		**1,672,765**	**1,644,848**	**1,809,028**	**1,785,351**
Total assets		**3,149,214**	**3,024,918**	**3,405,749**	**3,283,306**

The notes are an integral part of these consolidated financial statements.

Equity and liabilities

		EUR in thousands		CHF in thousands	
Capital and reserves	Notes	**Year ended 31.12.2020**	**Year ended 31.12.2019**	**Year ended 31.12.2020**	**Year ended 31.12.2019**
Share capital		14,842	14,842	22,000	22,000
Other reserves		23,542	82,914	25,460	89,997
Retained earnings		2,381,166	2,178,356	2,569,187	2,358,540
Total capital and reserves attributable to equity holders		**2,419,550**	**2,276,112**	**2,616,647**	**2,470,537**
Non-controlling interest		5,568	9,560	6,022	10,377
Total equity		**2,425,118**	**2,285,672**	**2,622,669**	**2,480,914**
Liabilities					
Long-term loans	18, 19	38,919	39,849	42,089	43,253
Deferred tax liabilities	20	50,062	50,006	54,140	54,278
Retirement benefit obligations	21	178,852	153,883	193,421	167,028
Long-term provisions	22	43,919	39,759	47,497	43,155
Other long-term liabilities	24	293	2,811	317	3,051
Total non-current liabilities		**312,045**	**286,308**	**337,464**	**310,765**
Short-term loans	18, 19	37,953	51,400	41,045	55,791
Trade accounts and notes payable	23	96,197	109,091	104,033	118,410
Current income tax liabilities		18,663	21,235	20,182	23,047
Short-term provisions	22	89,218	113,081	96,486	122,740
Other short-term liabilities	24	170,020	158,131	183,870	171,639
Total current liabilities		**412,051**	**452,938**	**445,616**	**491,627**
Total liabilities		**724,096**	**739,246**	**783,080**	**802,392**
Total equity and liabilities		**3,149,214**	**3,024,918**	**3,405,749**	**3,283,306**

The notes are an integral part of these consolidated financial statements.

Consolidated income statement

		EUR in thousands		CHF in thousands	
	Notes	**2020**	**2019**	**2020**	**2019**
Net sales	6	**2,576,792**	**2,651,800**	**2,759,074**	**2,944,718**
Change in inventories		2,574	397	2,756	441
Own work capitalized		8,921	10,968	9,552	12,180
Other operating revenues		19,574	22,251	20,959	24,709
Purchased goods and services		−702,882	−727,447	−752,604	−807,801
Personnel expenses	7	−1,019,138	−1,015,015	−1,091,232	−1,127,134
Depreciation and amortization		−148,949	−139,620	−159,486	−155,042
Other operating expenses	8	−399,827	−459,905	−428,111	−510,706
Total operating expenses	9	**−2,270,796**	**−2,341,987**	**−2,431,433**	**−2,600,683**
EBIT / Operating profit		**337,065**	**343,429**	**360,908**	**381,365**
Net financial result	10	502	3,460	538	3,842
EBT / Profit before taxes		**337,567**	**346,889**	**361,446**	**385,207**
Income taxes	20	−82,713	−81,014	−88,564	−89,963
Net income		**254,854**	**265,875**	**272,882**	**295,244**
Attributable to					
Equity holders		255,026	265,890	273,066	295,261
Non-controlling interest		−172	−15	−184	−17
		254,854	**265,875**	**272,882**	**295,244**

The notes are an integral part of these consolidated financial statements.

Consolidated comprehensive income

		EUR in thousands		CHF in thousands	
	Notes	**2020**	**2019**	**2020**	**2019**
Net income		**254,854**	**265,875**	**272,882**	**295,244**
Other comprehensive income					
Actuarial gains (+) and losses (–) from defined benefit plans	21	–14,887	–74,042	–15,940	–82,221
Income taxes	20	3,486	18,057	3,733	20,052
Items that can not be reclassified to net income		**–11,401**	**–55,985**	**–12,207**	**–62,169**
Gains (+) or losses (–) from translating the financial statements of foreign subsidiaries	2.4	–48,775	57,030	–52,226	63,329
Items that can be reclassified to net income		**–48,775**	**57,030**	**–52,226**	**63,329**
Other comprehensive income		**–60,176**	**1,045**	**–64,433**	**1,160**
Comprehensive income		**194,678**	**266,920**	**208,449**	**296,404**
Attributable to					
Equity holders		195,658	266,738	209,498	296,202
Non-controlling interest		–980	182	–1,049	202
		194,678	**266,920**	**208,449**	**296,404**

The notes are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

All amounts in EUR thousands	Share capital	Other reserves	Retained earnings	Capital and reserves – attributable to equity holders	Capital and reserves – attributable to non-controlling interest	Total equity
Balance at 31 Dec 2018	**14,842**	**82,101**	**1,960,570**	**2,057,513**	**9,379**	**2,066,892**
Net profit for the period			265,890	265,890	–15	265,875
Change in non-controlling interest			3	3	–1	2
Dividend payments			–48,142	–48,142		–48,142
Currency translation differences		56,798	35	56,833	197	57,030
Actuarial gains and losses		–55,985		–55,985		–55,985
Balance at 31 Dec 2019	**14,842**	**82,914**	**2,178,356**	**2,276,112**	**9,560**	**2,285,672**
Net profit for the period			255,026	255,026	–172	254,854
Change in non-controlling interest			–1,265	–1,265	–3,012	–4,277
Dividend payments			–50,955	–50,955		–50,955
Currency translation differences		–47,971	4	–47,967	–808	–48,775
Actuarial gains and losses		–11,401		–11,401		–11,401
Balance at 31 Dec 2020	**14,842**	**23,542**	**2,381,166**	**2,419,550**	**5,568**	**2,425,118**

The share capital is fully paid and composed of 2.2 million ordinary shares with a par value of CHF 10 per share.
During the business year 2020 dividends of 24.80 CHF per ordinary share have been paid (in total 54.56 million CHF).
The notes are an integral part of these consolidated financial statements.

Consolidated cash flow statement

All amounts in EUR thousands	Notes	2020	2019
Cash flow from operating activities			
Net income		254,854	265,875
Depreciation and amortization	11, 12	148,949	139,620
Income tax charge	20	82,713	81,014
Net financial result net of foreign exchange gains (+) / losses (–)		–7,249	–20,396
Result on sale of assets and investments		1,714	6
Change in provisions		–16,336	–9,813
Other non-cash items		17,200	26,603
Change in inventories, trade accounts receivable and other current assets		24,752	–45,053
Change in trade payables und other liabilities		18,371	–224,696
Income taxes paid		–85,585	–92,654
Total cash flow from operating activities		**439,383**	**120,506**
Cash used in investing activities			
Purchase of fixed assets		–181,081	–214,959
Investments in financial assets		–238,542	–6,478
Disposals of fixed assets		5,244	3,357
Disposal of subsidiaries net of cash disposed		–113	0
Disposals of financial assets		119,731	41,643
Interest received		1,526	1,925
Total cash used in investing activities		**–293,235**	**–174,512**
Free cash flow		146,148	-54,006
Cash flow from financing activities			
Acquisition of minorities		–4,277	2
Dividends paid		–50,955	–48,142
Proceeds from loans		5,899	4,067
Repayments of loans		–21,796	–2,472
Interest paid		–1,810	–2,176
Payments for the principal portion of lease liabilities		–23,491	–22,051
Total cash flow from financing activities		**–96,430**	**–70,772**
Effects of exchange rate changes on cash and cash equivalents		**–14,428**	**7,963**
Changes in cash and cash equivalents		**35,290**	**–116,815**
Cash and cash equivalents at beginning of year		421,340	538,155
Cash and cash equivalents at end of year		456,630	421,340

The notes are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

This financial report is a translation from the original German version. In case of any inconsistency the German version shall prevail.

1. General information

The Endress+Hauser Group (the Group) is a global leader in measurement instrumentation, services and solutions for industrial process engineering.

The parent company of the Group is Endress+Hauser AG (the company), which is a stock company and is incorporated and domiciled in Reinach, Switzerland.

2. Accounting policies

2.1 ACCOUNTING STANDARDS

The consolidated financial statements of the Endress+Hauser Group are prepared in accordance with International Financial Reporting Standards (IFRS). As the Company is not publicly listed, the Group is not required to publish segment reporting.

The Group has adopted all standards and interpretations applicable as per 31 December 2020. There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year 2020 that have a material impact on the net assets, financial position and earnings performance of the Group.

No major impact is expected from application of other changed or new standards or interpretations valid after 31 December 2020 (IFRS 3, IFRS 4, IFRS 7, IFRS 9, IFRS 16, IAS 1, IAS 8, IAS 16, IAS 37 and IAS 39) on the net assets, financial position and earnings performance or cash flow statement. The Group has not early adopted any amendment or new standard or interpretation. The amendments to IFRS 1, IFRS 17 and IAS 41 are not relevant for the Group.

On 9 April 2021 the Supervisory Board recommended these consolidated financial statements for approval by the Annual General Meeting.

2.2 PRINCIPLES AND METHOD OF CONSOLIDATION

Subsidiaries Subsidiaries are all companies over which the Group has control. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and deconsolidated from the date that control ceases. Newly acquired companies are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. The cost of an acquisition is measured at the fair value of the assets and liabilities acquired. Acquisition-related costs are expensed as incurred. Identifiable assets, liabilities and contingent liabilities are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

The financial statements of the companies included in the consolidation have been prepared using the historical cost convention, with the exception of financial assets and financial liabilities (including derivative instruments), and applying uniform presentation and valuation principles. The financial statements of the subsidiaries and the Company are prepared as of the same reporting date. Financial assets and financial liabilities (including derivative instruments) have been recorded at fair value through profit or loss.

Intercompany liabilities, assets, revenues and expenses within the Group and all intercompany profits are eliminated.

Non-controlling interests of third parties are shown separately in the balance sheet, income statement and statement of comprehensive income.

Associated companies Associates are all entities over which the Group has significant influence but not control. Investments in associated companies and joint ventures are accounted for using the equity method. These investments are initially recognized at cost. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, the Group does not recognize further losses, unless the Group has incurred obligations or made payments on behalf of the associated company.

Other investments are reported as long-term financial assets.

2.3 REVENUE RECOGNITION

Sales of goods and services are recognized in line with the requirements of IFRS 15 "Revenues from Contracts with Customers", based on the consideration the Group expects to receive in exchange for the products or services. Revenue from sales of products is recognized in the income statement when control has been transferred to the buyer, which is usually upon delivery, at a fixed price, and when collectability is reasonably assured. Delivery is defined based on the terms of the sale contract. Revenue from services is recognized when the respective services have been rendered. The regular case for solutions projects is that the instruments and services can be treated as separate performance obligations and the revenue is recognized at a point in time. Only as exception the obligation is satisfied over time and the revenue recognized according to the stage of completion. Revenue is reported net of sales taxes, returns, discounts and rebates. Rebates to customers are provided for in

the same period that the related sales are recorded based on the contract terms.

Advance payments received on customer contracts are recorded as contract liabilities and presented as part of other short-term liabilities. Liabilities from advance payments are released and revenues associated with such advance payment transactions are recognized upon delivery and transfer of title, ownership, and risk of loss of the related products to the customer. Cash rebates and discounts granted to customers are classified as a reduction of revenue.

Interest income and interest expense is recognized on a time proportion basis. Dividend income is recognized when the right to receive payment is established.

Dividend distributions to the company's shareholders are recorded in the Group's financial statement in the period in which the dividends are approved by the company's shareholders.

2.4 FOREIGN CURRENCY TRANSLATION

Presentation currency The consolidated financial statements are presented in euros, which is not the functional currency of the Company, but has been selected due to the fact that the majority of the Group's assets, liabilities, revenues and expenses are denominated in this currency.

For the convenience of the reader the consolidated income statement, comprehensive income and balance sheet are also presented in Swiss francs. The calculation is simplified based on consolidated Euro values using the relevant closing and average rates.

Transactions and balances Foreign currency transactions are translated into the presentation currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Group companies The Group subsidiaries present their financial statements in local currency. Conversion of the profit and loss accounts into the Group presentation currency is done at the average annual rates, while the balance sheet is converted at the closing rate at the date of that balance sheet.

All resulting exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to shareholder's equity.

When a foreign entity is sold, exchange differences that were recorded in equity are recognized in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising from the acquisition of a foreign entity are treated as assets and liabilities of the reporting entity and translated at the closing rate.

Consolidated comprehensive income The comprehensive income comprises results recognized directly in equity. Relevant for the Group are actuarial gains or losses from defined benefit plans and gains or losses from translating the financial statements of foreign subsidiaries as in the consolidated statement of changes in equity. The translation differences result from the difference between historical and closing rates on investments and equity in foreign currencies; there are no related tax effects.

2.5 TANGIBLE FIXED ASSETS

Property, plant and equipment is valued at historical acquisition or production costs, less accumulated depreciation calculated on a straight-line basis over the useful life of the asset. Subsequent costs are capitalized when it is probable that future economic benefits associated with the item will flow to the Group. Land is reported at cost.

The estimated useful life to determine straight-line depreciation is as follows:

Land, assets under construction	none
Buildings (light constructions)	10–20 years
Buildings (massive constructions)	25–40 years
Plant, equipment and machinery	7–15 years
Production tools and other equipment	3–7 years
Office equipment and furniture	8–10 years
IT equipment (hardware)	3–5 years
Motor vehicles	4–6 years

Gains or losses on disposals are determined by comparing proceeds with book values and are included in operating profit. Interest costs on borrowings to finance the construction of property, plant and equipment are expensed in the period in which they are incurred if they are not directly attributable.

The property, plant and equipment financed by finance lease agreements are depreciated over the shorter of the duration of the lease agreement, if the transfer of property rights is uncertain, and its duration in use.

2.6 INTANGIBLE ASSETS

Goodwill Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. The

calculation of gains and losses on the disposal of an entity is based on the carrying amount of goodwill relating to the entity sold.

Research and development costs Research expenditure is recognized as an expense as incurred. Since the extent and timing of future economic benefits of development projects is difficult to assess, development costs are regularly recognized as expenses as incurred.

Other intangible assets Costs associated with developing or maintaining computer software programmes are recognized as an expense as incurred. Expenditure to acquire patents, trademarks and licences is capitalized. Intangible assets are amortized using the straight-line method over the following useful lives:

Trademarks and licences	3–15 years
Computer software	3–5 years
Technology and other intangible assets	3–15 years

2.7 IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever an indication is given. Where the book value of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

2.8 FINANCIAL ASSETS

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss and financial assets at amortised cost.

A financial asset is classified in the category "at fair value through profit or loss" if the criteria for classification "at amortised cost" are not fulfilled. Investments in equity instruments are measured at fair value. The possibility to present subsequent changes in fair value in other comprehensive income is not applied. Investments in debt instruments are classified on the basis of the business model as determined by Group management. The majority of these instruments are held and managed on the basis of fair value considerations and therefore measured at fair value. Derivatives are also measured at fair value through profit or loss. Regular purchase and sales of financial assets are recognized on the trade-date, the date on which the Group commits to purchase or sell the asset. Profits and losses arising from changes in market value are recorded in the net financial result.

2.9 DERIVATIVE FINANCIAL INSTRUMENTS

Due to its international activities, the Endress+Hauser Group is particularly exposed to changes in interest and exchange rates. The companies of the Endress+Hauser Group use derivative financial instruments to limit these risks. The Endress+Hauser Group uses forward exchange contracts to hedge existing underlying transactions. On the interest rate side, risks are limited by interest rate derivatives in the form of interest rate options and interest rate swaps, with interest rate swaps being used specifically to reduce the interest rate risk from liabilities originally subject to variable interest rates. Derivatives are valued at market value. Changes in the market value are taken to the income statement (see note 26). Hedge accounting is not applied.

2.10 LEASING AGREEMENTS

As a lessee the Group leases certain tangible fixed assets like land, buildings, offices, vehicles, machinery and IT equipment. Under the accounting model of IFRS 16, all leases are generally recognised in the balance sheet. The right-of-use asset, which represents the right to use the underlying asset, and the liability from the lease, which represents the obligation to make lease payments, are recognized.

The Group has used of the practical espedients not to capitalize short-term leases with a term of less than 12 months and leases of low-value assets (less than EUR 5,000) as rights-of-use. These contractual relationships are recognized as expenses on a straight-line basis over the term of the lease. The Group has also decided not to treat software licenses under IFRS 16 as all other intangible assets.

A contract is classified as a lease under IFRS 16 if the Group has the right to obtain economic benefits from the use of an identified asset and has the right to decide whether to use the asset alone. Rights-of-use are recognized at cost and amortized on a straight-line basis over the lease term using the cost model or over the expected useful life if a purchase option exists. For the latter, the same depreciation periods are used as for purchased property, plant and equipment. The costs for the right of use consist of the present value of the leasing liability, the direct costs and the future dismantling costs. In addition, where necessary, rights of use are subject to extraordinary depreciation (impairment) and the lease liability is adjusted for certain revaluations. Lease and non-lease components of an agreement are not accounted for separately, but are treated as one lease. The exception here is non-leasing components for rentals and buildings (in particular ancillary costs). These are recognized separately as expenses on a straight-line basis over the term of the lease.

The lease liability is measured at the present value of the lease payments. The lease payments are discounted at the interest rate on which the lease is based, if this can be easily

determined. Otherwise, the marginal borrowing rate is normally applied, which is centrally determined by the Group according to countries and currencies.

The option for simplified accounting for certain corona-related changes to leasing contracts was not exercised.

The Group does not have any material leases as lessor.

2.11 INVENTORIES

Inventories are stated at the lower of cost and net realizable value. The cost of purchased inventory is determined using the weighted average cost method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. The value adjustments are calculated on a line-by-line basis using the stock reach criterion and take also slow-moving items and specific cases into consideration.

2.12 TRADE ACCOUNTS RECEIVABLES, INCOME TAX RECEIVABLES AND OTHER RECEIVABLES

Trade receivables are valuated and recognized in the balance sheet at original invoice amount, which equals their fair value. Provisions for impairment of these receivables have been made for doubtful and overdue debts. The amount of the expected loss is recognized in the income statement within other operating expenses.

2.13 CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less and are carried at nominal value.

2.14 TRADE ACCOUNTS PAYABLE AND OTHER LIABILITIES

Trade accounts payable represent liabilities for goods and services provided to the Group in the ordinary course of business which are unpaid at the end of the financial year. They are presented as current liabilities unless payment is not due within 12 months after the reporting period.

They are measured at the originally invoiced amount which equals fair value.

2.15 LOANS

Loans are initially recognized at fair value, net of transaction costs incurred and are subsequently stated at amortised cost. Any discount, which corresponds to the difference between the proceeds (net of transaction costs) and the redemption amount is amortized over the term of the loan and is recognized in the income statement using the effective interest method. Loans are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.16 PROVISIONS

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are measured at the expected future outflow of resources.

2.17 CURRENT AND DEFERRED INCOME TAX

Provisions are made for all tax obligations at the balance sheet date, regardless of their payment date.

In addition, provisions are made for deferred taxes at the anticipated local tax rate on the difference between the values in the consolidated balance sheet and the values in the tax balance sheets of the individual companies. Deferred taxes relating to investments in subsidiaries or associated companies are not recognized as the Group can control the timing of the reversal and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

Tax relevant losses carried forward and temporary differences are capitalized only to the extent that it is likely that sufficient taxable profit will be generated in the future to offset them.

2.18 EMPLOYEE BENEFITS

The Group operates various post-employment schemes, including both defined benefit and defined contribution pension plans.

Retirement benefit obligations – Defined benefit plans
The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit

obligation at the end of the reporting period less the fair value of plan assets.

The pension obligation under all major defined benefit plans is determined yearly by independent qualified actuaries based on the projected unit credit method.

The present value of the defined benefit obligation is calculated by discounting the estimated future cash outflows using interest rates for government bonds plus a premium of 0.5 to 2% or for high-quality corporate bonds. The government bonds or corporate bonds are denominated in the currency in which the benefits will be paid and have terms to maturity approximating to the terms of the related pension liability of 15 to 20 years.

Actuarial gains and losses arising from changes in actuarial assumptions and experience adjustments are charged or credited to equity in other comprehensive income in the period they arise. Pension costs from defined benefit plans include service cost, interest expense and past service cost of the current period and are shown separately in note 7 (personnel expenses).

Defined contribution plans Defined contribution plans are saving plans which do not include future benefit commitments. The contributions, which the Group is called upon to pay in respect of a particular period, are recorded as personnel expenses in that period and separately shown in note 7.

Termination benefits Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits.

Profit-sharing and bonus plans The Group recognizes a provision for bonuses and profit-sharing where contractually obliged or where there is a past practice that has created a constructive obligation.

3. Management of financial risks

3.1 FINANCIAL AND EXCHANGE RISKS

In view of the Group's world-wide activities and locations in a variety of countries, the local entities are actively engaged in managing exchange risks and changes in interest rates. Risk management is concentrated on monitoring and analyzing exchange and interest rate risks, with the aim of limiting their effects on the Group's results. Risk management is ensured by the central treasury of the Group, which acts in accordance with the directives of the Group's corporate management. The risks are assessed mainly by the local Group companies, whereby the Group's treasury is actively supporting the units.

The Group uses derivative financial instruments like forex forward contracts, options or interest rate derivatives to hedge exchange and interest rate risks.

Financial instruments, exposed to foreign exchange risks are primarily trade accounts receivable, cash and cash equivalents, financial assets, loans and trade accounts payable. This comprises transactions with third parties and Group-internal transactions. Relevant net foreign currency exposures exist in CHF and USD. Assuming for the purpose of a sensitivity analysis a change of ± 5% of these currencies against the euro, this would result in a possible change of the net income of ± 2.7 EUR millions (prior year ± 6.2 EUR millions).

As the majority of the loans has fixed interest rates, changes in interest rates have only little impact on the financial result of the Group.

3.2 CREDIT RISKS

Credit risk arises from cash and cash equivalents, derivative financial instruments and financial assets, as well as receivables from customers. For banks and financial institutions, only first-class institutions are accepted.

For other business partners, the Group's policy on customer credits specifies that a periodic credit worthiness check is required and performed under the supervision of the controller of the respective Group company. The Group has no significant concentration of credit risks. The maximum exposure is the book value of the receivables.

3.3 LIQUIDITY RISKS

Group companies maintain a certain amount of cash in order to secure their normal business activities. They can adjust their cash balance by usage or repayment of intercompany loans.

The majority of the cash is managed by Corporate Treasury. The amount of deposits on bank accounts (= operational liquidity) considers the thresholds up to which no negative interest or deposit fee is charged. All amounts above these thresholds is assigned to the strategic liquidity and invested in various investment categories (e.g. shares, bonds). The investment committee decides biannually on the investment policy. Besides the liquid funds the Group can revert to secured credit lines with major international banks. These credit lines can be utilized by the Group or its entities to fund cash loans or trade financing and to secure exchange rate margins.

The forecasted liquidity reserve per 31 December 2021 is as follows (EUR in millions):

Cash and cash equivalents at 31 December 2021	463
Short-term financial assets	377
Not used credit lines	50
Total available liquidity reserve	890

Credit lines with banks are unchanged from the previous year.

3.4 CAPITAL RISK MANAGEMENT

The Group wants to stay autonomous and independent and strives for a healthy debt to equity ratio, which should exceed the industry average. The strategic objective is an equity capital ratio (equity in relation to the capital employed) of over 70%.

3.5 FAIR VALUE ESTIMATION

The following fair value measurement hierarchy levels have been defined for financial instruments carried at fair value:

- Level 1: Quoted prices (unadjusted) in an active market for identical instruments
- Level 2: Valuation based on observable inputs (other than level 1 inputs)
- Level 3: Valuation based on unobservable inputs

For details for the Group's assets and liabilities measured at fair value please refer to notes 13 and 26.

4. Critical accounting estimates and assumptions

When drawing up the consolidated financial statements, the Group makes estimates and takes assumptions concerning the future. The actual values can deviate from the assumptions and estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

4.1 ESTIMATED IMPAIRMENT OF GOODWILL

The Group tests annually whether goodwill has suffered any impairment in accordance with the requirements of IAS 36 "Impairment of Assets". The recoverable amounts of all cash generating units are determined based on value-in-use calculations or as exception based on calculation of the fair value less costs of disposal.

4.2 ESTIMATES FOR THE ACCOUNTING FOR EMPLOYEE BENEFITS

IAS 19 "Employee Benefits" requires that certain assumptions are made in order to determine the amount to be recorded for retirement benefit obligations and pension plan assets, in particular for defined benefit plans. These are mainly actuarial assumptions such as expected future salary increases, average life expectancy and discount rates. Substantial changes in the assumed development of any of these variables may significantly change the Group's retirement benefit obligation and pension assets.

5. Non-GAAP measures

By stating its free cash flow in the cash flow statement, the Group is reporting an item that is not defined in IFRS but is being widely used and recognized in the financial sector. This key figure is the total cash flow from operating and from investing activities.

6. Net sales by region (all amounts in EUR thousands)

	Notes	2020	2019
Europe		1,172,566	1,182,445
Asia-Pacific		763,264	771,645
Americas		534,095	587,866
Africa / Middle East		106,867	109,844
		2,576,792	**2,651,800**
Net sales by products (all amounts in EUR thousands)			
Process instrumentation and automation		2,333,494	2,451,155
Laboratory instrumentation and automation		162,078	117,248
Sensors		81,220	83,397
		2,576,792	**2,651,800**

7. Personnel expenses (all amounts in EUR thousands)

	Notes	2020	2019
Wages and salaries		827,910	827,203
Social securities		127,006	130,189
Pension costs – defined benefit plan	21	31,085	23,511
Pension costs – defined contribution plan		18,510	17,311
Other employee benefit expenses		14,627	16,801
		1,019,138	**1,015,015**
Number of employees by region (at balance sheet date)			
Europe		10,083	9,950
Asia-Pacific		2,452	2,429
Americas		1,653	1,645
Africa / Middle East		266	304
		14,454	**14,328**

8. Other operating expenses (all amounts in EUR thousands)

	Notes	2020	2019
Other personnel related costs		52,768	92,646
Customer related costs		89,778	107,922
IT (EDP) related costs		52,991	52,062
Building, equipment, maintenance, office		71,009	70,115
Lease expenses short-term	19	24,783	33,044
Expenses for rights and other services		78,712	78,771
Other operating expenses		14,449	12,352
Non-income taxes		12,736	11,850
Loss from sale of fixed assets		2,601	1,143
		399,827	**459,905**

9. Research and development (all amounts in EUR thousands)

	Notes	2020	2019
Part of total operating expenses is the following expenditure for research and development		195,116	202,042
As of % of net sales		**7.6%**	**7.6%**

10. Net financial result (all amounts in EUR thousands)

	Notes	2020	2019
Interest expense – loans		–766	–1,047
Interest expense – lease liabilities		–1,044	–1,129
Interest expenses		–1,810	–2,176
Interest income		1,526	1,925
Interest result		**–284**	**–251**
Various foreign exchange gains (+) / losses (–)		–12,642	–27,533
Foreign exchange gains (+) / losses (–) from derivative financial instruments	26	5,895	10,597
Net foreign exchange gains / losses		**–6,747**	**–16,936**
Result from financial assets (at fair value)		12,244	23,917
Result from derivative financial instruments	26	–4,711	–3,270
Result from financial assets		**7,533**	**20,647**
Net financial result		**502**	**3,460**

11. Tangible fixed assets 2020 (all amounts in EUR thousands)

	Notes	Land and buildings	Plant equipment and machinery	Factory and office equipment	Advance payments and assets under construction	**2020 total**
Acquisition value **Value as at 1 Jan 2020**		**861,470**	**690,575**	**232,709**	**133,602**	**1,918,356**
Additions		42,862	40,777	35,037	74,959	193,635
Disposals		−8,790	−15,624	−11,128	−560	−36,102
Transfers		54,638	20,037	1,691	−78,127	−1,761
Exchange differences		−17,438	−11,110	−5,469	−1,349	−35,366
Value as at 31 Dec 2020		**932,742**	**724,655**	**252,840**	**128,525**	**2,038,762**
Accumulated depreciation **Value as at 1 Jan 2020**		**−292,695**	**−453,882**	**−155,969**		**−902,546**
Depreciation		−41,937	−48,682	−30,963		−121,582
Disposals		6,215	13,559	10,449		30,223
Transfers		493	5	28		526
Exchange differences		4,456	7,197	3,524		15,177
Value as at 31 Dec 2020		**−323,468**	**−481,803**	**−172,931**		**−978,202**
Net book value as at 1 Jan 2020		**568,775**	**236,693**	**76,740**	**133,602**	**1,015,810**
Net book value as at 31 Dec 2020		**609,274**	**242,852**	**79,909**	**128,525**	**1,060,560**
Informationen on leases included above						
Additions to right-of-use assets		8,878	81	16,148		25,107
Depreciation		−12,528	−160	−11,107		−23,795
Net book value of right-of-use assets as at 31 Dec 2020		47,603	360	24,720		72,683
						2020
Fixed assets pledged as security						1,534

11. Tangible fixed assets 2019 (all amounts in EUR thousands)

	Notes	Land and buildings	Plant equipment and machinery	Factory and office equipment	Advance payments and assets under construction	**2019 total**
Acquisition value						
Value as at 1 Jan 2019		**762,176**	**636,725**	**186,889**	**71,170**	**1,656,960**
Adjustments for restatement IFRS 16		37,728	619	17,534	0	55,881
Additions		38,550	49,602	32,418	97,816	218,386
Disposals		–2,249	–21,695	–7,575	–68	–31,587
Transfers		12,634	18,092	1,473	–33,377	–1,178
Exchange differences		12,631	7,232	1,970	–1,939	19,894
Value as at 31 Dec 2019		**861,470**	**690,575**	**232,709**	**133,602**	**1,918,356**
Accumulated depreciation						
Value as at 1 Jan 2019		**–248,743**	**–421,784**	**–130,256**		**–800,783**
Depreciation		–40,734	–46,465	–31,489		–118,688
Disposals		1,015	20,367	6,868		28,250
Transfers		128	–1,610	184		–1,298
Exchange differences		–4,361	–4,390	–1,276		–10,027
Value as at 31 Dec 2019		**–292,695**	**–453,882**	**–155,969**		**–902,546**
Net book value as at 1 Jan 2019		**513,433**	**214,941**	**56,633**	**71,170**	**856,177**
Net book value as at 31 Dec 2019		**568,775**	**236,693**	**76,740**	**133,602**	**1,015,810**
Informationen on leases included above						
Additions to right-of-use assets		7,159	0	9,492		16,651
Depreciation		–12,452	–167	–10,500		–23,119
Net book value of right-of-use assets as at 31 Dec 2019		51,668	453	20,315		72,436

	2019
Fixed assets pledged as security	5,250

12. Intangible assets 2020 (all amounts in EUR thousands)

	Notes	Goodwill	Concessions, rights and licences	IT software	Technology and other intangible assets	**2020 total**
Acquisition value						
Value as at 1 Jan 2020		**115,580**	**61,104**	**104,283**	**50,246**	**331,213**
Additions		0	2	7,717	4,595	12,314
Disposals		−754	−328	−939	−13,501	−15,522
Transfers		0	0	1,807	−630	1,177
Exchange differences		−4,922	−3,049	−487	−1,490	−9,948
Value as at 31 Dec 2020		**109,904**	**57,729**	**112,381**	**39,220**	**319,234**
Accumulated amortization						
Value as at 1 Jan 2020		**−22,694**	**−41,538**	**−78,121**	**−32,951**	**−175,304**
Amortization		0	−3,126	−9,044	−6,187	−18,357
Impairment		−8,993	0	0	−17	−9,010
Disposals		754	328	922	11,715	13,719
Transfers		0	0	0	58	58
Exchange differences		773	2,127	465	959	4,324
Value as at 31 Dec 2020		**−30,160**	**−42,209**	**−85,778**	**−26,423**	**−184,570**
Net book value as at 1 Jan 2020		**92,886**	**19,566**	**26,162**	**17,295**	**155,909**
Net book value as at 31 Dec 2020		**79,744**	**15,520**	**26,603**	**12,797**	**134,664**

Impairment tests for goodwill Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to reporting entities (group companies or sub-groups). The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections over a four year period, in average a long-term sales growth rate of 2% for the continous period and a pre-tax discount rate (WACC) of 6.4%. The calculations did result to an impairment charge of EUR 8,993 thousands.

The goodwill consists of the following:

Group companies or sub-groups		Goodwill in EUR in thousands	Proportion	Goodwill from year	Break-even at a WACC of	Break-even at a long-term sales growth rate of
Subgroup Analytik Jena GmbH		18,656	23.4%	2013–2014	6.6%	1.7%
SpectraSensors Inc.		10,925	13.7%	2012	6.0%	2.4%
Endress & Hauser Process Automation (UAE) Trading LLC		9,362	11.7%	2014	13.1%	−9.2%
PT. Endress+Hauser Indonesia		7,589	9.5%	2012	19.8%	−25.5%
Endress and Hauser (Arabia) LLC		7,417	9.3%	2012	8.1%	0.0%
Kaiser Optical Systems Inc.		7,059	8.9%	2013	11.2%	−4.7%
Endress+Hauser (Colombia) S A S		6,373	8.0%	2016	13.8%	−15.2%
Other		12,363	15.5%			

Assuming for the purpose of a sensitivity analysis a long-term sales growth of 1%, this would result in a possible goodwill impairment of 8.7 EUR millions for the subgroup Analytik Jena GmbH and of further 6.9 EUR millions for SpectraSensors Inc. No additional impairment would be necessary for the other impairment tests performed.

12. Intangible assets 2019 (all amounts in EUR thousands)

	Notes	Goodwill	Concessions, rights and licences	IT software	Technology and other intangible assets	**2019 total**
Acquisition value						
Value as at 1 Jan 2019		**114,141**	**58,575**	**93,031**	**48,485**	**314,232**
Additions		0	13	8,595	4,141	12,749
Disposals		0	−34	−1,630	−115	−1,779
Transfers		0	1,635	3,567	−2,683	2,519
Exchange differences		1,439	915	720	418	3,492
Value as at 31 Dec 2019		**115,580**	**61,104**	**104,283**	**50,246**	**331,213**
Accumulated amortization						
Value as at 1 Jan 2019		**−17,751**	**−37,873**	**−71,764**	**−27,255**	**−154,643**
Amortization		0	−3,087	−7,441	−5,582	−16,110
Impairment		−4,822	0	0	0	−4,822
Disposals		0	29	1,610	115	1,754
Transfers		0	0	−55	12	−43
Exchange differences		−121	−607	−471	−241	−1,440
Value as at 31 Dec 2019		**−22,694**	**−41,538**	**−78,121**	**−32,951**	**−175,304**
Net book value as at 1 Jan 2019		**96,390**	**20,702**	**21,267**	**21,230**	**159,589**
Net book value as at 31 Dec 2019		**92,886**	**19,566**	**26,162**	**17,295**	**155,909**

Impairment tests for goodwill Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to reporting entities (group companies or sub-groups). The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections over a four year period, in average a long-term sales growth rate of 2% for the continous period and a pre-tax discount rate (WACC) of 6.5%. The calculations did result to an impairment charge of EUR 4,822 thousands.

The goodwill consists of the following:

Group companies or sub-groups		Goodwill in EUR in thousands	Proportion	Goodwill from year	Break-even at a WACC of	Break-even at a long-term sales growth rate of
Subgroup Analytik Jena AG		21,544	23.2%	2013–2014	6.3%	2.2%
SpectraSensors Inc.		16,339	17.5%	2012	6.9%	1.6%
Endress & Hauser Process Automation (UAE) Trading LLC		10,189	11.0%	2014	12.7%	−5.9%
PT. Endress+Hauser Indonesia		8,400	9.0%	2012	16.8%	−13.9%
Endress and Hauser (Arabia) LLC		8,073	8.7%	2012	8.4%	−0.1%
Kaiser Optical Systems Inc.		7,680	8.3%	2013	9.1%	−1.1%
Endress+Hauser (Colombia) S A S		6,373	6.9%	2016	14.7%	−8.7%
Other		14,288	15.4%			

Assuming for the purpose of a sensitivity analysis a long-term sales growth of 1%, this would result in a possible goodwill impairment of 21.5 EUR millions for the subgroup Analytik Jena AG and of 4.9 EUR millions for SpectraSensors Inc. No additional impairment would be necessary for the further impairment tests performed.

13. Financial assets (all amounts in EUR thousands)

	Notes	2020	2019
Investments in associated companies		0	0
Long-term financial assets (at fair value)		167,246	93,393
Long-term investments in non-consolidated companies		695	153
Long-term loans – third		4,230	4,380
Long-term financial assets (amortised cost)		718	370
Total long-term financial assets		**172,889**	**98,296**
Short-term financial assets (at fair value)		242,283	253,653
Short-term financial assets (amortised cost)		69,307	8,781
Short-term loans – third		28	20
Derivative financial instruments – assets	26	3,879	13,016
Total short-term financial assets		**315,497**	**275,470**
Total financial assets		**488,386**	**373,766**
The financial assets (at fair value) are included in the fair value hierarchy levels as follows:	3.5		
Level 1		242,294	186,509
Level 2		170,492	172,131
Level 3		622	1,422
Total financial assets (at fair value)		**413,408**	**360,062**

Long-term financial assets (at fair value) mainly include a real estate fund.
Fair value level 1 mainly contains short-term financial investments (at fair value) like investment funds and bonds with quoted marked prices.
Fair value level 2 mainly contains the above-mentioned long-term financial assets (at fair value) as well as derivative financial instruments.

Investments in associates are listed in the scope of consolidation (see also note 33). As the Group's share of losses of associates exceeds the value of the interests, no further share of further losses is recognized and the carrying amount is zero.

14. Inventories (all amounts in EUR thousands)

	Notes	2020	2019
Raw materials and supplies		136,463	156,572
Work in progress and semi-finished goods		112,116	113,409
Finished goods and merchandise		106,549	100,858
Advance payments for inventory		2,339	5,052
		357,467	**375,891**
As in the previous year, no inventories were pledged as security for borrowings.			
Change in stock provision based on the stock-reach analysis:			
Value as at 1 Jan		**–54,394**	**–48,268**
Additions (via income statement)		–7,098	–7,191
Amounts used		3,257	513
Reversal (via income statement) due to sale of goods		449	1,078
Exchange differences		994	–526
Value as at 31 Dec		**–56,792**	**–54,394**

15. Trade accounts receivable (all amounts in EUR thousands)

	Notes	2020	2019
Trade accounts receivable – third		467,640	494,426
Bad debt valuation allowance		–17,169	–17,263
Total trade accounts receivable		**450,471**	**477,163**
Movements on the provision for impairment of trade receivables:			
Value as at 1 Jan		**–17,263**	**–22,479**
Provision for receivables impairment		–4,934	–952
Utilization of provision for receivables written off		714	3,808
Reversal of unused provision		3,498	2,735
Exchange differences		816	–375
Value as at 31 Dec		**–17,169**	**–17,263**
At reporting date provisions for doubtful and overdue debts have been made. The aging analysis of the receivables is as follows:			
Aging analysis			
Not due or overdue under 2 months		422,176	447,617
2 to 6 months overdue		21,226	23,994
6 to 12 months overdue		7,097	9,048
Over 12 months overdue		17,141	13,767
Total trade accounts receivable – gross		**467,640**	**494,426**
Trade accounts receivable include amounts denominated in the following major currencies:			
Functional currencies of subsidiaries		409,878	437,115
Euro		37,124	36,131
US dollar		19,331	20,825
Other currencies		1,307	355
Total trade accounts receivable – gross		**467,640**	**494,426**

16. Other accounts receivable (all amounts in EUR thousands)

	Notes	2020	2019
Other tax receivables		30,836	40,012
Accounts receivable from social benefits institutions		696	755
Accounts receivable from employees		1,009	1,190
Other accounts receivable - third		15,300	13,299
Contract assets (IFRS 15)	25	9,612	7,325
Prepayments and accruals		23,112	24,676
		80,565	**87,257**

Other receivables do not contain impaired assets.

17. Cash and cash equivalents (all amounts in EUR thousands)

	Notes	2020	2019
Cash and cash deposits		448,410	402,371
Short-term interest bearing deposits		8,220	18,969
		456,630	**421,340**

18. Loans (all amounts in EUR thousands)

	Notes	2020	2019
The carrying amounts of loans are as follows:			
Long-term loans – banks		962	1,541
Long-term loans – third		629	403
Long-term lease liabilities	19	37,328	37,905
Total long-term loans		**38,919**	**39,849**
Short-term loans – banks		1,392	1,850
Short-term loans – third		17,044	29,643
Short-term lease liabilities	19	19,517	19,907
Total short-term loans		**37,953**	**51,400**
Total loans		**76,872**	**91,249**
Breakdown by maturity			
Under 1 year		37,953	51,400
1 to 5 years		37,327	38,053
Over 5 years		1,592	1,796
Total loans		**76,872**	**91,249**

Bank loans are mainly secured by the land and buildings of the Group (see note 11).

All loans are in functional currencies of subsidiaries. The fair value of the loans equal their carrying amount, as the impact of discounting is not significant.

19. Leasing (all amounts in EUR thousands)

As a lessee the Group has recognized the following amounts in the balance sheet:	Notes	2020	2019
Net book value of right-of-use assets	11	**72,683**	**72,436**
Short-term lease liabilities		19,517	19,907
Long-term lease liabilities 1 to 5 years		36,057	36,502
Long-term lease liabilities over 5 years		1,271	1,403
Present value of lease liabilities	18	**56,845**	**57,812**
The income statement shows the following amounts relating to leases:			
Depreciation	11	23,795	23,119
Interest expense – lease liabilities	10	1,044	1,129
Lease expenses short-term	8	10,667	11,931
Lease expenses low-value leases	8	2,832	9,986
Expenses for additional charges for lease contracts	8	11,284	11,127
Total cash outflows for leases		49,532	56,697

The Group does not generate any income from subleasing right-of-use assets and no gains or losses from sale and leaseback transactions.

There are no significant cash outflows that have not been taken into account in the measurement of lease liabilities.

The Group's right-of-use assets shown in the balance sheet are spread over a large number of different contracts. The leasing agreements are concluded directly by the respective Group companies in accordance with local laws, rules and customs. The majority of lease payments are fixed but include index-linked rents. The restrictions and undertakings on the right-of-use assets are customary conditions in the industry.

20. Income taxes (all amounts in EUR thousands)

	Notes	2020	2019
Income tax expenses			
Current income tax charge		78,394	88,449
Deferred income tax charge (+) / benefit (–)		4,319	–7,435
Total charge for income taxes		**82,713**	**81,014**
Analysis of tax rate			
The income tax expense on the consolidated profit before taxes differs from the expected tax rate (the weighted average of the local tax rates of the Group companies) as follows:			
Average expected tax rate		**23.0%**	**23.0%**
Tax effect of			
– Different tax rates in other countries		–0.3%	0.8%
– Changes in tax rates		0.4%	–3.5%
– Additional tax (+) or tax refunds (–) from previous years		0.1%	–0.2%
– Income not subject to tax		–0.4%	–1.0%
– Expenses not deductible for tax purposes or reduced rate		2.0%	2.8%
– Current year change in unrecognized tax losses		–0.2%	1.6%
– Other items		–0.1%	–0.1%
Effective tax rate		**24.5%**	**23.4%**
Changes in deferred taxes (assets and liabilities) recorded in the balance sheet:			
Balance as at 1 Jan		**60,049**	**35,792**
Income statement charge / credit		–4,319	7,435
Tax debited (–) / credited (+) to equity		3,486	18,057
Exchange differences		–942	–1,235
Net balance as at 31 Dec		**58,274**	**60,049**
Tax losses on which no deferred tax was calculated			
Expiry			
Within 5 years		18,609	24,962
Within 6 to 10 years		24,100	25,096
Over 10 years		38,699	67,426
Unrecognized tax losses as at 31 Dec		**81,408**	**117,484**

20. Income taxes (all amounts in EUR thousands)

	Notes	2020	2019
Source of deferred tax			
Deferred tax assets and liabilities relate to the following items on the consolidated balance sheet:			
Tangible fixed assets		−38,877	−36,472
Intangible assets		6,188	6,058
Capitalized tax losses		32,535	36,817
Inventories		12,659	15,107
Other assets		−3,253	−5,431
Employee benefit liabilities		43,205	37,361
Loans		10,552	9,720
Other liabilities		−4,735	−3,111
Net deferred tax balance recognized as at 31 Dec		**58,274**	**60,049**

The partial outsourcing of the German pension scheme done in 2019 results in tax losses that have to be shown off-balance sheet and cause a shift of deferred taxes from pension obligations to capitalized tax losses.

21. Retirement benefit obligations (all amounts in EUR thousands)

	Notes	2020	2019
The defined benefit obligations are composed of as follows:			
Group companies in Germany		129,380	112,370
Group companies in Switzerland		49,472	41,513
Liability in the balance sheet		**178,852**	**153,883**
Defined benefit obligation – Group companies in Germany			
The defined benefit obligation of the Group companies in Germany refer particularly the pension scheme of 1993 and individual obligations to directors and senior staff. The pension scheme provides benefits to employees of the Group in the form of a guaranteed level of pension payable for life, depending on the final salary.			
Effective 1 August 2019, the transferable parts of the pension scheme of 1993 were transferred to Allianz Pensionsfonds AG, Stuttgart, and deducted from the defined benefit obligation in the balance sheet. Due to the obligation to make additional contributions, as set out in the agreement with Allianz, full derecognition of the corresponding pension liabilities is not permitted according to IAS 19.			
The obligations are as follows:			
Present value of obligations		359,437	343,900
Fair value of plan assets		−230,057	−231,530
Liability in the balance sheet		**129,380**	**112,370**

21. Retirement benefit obligations (all amounts in EUR thousands)

	Notes	2020	2019
Movement in the defined benefit obligation			
Value as at 1 Jan		**343,900**	**283,307**
Current service cost		6,630	5,585
Interest cost		3,065	5,329
Total defined benefit plan costs. included in personnel expenses	7	**9,695**	**10,914**
Remeasurement resulting from actuarial gains (–) / losses (+) recognized in year from			
Change in financial assumptions		15,214	57,400
Total Remeasurement. included in other comprehensive income		**15,214**	**57,400**
Benefits paid		–9,372	–7,721
Value as at 31 Dec		**359,437**	**343,900**
Movement in the fair value of the plan assets			
Value as at 1 Jan		**231,530**	**703**
Interest income		2,070	13
Total defined benefit plan costs. included in personnel expenses	7	**2,070**	**13**
Remeasurement: return on plan assets		5,065	6,512
Total remeasurement. included in other comprehensive income		**5,065**	**6,512**
Employer contributions from the transfer of the pension obligation		0	226,778
Benefits paid		–8,608	–2,476
Value as at 31 Dec		**230,057**	**231,530**

Plan assets contain investements with quoted marked prices (thereof 53.5% securities and 31% shares). 14.6% real estate and 0.9% investments without quoted market price (cash and pledged liability insurances).

The significant actuarial assumptions (weighted averages) were as follows:		2020	2019
Discount rate		0.50%	0.90%
Future salary increase		2.00%	2.00%
Future pension increase		1.60%	1.75%

Sensitivity analysis: Changes in the weighted principal assumptions have the following impact on the defined benefit obligation:		2020	
		Impact on defined benefit obligation	
		Increase in assumption	Decrease in assumption
Discount rate: change in assumption by 0.1%		–2.0%	+2.0%
Future salary increase: change in assumption by 0.1%		+0.4%	–0.4%
Future pension increase: change in assumption by 0.1%		+1.6%	–1.5%
Life expectancy: change in assumption by + 1 year		+3.9%	

The weighted average duration of the defined benefit obligation is 19.8 years.

21. Retirement benefit obligations (all amounts in EUR thousands)

	Notes	2020	2019
Defined benefit obligation - Group companies in Switzerland			
Retirement benefit obligations in Switzerland compound of plans regulated by the Federal Law on Occupational Old-Age, Survivors' and Disability Insurance ("BVG"). The pension plans of the Group are managed by a reputable insurance company and are financed by regular employee and employer contributions. The final pension benefits are dependent on contributions and involve specified minimum guarantees.			
The obligations are as follows:			
Present value of obligations		502,272	466,909
Fair value of plan assets		−452,800	−425,396
Liability in the balance sheet		**49,472**	**41,513**
Movement in the defined benefit obligation			
Value as at 1 Jan		**466,908**	**393,193**
Current service cost		23,334	18,647
Past service cost		0	−6,288
Interest cost		1,420	3,986
Total defined benefit plan costs, included in personnel expenses	7	**24,754**	**16,345**
Remeasurement resulting from actuarial gains (−) / losses (+) recognized in year from			
Change in financial assumptions		14,410	38,089
Total Remeasurement, included in other comprehensive income		**14,410**	**38,089**
Contributions by plan participants		26,448	26,687
Benefits paid		−31,624	−23,327
Exchange differences / Transfers		1,376	15,921
Value as at 31 Dec		**502,272**	**466,908**
Movement in the fair value of the plan assets			
Value as at 1 Jan		**425,396**	**368,433**
Interest income		1,294	3,735
Total defined benefit plan costs, included in personnel expenses	7	**1,294**	**3,735**
Remeasurement: return on plan assets		9,672	14,935
Total remeasurement, included in other comprehensive income		**9,672**	**14,935**
Employee contributions		26,448	26,687
Employer contributions		20,312	20,287
Benefits paid		−31,624	−23,327
Exchange differences / Transfers		1,302	14,646
Value as at 31 Dec		**452,800**	**425,396**

21. Retirement benefit obligations (all amounts in EUR thousands)

	Notes	2020	2019
Assets of the old-age and surviving dependants' pensions correspond to the present value of the related obligations as follows:		68,813	59,485
The difference to assets from insurance contracts is:		8,245	7,743
Plan assets contain 11.7% securities with quoted marked prices and 88.3% investments without quoted market price (insurance contracts, loans and real estate).			
The significant actuarial assumptions (weighted averages) were as follows:			
Discount rate		0.15%	0.30%
Future salary increase		1.00%	1.00%
Future pension increase		0.00%	0.00%

Sensitivity analysis:
Changes in the weighted principal assumptions have the following impact on the defined benefit obligation:

	2020	
	Impact on defined benefit obligation	
	Increase in assumption	Decrease in assumption
Discount rate: change in assumption by 0.1%	−1.7%	+1.9%
Future salary increase: change in assumption by 0.1%	+0.1%	−0.1%
Life expectancy: change in assumption by 1 year	+2.3%	−2.4%

The weighted average duration of the defined benefit obligation is 17,8 years.

22. Provisions (all amounts in EUR thousands)

	Other employee benefit liabilities	Warranty provisions	Provisions for legal claims	Other provisions	**2020 total**	**2019 total**
Long-term provisions Value as at 1 Jan	**37,218**	**808**	**375**	**1,358**	**39,759**	**34,975**
Additions (via income statement)	7,962	1,007	111	445	9,525	8,606
Amounts used	−3,336	0	−17	−88	−3,441	−3,082
Amounts released (via income statement)	−1,059	−637	−8	−65	−1,769	−1,605
Transfers	197	393	0	0	590	396
Exchange differences	−624	−57	0	−64	−745	469
Value as at 31 Dec	**40,358**	**1,514**	**461**	**1,586**	**43,919**	**39,759**
Short-term provisions Value as at 1 Jan	**86,923**	**18,855**	**516**	**6,787**	**113,081**	**125,480**
Additions (via income statement)	36,472	3,918	290	8,523	49,203	61,519
Amounts used	−56,477	−1,039	−332	−4,503	−62,351	−69,700
Amounts released (via income statement)	−2,334	−4,686	−8	−506	−7,534	−5,533
Transfers	−197	−1,055	0	662	−590	−396
Exchange differences	−1,965	−394	0	−232	−2,591	1,711
Value as at 31 Dec	**62,422**	**15,599**	**466**	**10,731**	**89,218**	**113,081**
Total provisions Value as at 31 Dec	**102,780**	**17,113**	**927**	**12,317**	**133,137**	**152,840**

Other employee benefit liabilities Other long-term employee benefit liabilities include liabilities from contribution plans and provisions for jubilee/anniversary benefits. Short-term employee benefit liabilities mainly refer to holiday, vacation and flexible work time balances of employees, liabilities from management bonuses and severance payments.

Warranty provisions The Group offers warranties on certain products and repairs or replaces those products which do not work to satisfaction. The provision set up at the end of the year to cover future warranty costs is based on historic experience with respect to the volume of repairs and returns.

Provisions for legal claims The amounts shown include provisions for some legal proceedings instituted against the Group. It is the Supervisory Board's and Executive Board's opinion, which is backed up by the appropriate legal advice, that these proceedings will not result in any significant loss beyond the amounts set aside at year end.

Other provisions Other provisions correspond to various commitments to third parties, as entered into by the companies of the Group. These relate to commitments where the expiry date and amount are not definitively specified.

23. Trade accounts and notes payable (all amounts in EUR thousands)

	Notes	**2020**	**2019**
Trade accounts payable – third		95,607	108,417
Short-term notes payable – third		590	674
		96,197	**109,091**

24. Other liabilities (all amounts in EUR thousands)

	Notes	2020	2019
Other long-term liabilities – third		293	2,811
Total other long-term liabilities		**293**	**2,811**
Other tax liabilities		32,812	29,063
Accounts payable to social benefits institutions		11,565	12,302
Accounts payable to employees		19,639	21,402
Other accounts payable – third		11,625	8,865
Derivative financial instruments – liabilities	26	3,496	348
Advance payments received	25	59,763	56,440
Accrued revenues from customer contracts (IFRS 15)	25	4,070	1,487
Accruals and deferrals		27,050	28,224
Total other short-term liabilities		**170,020**	**158,131**
Total other liabilities		**170,313**	**160,942**

25. Balances from customer contracts (all amounts in EUR thousands)

Trade accounts receivable are outlined in note 15. Contract liabilities are composed of accrued revenue from customer contracts and advance payments received, see note 24.

	2020		2019	
The development of contract assets and contract liabilities is as follows:	Contract assets	Contract liabilities	Contract assets	Contract liabilities
Value as at 1 Jan	**7,325**	**57,928**	**6,905**	**47,464**
Excess of performance over payments received	2,685		353	
Cumulative catch-up adjustments	659	1,196	1,397	
Impairment of contract assets	–73		–241	
Transfer to trade accounts receivable	–845		–1,256	
Excess of payments received over performance		45,491		17,399
Revenue recognized from contract liabilities		–37,867		–7,692
Exchange differences	–139	–2,915	167	757
Value as at 31 Dec	**9,612**	**63,833**	**7,325**	**57,928**

26. Derivative financial instruments (all amounts in EUR thousands)

Derivative financial instruments held at year end are used primarily to hedge currency and interest rate risks for the Group. Contracts are concluded only with first-class institutions.

	Notes	2020	2019
Trading derivatives are classified as a current asset or liability:			
Derivative financial instruments – assets	13	3,879	13,016
Derivative financial instruments – liabilities	24	–3,496	–348
		383	**12,668**
The assignment to fair value hierarchy levels of trading derivatives is as follows:	3.5		
Level 2		383	12,668
		383	**12,668**
Gain (or loss) recognized			
Foreign currency derivatives	10	5,895	10,597
Interest rate derivatives	10	–4,711	–3,270
		1,184	**7,327**
The notional principal amounts and fair values of the foreign currency and interest rate derivatives are composed as follows:		**31 Dec 2020**	**31 Dec 2019**
Notional principal amounts			
Foreign currency derivatives		660,903	802,590
Interest rate derivatives		19,387	101,276
Total notional principal amounts		**680,290**	**903,866**
Fair values			
Foreign currency derivatives		–1,534	9,069
Interest rate derivatives		1,917	3,599
Total fair values		**383**	**12,668**

27. Commitments and contingent liabilities (all amounts in EUR thousands)

	Notes	2020	2019
Capital expenditure contracted for at the balance sheet date but not recognized in the financial statements is as follows:			
Capital commitments			
Open obligations for the acquisition of tangible fixed assets and intangible assets		39,318	41,437
In the ordinary course of business the contingent liabilities of the Group arise from:			
Guarantees to third parties		12,100	12,100

28. Acquisitions of subsidiaries (all amounts in EUR thousands)

No companies have been purchased during 2019 and 2020.

29. Related party transactions (all amounts in EUR thousands)

Details to associates including proportion of ownership and consolidation method are given in the scope of consolidation (see note 33).

As in the previous year, no major business transactions were effected with associates and further closely associated individuals.

	Notes	2020	2019
Key management compensation			
Salaries and other short-term employee benefits		6,632	6,066

30. Exchange rates

The main exchange rates used are:	Average rate		Closing rate	
To EUR	**2020**	**2019**	**31 Dec 2020**	**31 Dec 2019**
1 CHF	0.93393	0.90053	0.92468	0.92130
1 CNY	0.12669	0.12956	0.12539	0.12790
1 GBP	1.12662	1.14347	1.11857	1.18115
1 JPY	0.00820	0.00820	0.00793	0.00820
1 USD	0.87225	0.89418	0.81853	0.89055
To CHF				
1 CNY	0.13565	0.14387	0.13560	0.13882
1 EUR	1.07074	1.11046	1.08146	1.08542
1 GBP	1.20632	1.26978	1.20969	1.28205
1 JPY	0.00878	0.00911	0.00858	0.00890
1 USD	0.93395	0.99295	0.88521	0.96662

31. Impact of the coronavirus pandemic on Endress+Hauser's economic situation

Measurement and automation technology in general has been less severely affected by the effects of the coronavirus pandemic than other industries.
However, the impact on individual market regions, customer industries or fields of activity varied greatly. Overall, the Endress+Hauser Group recorded a single-digit percentage decline in consolidated sales. This essentially reflects exchange rate effects.
The company countered the special situation caused by the pandemic with a high degree of flexibility and agility throughout 2020. Material availability was ensured at all plants and the ability to deliver was maintained worldwide.
Reduction of working hours was deemed unnecessary, apart from in individual cases. The goal of avoiding lay-offs during the crisis was also achieved.
Thanks to strict cost discipline and substantial savings, operating profit was only slightly below the previous year.
In 2020, the coronavirus pandemic had no fundamental impact on the net assets, financial position or results of operations of the Endress+Hauser Group. There were no significant bad debts or value adjustments and there was sufficient liquidity available at all times. The equity ratio remains above 75%, and financial strength was reinforced at a high level. Ongoing major investment projects were continued as planned.

32. Post balance sheet events

The management is not aware of any significant post-closing events that would justify an adjustment to the financial statements at the time of finalizing this report.

33. Endress+Hauser Group – Scope of consolidation as at 31 Dec 2020

	Company name, registered office	Field of activity	Share	Consolidation
Europe				
Switzerland	Endress+Hauser AG, Reinach	Holding	100%	Full
	Endress+Hauser Beteiligungs AG, Reinach	Support	100%	Full
	Endress+Hauser Flowtec AG, Reinach	Production	100%	Full
	Endress+Hauser Group Services AG, Reinach	Support	100%	Full
	Endress+Hauser International AG, Reinach	Sales	100%	Full
	Endress+Hauser Management AG, Reinach	Support	100%	Full
	Endress+Hauser Process Solutions AG, Reinach	Engineering/development	100%	Full
	Endress+Hauser (Schweiz) AG, Reinach	Sales	100%	Full
	Innovative Sensor Technology IST AG, Ebnat-Kappel	Production	100%	Full
	IST Manufacturing AG, Ebnat-Kappel	Production	100%	Full
	TrueDyne Sensors AG, Reinach	Production	100%	Full
Austria	Endress+Hauser GmbH, Wien	Sales	100%	Full
Belgium	Endress+Hauser S.A.-N.V., Bruxelles	Sales	100%	Full
Bulgaria	Endress+Hauser (Bulgaria) LLC, Sofia	Sales	100%	Full
Croatia	Endress+Hauser d.o.o., Zagreb	Sales	100%	Full
Czech Republic	Endress+Hauser Czech s.r.o., Praha	Sales	100%	Full
	Innovative Sensor Technology s.r.o., Roznov	Production	100%	Full
Denmark	Endress+Hauser A / S, Søborg	Sales	100%	Full
Finland	Endress+Hauser Oy, Helsinki	Sales	100%	Full
France	Analytik Jena France SARL, Saint-Aubin	Sales	100%	Full
	Endress+Hauser Process Analysis Support Europe SARL, Saint-Priest	Sales	100%	Full
	Endress+Hauser S.A.S., Huningue	Sales	100%	Full
	Société Générale de Métrologie S.A.S., Vitrolles	Sales	100%	Full
Germany	AJ Innuscreen GmbH, Berlin	Production	100%	Full
	Analytik Jena GmbH, Jena	Production	100%	Full
	Biometra GmbH, Göttingen	Production	100%	Full
	CodeWrights GmbH, Karlsruhe	Development	66.7%	Full
	Endress+Hauser Administration SE, Maulburg	Administration	100%	Full
	Endress+Hauser Conducta GmbH+Co. KG, Gerlingen	Production	100%	Full
	Endress+Hauser Conducta Verwaltungs-GmbH, Gerlingen	Administration	100%	Full
	Endress+Hauser (Deutschland) GmbH+Co. KG, Weil	Sales	100%	Full
	Endress+Hauser Group Services (Deutschland) AG+Co. KG, Weil	Support	100%	Full
	Endress+Hauser InfoServe GmbH+Co. KG, Weil	Support	100%	Full
	Endress+Hauser InfoServe Verwaltungs-GmbH, Weil	Administration	100%	Full
	Endress+Hauser Logistik GmbH+Co. KG, Weil	Support	100%	Full
	Endress+Hauser Messtechnik Verwaltungs-GmbH, Weil	Administration	100%	Full
	Endress+Hauser Process Solutions (Deutschland) GmbH, Freiburg	Engineering/Development	100%	Full
	Endress+Hauser SE+Co. KG, Maulburg	Production	100%	Full
	Endress+Hauser Systemplan GmbH, Durmersheim	Support	100%	Full
	Endress+Hauser Wetzer GmbH+Co. KG, Nesselwang	Production	100%	Full

33. Endress+Hauser Group – Scope of consolidation as at 31 Dec 2020

	Company name, registered office	Field of activity	Share	Consolidation
Europe				
Germany	Endress+Hauser Wetzer Verwaltungs-GmbH, Nesselwang	Administration	100%	Full
	ETG Developments- und Technologie Gesellschaft-mbH Ilmenau	Production	80%	Full
	IMKO Micromodultechnik GmbH, Ettlingen	Production	100%	Full
	Jobst Technologies GmbH, Freiburg	Development	100%	Full
	Process+Lab Devices Online GmbH, Berlin	Sales	100%	Full
	SensAction AG, Coburg	Production	100%	Full
Greece	Endress+Hauser (Hellas) S.A., Marousi, Athens	Sales	100%	Full
Hungary	Endress+Hauser (Magyarország) Kft., Budapest	Sales	100%	Full
Ireland	CompuCal Calibration Solutions Ltd., Little Island (Cork)	Engineering/Development	44.9%	At Equity
	Endress+Hauser (Ireland) Ltd., Kill, Dublin	Sales	100%	Full
Italy	Endress+Hauser Italia S.p.a., Cernusco s/Naviglio	Sales	100%	Full
	Endress+Hauser Sicestherm S.r.L., Pessano	Production	100%	Full
Lithuania	Endress+Hauser (Baltic) UAB, Kaunas	Sales	100%	Full
Netherlands	Endress+Hauser (Netherlands) Holding BV, Naarden	Holding	100%	Full
	Endress+Hauser BV, Naarden	Sales	100%	Full
Norway	Endress+Hauser AS, Lierskogen	Sales	100%	Full
Poland	Endress+Hauser Polska Sp.z.o.o., Wroclaw	Sales	100%	Full
Portugal	Endress+Hauser Portugal S.A., Palmela	Sales	100%	Full
Romania	Analytik Jena Romania srl., Bucharest	Sales	70%	Full
	Endress+Hauser Romania SRL, Bucharest	Sales	100%	Full
Russia	LLC Endress+Hauser, Moscow	Sales	100%	Full
	Endress+Hauser Flowtec LLC, Moscow	Production	100%	Full
Slovenia	Endress+Hauser d.o.o. Slovenija, Ljubljana	Sales	100%	Full
Spain	Endress+Hauser S.A., Sant Cugat del Vallès	Sales	100%	Full
Sweden	Endress+Hauser AB, Solna	Sales	100%	Full
Turkey	Endress Hauser Elektronik Sanayi ve Ticaret A.Ş., Istanbul	Sales	100%	Full
United Kingdom	Analytik Jena UK Ltd., Maidstone	Sales	100%	Full
	Endress+Hauser Ltd., Manchester	Sales	100%	Full
	MHT Technology Ltd., Richmond	Production	100%	Full
	Ultra-Violet Products Ltd., Swavesey	Sales	100%	Full
Americas				
Argentina	Endress+Hauser Argentina S.A., Buenos Aires	Sales	100%	Full
Brazil	Endress+Hauser (Brasil) Instrumentação e Automação Ltda., Itatiba	Production	100%	Full
	Endress+Hauser Controle e Automação Ltda., São Paulo	Sales	100%	Full
	Endress+Hauser Flowtec (Brasil) Fluxômetros Ltda., Itatiba	Production	100%	Full
Canada	Endress+Hauser (Canada) Ltd., Burlington	Sales	100%	Full
Chile	Endress+Hauser (Chile) Ltda., Santiago de Chile	Sales	100%	Full
Colombia	Endress+Hauser (Colombia) S A S, Bogotá	Sales	100%	Full
Mexico	Endress+Hauser (México) S.A. de C.V., Tlanepantla de Baz	Sales	100%	Full

33. Endress+Hauser Group – Scope of consolidation as at 31 Dec 2020

	Company name, registered office	Field of activity	Share	Conso-lidation
Americas				
Panama	Endress+Hauser Panama, Inc., Panama City	Sales	100%	Full
United States	Analytik Jena US LLC, Upland (California)	Production	100%	Full
	Endress+Hauser Conducta Inc., Anaheim (California)	Production	100%	Full
	Endress+Hauser DISC Inc., Greenwood (Indiana)	Sales	100%	Full
	Endress+Hauser Inc., Greenwood (Indiana)	Sales	100%	Full
	Endress+Hauser InfoServe Inc., Greenwood (Indiana)	Support	100%	Full
	Endress+Hauser (USA) Automation Instrumentation Inc., Greenwood (Indiana)	Production	100%	Full
	Endress+Hauser (USA) Holding Inc., Greenwood (Indiana)	Support	100%	Full
	Endress+Hauser Wetzer (USA), Inc., Greenwood (Indiana)	Production	100%	Full
	Innovative Sensor Technology USA Division, Las Vegas (Nevada)	Sales	100%	Full
	Kaiser Optical Systems Inc., Ann Arbor (Michigan)	Production	100%	Full
	SpectraSensors Inc., Houston (Texas)	Production	100%	Full
Asia-Pacific				
Australia	Endress & Hauser Australia Pty Ltd., North Ryde NSW	Sales	100%	Full
China	Analytik Jena (Beijing) Instruments Co. Ltd., Beijing	Sales	100%	Full
	Analytik Jena Shanghai Instruments Ltd. Co., Shanghai	Sales	100%	Full
	Endress+Hauser Analytical Instruments (Suzhou) Co. Ltd., Suzhou	Production	100%	Full
	Endress+Hauser (China) Automation Co. Ltd., Shanghai	Sales	100%	Full
	Endress+Hauser Flowtec (China) Co. Ltd., Suzhou	Production	100%	Full
	Endress+Hauser InfoServe (Shanghai) Co. Ltd., Shanghai	Support	100%	Full
	Endress+Hauser Shanghai International Trading Co. Ltd., Shanghai	Sales	100%	Full
	Endress+Hauser (Suzhou) Automation Instrumentation Co. Ltd., Suzhou	Production	100%	Full
	Endress+Hauser Wetzer (Suzhou) Co. Ltd., Suzhou	Production	100%	Full
Hong Kong	Analytik Jena (Hong Kong) Ltd., Hong Kong	Sales	90%	Full
	Endress+Hauser (HK) Ltd., Hong Kong	Sales	100%	Full
India	AJ Instruments India Pvt. Ltd., Delhi	Sales	99.7%	Full
	Endress+Hauser Flowtec (India) Pvt. Ltd., Aurangabad	Production	100%	Full
	Endress+Hauser (India) Automation Instrumentation Pvt. Ltd., Aurangabad	Production	100%	Full
	Endress+Hauser (India) Pvt. Ltd., Mumbai	Sales	100%	Full
	Endress+Hauser InfoServe (India) Pvt. Ltd., Aurangabad	Support	100%	Full
	Endress+Hauser Wetzer (India) Pvt. Ltd., Aurangabad	Production	100%	Full
Indonesia	PT. Endress+Hauser Indonesia, Jakarta	Sales	100%	Full
Japan	Analytik Jena Japan Co., Ltd., Yokohama	Sales	100%	Full
	Endress+Hauser Japan Co. Ltd., Tokyo	Sales	100%	Full
	Endress+Hauser Yamanashi Co. Ltd., Yamanashi	Production	100%	Full
Malaysia	Endress+Hauser (M) Sdn. Bhd., Shah Alam Selangor	Sales	100%	Full
	Endress+Hauser (Tenaga) Sdn. Bhd., Shah Alam Selangor	Sales	30%	Full
Philippines	Endress+Hauser (Philippines), Inc., Manila	Sales	100%	Full

33. Endress+Hauser Group – Scope of consolidation as at 31 Dec 2020

	Company name, registered office	Field of activity	Share	Consolidation
Asia-Pacific				
Singapore	Endress+Hauser (S.E.A.) Pte. Ltd., Singapore	Sales	100%	Full
South Korea	Analytik Jena Korea Ltd., Seoul	Sales	100%	Full
	Endress+Hauser (Korea) Ltd., Seoul	Sales	100%	Full
Thailand	Analytik Jena Far East (Thailand) Ltd., Nonthaburi	Sales	49%	Full
	Endress+Hauser (Thailand) Ltd., Nonthaburi	Sales	100%	Full
Vietnam	Endress+Hauser (Vietnam) Co. Ltd., Ho Chi Minh City	Sales	100%	Full
Africa / Middle East				
Algeria	Endress+Hauser Algérie SARL, Algier	Sales	49%	Full
Qatar	Endress+Hauser (Qatar) L.L.C., Doha	Sales	49%	Full
Saudi Arabia	Endress and Hauser (Arabia) LLC, Al-Khobar	Sales	75%	Full
South Africa	Endress+Hauser Investments (Pty.) Ltd., Sandton	Support	100%	Full
	Endress+Hauser (Pty.) Ltd., Sandton	Sales	66.7%	Full
United Arab Emirates	Endress & Hauser Process Automation (UAE) Trading LLC, Dubai	Sales	49%	Full

The scope of consolidation includes 127 companies in total in 51 countries, 11 of them registered in Switzerland and 116 abroad.

Changes in scope of consolidation The following mergers took place in Switzerland, each with economic effect from 1 January 2020: Endress+Hauser Management AG was merged into Endress+Hauser (International) Holding AG, while retaining the name Endress+Hauser Management AG. Endress+Hauser Services AG, Endress+Hauser Sternenhof AG and Mestra AG were merged into Endress+Hauser Group Services AG. In Bulgaria Endress+Hauser (Bulgaria) LLC was established in February 2020. In Germany, AJ Roboscreen GmbH was sold in May 2020 with economic effect from 1 January 2020; Analytik Jena has changed the legal form as per 11 December 2020; the dormant Endress+Hauser Verwaltungs GmbH was deconsolidated end of 2020; the remaining shares in Jobst Technologies GmbH were acquired in an earn-out. In the UK, Endress+Hauser Investments Ltd. was voluntarily liquidated in August 2020. In Russia, Endress+Hauser Flowtec LLC was established in early 2020. Endress+Hauser Panama, Inc. was established in Panama in 2020. Endress+Hauser (Philippines), Inc. was established in the Philippines in February 2020. In Saudi Arabia, the shares were increased by 24%. Endress+Hauser Pyrotemp Services (Pty.) Ltd. in South Africa was sold effective 30 June 2020.

According to the Endress+Hauser group standard "New entity naming" the following companies were renamend in 2020: In Switzerland Endress+Hauser Consult AG in Endress+Hauser Group Services AG and Endress+Hauser Instruments International AG in Endress+Hauser International AG. In Germany Endress+Hauser (Deutschland) AG+Co. KG in Endress+Hauser Group Services (Deutschland) AG+Co. KG and Endress+Hauser Messtechnik GmbH+Co. KG in Endress+Hauser (Deutschland) GmbH+Co. KG. In France Kaiser Optical Systems SARL in Endress+Hauser Process Analysis Support Europe SARL.

Report of the statutory auditor

to the General Meeting of Endress+Hauser AG

Reinach

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Endress+Hauser AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2020 and the consolidated income statement, consolidated comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 26 to 62) give a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the “Auditor’s responsibilities for the audit of the consolidated financial statements” section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical 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 opinion.

Other information in the annual report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements and our auditor’s report thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern

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basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: http://expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Gerd Tritschler
Audit expert
Auditor in charge

Korbinian Petzi
Audit expert

Basel, 12 April 2021

Diversity: Endress+Hauser strives to increase the share of women in the workforce and to recruit more women for management positions.

Endress+Hauser Group Sustainability Report

As a family company, we want to combine long-term economic success with ecological and social progress. This strategic orientation has proven resilient in the crisis year 2020. The Covid-19 pandemic demonstrates how intertwined different systems actually are and how important responsible action is. In this report we provide an overview of how we create sustainable benefits through our work and our products.

Responsibility at Endress+Hauser

SUSTAINABILITY CONCEPT

We view sustainability as a holistic concept encompassing an economic, social and ecological dimension. All three dimensions are closely linked and dependent on each other. Only when we are able to fulfill our social and ecological responsibilities can we achieve long-term economic success. On the other hand, only economically successful companies are capable of making a long-term contribution to society and the environment.

As a family company, we take special care to think beyond the moment at hand. We think in generations, not in quarters. We pursue long-term goals and want to permanently change things for the better. Thus, the sense of sustainability is deeply rooted in our company culture.

The Spirit of Endress+Hauser, which translates our corporate culture into words, explicitly identifies comprehensive responsibility as one of our central values. We strive to develop trustful and loyal relationships with customers, employees and shareholders and maintain an open and constructive dialogue with these stakeholders. For us, acting responsibly as a corporation also means being environmentally aware and conserving natural resources.

SUSTAINABILITY REPORTING

We have been publishing a sustainability report since 2014 to document our performance and to describe corresponding measures and concepts. Prior to this, we used a materiality analysis to identify those issues that are important to us and our stakeholder groups and to determine which issues we are in a position to influence. The materiality matrix we developed based on that helped us define suitable key indicators for sustainability. The relevant metrics are recorded worldwide.

The report covers the 2020 fiscal year. The data corresponds to the year-end figures. In cases where Group-wide figures are not yet available, the data includes all production centers as well as the vast majority of our sales centers around the world.

STRATEGIC SUSTAINABILITY INDICATOR

Since 2015, we have been taking part in the EcoVadis sustainability audit. This independent audit, which we undergo every year, is an important indicator of our progress in the field of sustainable business management. Apart from the industry comparisons, EcoVadis also provides improvement recommendations. About 75,000 companies around the world have already been certified by EcoVadis.

With 72 out of a possible 100 points, we once again achieved gold status in the EcoVadis benchmark in early 2020, improving our score by another 4 points compared to the previous year. We thus belong to the top 2 percent of all certified companies in our comparison group. We have already initiated a follow-up audit in February 2021 but did not receive the results by the editorial deadline of this sustainability report at the beginning of April.

Sustainability strategy and sustainable management

CORPORATE STRATEGY

According to our corporate mission we globally support our customers to improve their products and manufacture them more efficiently. Our goal is to further expand our position as a leading provider of products, solutions and services for process and laboratory automation. How we intend to achieve this goal is outlined in our Strategy 2020+.

We established a set of ambitious goals under the framework of this strategy, the core of which is formed by seven strategic focal points: promote the further development of our employees, strengthen our international network, deepen the industry focus, align our portfolio more precisely, improve our order and delivery chain, handle risks in a responsible manner and expand our digital expertise.

This strategy proved stable in terms of resilience in the crisis year 2020. We succeeded both in protecting people's health and supporting our customers around the world in the best possible way. We only experienced short production interruptions in China, India, Italy and South Africa due to official orders. We ensured material availability at all plants as well as our ability to deliver worldwide. Besides, we were able to avoid reduced working hours almost completely and did not lay off any employees as a consequence of the crisis.

Last but not least, improvements concerning the digitalization of our business – in our products, in collaboration with our customers and in our internal processes – helped through the crisis. We were able to provide support to our customers remotely, work closely with them and help maintain their productivity. This proved of utmost importance especially in systemically relevant businesses.

In laboratory analysis, Analytik Jena made an active contribution toward fighting the pandemic with its expertise in PCR technology. Our subsidiary supplied necessary equipment and materials to numerous organizations, e.g. to the emergency hospital in Wuhan, China.

The experience obtained from the coronavirus pandemic will be incorporated into our future strategy 2027+. We started drawing up the strategy in the past year and have scheduled the Group-wide rollout of the enhanced strategic framework for fall 2021.

SHAREHOLDER STRUCTURE

As the shareholder family states in its Family Charter, Endress+Hauser should remain a successful family company. The goal of the Family Charter, created in 2006 and revised twice, is to strengthen solidarity within the family over the long term and consistently isolate the company from family issues

Various institutions foster the family members' relationships with the company and introduce the younger generation in particular to the company. The success of these efforts is reflected in the Family Council, which makes important decisions regarding the relationship between the family and the company. Since 2019 the younger generation has made up five of the eight representatives on the council.

Furthermore, Sandra Genge, a granddaughter of company founder Georg H Endress, will join the Supervisory Board of Endress+Hauser AG in 2022, becoming the first representative of the younger generation to sit on this board. Two representatives of the family are currently active on the Supervisory Board: Klaus Endress, who serves as President, and Hans-Peter Endress, who will retire in 2022. The members of the family also exert influence on the company as shareholders during the Endress+Hauser AG Annual General Meeting.

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1
Mobility: Bicycle leasing services promote ditching the car.

2
Resources: Briquetting metal chips facilitates the recycling of metalwork scrap.

3
Energy: A 'wind tree' generates green energy at the German Gerlingen site.

MANAGEMENT AND CORPORATE GOVERNANCE

The Endress+Hauser Group comprises a network of legally independent companies managed and coordinated by Endress+Hauser AG. Management is in the hands of the Executive Board of Endress+Hauser AG, chaired by the CEO. Business and organizational regulations define the responsibilities and roles of the Executive Board and the independent Supervisory Board.

The Supervisory Board as a supervisory and advisory body is granted an important role in corporate governance. Its task is to oversee the work of the Executive Board by providing constructive feedback. Fundamental and far-reaching decisions are taken with the approval of the Supervisory Board.

We apply the 'four eye' principle across the entire Endress+Hauser Group. That means two or more employees participate in each business process or that the results of a process are examined by a second employee. This rule also applies to the members of the Executive Board and Supervisory Board, respectively.

CORPORATE CULTURE

The Endress+Hauser Group corporate culture is still heavily influenced by the shareholder family and their representatives in the company. The Spirit of Endress+Hauser explains in written form what distinguishes this culture and establishes important values and principles.

Without specifically referencing the principle of sustainability, the Spirit of Endress+Hauser relies on numerous aspects of sustainable corporate management. Key elements of the corporate culture include comprehensive responsibility for the company, a commitment to ethical behavior and a management principle that de-emphasizes profit maximization. The Spirit of Endress+ Hauser furthermore contains statements regarding customer relationships, the employees, a culture of quality and communications. Last but not least, a strong sense of solidarity is evident in the corporate culture we live by. This team spirit also became visible in the 2020 pandemic year.

Our sales centers in Japan and Thailand, for example, supplied hygiene masks, disinfectants and protective equipment to China during the early stages of the pandemic. In return, Endress+Hauser China later distributed 300,000 protective masks to affiliated companies in countries that suffered severely from Covid-19. Endress+Hauser Liquid Analysis manufactured disinfectants in its Waldheim, Germany facility to supply locations in Germany and Switzerland.

ETHICAL BEHAVIOR

The Endress+Hauser Code of Conduct provides a binding, Group-wide guideline for dealing with customers, coworkers, partners and suppliers. It encompasses guidance on products and services, personal integrity, corporate integrity, personnel policies, company assets and corporate responsibility.

All employees must be familiar with the guidelines of the Code of Conduct in accordance with their duties and responsibilities. The main content is conveyed via an interactive training module.

We expect our suppliers to adhere to the same level of sound ethical behavior and to observe ethical and social principles. This includes the obligation to comply with the German Electrical and Electronic Manufacturers' Association (ZVEI) Code of Conduct. We verify the compliance by means of regular on-site audits.

Economic sustainability

BUSINESS APPROACH

We concentrate only on businesses we understand and which are a good fit for us. This is the foundation of our sustainability-aligned business approach. Our portfolio is based on our core expertise in process and laboratory automation.

To us, profit is not the goal but the result of good management. The vast majority of our earnings remain in the company to develop better products, open up new markets, construct more efficient operating facilities, erect modern buildings, promote our employees, train young people and support the Group's CSR activities. Doing this, we reinforce the company's future sustainability and resilience in times of crisis.

With an equity ratio of 77.0 percent, a cash flow from operating activities of 439.4 million euros plus cash, cash equivalents and financial assets totaling 945.0 million euros (2020 fiscal year figures), we are well positioned to make the investments needed to ensure a solid and successful future, without relying on external sources, and to grow our Group from within. This ensures the independence and autonomy of our company.

We serve customers in various industries and have sales and production centers around the world. Even our largest key accounts represent less than 1.5 percent of our net sales, which minimizes the impact of individual customers, economic cycles, regional or sectoral business developments, currency fluctuations, political crises or natural disasters. So far, this is evident even during the coronavirus crisis.

Our understanding of responsible corporate management includes fair wages and working conditions, adherence to social standards and the efficient and smart use of energy and resources. Measures aimed at improving sustainability include issues such as occupational safety, employee retention and recruiting as well as environmental protection.

OFFERING

Our customers are increasingly interested in how they can use our offerings to achieve their own sustainability objectives. Our products, solutions and services help to make processes more efficient, safe and resource-conserving. That means our global business activities help to increase product quality and production safety, save resources and energy, and protect the environment and the climate.

Within the context of operating industrial plants, our devices require negligible amounts of energy. More serious effects would be malfunctions leading to a production disturbance or an interruption of operations. In addition to comprehensive quality management from development through production to operation of our instruments, predictive maintenance concepts are playing an increasing role in further reducing the risk of unexpected failures. Modern field devices from Endress+Hauser equipped with Heartbeat Technology perform self-diagnostics in the background and create clear status reports with explicit instructions for action. This enables cost-effective maintenance and safe plant operation with extended inspection cycles.

In addition, digital interconnection of measurement technology makes actual conditions transparent and thus permits the optimization of processes and information flows. When it comes to developing new products, an eco-design guideline ensures they are designed as sustainably as possible. This includes special requirements for materials, a design geared to longevity and simple disposal at the end of the life cycle.

INNOVATION

In 2020, we invested 195.1 million euros in research and development. As in the previous year, this corresponds to 7.6 percent of our net sales. 276 patent applications around the world filed for the first time are a testament to the innovative spirit of the Group. In 2021, we want to launch a record number of 74 new products. The intellectual property portfolio further increased in 2020, now boasting more than 8,900 active patents and patent applications.

More than 1,100 employees in research and development ensure that the innovation engine continues to run at full speed. Endress+Hauser also acquires cutting-edge technologies and expertise through company takeovers, cooperates closely with universities and institutes, collaborates with customers and partners and invests in start-ups that are capable of accelerating new developments with a great deal of freedom.

CUSTOMER, PARTNER AND SUPPLIER RELATIONSHIPS

Long-term success is possible only by sharing ideas and maintaining a constant dialogue. We are convinced that combined strengths make us more successful. This philosophy is reflected in the way we manage our customer and partner relationships. Loyal relationships illustrate that openly sharing ideas, trust-based collaboration and mutual learning bring benefits to all parties involved.

Customers around the world place their trust in us. We try to earn this trust by regularly measuring their level of satisfaction. We systematically analyze those aspects that can be optimized

Good prospects: 332 young people receive their vocational training at Endress+Hauser.

1
Processes: Adapted workflows prevent Covid-19 infections in the canteens.

2
Prevention: Distancing, hygiene and masks allow for safe working in manufacturing.

3
Online: Seminars and trainings are held in a virtual space.

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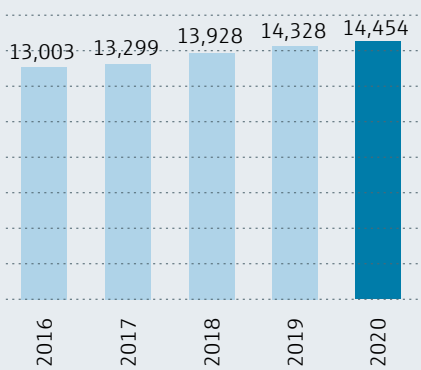
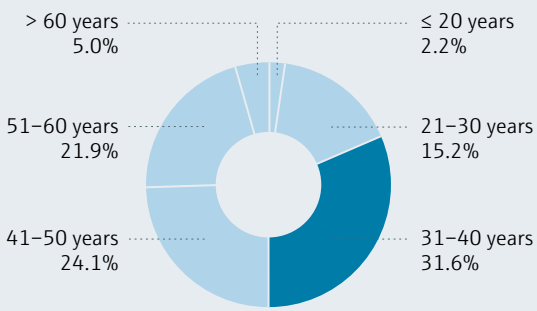
Endress+Hauser Group employee headcount and demographics





and address them with individual measures to continually improve. Regular survey cycles reveal long-term developments and make the success of the various actions visible and measurable.

Social sustainability

SOCIAL RESPONSIBILITY

We view creating and retaining secure jobs as an important part of our social responsibility as a company. In addition, the taxes generated by our operations make a significant contribution to social well-being around the world.

In our Code of Conduct we commit ourselves to adhering to applicable laws and regulations. That means not only following the letter of the law, but the respective spirit. For this reason, we reject any business structures designed to evade taxes. We utilize tax advantages and tax relief only to the extent they accrue in the course of normal business operations and only if we are legally entitled to them.

We strive at all locations to maintain a transparent, professional and constructive working relationship with tax authorities. This includes providing correct and timely information. In 2020 we paid a total of 82.7 million euros in income taxes worldwide. Our effective tax rate is currently 24.5 percent.

EMPLOYEES

Committed and competent employees are the driving force behind our success. They create relationships with our partners based on trust, drive product innovations forward and generate added value for our customers, thus forming the essential foundation of our growth and profitability.

To create a good working environment for our employees, we offer performance-based compensation, above-average social benefits, attractive opportunities for career development and a comprehensive program that allows them to strike an effective work-life balance, including access to childcare services and flexible work models. We furthermore invest in the health of our employees and promote their growth through targeted personnel development and training programs.

During the pandemic year of 2020, we made the health of our employees our top priority: early on, we responded to the coronavirus outbreak with travel restrictions and issued Group-wide guidelines for dealing with Covid-19 as early as February. The guidelines include comprehensive hygiene measures and organizational concepts to prevent infection with SARS-CoV-2. We actually succeeded in avoiding infections within the company with only a few exceptions.

About 10,000 employees around the world, more than two thirds of our staff, have worked from home some of the time. We tried to make up for the physical distance through emotional proximity by intensifying communication and shifting department and company meetings to a virtual space. Depending on the local situation, Endress+Hauser granted parents up to five days to arrange childcare during lockdowns or to take care of it themselves at short notice.

We strive to continually improve our attractiveness as an employer. We monitor the satisfaction of our employees with regular surveys based on a Group-wide standard to ensure the results provide a comparison.

A current evaluation of the data derived from recent employee and customer surveys illustrates that employee engagement and customer retention are directly related. Only motivated employees provide outstanding service to our customers. Measuring and describing the interconnection between employee and customer satisfaction in different areas enables us to take targeted measures and assign appropriate priorities.

WORKFORCE IN NUMBERS

On average globally, our employees have been working for Endress+Hauser for 10.3 years. The Group-wide turnover rate was 5.0 percent and thus lower than the previous year (2019: 6.6 percent). At the end of 2020, a total of 14,454 people (including temporary employees) were employed by the Endress+Hauser Group (prior year: 14,328). There were no layoffs as a consequence of the pandemic. Apart from only a few justified exceptions, reduced working hours could be avoided.

Diversity is a key principle with respect to our employees as well, reducing risks and making us more resilient in times of crisis. A diverse workforce increases productivity, encourages innovation, strengthens customer retention and helps us compete for talent.

At the end of 2020, people from 101 nations worked for the Endress+Hauser Group. Women represent 29.6 percent of the workforce, which is slightly lower than the prior year (29.9 percent), but still high compared to other companies in the industrial sector. The age groups are equally distributed across the Group, with little change experienced compared to 2019.

OCCUPATIONAL HEALTH AND SAFETY

With respect to Group-wide occupational safety, we put significant effort into ensuring our employees enjoy a safe, pleasant and productive work environment. In 2020, the number of occupational accidents with lost time reached 5.5 per 1,000 employees, a significant decrease compared to the previous year's figure (6.8), which in part results from the reduced office hours and travel activity of our employees.

We initiate accident prevention, risk awareness and work safety measures at our locations. Our occupational safety specialists are generally involved in workplace-related decisions at a very early stage. Company restaurants at numerous locations all around the world offer our employees a varied and well-balanced selection of nutritional meals. In the course of the

previous year, we provided several online actions and activities for health promotion and prevention.

YOUNG TALENT AND PERSONNEL DEVELOPMENT

As a technology company, we depend on highly qualified professionals and young talent. To attract new employees, the Endress+Hauser Group strives to continuously improve the working conditions for its employees and strengthen its internal and external image with targeted employer branding.

One of our targets is increased diversity: Endress+Hauser makes an effort to attract the best employees, independent of gender, age, ethnic origin, religious or philosophical beliefs or sexual orientation. In this respect, a special focus is on the promotion of women. By 2030, Endress+Hauser wants to increase the share of women in management positions to around 30 percent and on the whole attract more women. The targeted proportion of women in the workforce is 40 percent.

To reach this goal, our global initiative called Women's Integrated Network (WIN) has defined five areas of focus: an employer brand that appeals to women, a staff development program that is geared toward women as well as men, flexible work models, measures against unconscious bias in recruitment and the use of networks to draw the attention of female professionals to Endress+Hauser. Apart from that, female role models in the company should become more visible.

Currently, Endress+Hauser is testing an artificial intelligence platform designed to advertise vacant positions in a manner that appeals to more diverse target groups. With regard to wages, a policy will be implemented to increase comparability and transparency to promote fair remuneration.

Furthermore, Endress+Hauser made a strong commitment to train and educate young people. Particularly in Germany and Switzerland, we train the vast majority of our specialists internally. In 2020, 332 young people were undergoing vocational training with us, which corresponds to a trainee ratio of 2.3 percent. For many years, we have been in a position to offer virtually every apprentice a permanent position upon completion of their vocational training program. That has not changed, even in the pandemic year of 2020.

We allow freedom for personal growth and development of our employees. With this in mind, we established a strategic goal of setting aside 2.5 percent of all personnel expenses for training. This equates to roughly five days of training per employee each year. Thanks to a high level of digitalization within the company and against the backdrop of contact and travel restrictions, we were able to quickly move our employee training and development programs to a virtual space. We recently began offering part of our workforce access to LinkedIn Learning, a platform boasting more than 16,800 virtual courses.

SOCIAL ENGAGEMENT

Endress+Hauser is engaged in volunteer activities wherever the company is located in the world. We sponsor select projects involving social, cultural, educational, scientific and sports activities, as well as the promotion of young talent. In the area of charitable contributions, we focus our assistance mainly on non-profit initiatives and social organizations.

We maintain research and education partnerships with scientific facilities and training centers around the world. There is no central accounting of the money invested in our broad range of charitable and sponsor activities, and in our research and education partnerships in the form of monetary and equipment donations and personnel resources, because these activities are the responsibility of the Endress+Hauser Group subsidiaries.

In 2020, a team at Endress+Hauser Temperature+System Products located in Nesselwang, Germany shared its expertise in the field of digital learning and virtual knowledge transfer with staff members at the charity Humedica, enabling them to increasingly contact their supporters online, thus ensuring their humanitarian work in more than 30 countries around the world in times of pandemic.

The Endress+Hauser Water Challenge, a Group-wide initiative, has been running since 2019. In charity runs, employees all around the globe raise funds to improve worldwide access to clean drinking water; the company then doubles the total amount. The funds go to select aid projects in Asia, South America or Africa. We have thus taken our business commitment to a safe, efficient and eco-friendly water supply and transferred it to the non-profit sector.

Environmental sustainability

ENVIRONMENTAL FOOTPRINT

Our production is not energy intensive and has only a minor impact on the environment. The major sources of our ecological footprint are building and office infrastructures, commuting to and from work, business travel and material transport. As a result of the pandemic, CO_2 emissions from business travel decreased significantly in 2020. We generally seek opportunities to reduce impacts, for example by constructing energy-efficient buildings, using renewable energy or supporting electromobility.

Our product center Endress+Hauser Flow in Reinach, Switzerland, for instance, reduced the relative emissions of greenhouse gases by 44 percent from 1.68 to 0.95 tonnes of CO_2 equivalency per million euros of sales over the last five years, backed up by ongoing investments promoting energy efficiency. Moreover, the facility obtains electrical energy only from renewable sources. According to a survey conducted by the magazine Bilanz, the newspaper Le Temps and the statistics portal Statista, the location ranks among the top 20 most climate-conscious companies in Switzerland. The product center aims to operate the Reinach facilities in a climate-neutral manner by 2030.

1

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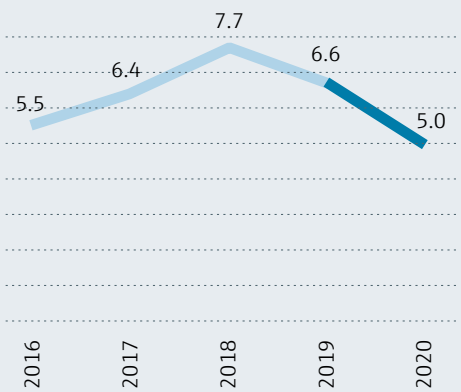
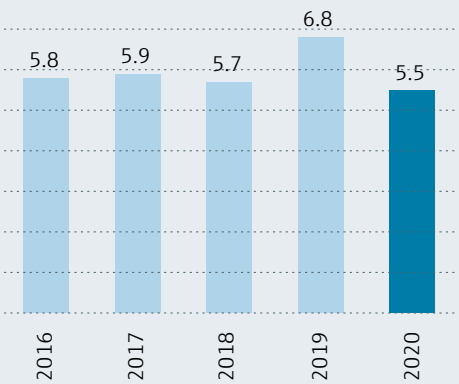
1
Communication: The lock screen points out basic Covid-19 rules and calls for mindfulness.

2
Solidarity: The coronavirus pandemic shows the importance of unity in times of crisis.

Employee turnover
(in percent)



Lost-time accidents at work
(per 1,000 employees)



Green power: Solar energy is generated on the roofs of many Endress+Hauser plants, as here in Nesselwang, Germany.

We also look for possible savings in our supply chain. Our new logistics hub located in Wörrstadt, Germany will not only bundle shipping of all products from European production facilities to the respective customers, but in addition receive and redirect material supplies to the manufacturing sites. Sending the shuttle trucks delivering the products back with loads of supply parts eliminates about 75 percent of empty trips. Thus, the ecological footprint of the entire supply chain is improved. Beginning in 2022 we will employ electric trucks for these transports, resulting in CO_2 reductions of about 1,200 tonnes per year.

We also support our employees' environmentally aware behavior, for example through participation in the Bike to Work initiative, which promotes cycling via team-based competitions, or through JobRad, a bicycle leasing service in Germany. Furthermore, we increasingly offer the necessary charging infrastructure to visitors and employees using electric cars at our locations.

ENVIRONMENTAL FOOTPRINT

To examine our environmental footprint, each year we capture corresponding data related to energy and water consumption, carbon dioxide emissions and waste accumulation. The data encompasses all domestic and overseas production sites and the great majority of our sales and support entities all over the world.

ENERGY

For an industrial enterprise, energy consumption for plants and machinery in facilities of the Endress+Hauser Group is comparatively low. The production centers use a large amount of the energy for heating and lighting, as well as for the office and IT infrastructures. Energy consumption for heating and electricity had declined in recent years as a result of measures to increase energy efficiency. Partly due to the vigorous ventilation of buildings because of the pandemic, it increased again to 49.7 megawatt hours per million euros in sales in 2020 (2019: 45.6 megawatt hours).

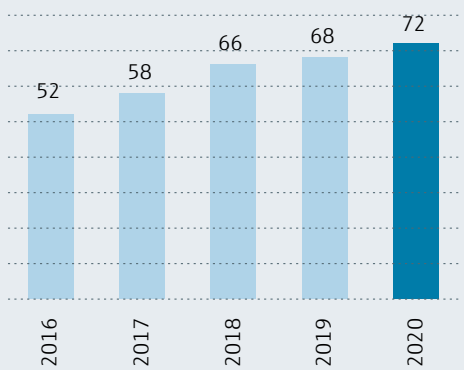
CARBON DIOXIDE

Thanks to a systematic use of green electricity, our European product centers significantly reduced their CO_2 emissions in 2019. On that basis, the Endress+Hauser Group improved its overall carbon footprint by more than one third. In 2020, during the Covid-19 crisis, CO_2 emissions decreased further to 8.9 tonnes per million euros in sales (2019: 10.1 tonnes). Our employees significantly reduced business trips due to movement, travel and contact restrictions.

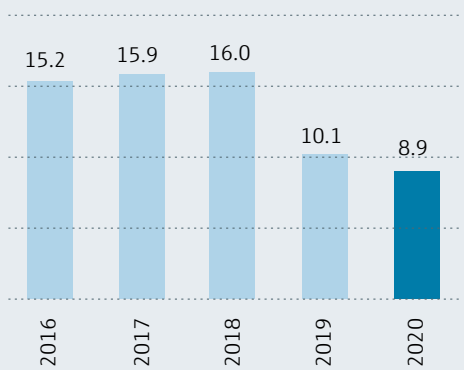
WATER CONSUMPTION

At Endress+Hauser, water is required primarily for sanitary and cleaning purposes. Since in 2020 more than two thirds of our workforce was working from home at least some of the time, water consumption decreased to 115 cubic meters per million euros in sales (2019: 130 cubic meters).

EcoVadis sustainability score



Carbon dioxide emissions*
(in tonnes/EUR millions in sales)



*) excluding Innovative Sensor Technology IST

WASTE

Waste accumulation within the Endress+Hauser Group fluctuates from year to year in relation to the various types of waste, resulting for example from changes in the product mix or reflecting special effects such as construction work or inventory adjustments. Because the information regarding the amount of waste is derived from the disposal company invoices, the various pickup schedules also influence the yearly figures.

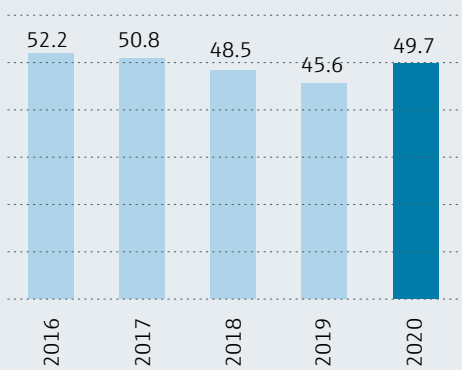
In the past financial year, our worldwide operations accumulated 1,134 kilograms of municipal waste per million euros in sales, a decrease from 1,190 kilograms the year before. The volume of hazardous waste increased from 211 to 229 kilograms per million euros in sales, while the amount of scrap metal shrank from 494 to 396 kilograms per million euros in sales. The volume of electronic scrap decreased in the reporting period from 21.3 to 19.6 kilograms per million euros in sales.

CERTIFICATION AND AUDITING

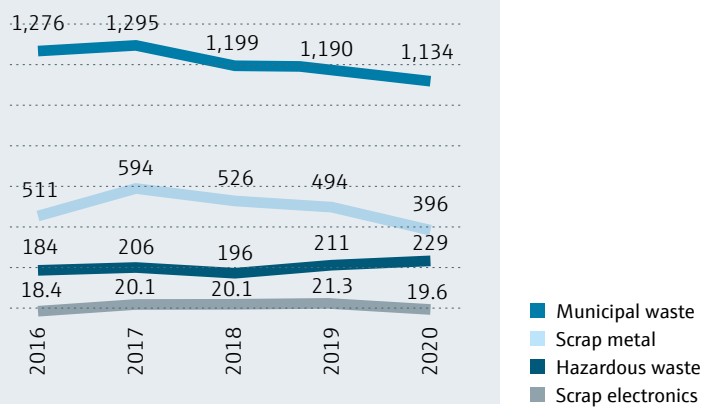
Sustainability is increasingly becoming a focus for our customers, some of whom are using the United Nations' 17 sustainable development goals as a blueprint. How to deal with social and environmental standards is a vital part of many procurement processes. All Endress+Hauser production centers are certified in accordance with ISO 9001/14001 (quality management and environmental management) and OHSAS 18001/ISO 45001 (occupational health and safety) as well as, in some instances, ISO 50001 (energy management).

Endress+Hauser furthermore analyzes the sustainability of its own business processes by annually undergoing the independent EcoVadis audit. The audit evaluates management systems of companies regarding Corporate Social Responsibility (CSR) based on 21 criteria grouped into the topics of environment, labor practices and human rights, fair business practices and sustainable procurement. These are based on international standards including the Global Compact Principles, the International Labour Organization (ILO) conventions, the Global Reporting Initiative (GRI) standards, the ISO 26000 guidelines and the Ceres Roadmap.

Energy consumption for heating and electricity (in MWh/EUR millions in sales)



Waste accumulation (in kg/EUR millions in sales)



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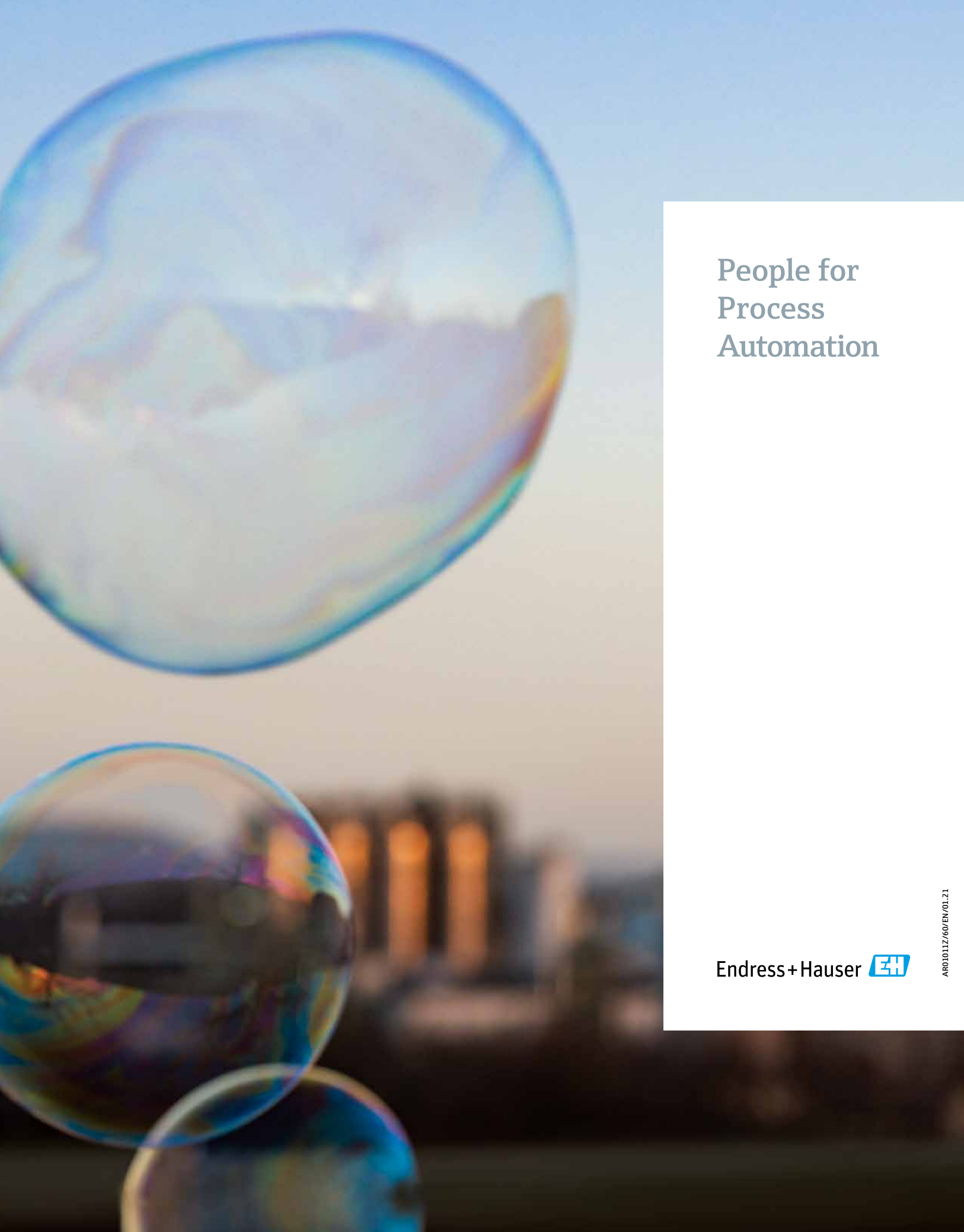

People for Process Automation

Endress+Hauser

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