Summary management report
for fiscal year 2020/21

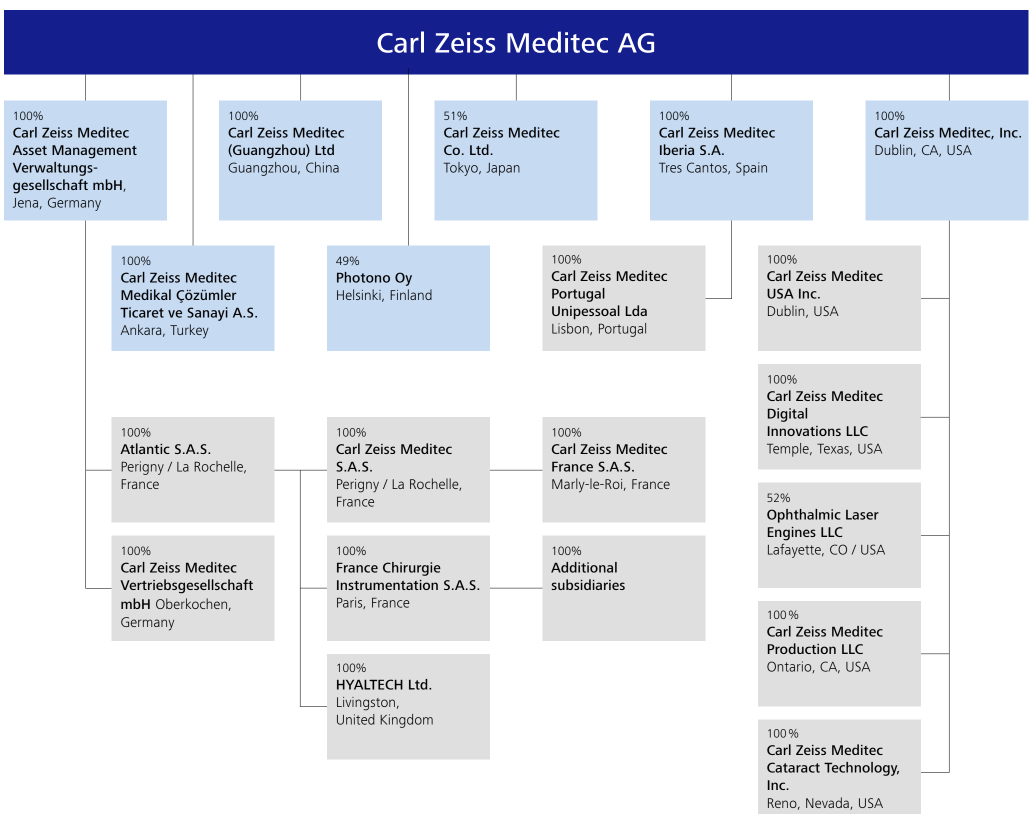
CARL ZEISS MEDITEC GROUP

Group structure

The Carl Zeiss Meditec Group (hereinafter the Company, the Group) is an international company headquartered in Jena, Germany, with additional subsidiaries in and outside of Germany. Carl Zeiss Meditec AG is the parent company of the Carl Zeiss Meditec Group and is listed in the MDAX and TecDAX on the German Stock Exchange.

The results of Carl Zeiss Meditec AG are influenced to a large extent by its subsidiaries, and the development of its business is generally subject to the same opportunities and risks as the Carl Zeiss Meditec Group. The outlook for the Group also largely mirrors the expectations for Carl Zeiss Meditec AG, due to the links between Carl Zeiss Meditec AG and its subsidiaries and due to the importance of Carl Zeiss Meditec AG within the Group. Therefore, for the purposes of a more compact presentation, the business development of Carl Zeiss Meditec AG and the Carl Zeiss Meditec Group are presented as a summary management report. Major investments of the Carl Zeiss Meditec Group as of 30 September 2021 are presented in the chart below:

Investment structure of the Carl Zeiss Meditec Group as of 30 September 2021



There were no significant changes to the Group's reporting entity or the structure of its consolidated financial statements in fiscal year 2020/21.

Markets

With its headquarters in Jena (Germany) and additional plants and subsidiaries in Germany, France, Spain, the USA, Japan and China, among others, the Carl Zeiss Meditec Group has a direct presence in key medical technology markets. The Carl Zeiss Meditec Group also utilizes the distribution network of the ZEISS Group, with around 60 sales and service locations and more than 30 production sites, thus ensuring itself customer proximity in international competition. Aside from its own research and development (R&D) locations, the Carl Zeiss Meditec Group also has access to the expertise of the ZEISS Group. Of the around 27 research and development locations of the ZEISS Group worldwide, China and India, in particular, are important research centers. They offer the possibility of working with the customers on site, in order to gain a better regional understanding of the market and develop specific products that are tailored to market requirements.

Organization and business activity

The field of activity of the Carl Zeiss Meditec Group is essentially divided into two main areas in which the Company operates: Ophthalmology and Microsurgery. In order to ensure a strong customer focus, as well as one-stop, end-to-end solutions, this distinction is also reflected in the strategic business units (SBUs). Business operations are grouped according to areas of application and customer groups in both the **Ophthalmic Devices** (OPT) SBU and the **Microsurgery** (MCS) SBU.

Ophthalmic Devices
Conditions such as ametropia (refraction), cataracts, glaucoma and retinal disorders, the incidence of which particularly increases with age and can become chronic in many cases, are treated in ophthalmology.

In the **Ophthalmic Devices** strategic business unit the Company offers a wide range of products and solutions for the diagnosis and treatment of eye diseases, as well as systems and consumables particularly for cataract, retinal and refractive surgery. Customers here are both practicing ophthalmologists and optometrists, as well as physicians and surgeons in hospitals and outpatient surgery centers.

In the field of diagnostics products include devices for general ophthalmological examinations (slit lamps, refractometers, tonometers), devices for examining the retina (optical coherence tomography (OCT), fundus cameras), as well as functional diagnostics equipment (perimeters). Digital products for the efficient organization of clinical workflows and for the storage and evaluation of clinical data complement the product range. The offering for surgical therapy (particularly for cataracts) includes, among other things, ophthalmic surgery microscopes, biometers and phacoemulsification/vitrectomy devices. The portfolio of microincision-capable intraocular lenses (IOL) ranges from the standard (monofocal lenses) to the premium segment (e.g. toric multifocal lenses). The OR workstation is completed by software-based assistance systems such as CALLISTO eye®, to assist with the implantation of toric intraocular lenses. Surgeons are given the opportunity to further increase their efficiency with systems that are precisely tailored to the surgeon's workflow and integrated with each other. One example of this is the market launch of the new QUATERA® 700, an integrated workflow solution in the field of cataract surgery. The QUATERA® 700 merges all elements of the ZEISS Cataract Workflow by combining workflow steps and phaco steps from CALLISTO eye® into a single workflow.

The product portfolio in the area of refractive surgery primarily includes systems and consumables for refractive surgery. This includes the SMILE® lenticule extraction procedure for the correction of vision defects using a minimally invasive procedure.

Microsurgery
In the Microsurgery strategic business unit ZEISS provides visualization solutions for minimally invasive surgical treatments. The state-of-the-art surgical microscopes for neurosurgery are essential tools that are used, for example, in the surgical treatment of tumors or vascular conditions, such as aneurysms. KINEVO® 900, a robotic visualization system for neurosurgeons, is one good example of how ZEISS supports physicians in streamlining their workflows. Other key areas include ear, nose and throat (ENT), plastic and reconstructive (P&R) and dental and spinal surgery. Innovative add-on functions, such as cutting-edge video technologies, 3D imaging or intraoperative fluorescence options, offer the physician support for complex treatments. During the procedure, diagnostic data and information can be provided to the physician in the eyepiece or on monitors.

Group strategy

The Carl Zeiss Meditec Group’s strategy is to achieve sustainable and profitable growth as market and technology leader in the field of ophthalmology and microsurgery. The product range aims to improve the treatment outcome and reduce treatment costs through efficient and effective approaches, and thus contribute to medical progress. From the Company’s perspective, the key success factors are as follows: customer focus, innovation and integrated solutions for diagnosis and treatment.

Customer focus
Customers of the Carl Zeiss Meditec Group are facing major challenges in managing rising patient numbers, limited public funding and more demanding expectations of the treatment outcome. Integrated products and solutions can help customers to streamline workflows and cut costs. One example of this is the provision of clinical decision-making aids to the physician and possibilities to easily outsource routine tasks to medical support staff. Digitalization provides major opportunities in this respect, including in the area of data management solutions. A key prerequisite for the long-term success of the Carl Zeiss Meditec Group is a deep understanding of the challenges that the doctors are facing and a solution offering that is tailored to overcome these challenges.

Innovation
The Carl Zeiss Meditec Group strives to make cutting-edge technology in medical application accessible for practitioners and patients and to establish new benchmarks (gold standards) in diagnostics and therapy. Close collaboration with customers and continuous investment in research and development secure the Company’s technological leadership.

Integrated solutions
The logical networking of devices and systems in the practice or clinic into integrated solutions plays an important role, giving customers the opportunity to make their workflows efficient, and to improve clinical outcomes through integrated availability and evaluation of the data. Comprehensive system integration, including IT-assisted analysis functions, is a key prerequisite for this. In the fiscal year under review the Company launched the ZEISS Medical Ecosystem. This is a concept that networks devices, data and applications to enable improved clinical efficiency and performance.

Corporate governance

The central governing bodies within the Carl Zeiss Meditec Group are the Management Board and the Executive Committee. The Executive Committee is formed from the members of the Management Board of Carl Zeiss Meditec AG the heads of the two strategic business units Ophthalmic Devices and Microsurgery. The management levels below the Executive Committee perform their management responsibilities in accordance with the organizational structure across regions and company locations. Cross-organizational functions, such as Finance, Communications or Human Resources, for example, are managed centrally. The strategies and projects are implemented locally at the country organizations in accordance with the respective prevailing laws, rules of procedure and bylaws, and the applicable corporate values and principles.

As a company of the ZEISS Group, the Carl Zeiss Meditec Group is also subject to the global Code of Conduct of the ZEISS Group ("Code of Conduct of the ZEISS Group"). This stipulates the general rules of good and fair conduct in competition and when dealing with our employees and customers. The Code of Conduct sets out the fundamental ethical principles of good conduct and values which govern the actions of both management and employees in their day-to-day work at the Company.

Corporate management

The consistent implementation of the Group strategy aims to ensure a long-term increase in value. A comprehensive system of key performance indicators serves as a tool for the financial management of the Carl Zeiss Meditec Group. The greatest importance is attached to Economic Value Added® (EVA®)[1], Free Cash Flow (FCF)[2], the EBIT margin and revenue growth. These control ratios define the balance between growth, profitability and financial power, upon which sustainable growth of the Company is built. These key performance indicators are therefore defined as control variables. These are supplemented by strategic measures and projects in the areas of customer excellence, people/performance culture and operational excellence.

BUSINESS REPORT[3]

Underlying conditions for business development

Macroeconomic conditions[4]
Fiscal year 2020/21 was still considerably impacted by the COVID-19 pandemic. After the abrupt decline in demand and production, followed by a gradual recovery in 2020, economic growth picked up strongly again, especially in 2021. The affected countries and industries are recovered to varying degrees, however, and at varying speeds. Capacity and supply bottlenecks led to price increases. In particular, this meant that the high demand from customers could not be fully met in the manufacture of semiconductor chips.

Situation in the medical technology industry
The Company sees medical technology as a steadily growing industry in the medium and long term. Growth drivers are medical progress, the aging population due to demographic development and global population growth. A distinction should be made here between western industrialized nations and growing markets. In the Management Board's view, rising per capita income creates a favorable condition for increasing the demand for basic medical care in rapidly growing economies, as well as the growing willingness of people in

[1] Calculation: EVA® = operating result (EBIT) after taxes plus write-downs on intangible assets arising from purchase price allocations in the amount of €7.5m less cost of capital in the amount of €55.5m for fiscal year 2020/21. (calculation of cost of capital: average capital employed, adjusted for write-downs on intangible assets arising from purchase price allocations ("gross" asset basis) (2020/21: €840.9m), multiplied by the cost of capital rate (2020/21: 6.6%)).
[2] Calculation: Free cash flow (FCF) = EBIT ± changes in trade receivables ± changes in inventories including advance payments ± changes in provisions (excluding provisions for pensions and provisions for taxes) ± changes in current accrued liabilities ± changes in trade payables ± changes in advance payments received ± changes in leasing liabilities ± changes in other assets and liabilities - increase in investment in property, plant and equipment and intangible assets + write-downs on intangible assets and property, plant and equipment - acquisition of investments.
[3] Due to the finalization of the purchase price allocation of the acquisition of Photono Oy a number of the prior-year figures as of 30 September 2020 have been adjusted. For further information, please refer to section 3 "Purchase and sale of business operations" of the notes to the consolidated financial statements.
[4] IMF: World economy outlook update July 2021

the western regions to take advantage of better-quality services. Furthermore, the Company expects the number of patients suffering from age-related illnesses to rise continuously. At the same time, it is anticipated that the need for comprehensive, high-quality health care will also increase. An increased demand from patients and a strong willingness of self-payers to make use of premium services play a major role from the Company’s perspective. At the same time, the cost pressure in the health care systems is leading to price-driven competition. In terms of product development and licensing, increasing regulation and varying regional regulatory requirements are posing growing challenges. Equally high are the requirements for manufacturers and for products and solutions that both increase workflow efficiency for customers and offer more effective treatment methods for patients.

The management anticipates further growth in the long term, in both microsurgery and ophthalmology, as the demand for diagnostic and therapeutic devices and systems and for implants and consumables will increase further due to rising numbers of cases.

a) Market for ophthalmic products

The market for ophthalmic products in the broader sense includes devices and systems for the diagnosis, treatment and post-treatment of eye diseases, implants for ophthalmic surgery and ophthalmic pharmaceuticals, contact lenses, contact lens care products, consumables – with the exception of glasses and glasses frames. According to the Company's estimates, the market had a global volume of around US$41.2b (about €36.8b) in 2020.[5] The Company's product range includes devices and systems, implants, consumables and instruments for ophthalmology and ophthalmic surgery. According to the Company's estimates, these sub-markets had a volume of around US$10.4b (around €9.3b[5]) in 2020. On this basis, the Company estimates its market share by revenue in 2020 at around 11% and now considers itself the second-largest supplier worldwide in this market behind the ophthalmic surgery business of Alcon.

Due to the global COVID-19 pandemic, the market for equipment and systems, implants, consumables and instruments for ophthalmology also recorded a significant decline of approximately -12% in 2020 compared with the prior year. The Company expects to see a recovery to around the level of 2019 in 2021. In the long term, and aside from annual fluctuations, the Carl Zeiss Meditec Group still expects the market for products for ophthalmology to continue growing, due to the unchanged demographic and other growth drivers.

Overall, based on the information at hand, the Company expects to have increased its market share in the product segments it addresses, compared with the prior year.

b) Market for microsurgery products

Aside from ophthalmology the Company also operates in the microsurgery market. Surgical microscopes are a subsection of this market. Applications are particularly in neuro/ENT surgery, as well as other areas, such as spinal, OMF, plastic and reconstructive and dental surgery.

According to the Company's estimates, this product segment had a total volume of around US$0.6b (around €0.5b)[5].

With an estimated market share of over 50%, the Carl Zeiss Meditec Group is the largest supplier in this field and the clear market leader.

Due to the global COVID-19 pandemic, the market experienced a significant decline in 2020, which is assumed to be a temporary effect. The Carl Zeiss Meditec Group expects the market for microsurgical products to continue to grow in the medium term, irrespective of year-to-year fluctuations.

[5] At average rate for fiscal year 2019/20 (€1 = US$1.1197)

Overall assertion on the financial position of Carl Zeiss Meditec Group at the end of the fiscal year

In an ad hoc disclosure on 19 April 2021 the Company's management firmed up its forecast for fiscal year 2020/21 due to the further normalization of demand from the impacts of the COVID-19 pandemic. Due to further increases in growth and revenue in the months that followed the Company raised its targets for fiscal year 2020/21 by way of an ad hoc disclosure on 16 July 2021, according to which revenue was expected to exceed the target set in April of around €1.6b. The EBIT margin was expected to significantly exceed the target set in April of around 20%, bolstered to a great extent by the currently low selling and marketing expenses.

With revenue of €1,646.8m (prior year: €1,335.5m) and growth of 23.3% (adjusted for currency effects: 26.5%), the Carl Zeiss Meditec Group fulfilled the most recent forecast of revenue exceeding around €1.6b for fiscal year 2020/21.

The SBU **Ophthalmic Devices** generated revenue of €1,255.7m (prior year: €990.6m), which equated to growth of 26.8% (adjusted for currency effects: 29.8%), thus significantly exceeding market growth, which was estimated in the low to mid-single-digit percentage range. This increase is in particular attributable to strong business in the areas of refractive lasers and surgical ophthalmology. The Ophthalmic Diagnostics segment also grew.

The **Microsurgery** SBU generated revenue of €391.1m (prior year: €344.8m), thus recording an increase of 13.4% (adjusted for currency effects: 17.1%) compared with the prior year. The SBU therefore surpassed market growth significantly, which was estimated to be in the low to mid-single-digit percentage range.

Earnings before interest and taxes (**EBIT**) more than doubled to €373.6m (prior year: €177.6m). Relative to revenue, the Carl Zeiss Meditec Group achieved an EBIT margin of 22.7% (prior year: 13.3%), thus achieving the target of significantly exceeding around 20%, as stated in the ad hoc disclosure published on 16 July 2021. The positive development of the EBIT margin was due, among other things, to a more favorable product mix with a high proportion of recurring revenue, accompanied at the same time by continued low selling and marketing expenses due to the COVID-19 pandemic.

The EBIT margin in the strategic business unit **Ophthalmic Devices** increased significantly as a result of a favorable development of the product mix due to an increased proportion of consumables compared with the prior year, ultimately increasing to slightly above the Group average. The EBIT margin of the **Microsurgery** strategic business unit was down year-on-year to slightly below the Group average.

Due to the strong earnings performance, cash flows from operating activities for fiscal year 2020/21 rose to €362.7m (prior year: €178.5m), which is a significant increase compared with the prior year.

Free cash flow increased significantly in fiscal year 2020/21 to €380.7m (prior year: €185.8m). EVA® increased from €68.5m in the prior year to €214.1m.

In order to maintain its innovative strength and ensure future growth, the Company invests continuously in research and development. In fiscal year 2020/21 R&D expense ratio went down to 14.1% of revenue (prior year: 16.4%). The decline is primarily due to the strong revenue growth.

Comparison of actual business development with forecast development in the fiscal year 2020/21[6]

	Results 2020/21	Forecast 2020/21
Revenue growth of the Carl Zeiss Meditec Group	+23.3%	Growth at least in low to mid-single-digit percentage range
Revenue growth of the Ophthalmic Devices SBU	+26.8%	Growth at least in low to mid-single-digit percentage range
Revenue growth of the Microsurgery SBU	+13.4%	Growth at least in low to mid-single-digit percentage range
EBIT	+110.4%	Return to renewed growth
Cash flows from operating activities	€362.7m	At least low three-digit million amount
Research and development expenses (see prior year)	+6.1%	Increase by at least a high single-digit percentage amount
Free cash flow (FCF)	€380.7m	At least low three-digit million amount
Economic Value Added® (EVA®)	€214.1m	At least at comparable level to fiscal year 2019/20

Results of operations

Presentation of results of operations

Summary of key ratios in the consolidated income statement
figures in €m, unless otherwise stated

	2020/21	2019/20	Change
Sales	1,646.8	1,335.5	+23.3%
Gross margin	58.7%	55.8%	+2.9% pts
EBIT	373.6	177.6	+110.4%
EBIT margin	22.7%	13.3%	+9.4% pts
Earnings before income taxes	339.1	178.7	+89.7%
Tax rate	29.9%	30.9%	-1.0% pts
Consolidated profit after non-controlling interests	236.3	122.4	+93.1%
Earnings per share after non-controlling interests	€2.64	€1.37	+93.1%

Revenue

In fiscal year 2020/21, the Carl Zeiss Meditec Group increased its revenue significantly by +23.3% to €1,646.8m (prior year €1,335.5m). Currency effects had a material adverse effect, however; currency-adjusted growth amounted to +26.5%. Both strategic business units contributed, as did all regions, although the strongest growth rates were achieved in the APAC region.

Due to the gradual easing of the effects of the COVID-19 pandemic, bolstered in part by the global vaccination campaigns, demand increased significantly. Given the capacity bottlenecks that remain to some extent in the supply chains, there was a temporary increase in production and lead times for a number of key products in the equipment business. Both strategic business units were affected by this. Orders received therefore increased even more significantly than revenue in fiscal year 2020/21, from €1,340.5m to €1,731.0m (+29.1%; adjusted for currency effects: +32.6%).

[6] By way of ad hoc disclosures on 19 April 2021 and again on 16 July 2021, the Company's management firmed up and increased its forecast published on 11 December 2020 for fiscal year 2020/21, due to the further normalization of demand following the effects of the COVID-19 pandemic in fiscal year 2020/21.

Revenue of Carl Zeiss Meditec Group in €m/growth in %

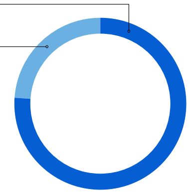
2020/21	**1,646.8 / 23.3**
2019/20	1,335.5 / -8.5
2018/19	1,459.3 / 13.9

a) Revenue by strategic business unit

The strategic business unit **Ophthalmic Devices** accounted for more than three quarters (76.3%) of the Carl Zeiss Meditec Group's total revenue in the fiscal year under review (prior year: 74.2%). The strategic business unit **Microsurgery** generated 23.7% (prior year: 25.8%) of total revenue.

Share of strategic business units in revenue of the Carl Zeiss Meditec Group in fiscal year 2020/21

Ophthalmic Devices	**76.3%**
Microsurgery	**23.7%**



Revenue of the SBU **Ophthalmic Devices** was significantly higher compared with the prior year, increasing by +26.8% (adjusted for currency effects: +29.8%) to €1,255.7m (prior year: €990.6m).

Once again, the refractive lasers business proved to be a growth driver, benefiting in particular from high levels of procedure-dependent revenue, as well as good demand in Surgical Ophthalmology. The segment for devices and systems for diagnostics also made a positive contribution to the development of revenue.

Revenue from consumables and services (recurring revenue), increased further in fiscal year 2020/21. The proportion of recurring revenue in the Carl Zeiss Meditec Group's total revenue amounted to 41.0% for fiscal year 2020/21 (prior year: 38.8%).

Orders received increased from €996.3m to €1,318.8m, also to a greater extent than revenue (+32.4%; adjusted for currency effects: +35.7%). This was attributable, among other things, to a strong recovery of demand as well as the increase in production and lead times for a number of key products due to the still limited capacities in the supply chains and materials procurement as a result of the COVID-19 pandemic.

Revenue in the SBU **Microsurgery** amounted to €391.1m for fiscal year 2020/21, an increase of +13.4% compared with the prior year (prior year: €344.8m). Adjusted for currency effects, this revenue growth amounted to +17.1%. At the start of fiscal year 2020/21 revenue in the strategic business unit Microsurgery was still declining, due in particular to continued restrictions as a result of the COVID-19 pandemic, while orders received had already reached the level of the prior year on a currency-adjusted basis and were showing a positive trend again at the half-year mark. Over the further course of fiscal year 2020/21 there were further noticeable trend improvements compared with the prior-year quarters, which led, accompanied by an accelerated recovery of sales in the second half of fiscal year 2020/21, to a significant increase in revenue again compared with the prior year.

Orders received in Microsurgery increased by +19.7% (adjusted for currency effects: +23.8%) from €344.2m to €412.2m. This was attributable, among other things, to a strong recovery of demand as well as the increase in production and lead times for a number of key products due to the still limited capacities in the supply chains and materials procurement as a result of the COVID-19 pandemic.

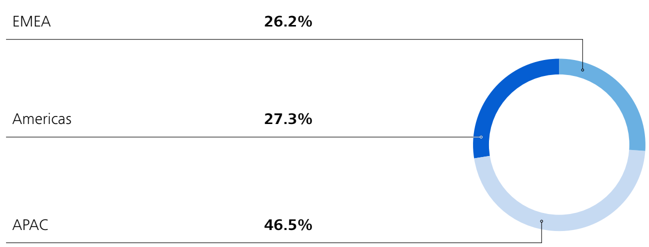
Revenue by strategic business unit

	2020/21	2019/20	Change in %	
	€m	€m		Adjusted for currency effects
Ophthalmic Devices	1,255.7	990.6	+26.8	+29.8
Microsurgery	391.1	344.8	+13.4	+17.1
Carl Zeiss Meditec Group	**1,646.8**	**1,335.5**	**+23.3**	**+26.5**

b) Revenue by region

In fiscal year 2020/21, 46.5% (prior year: 44.1%) of total revenue was attributable to the **APAC** region. The **EMEA** region accounted for 26.2% (prior year: 27.1%) of total revenue, while the **Americas** region accounted for 27.3% (prior year: 28.8%) of total revenue.

Share of the regions in revenue of the Carl Zeiss Meditec Group in fiscal year 2020/ 21



Revenue in the **EMEA** region increased by +19.4%, from €362.4m to €432.6m. After adjustment for currency effects, this Increase amounted to +21.2%. The core markets Germany, France and the countries of Southern Europe, and the UK, demonstrated a solid performance, in spite of the remaining COVID-19 restrictions during the year, particularly in the area of distribution and marketing.

Revenue in the **Americas** region increased by +16.9%, to €448.9m (prior year: €384.0m). After adjustment for currency effects, this Increase amounted to +23.9%. Although the U.S. business was already almost at the prior-year level at the beginning of fiscal year 2020/21, the economy has recovered further, also because of the progressive vaccination coverage and an accompanying steady acceleration of sales since the second quarter of the fiscal year.

Revenue in the **APAC** region increased significantly due to good contributions to growth, especially from China and South Korea. The fact that this region was less impacted overall by COVID-19 restrictions compared with the EMEA and Americas regions in the fiscal year under review also had a positive effect in this respect. With revenue growth of +29.9% (adjusted for currency effects: +31.6%), revenue increased to €765.3m (prior year: €589.0m). The countries of Southeast Asia also performed well, while the development of revenue in Japan was more or less stable compared with the prior year, but increased at an accelerated rate particularly in the fourth quarter.

Revenue of the Carl Zeiss Meditec Group by region

	2020/21	2019/20	Change in %	
	€m	€m		Adjusted for currency effects
EMEA	432.6	362.4	+19.4	+21.2
Americas	448.9	384.0	+16.9	+23.9
APAC	765.3	589.0	+29.9	+31.6
Carl Zeiss Meditec Group	**1,646.8**	**1,335.5**	**+23.3**	**+26.5**

Gross profit

Gross profit in fiscal year 2020/21 amounted to €967.2m (prior year: €745.5m). The gross margin reached 58.7% in the reporting period (prior year: 55.8%). The strong revenue growth and a favorable product mix with a higher proportion of case-number-dependent business, particularly in the Ophthalmic Devices SBU, contributed to a positive margin trend.

Functional costs

Functional costs increased to €596.0m in the year under review (prior year: €568.0m), mainly due to the strong sales performance and an increase in research and development expenses. This 4.9% increase was significantly lower than the increase in revenue. The share of functional costs in revenue declined to 36.2% compared with 42.5% in the prior year.

» **Selling and marketing expenses:** There was only a slight increase in selling and marketing expenses in the fiscal year under review, from €292.8m to €303.2m, due to the COVID-19 pandemic and the resulting restrictions, especially for sales-related advertising and travel activities. Relative to revenue, selling and marketing expenses ratio was below the previous year's level, at 18.4% (prior year: 21.9%).

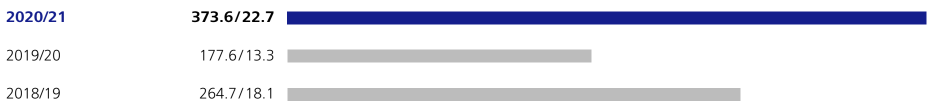
» **General administrative expenses:** Expenses in this area amounted to €60.7m (prior year: €56.3m). Relative to revenue, there was a slight decline in the share of general administrative expenses compared with the prior year, to 3.7% (prior year: 4.2%).

» **Research and development expenses:** The Carl Zeiss Meditec Group invests continuously in R&D, in order to further develop its product portfolio and ensure further growth. R&D expenses increased to €232.1m in the reporting period (prior year: €218.8m). Due to the strong development of revenue, the R&D ratio remained significantly behind the prior-year period, at 14.1% (prior year: 16.4%).

Development of earnings

The Carl Zeiss Meditec Group uses earnings before interest and taxes (EBIT = operating result) as a key performance indicator. The Carl Zeiss Meditec Group generated earnings before interest and taxes of €373.6m in the reporting period (prior year: €177.6m). The strong revenue growth as well as a favorable product mix with a high proportion of recurring revenue contributed to a positive margin trend. In addition, the persistently low selling and marketing expenses due to to the COVID-19 pandemic benefited the development of earnings compared with the prior year. The EBIT margin increased from 13.3% in the prior year, to 22.7%.

EBIT in €m/EBIT margin in %



EBIT in fiscal year 2020/21 included negative effects due to write-downs from purchase price allocations (PPA), in the amount of €7.5m.

Overview of effects of purchase price allocations included in EBIT and other special effects[7]

	2020/21	2019/20	Change
	€m	€m	in %
EBIT	373.6	177.6	+110.4
Effects of purchase price allocations	-7.5	-6.2	-21.6
Other special effects	+2.4	0.0	-
Total effects	**-5.1**	**-6.2**	**+17.1**

In the SBU Ophthalmic Devices, the EBIT margin increased mainly as a result of a more favorable product mix with a higher proportion of recurring revenue. At 22.9% (prior year: 9.7%), it was still above the EBIT margin for the Company as a whole. The EBIT margin in the strategic business unit Microsurgery decreased slightly and, at 22.0% (prior year: 23.7%), was slightly lower than the EBIT margin for the Group as a whole. Aside from the more restrained sales trend, particularly at the beginning of fiscal year 2020/21, this was also largely due to the lower proportion of recurring revenue compared with the strategic business unit Ophthalmic Devices.

Earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to €435.2m for the fiscal year under review (prior year: €238.0m). At 26.4%, the EBITDA margin was up year-on-year (prior year: 17.8%).

Net interest income and interest expenses amounted to -€7.0m in the reporting period (prior year: -€25.8m). Interest expenses mainly include the annual interest cost of the liability arising from the contingent purchase price obligation for IanTECH Inc. as well as the adjustment of capital costs for the measurement of this liability.

Currency effects amounting to €-25.1m arose within the financial result in fiscal year 2020/21 as a result of foreign currency losses on hedges (prior year: currency effects of €4.5m due to foreign currency gains on currency hedges), due in particular to fluctuations in the exchange rate between the euro and the Chinese renminbi. The other financial result of €-1.7m was influenced in fiscal year 2020/21 mainly by the remeasurement of the contingent purchase price obligation arising from the acquisition of IanTECH, Inc. (prior year: €23.1m).

The tax rate for the reporting period was 29.9% (prior year: 30.9%). As a general rule, an average annual tax rate of around 30% is assumed.

Consolidated profit attributable to the shareholders of the parent company amounted to €236.3m for fiscal year 2020/21 (prior year: €122.4m). Non-controlling interests accounted for €1.2m (prior year: €1.0m). In fiscal year 2020/21, basic earnings per share of the parent company amount to €2.64 (prior year: € 1.37).

[7] Write-downs on intangible assets arose from the purchase price allocations (PPA), mainly in connection with the acquisitions of IanTECH, Inc. in fiscal year 2018/19 and Aaren Scientific Inc. in fiscal year 2013/14. There was also a one-time positive effect in fiscal year 2020/21 resulting from the proceeds from the sale of a property.

Financial position

Objectives and principles of financial management
A key objective of the Carl Zeiss Meditec Group's financial management is to safeguard liquidity and increase this efficiently throughout the Group.

For the Group, operative business is the main source of liquidity for the individual business units, which is also reflected in its strategic orientation and financial activities. The Company therefore operates a global financial management system that encompasses all of its subsidiaries and is centrally organized at Group level. The Company also strives to continuously improve its financial power and reduce financial risks by keeping a constant check on the solvency of its debtors, which also involves the use of financial instruments.

The Company deposits any liquidity it does not require at normal market conditions with the treasury of Carl Zeiss AG. When investing surplus liquidity, short-term availability generally comes before the goal of maximizing earnings, so that funds can be accessed quickly if, for example, acquisition opportunities arise. The Carl Zeiss Meditec Group has production plants in the USA, Europe and China. This means that the influence of exchange rate fluctuations can be reduced. The remaining currency risk is hedged by simple futures trading. Details on this can be found in the notes to the consolidated financial statements under "(2) (i) Financial instruments", "(27) Additional disclosures on financial instruments", "(37) Financial risk management", "(2) (u)" and "(35) Related party disclosures" and in the annual financial statements of Carl Zeiss Meditec AG under 4 "Information and explanatory notes on accounting and valuation principles", paragraph "Derivative financial instruments" and 8 "Receivables from affiliated companies".

Financial management
The ratio of borrowed capital to equity amounts to 42.8% as of 30 September 2021 (prior year: 38.9%).

The Company's dynamic gearing ratio was -0.7 years for fiscal year 2020/21 (prior year: -0.8 years)[8].

The interest coverage ratio, i.e., the coverage of interest income by the operating result before depreciation and amortization (EBITDA), amounted to 55.8 (prior year: 9.0).

Cash inflows generated from operating activities provide another important source of financing for the Carl Zeiss Meditec Group. Furthermore, the Company has the option to assume loans, either from the treasury of Carl Zeiss AG or from banks.

For further information on the financial liabilities of the Carl Zeiss Meditec Group please refer to note "(24) Non-current financial liabilities", "(25) Current accrued liabilities" and "(26) Other current non-financial liabilities" in the accompanying notes to the consolidated financial statements and in the annual financial statements of Carl Zeiss Meditec AG under 8 "Receivables from affiliated companies" and 14 "Liabilities".

As the Company possesses sufficient cash funds to finance its operating and strategic objectives, changes in credit conditions do not currently have any material effect on its financial position.

Separate reporting on financial instruments
The Carl Zeiss Meditec Group is exposed to currency fluctuation risks, due to its international business activities in numerous different currencies. Significant currency risks are hedged against with hedging transactions, based on a rolling business plan.

[8] Calculation: borrowings excluding non-controlling interests, less cash and cash equivalents and less treasury receivables/cash flows from operating activities.

Hedges are mainly transacted centrally by Carl Zeiss Financial Services GmbH. The services provided by Carl Zeiss Financial Services GmbH to Carl Zeiss Meditec AG and its subsidiaries are regulated by corresponding general agreements. The hedges are processed by Carl Zeiss Financial Services GmbH with external business banks. Hedges are entered into solely via banks with high credit ratings given by leading agencies. The business transactions are executed with strict separation of functions between the front office (trade), middle office (financial risk management, controlling) and back office (processing, documentation).

Value-at-risk analyses, together with scenario, sensitivity and stress test analyses, are implemented in risk control and monitoring, to quantify the currency risks. Hedging rates are specified for operative control of all relevant currencies. Limits were defined to limit risks relating to contracting parties and transaction types. Derivative financial instruments are exclusively used for hedging purposes.

Statement of cash flows

The Carl Zeiss Meditec Group's statement of cash flows shows the origin and utilization of the cash flows during a fiscal year. A distinction is made between cash flows from operating activities and cash flows from investing and financing activities.

Changes in individual items in the income statement and the statement of financial position are recorded in the statement of cash flows. In contrast, the consolidated statement of financial position presents the figures as they stood at the end of the reporting period on 30 September 2021. As a result, the statements in the analysis of the financial position may differ from the presentation of net assets based on the consolidated statement of financial position.

Summary of key ratios in the statement of cash flows in €m

Cash flows from operating activities amounted to €362.7m in the fiscal year under review, mainly due to the positive development of earnings (prior year: €178.5m). There was no further increase in inventories, which had a positive effect in fiscal year 2020/21. This was in contrast with stockpiling of certain products and components in the prior year, to ensure deliveries during the COVID-19 pandemic. An increase in trade payables also had a positive effect on the development of cash flow. This was offset by a sales-related increase in trade receivables.

Cash flow from investing activities amounted to €-75.2m in fiscal year 2020/21 (prior year: €-70.9m) and arose primarily from investments in property, plant and equipment and intangible assets due, among other things, to the capitalization of research and development expenses. There was also a cash outflow arising, among other things, from the purchase price obligations in connection with the acquisition of IanTECH, Inc. in fiscal year 2018/19 and Photono Oy in fiscal year 2019/20. A cash inflow was generated, among other things, from the proceeds from the sale of a property.

Cash flows from financing activities amounted to €-285.9m in the fiscal year under review (prior year: €-123.0m). The higher cash outflow in fiscal year 2020/21 is mainly attributable to an increase in treasury receivables from the treasury Carl Zeiss AG.

Free cash flow increased in fiscal year 2020/21 to €380.7m (prior year: €185.8m). **Net cash**[9] rose to €939.9m (prior year: €708.2m).

Investment and depreciation policy
Continuous investments are required to further expand the Company's market position in the medical technology sector. A distinction is made between two types of investment: capacity expansions and replacement investments. These investments are primarily financed from cash flow from operating activities.

The production of devices and systems at the Company is generally restricted to the integration of individual components to create system solutions. For this reason, investments in property, plant and equipment are comparatively low. One exception, however, is the production of intraocular lenses, which generally demands higher investments due to a larger vertical range of manufacture.

Nevertheless, the required investment of capital in real assets is limited within the Company, which is evident from the development of the capex ratio – the ratio of total investments[10] in property, plant and equipment (cash) to consolidated revenue. In fiscal year 2020/21, it was 1.8% (prior year: 2.2%).

At Carl Zeiss Meditec AG and its subsidiaries intangible assets and property, plant and equipment are subject to scheduled, straight-line amortization and depreciation, respectively, over their estimated useful lives. Further details on this can be found in note "(2) (g) Other intangible assets" and "(2) (h) Property, plant and equipment" in the accompanying notes to the consolidated financial statements and in note 5 "Fixed assets" in the annual financial statements of Carl Zeiss Meditec AG.

Key ratios relating to financial position

Key ratios relating to financial position

		30 Sep 2021	30 Sep 2020	Change
Key ratio	Definition	€m	€m	in %
Cash and cash equivalents	Cash-in-hand and bank balances	7.4	6.2	+19.9
Net cash and cash equivalents	Cash-in-hand and bank balances + treasury receivables from the treasury of Carl Zeiss AG ./. treasury payables to Group treasury of Carl Zeiss AG	939.9	708.2	+32.7
Net working capital	Current assets including financial investments ./. cash and cash equivalents ./. treasury receivables from treasury of Carl Zeiss AG ./. current liabilities excl. treasury payables to Group treasury of Carl Zeiss AG	216.0	284.7	-24.1
Working capital	Current assets ./. current liabilities	1,155.9	992.9	+16.4

Key ratio	Definition	**2020/21**	2019/20	Change
Cash flow per share	Cash flows from operating activities / Weighted average of shares outstanding	€4.05	€2.00	+103.1%
Capex ratio	Investment (cash) in property, plant and equipment / Revenue of Carl Zeiss Meditec Group	1.8%	2.2%	-0.4% pts

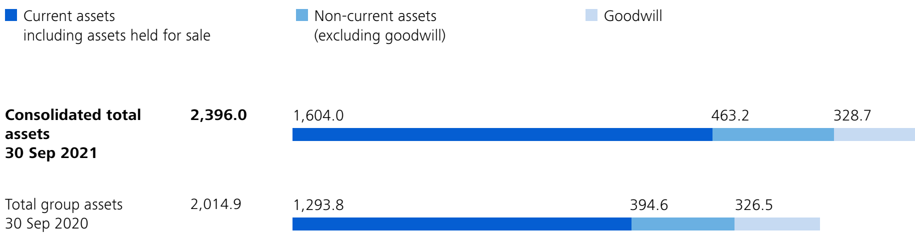
[9] Includes receivables from and liabilities to the treasury of the Carl Zeiss AG, as defined in the table "Key ratios relating to financial position".
[10] In fiscal year 2020/21, investments in property, plant and equipment (cash) totaled €30.1m after €29.3m in the prior year.

Net assets

Presentation of net assets

Total assets increased to €2,396.0m as of 30 September 2021 (prior year: €2,014.9m).

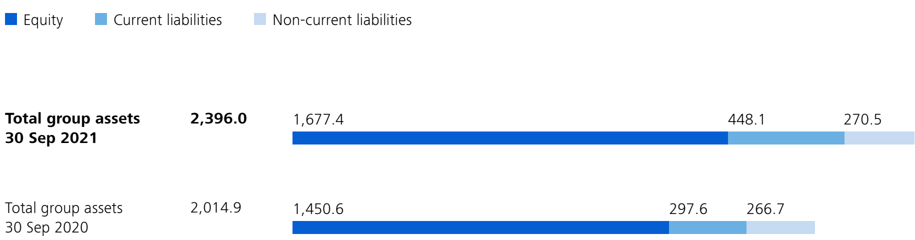
Structure of statement of financial position - Assets in €m



Non-current assets increased from €721.1m as of 30 September 2020 to €792.0m as of 30 September 2021. This was due in particular to an increase in property, plant and equipment associated with the rental of the new building in Dublin, California.

Current assets including assets held for sale amounted to €1,604.0m (30 September 2020: €1,293.8m). Due to the strong sales trend, trade receivables and trade receivables from related parties increased compared with the prior year. Treasury receivables also increased significantly.

Structure of statement of financial position - Equity and liabilities in €m



The **equity** recognized in the Carl Zeiss Meditec Group's statement of financial position amounted to €1,677.4m as of 30 September 2021 (30 September 2020: €1,450.6m). The equity ratio was 70.0% (30 September 2020: 72.0%) and thus remained high.

Non-current liabilities increased slightly to €270.5m as of 30 September 2021 (30 September 2020: €266.7m). Non-current leasing liabilities increased due to the leasing of the new building in Dublin, California.

As of 30 September 2021, **current liabilities** amounted to €448.1m (30 September 2020: €297.6m). Trade payables increased as a result of the strong sales trend, among other things. Current financial liabilities increased due to currency forward contracts.

Key ratios relating to net assets

Key ratios relating to net assets

Key ratio	Definition	30 Sep 2021 in %	30 Sep 2020 in %	Change % pts
Equity ratio	Equity (including non-controlling interests) / Total assets	70.0	72.0	-2.0
Inventories in % of rolling 12-month revenue[11]	Inventories (net) / Rolling revenue	17.4	21.4	-4.1
Receivables in % of rolling 12-month revenue[11]	Trade receivables at the end of the reporting period (including non-current receivables) / Rolling revenue	20.0	20.0	-

Orders on hand

The Carl Zeiss Meditec Group's orders on hand amounted to €273.9m as of 30 September 2021, an increase of +47.2% (30 September 2020: €186.2m). Due to the strong recovery of demand as a result of the further easing of the economic effects of the COVID-19 pandemic, the lead times for a number of key products in the equipment business had increased significantly at the end of fiscal year 2020/21, as there were bottlenecks in the procurement of materials.

Events of particular significance

There were no other events of particular significance during fiscal year 2020/21.

NON-FINANCIAL PERFORMANCE INDICATORS

Sustainability

Traditionally, the Company attaches great importance to commitment to the common good and the environment. In the opinion of the company management, social responsibility does not just shape corporate culture internally, but also plays an important role externally.

The sustainability management system of the Carl Zeiss Meditec Group is integrated in the sustainability strategy of the ZEISS Group.

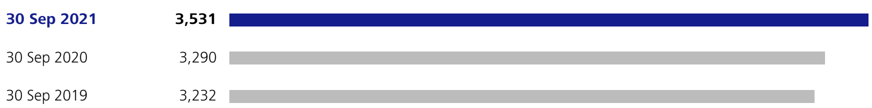
Carl Zeiss Meditec AG therefore makes use of the option under Section 289b (2) HGB and Section 315b (2) HGB to exempt itself from issuing a non-financial statement and the non-financial consolidated statement, and refers to the separate summary non-financial report of the parent company, Carl Zeiss AG, into which Carl Zeiss Meditec AG has been incorporated. This separate, non-financial report, which applies for the entire ZEISS Group shall be available for inspection, in German and English, from 15 December 2021 at www.zeiss.com/responsibility.

[11] Revenue of the past twelve months as of the end of the reporting period (30 September 2021)

Employees

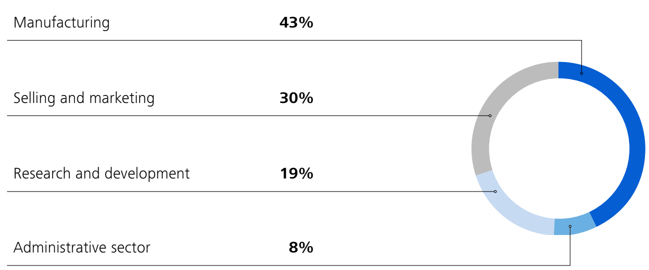
Highly qualified and motivated employees are a necessity for ensuring a company’s long-term success. Responsible human resources development and promotion prospects play a crucial role in this. As of 30 September 2021, the Carl Zeiss Meditec Group had 3,531 employees worldwide (prior year: 3,290).

Employees



At 43% and 30%, respectively, the majority of employees were working in Production or Sales and Marketing as of 30 September 2021. This includes a total of 573 Service employees, who are spread across various areas. The percentage of employees working in Research and Development was 19% at the end of the reporting period. The percentage of employees working in administration as of 30 September 2021 was 8%.

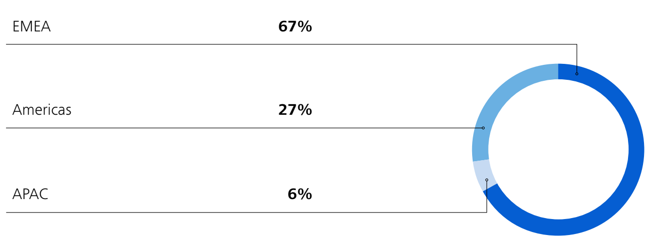
Employees by function 30 September 2021



A total of 67% and thus the majority of the Carl Zeiss Meditec Group's employees were working in the EMEA region as of 30 September 2021. A total of 27% of the Company’s employees of the Group were working in the Americas region and 6% in the APAC region.

In the APAC region, the Company mostly relies on the distribution network of the ZEISS Group.

Employees by region as of 30 September 2021



The success of the Carl Zeiss Meditec Group is based on the expertise and achievements of the Company’s employees. The core task of human resources management is therefore sustainable development and targeted support of potential. The focus is particularly on the further training and education of employees, as well as management development. There are also various courses to choose from as part of the internal ZEISS qualification program, as well as secondary training and qualification opportunities to take advantage of.

Compliance

As a company of the ZEISS Group, the Company's management considers integrity and compliance to be of paramount importance for the global reputation of the Carl Zeiss Meditec Group. A basic requirement for growth and success is having the trust of external stakeholders in responsible, law-abiding and ethical conduct. As a company of the ZEISS Group, Carl Zeiss Meditec AG has joined the compliance management system of Carl Zeiss AG. The compliance management system ensures compliance with laws and regulations and adherence to internal policies by stipulating processes and guidelines. A centralized and a decentralized approach is taken for this. Carl Zeiss AG develops guidelines and training documents, which are applied at the level of the subsidiaries (i.e., also at Carl Zeiss Meditec AG). ZEISS employees are encouraged to report any breach of the compliance requirement, or any grounds for suspicion of a breach. The notification management system for compliance incidents guarantees the anonymity of each informant and regulates the review, documentation and intervention in substantiated allegations. The ZEISS Code of Conduct containing the basic rules of good and fair conduct in competition and in dealing with our employees and customers, which has applied globally since 2007 and was updated in April 2020, is also adhered to. The Code of Conduct sets out the fundamental ethical principles of good conduct and values which govern the actions of both management and employees in their day-to-day work at the Company. Compliance was defined as an essential component of ZEISS Policy, which every business activity must conform to.

Production

Production plants
The Carl Zeiss Meditec Group manufactures its products in Jena, Oberkochen and Berlin in Germany, Dublin and Ontario in the USA, Guangzhou in China, and La Rochelle in France. The Company also has a number of smaller sites in Besançon, France, Livingston, Scotland, and Goodlands, Mauritius. Systems and devices for ophthalmology are manufactured in Jena and Dublin. The Company manufactures microsurgical visualization solutions and phacoemulsification systems in Oberkochen; intraocular lenses are manufactured in La Rochelle, Berlin and Ontario. Certain product groups are manufactured by partners, who either have more favorable cost structures or special production processes, or technologies that can realize economies of scale in purchasing.

Production concept
In production, the Carl Zeiss Meditec Group focuses on the integration of modules and system components, which are largely procured from external partners. In the case of intraocular lenses, however, there is a higher vertical range of manufacture. Production of these largely takes place in-house at the Company. Only a few specific production steps are undertaken by external companies. In order to reduce dependency on individual suppliers, the Company continuously strives to qualify additional suppliers for key components or product groups when selecting suppliers.

The main focus with regard to production processes is primarily on responding quickly to customer inquiries and requirements by using short decision paths and bringing innovations quickly and efficiently into production. Shorter throughput times and the reduction of inventories while simultaneously optimizing manufacturing costs and improving product quality and delivery performance play a major role in this.

Production planning
Production planning in Jena, Oberkochen and Dublin is based on the rolling forecast method. This is done mostly on a monthly or quarterly basis. This sales forecast is then translated into a demand forecast for production units, taking inventory changes into account. In order to keep stocks to a minimum, system integration is generally on a make-to-order basis.

In order to ensure uninterrupted supplies for customers in the refractive lasers segment, stocks of consumables are maintained to meet the planned sales volume for at least three months. This is particularly important as customers cannot use their equipment without consumables. They are therefore served from existing stocks in accordance with the first-in-first-out principle.

The rolling forecast method described above is also applied for the manufacture of intraocular lenses. As customers expect very short delivery times for implants, limited quantities of the finished products are stockpiled. For this purpose, replacement orders from customers are serviced from a central distribution center. Replenishment orders are then triggered directly to these production sites, so that other customers can be served as quickly as possible. The Carl Zeiss Meditec Group also operates consignment warehouses in clinics and hospitals, which – depending on consumption – are continuously restocked.

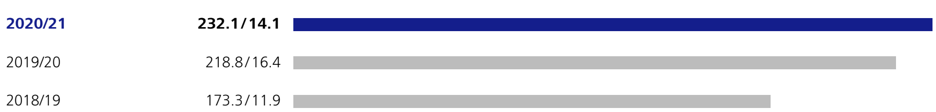
Research and development

Objectives and focus of research and development
Innovations are a key driver of future growth. Research and development has therefore traditionally played a crucial role within the Carl Zeiss Meditec Group.

The Company is committed to continuously expanding its product range and to improving products that are already on the market. In doing so, the Company strives to establish products as new gold standards in medical diagnostics and therapy. The focus is to make the customer’s workflows more efficient by integrating solutions, and to improve clinical results. A key element of the Company’s research and development work is close collaboration with its customers right from the early stages of product development.

In fiscal year 2020/21, research and development expenses increased by 6.1% to €232.1m (prior year: €218.8m). Due to the strong sales trend, the R&D ratio was lower than the prior-year period, at 14.1% (prior year: 16.4%). Primary development costs of €32.7m continued to be capitalized. Further information can be found in the accompanying notes to the consolidated financial statements.

R&D expenses in €m/Share of R&D in revenue of Carl Zeiss Meditec Group, in %



In the reporting period, 19% (prior year: 19%) of the Carl Zeiss Meditec Group's entire workforce was working in Research and Development. To a limited extent, research and development services are procured from Carl Zeiss AG, Oberkochen and its subsidiaries. In fiscal year 2020/21 the expenses incurred for this amounted to 20.0% (prior year: 14.7%) of total research and development expenses.

Focus of research and development activities in the reporting period
Research and development at the Company mainly focuses on:

» examining new technological concepts in terms of their clinical relevance and effectiveness;
» the continuous development of the existing product portfolio;
» the development of new products and product platforms based on the available basic technologies and
» digital networking of systems and equipment to increase diagnostic and treatment efficiency and improve treatment outcomes for patients.

Brands and patents

The Company invests in innovations and solutions and protects its innovations with patents. The Carl Zeiss Meditec Group currently owns more than 900 patent families worldwide (prior year: more than 900). An average of two patents a week were granted for the Carl Zeiss Meditec Group in fiscal year 2020/21. Although the protection for a patent varies from country to country, the Company still strives to protect products in the various markets as comprehensively as possible with patents. As a number of products have already been on the market for some time, patent protection does not always extend to the basic functionality of these products, but also to specific features and enhancements that protect beneficial solutions.

In addition, the Company has 750 registered brands (prior year: 662) and brand registrations (as of 30 September 2021). These include, among others, product names, slogans, images, logos and other specific characteristics of the Company.

FINANCIAL STATEMENTS OF CARL ZEISS MEDITEC AG

Carl Zeiss Meditec AG is the parent company of the Carl Zeiss Meditec Group. Its results are influenced to a large extent by its subsidiaries. The development of business is generally subject to the same opportunities and risks as the Carl Zeiss Meditec Group. The outlook for the Group also largely mirrors the expectations for Carl Zeiss Meditec AG, due to the links between Carl Zeiss Meditec AG and its subsidiaries and due to the importance of Carl Zeiss Meditec AG within the Group. The foregoing explanations for the Carl Zeiss Meditec Group therefore also apply for Carl Zeiss Meditec AG.

Carl Zeiss Meditec AG's key priority is to secure the Company's long-term and successful development and to ensure the necessary liquidity. A key benchmark for this is the management of profitable growth at Group level.

Preparation of the financial statements

The following annual financial statements of Carl Zeiss Meditec AG have been prepared in accordance with the German Commercial Code (*Handelsgesetzbuch, HGB*), in contrast to the consolidated financial statements, which conform to the International Financial Reporting Standards (IFRSs), as they are to be applied in the EU.

Summary of business development

Carl Zeiss Meditec AG ended fiscal year 2020/21 with a growing revenue and earnings; thus, the growth trend of previous years continued again in the fiscal year under review. The business recovered from the effects of the COVID-19 pandemic.

Revenue increased by 30.6% compared with the prior year. Exchange rate fluctuations had no material effect overall on the development of revenue. EBIT (gross profit less selling and general administrative expenses, R&D expenses and other operating expenses, plus other operating income) increased by €121.8m year-on-year to €288.8m (prior year: €167.0m). The EBIT margin therefore increased by 6.3 percentage points, from 19.5% in the prior year, to 25.8%.

Income statement according to HGB

	Appendix	**2020/21 1 Oct 20 to 30 Sep 21**	2019/20 1 Oct 19 to 30 Sep 20	Change
		€k	€k	in %
Revenue	(17)	**1,120,046**	**857,507**	**30.6%**
Cost of sales		-451,212	-374,536	20.5%
Gross profit on sales		**668,834**	**482,971**	**38.5%**
Sales and marketing expenses		-120,489	-113,489	6.2%
General and administrative expenses		-35,138	-31,676	10.9%
R&D costs		-209,067	-164,405	27.2%
thereof subsidies received		-	-	
Other operating income	(20)	37,295	24,230	53.9%
Other operating expenses	(21)	-52,656	-30,671	71.7%
Income from investments	(22)	1,212	-	> 100%
of which from affiliated companies		1,212	-	
Income from profit transfer	(23)	10,173	5,214	95.1%
Income from investments and long-term loans		676	498	35.7%
of which from affiliated companies		676	498	35.7%
Other interest and similar income		831	801	3.7%
of which from affiliated companies		357	773	-53.8%
Write-downs of long-term financial assets and securities classified as current assets		-4,500	-	> 100%
Interest and similar expenses	(24)	-4,208	-17,746	-76.3%
of which from affiliated companies		-	-	
Earnings before income taxes		**292,963**	**155,727**	**88.1%**
Taxes on income	(25)	-95,645	-52,902	80.8%
Profit after tax		**197,318**	**102,825**	**91.9%**
Other taxes	(26)	-396	-153	158.8%
Net income for the year		**196,922**	**102,672**	**91.8%**
Retained profits brought forward from prior year		364,303	319,768	13.9%
Dividend		-44,720	-58,137	-23.1%
Net retained profits		**516,505**	**364,303**	**41.8%**

Results of operations

Revenue increased by 30.6% year-on-year to €1,120.0m (prior year: €857.5m). Overall, currency translations had no material effect on the increase in sales. Sales include €4.6m in service revenue pursuant to Section 277 (1) HGB.

Gross profit in fiscal year 2020/21 increased from €483.0m to €668.8m. The corresponding margin increased by 3.4 percentage points to 59.7% (prior year: 56.3%).

Selling expenses in the fiscal year amounted to €120.5m, general and administrative expenses amounted to €35.1m. Selling, general and administrative expenses increased in absolute terms in the fiscal year under review, which is mainly due to the higher business volume and an increase in travel and trade fair activities again. Carl Zeiss Meditec AG's research and development expenses in fiscal year 2020/21 amounted to €209.1m (prior year: €164.4m). Detailed information on the Carl Zeiss Meditec Group's research and development activities can be found on in the section entitled Research and development of the management report.

The increase in other operating income mainly results from foreign currency gains and reversals of write-downs on receivables from the subsidiary Carl Zeiss Meditec Iberia S.A, details of which can be found in the accompanying notes to the annual financial statements of Carl Zeiss Meditec AG in the note on “Fixed assets”.

Other operating expenses increased mainly as a result of foreign currency losses. Income from long-term equity investments results from the dividend payment of Carl Zeiss Meditec Co. Ltd., Tokyo, Japan. Income from profit and loss transfer agreements originated from the subsidiary Carl Zeiss Meditec Asset Management Verwaltungsgesellschaft mbH, Jena, Germany. Further information on this can be found in the notes to the annual financial statements of Carl Zeiss Meditec AG in the note on "Income from profit and loss transfer agreements".

The write-down of long-term financial assets relates to InfiniteVision Optics S.A.S., Strasbourg, France. Further details can be found in the notes to the annual financial statements of Carl Zeiss Meditec AG in the note on "Fixed assets".

The decrease in interest and similar expenses within the financial result mainly relates to pension obligations.

The result before tax thus increased to €293.0m compared with €155.7m in the prior year. Net income for the fiscal year under review amounts to €196.9m (prior year: €102.7m).

Balance sheet

	Note	30 Sep 2021	30 Sep 2020
		€k	€k
ASSETS			
A. Fixed assets	**(5)**	**686,940**	**659,369**
I. Intangible fixed assets		65,861	84,114
II. Property, plant and equipment		36,296	28,931
III. Financial assets		584,783	546,324
B. Current assets		**1,125,699**	**933,873**
I. Inventories		161,693	161,852
II. Receivables and other assets	(7) - (9)	964,006	772,018
III. Cash-in-hand and bank balances	(10)	-	3
C. Deferred income	**(11)**	**1,437**	**1,397**
Total assets		**1,814,076**	**1,594,639**
EQUITY AND LIABILITIES			
A. Equity	**(12)**	**1,563,828**	**1,411,626**
I. Subscribed capital		89,441	89,441
II. Capital reserve		954,942	954,942
III. Retained earnings		2,940	2,940
IV. Net retained profits		516,505	364,303
B. Provisions	**(13)**	**126,407**	**92,745**
C. Liabilities	**(14)**	**122,346**	**88,668**
D. Deferred income	**(15)**	**1,495**	**1,600**
Total liabilities		**1,814,076**	**1,594,639**

Net assets and results of operations

Pursuant to German commercial law (HGB), the total assets of Carl Zeiss Meditec AG amounted to €1,814.1m as of 30 September 2021. This corresponds to an increase of 13.8% compared with the prior year (€1,594.6m).

Long-term financial assets increased due in particular to an addition to shares in affiliated companies resulting from a capital increase at Carl Zeiss Meditec, Inc., Dublin, USA, in return for which a long-term intercompany loan was partially repaid. Inventories remained almost the same, at €161.7m, compared with the prior-year figure of €161.9m. Receivables and other assets increased year-on-year, due in particular to the increase in volume sales associated with the recovery of the business from the effects of the COVID-19 pandemic.

Cash and cash equivalents consist exclusively of bank balances. Term deposit balances are deposited with the Group treasury of Carl Zeiss AG and are recognized under "Receivables from affiliated companies".

Net retained profits increased by the net income for the fiscal year of €196.9m, less the dividend paid of €44.7m.

Provisions increased to €126.4m (prior year: €92.7m). This was mainly due to higher provisions for currency forward contracts. Further information can be found in the notes to the annual financial statements of Carl Zeiss Meditec AG under "Provisions". Liabilities increased mainly in the area of trade payables due to the higher purchasing volumes.

The debt ratio (ratio of borrowed capital to equity) increased slightly to 15.9% as of 30 September 2021 (prior year: 12.9%).

Cash inflows generated from operating activities provide important sources of financing for Carl Zeiss Meditec AG. The Company can also create additional liquidity by issuing new shares on the capital market. Furthermore, the Company has the option to assume loans, either from the treasury of Carl Zeiss AG or from banks. As Carl Zeiss Meditec AG has enough cash funds at its disposal to finance its operating and strategic objectives, changes in interest rates and credit conditions are not currently having any material effect on the Company’s financial position.

The Company’s management considers Carl Zeiss Meditec AG’s net assets and financial position to be solid. They contribute toward the achievement of the Company's objectives which are focused on sustainable growth.

Employees

As of 30 September 2021, Carl Zeiss Meditec AG had 1,547 employees. This number does not include Management Board members.

Appropriation of profits

Fiscal year 2020/21 closes with net income for the year of €196,921,662.00. The Management Board proposes utilizing the net retained profits of €516,504,701.69 for fiscal year 2020/21 as follows:

» Payment of a dividend of €0.90 per no-par value share for 89,440,570 no-par-value shares: € 80,496,513.00.
» Carryforward of residual profit to new account: €436,008,188.69.

Declaration on corporate governance (pursuant to Section 289f HGB, 315d HGB) and corporate governance report

The declaration on corporate governance (pursuant to Section 289a HGB and 315 (5) HGB) includes the declaration of conformity pursuant to Section 161 AktG, relevant information on corporate governance practices applied which go beyond the statutory requirements, in addition to information of where these are publicly accessible and a description of how the Management and Supervisory Boards work, as well as the composition and mode of working of their committees. You will find this information on our website www.zeiss.com/meditec-ag/investor-relations/corporate-governance.html.

The sustainability management system of the Carl Zeiss Meditec Group is integrated in the sustainability strategy of the ZEISS Group.

Carl Zeiss Meditec AG therefore makes use of the option under Section 289b (2) HGB and Section 315b (2) HGB to exempt itself from issuing a non-financial statement and the non-financial consolidated statement, and refers to the separate summary non-financial report of the parent company, Carl Zeiss AG, into which Carl Zeiss Meditec AG has been incorporated. This separate, non-financial report, which applies for the entire ZEISS Group shall be available for inspection, in German and English, from 15 December 2021 at www.zeiss.com/responsibility.

REMUNERATION REPORT

Remuneration report of the Management Board

The members of the Management Board are remunerated based on Section 87 German Stock Corporation Act (*Aktiengesetz*). According to this, the Supervisory Board determines the remuneration, which comprises fixed and variable components, and payments in kind. The Supervisory Board's General Committee proposes the amount and structure of the remuneration to be paid to the Management Board, and these are then approved by the Supervisory Board as a whole. The appropriateness of the Management Board remuneration is based on the duties and the personal contribution of the individual members of the Management Board, as well as the Company's overall financial position and the market environment.

At its meeting on 3 December, the Supervisory Board addressed the achievement of objectives by the Management Board members for fiscal year, and stipulated the relevant variable remuneration 3 December 2020. At its meeting on 14 April 2021, at the recommendation of the General Committee, the Supervisory Board resolved upon the key points of the new Management Board remuneration system in accordance with the provisions of Section 87a AktG, for presentation at the Annual General Meeting on 27 May 2021. The remuneration system for the Management Board was adopted by the Annual General Meeting on 27 May 2021 as planned, achieving an approval rating of 95.91% of the share capital present.

Structure and amount of remuneration paid to the Management Board

The remuneration paid to the Management Board of Carl Zeiss Meditec AG consists of a fixed and a variable portion. The variable portion is split into two components: the first component is contingent upon the achievement of certain targets for the respective current fiscal year and the second bears a long-term incentive effect.

The **fixed portion** of the remuneration paid to the Management Board is not contingent upon the achievement of certain targets. It is paid monthly.

The **variable portion of the remuneration**, which relates to targets set for the respective fiscal year, is contingent upon the achievement of certain quantitative targets. The main quantitative targets are Economic Value Added® (EVA®) and free cash flow. This portion of the remuneration is paid after the end of the respective fiscal year. The amount is contingent upon the degree of target fulfillment.

In addition to the two components of Management Board remuneration described above, there is also a so-called Long Term Incentive Program (LTI).

This program offers a remuneration component with a long-term incentive, which allows the members of the Management Board to annually earn an additional income after a three-year period. This amounts to 40% of the individual short-term variable remuneration for the fiscal year that precedes the beginning of the term of an LTI tranche, plus interest. A precondition for payment of this remuneration is that the members of the Management Board have not handed in their notice at the end of the applicable three-year period per tranche, and the equity ratio of the ZEISS Group is higher than 20% at this point. The first payment was made in December 2014. The next payment is forecast for December 2021.

Contrary to the general LTI regulation, a different regulation applies for the Chairman of the Management Board with respect to the long-term variable remuneration. Accordingly, financial targets (EVA®, free cash flow) are agreed annually for a three-year period. The targets are settled at the end of the period.

Itemized breakdown of the remuneration paid to the members of the Management Board of Carl Zeiss Meditec AG

	Management Board remuneration						
	Fiscal year	Fixed remuneration	Remuneration in kind and other remuneration[13]	Variable remuneration[14]	Total remuneration paid directly	LTIP	Total remuneration pursuant to Section 314 (1) No. 6a) HGB
		€k	€k	€k	€k	€k	€k
Dr. Ludwin Monz[12]	**2020/21**	400.0	15.3	223.4	638.7	216.6	855.3
	2019/20	400.0	18.0	525.0	943.0	206.3	1,149.3
Justus Felix Wehmer	**2020/21**	300.0	21.9	229.4	551.3	128.6	679.9
	2019/20	270.0	20.5	332.6	623.1	190.5	813.6
Jan Willem de Cler	**2020/21**	300.0	12.3	254.9	567.2	141.7	708.9
	2019/20	300.0	12.6	332.6	645.2	184.3	829.5

[12] The total remuneration paid to Dr. Monz does not include any benefits arising due to termination of his employment, as these will not be cash-effective until the coming FY. (See table “Value of benefits granted and tendered for the fiscal year, Dr. Ludwin Monz”)
[13] Benefits in kind and other compensation include e.g non-cash benefits such as the provision of a company car and the reimbursement of employer contributions to the statutory pension and unemployment insurance schemes, as well as contributions to group accident insurance.
[14] Variable remuneration corresponds to the amounts paid in the respective fiscal year.

Directors & Officers (D&O) liability insurance has been taken out for the members of the Management Board of Carl Zeiss Meditec AG, which provides for an excess that is also specified in the Management Board contracts. This complies with the excess that has been prescribed by the German Stock Corporation Act (A) since 5 August 2009 of at least 10% of the damages up to at least one-and-a-half times the fixed annual remuneration.

Pension scheme for members of the Management Board

The appropriation to the pension provisions or pension funds should be stated annually with respect to the retirement benefit commitments for the members of the Management Board. The expenses relating to pension commitments attributable to the individual members of the Management Board – or, in the case of Dr. Monz, the proportionate oncharged service cost – are presented in the following overview.

Itemized breakdown of the pension commitments to the members of the Management Board of Carl Zeiss Meditec AG

	Fiscal year	Current service cost	Present value of pension commitment, total
		€k	€k
Dr. Ludwin Monz[15]	**2020/21**	361.1	-
	2019/20	365.7	-
Justus Felix Wehmer	**2020/21**	42.6	292.5
	2019/20	44.8	261.9
Jan Willem de Cler	**2020/21**	46.5	131.1
	2019/20	42.4	91.4

In connection with the appointment of Dr. Monz as a member of the Group Management Board of Carl Zeiss AG, effective 1 January 2014, Carl Zeiss AG became responsible for the pension commitment to Dr. Monz, both for the past and for the future. The pension provision previously set up at Carl Zeiss Meditec AG has accordingly been transferred to Carl Zeiss AG. The proportionate service cost arising from the annual appropriation to the pension provision for Dr. Monz's function as President and CEO of Carl Zeiss Meditec AG shall be passed on to Carl Zeiss Meditec AG, effective from 1 January 2014.

Projected unit credits for pensions for other former members of the Management Board of Carl Zeiss Meditec AG amount to €1,305.1k (prior year: €1,396.9k).

Value of benefits granted for fiscal year 2020/21 and allocation amount

The value of the benefits granted for the fiscal year under review, including single-year and multi-year variable components of remuneration, shall continue to be presented and compared with the actual allocation amount. The minimum compensation for the reporting year, as well as the maximum attainable remuneration shall also be stated.

[15] Proportionate oncharged service cost from the pension commitment to Dr. Monz (adjustment on 1 January 2014)

Value of benefits granted and tendered for the fiscal year Dr. Ludwin Monz

Dr. Ludwin Monz President and CEO Member of the Management Board since 8 October 2007			Minimum achievable value	Maximum achievable value
	2020/21	2019/20	**2020/21**	**2020/21**
Value of benefits granted	€k	€k	€k	€k
1. Fixed remuneration	400.0	400.0	400.0	400.0
2. Fringe benefit	15.3	18.0	15.3	15.3
3. Total	**415.3**	**418.0**	**415.3**	**415.3**
4. Single-year variable compensation (VCS)	275.0	262.5	-	550.0
5. Multi-year variable compensation (LTI)[16]	**268.6**	**600.2**	**-**	**327.0**
2019/20	-	206.3	-	-
2020/21	216.6	131.3	-	275.0
2021/22	52.0	131.3	-	52.0
2022/23	-	131.3	-	-
6. Pension cost	361.1	365.7	361.1	361.1
7. Benefits resulting from termination of employment	930.0	-	930.0	930.0

The Chairman of the Management Board of Carl Zeiss Meditec AG, Dr. Ludwin Monz, informed the Supervisory Board on 30 September 2021 that he shall not be available for a further term of office. Dr. Monz has reached an agreement with the Supervisory Board on termination of his Management Board mandate on 31 December 2021 and has concluded a termination agreement. Dr. Monz shall accordingly receive benefits due to termination of his employment in the amount of €930.0k, which shall be paid out to him after 31 December 2021.

Allocation amount in fiscal year Dr. Ludwin Monz

Dr. Ludwin Monz President and CEO Member of the Management Board since 8 October 2007	**2020/21**	2019/20
Allocation amount for the fiscal year	€k	€k
1. Fixed remuneration	400.0	400.0
2. Fringe benefit	15.3	18.0
3. Total	**415.3**	**418.0**
4. Single-year variable compensation (VCS)	223.4	525.0
5. Multi-year variable compensation (LTI)	216.6	206.3
6. Total	**855.3**	**1,149.3**
7. Pension cost	361.1	365.7
8. Total remuneration	**1,216.4**	**1,515.0**

[16] Entitlement if thresholds exceeded

Value of benefits granted and tendered for the fiscal year, Justus Felix Wehmer

Justus Felix Wehmer CFO Member of the Management Board since 1 October 2018			Minimum achievable value	Maximum achievable value
	2020/21	2019/20	**2020/21**	**2020/21**
Value of benefits granted	€k	€k	€k	€k
1. Fixed remuneration	300.0	270.0	300.0	300.0
2. Fringe benefit	21.9	20.5	21.9	21.9
3. Total	**321.9**	**290.5**	**321.9**	**321.9**
4. Single-year variable compensation (VCS)	200.0	180.0	-	280.0
5. Multi-year variable compensation (LTI)	**401.0**	**446.7**	**-**	**684.1**
2019/20	-	190.5	-	-
2020/21	128.6	87.3	-	149.6
2021/22	76.3	68.1	-	130.4
2022/23	114.9	100.8	-	223.8
2023/24	81.2	-	-	180.3
6. Pension cost	42.6	44.8	42.6	42.6

Allocation amount in fiscal year under review, Justus Felix Wehmer

Justus Felix Wehmer CFO Member of the Management Board since 1 October 2018	**2020/21**	2019/20
Allocation amount for the fiscal year	€k	€k
1. Fixed remuneration	300.0	270.0
2. Fringe benefit	21.9	20.5
3. Total	**321.9**	**290.5**
4. Single-year variable compensation (VCS)	229.4	332.6
5. Multi-year variable compensation (LTI)	128.6	190.5
6. Total	**679.9**	**813.6**
7. Pension cost	42.6	44.8
8. Total remuneration	**722.5**	**858.4**

Value of benefits granted and tendered for the fiscal year Jan Willem de Cler

Jan Willem de Cler Member of the Management Board since 1 October 2018			Minimum achievable value	Maximum achievable value
	2020/21	2019/20	**2020/21**	**2020/21**
Value of benefits granted	€k	€k	€k	€k
1. Fixed remuneration	300.0	300.0	300.0	300.0
2. Fringe benefit	12.3	12.6	12.3	12.3
3. Total	**312.3**	**312.6**	**312.3**	**312.3**
4. Single-year variable compensation (VCS)	200.0	200.0	-	280.0
5. Multi-year variable compensation (LTI)	**452.2**	**475.2**	**-**	**768.8**
2019/20	-	184.3	-	-
2020/21	141.7	96.1	-	164.8
2021/22	105.4	94.0	-	179.9
2022/23	114.9	100.8	-	223.8
2023/24	90.2	-	-	200.3
6. Pension cost	46.5	42.4	46.5	46.5

Allocation amount in fiscal year under review, Jan Willem de Cler

Jan Willem de Cler Member of the Management Board since 1 October 2018	**2020/21**	2019/20
Allocation amount for the fiscal year	€k	€k
1. Fixed remuneration	300.0	300.0
2. Fringe benefit	12.3	12.6
3. Total	**312.3**	**312.6**
4. Single-year variable compensation (VCS)	254.9	332.6
5. Multi-year variable compensation (LTI)	141.7	184.3
6. Total	**708.9**	**829.5**
7. Pension cost	46.5	42.4
8. Total remuneration	**755.4**	**871.9**

Departure of members of the Management Board

In the event of premature termination of the employment relationship, the contracts for members of the Management Board do not contain any explicit promise of a severance payment. A severance payment may, however, ensue from a severance agreement concluded on an individual basis.

Remuneration of the Supervisory Board

The remuneration of the Supervisory Board is composed of a fixed basic remuneration and remuneration for work on the committees. The basic remuneration for each member of the Supervisory Board amounts to €30,000. The Chairman of the Supervisory Board receives double this amount; the Deputy Chairman and the Chairman of the Audit Committee receive one-and-a-half times this amount. With the exception of the members of the Nominating Committee and the Chairman and Deputy Chairman of the General Committee, members of committees receive an additional, fixed remuneration of €5,000. In addition to this, the Annual General Meeting on 19 March 2019 resolved to pay an attendance fee of €1,000 to each member of the Supervisory Board who attends a Supervisory Board or committee meeting.

The following overview provides an itemized breakdown of the total remuneration paid to each Supervisory Board member:

Itemized breakdown of remuneration paid to the Supervisory Board of Carl Zeiss Meditec AG pursuant to Art. 19 of the Articles of Association of Carl Zeiss Meditec AG

	Fiscal year	Basic remuneration	Committees and attendance fee	Total remuneration
		€k	€k	€k
Prof. Dr. Michael Kaschke	**2020/21**	39.1	4.0	43.1
(Chairman and member until 27 May 2021)	2019/20	60.0	11.0	71.0
Dr. Karl Lamprecht[17]	**2020/21**	40.4	10.3	50.7
(Chairman since 27 May 2021)	2019/20	8.0	4.8	12.8
Tania von der Goltz	**2020/21**	45.0	7.0	52.0
(Deputy Chairwoman)	2019/20	45.0	9.0	54.0
Dr. Markus Guthoff	**2020/21**	29.4	5.0	34.4
(until 27 May 2021)	2019/20	45.0	20.2	65.2
Peter Kameritsch	**2020/21**	15.7	5.0	20.7
(since 27 May 2021)	2019/20	-	-	-
Dr. Christian Müller[18]	**2020/21**	30.0	17.0	47.0
	2019/20	30.0	20.0	50.0
Isabel De Paoli	**2020/21**	30.0	8.0	38.0
	2019/20	8.0	3.0	11.0
Torsten Reitze[19]	**2020/21**	10.4	6.7	17.1
(since 27 May 2021)	2019/20	-	-	-
Cornelia Grandy	**2020/21**	30.0	14.0	44.0
	2019/20	30.0	18.0	48.0
Renè Denner	**2020/21**	30.0	6.0	36.0
	2019/20	30.0	7.0	37.0
Jeffrey Marx	**2020/21**	30.0	6.0	36.0
	2019/20	17.1	5.0	22.1

The Company did not pay members of the Supervisory Board any additional remunerations or benefits for personally rendered services (in particular consultancy and agency services) in fiscal year 2020/21.

Directors & Officers (D&O) liability insurance has been taken out for the members of the Supervisory Board of Carl Zeiss Meditec AG, which provides for an excess that is also specified in the Company's Articles of Association. This corresponds to at least 10% of the damages up to at least one-and-a-half times the fixed annual remuneration.

OPPORTUNITY AND RISK REPORT

A group with global operations faces a large number of entrepreneurial risks and opportunities that can have a sustained impact on business success. The assessment of opportunities and risks and conscientious handling of entrepreneurial uncertainty are an important part of corporate governance at Carl Zeiss Meditec Group.

[17] As in the prior year, Dr. Karl Lamprecht waived his entitlement to remuneration for fiscal year 2020/21 by way of a waiver declaration.
[18] As in the prior year, Dr. Christian Müller waived his entitlement to remuneration for fiscal year 2020/21 by way of a waiver declaration.
[19] Torsten Reitze waived his entitlement to remuneration for fiscal year 2020/21 by way of a waiver declaration.

Risk management

The central risk management system of the Carl Zeiss Meditec Group stipulates uniform regulations and processes for the early detection, assessment and management of risks. In the subsidiaries and on Group level, risk management coordinators are responsible for applying the policies and procedures. The management of the subsidiaries detects and manages operating and strategic risks. Overall responsibility lies with the Management Board, which regularly assesses risks and their management at Group level together with the Group Risk Manager. The Management Board and Supervisory Board review the appropriateness and monitoring of the risk management system.

Risk management is an integral part of corporate governance within the Carl Zeiss Meditec Group, and is based on the following two key components: a **risk reporting system** and an **internal control system.**

Risk reporting system
This is a clearly structured, traceable feedback loop which encompasses all of the Company's activities, is integrated in its organizational structure and its control and reporting processes, and comprises a systematic and ongoing process for the identification, assessment, management/control, as well as the documentation and communication of any risks. Any relevant information can therefore be immediately passed on to the responsible decision makers. The main features of this system are as follows:

» The risk reporting system exclusively records risks. It integrates all fully consolidated subsidiaries.
» The business risks are assessed and categorized according to their potential implications over the period of their existence, and according to their probability of occurrence and damage potential. The period of assessment is a maximum of five years. The risks are evaluated in respect of their effect on earnings before interest and tax.
» Regular risk reports are provided to the Management Board, the management of the subsidiaries and other decision-makers within the Company on the basis of specified thresholds. Significant risks arising at very short notice are reported to this responsible group immediately.
» On this basis, the Group takes and evaluates appropriate measures to avoid identified risks, reduce their probability of occurrence or reduce the economic damage they could cause. The measures to reduce risks, the early warning indicators and the residual risks derived from these are regularly updated and documented.

Internal control system
The internal control system of the Carl Zeiss Meditec Group is based on the COSO Enterprise Risk Management Model (COSO ERM model). The Group’s integrated enterprise risk management system covers strategic and operational risks, i.e., risk assessment goes beyond mere financial risks. For central processes, there are key risks and defined control mechanisms, which are regularly evaluated with regard to their effectiveness. The Management Board is responsible for ensuring an appropriate and effective internal control system and for continuously improving it. The Supervisory Board’s Audit Committee monitors the effectiveness of internal auditing, risk management and the internal control system, as well as the accounting process. The accounting-related part of the internal control system is a system structured within the sphere of responsibility and under the supervision of the CFO, which ensures that the preparation of the consolidated annual financial statements is in line with the International Financial Reporting Standards (IFRSs), and that external financial reporting is reliable.

Significant risks

The Carl Zeiss Meditec Group analyzes and assesses risks systematically. Special emphasis is placed on potential economic effects and on probability of occurrence. In this way, the risks are quantified and classified. Due to the broad portfolio and the Group's global presence, the strategic and operational risks are highly diversified.

Quantitative data is based on a net perspective after application of measures, and relates to the risk assessment period.

Innovation risks
The business success and reputation of the Group are heavily dependent on the rapid development of innovative products and solutions. New trends and current scientific and research findings can trigger technology shifts and new customer requirements, and make new business models necessary. Should the Group lose touch with technological developments on the market, react too late to trends or technological advancements, this could weaken its competitive position. There is also a risk of the Group's products being completely superseded by alternative technologies, procedures or treatment methods, thus reducing demand for certain products, which could result in losses in sales and earnings. The potential negative impact these risks could have on earnings equates to an amount in the low-single-digit million euro range.

In order to exploit opportunities in this area early and keep the probability of occurrence and the economic impact of this risk low in all segments, the Group invests heavily in research and development and upstream areas of products with a technological edge and unique selling points.

Personnel risks
Demographic change and the shortage of skilled staff for technical jobs as well as the differing training and qualifications standards around the globe are creating new challenges when it comes to filling job vacancies. Unfilled positions could limit the technological advancement and sale of the products and services it offers in all segments. The Group is countering this with its recruitment strategy and employee development and successor planning, thus keeping the probability of occurrence low. In order to retain skilled employees in the long term, the Group offers various social benefits depending on the location – these include, for example, offers for health promotion or child care. At the current time, the management does not expect these risks to have any material effects on the Group's net assets, financial position or results of operations.

Risks in procurement and production
The Group ensures compliance with national and international standards, guidelines and legal requirements with regard to its supply chain through an integrated management system that addresses the issues of quality, the environment, and occupational health and safety.

In some cases, the Carl Zeiss Meditec Group uses components from external suppliers to manufacture its products in all business segments. The increase in the prices of commodities, energy and materials, the growing complexity of purchased parts and the limited number of suppliers (single source) for certain technologies could have negative implications for the production, sale and quality of the Company's products. In addition there is a risk of suppliers canceling or not being able to deliver in full due to the COVID-19 pandemic or due to the transport and supply bottlenecks being observed worldwide. The Group continues to work on stabilizing supply chains and reducing the dependence on individual suppliers in order to minimize the associated economic impact, among other things. Opportunities arising from the bundling of procurement activities shall also be exploited. Furthermore, the Carl Zeiss Meditec Group selects its suppliers according to specific processes and criteria. By implementing consistent supply chain measures, such as qualifying its suppliers, identifying secondary suppliers and preparing a strategic stockpiling plan, the Carl Zeiss Meditec Group protects itself against supplier dependencies and changes on the commodities market.

The Carl Zeiss Meditec Group and the ZEISS Group have close contractual relationships in some areas. This relates in particular to the procurement of IT services, the licensed use of the "ZEISS" brand and agreements with distribution companies of the ZEISS Group. This distribution network provides major opportunities, which are rooted particularly in the close-meshed coverage worldwide and an efficient market development approach.

The potential effect of supplier risks on earnings is in the low single-digit million euro range.

Risks of information technology

The Carl Zeiss Meditec Group continuously reviews and exploits the opportunities of digitalization. This creates many new possibilities to offer customers additional services. At the same time, the Group constantly updates its existing information technology (IT) systems, and its IT protection and security systems. Functioning and adequately documented IT systems are also a prerequisite for obtaining product approvals in certain countries. Risks that, in the event of damage, could result in an interruption of business processes due to IT system failures or the loss or falsification of data, are therefore identified and evaluated across the entire life cycle of the applications and IT systems. Analyses were carried out and measures were taken in this area in particular during the fiscal year under review, to prevent cyber attacks and virus attacks causing damage to the IT infrastructure of Carl Zeiss Meditec AG and medical devices at the customer. The management works continuously to improve its IT security due to the considerable increase in the threat from cybercrime. Depending on the nature and scope of potential successful cyber attacks, these could have material adverse effects on the Group's net assets, financial position and results of operations. Some of the Group's IT systems are operated by external partners. The Group has defined standards for these service providers with regard to the hardware and software used, as well as data security. The Group continuously monitors the implementation of and compliance with these standards.

Risks from acquisitions

Acquisitions or investments offer the Carl Zeiss Meditec Group the opportunity to expand its portfolio of expertise and technology, or to increase its access to regional markets. Due in particular to the acquisition of Carl Zeiss Meditec Cataract Technology, Inc. in December 2018, a company specializing in technical solutions for microinvasive cataract surgery, the Group will be able to significantly strengthen its technological position and its product portfolio for cataract surgery in the years ahead.

Acquisitions bear the entrepreneurial risk of the acquired company not performing as well economically as expected in the market, or of the sales and earnings targets being pursued with its acquisition not being reached, or of intended synergy effects with the Carl Zeiss Meditec Group not being achievable. The Group tracks the associated risks and opportunities over time. A key element prior to execution of a transaction is a standardized process for mergers & acquisitions, including a due diligence review to assess the business development that can be expected. The economic impact and probability of occurrence are therefore small.

The consolidated statement of financial position shows goodwill from acquisitions totaling €328.7m, which is tested annually for impairment in accordance with IAS 36. A total of €327.8m of this goodwill is attributable to the Ophthalmic Devices SBU, and €0.9m to the Microsurgery SBU. The impairment tests carried out during the fiscal year under review did not give any indication of impairment of the goodwill-bearing cash-generating units (CGUs). Based on the development of business, the Group also anticipates positive results from subsequent tests. Due to changes in general economic conditions or changes in business models, impairment losses cannot be ruled out on goodwill recognized for individual or all companies acquired in the past.

Legal risks, patents and intellectual property

The Company's competitiveness depends on the protection of its technological innovations against exploitation by third parties. Violations of intellectual property and patent protection may compromise any technological lead and thus competitive advantages in all business segments. The expiry of property rights, particularly patents, as well as the geographical limitation of property rights could result in new or existing competitors exploiting the inventions of the Carl Zeiss Meditec Group to enter the market or strengthen their market position. Furthermore, in spite of the measures taken, third parties may still attempt to copy or partly copy products of the Company, since the unauthorized use of intellectual property is generally difficult to monitor and copyright laws only provide for limited protection.

The Company employs a property rights strategy to protect its technologies and products. If ZEISS patent and brand rights are infringed by third parties, the Group takes legal steps to counter the associated high financial risk. Considering the importance of innovation for the Company, such cases can be expected with a certain degree of probability in future, even though such cases have rarely arisen in the past. When developing products and technologies, the Group checks whether the rights of a third party could be affected, develops non-protected solutions, if necessary, and acquires the requisite licenses and rights, or seeks other solutions by legal contract. Overall, the management does not expect risks in the area of patents and intellectual property to have any material effects on the Group's net assets, financial position or results of operations.

Legal risks may arise due, among other things, to changes in general legal conditions in the relevant markets and to legal disputes with competitors, business associates or customers. Pending litigation amounts to a sum in the low single-digit millions and is not considered to be a substantial threat for the Group. Should it be necessary, the Group would set up adequate provisions as a precaution. Further details on litigation and arbitration proceedings involving the Carl Zeiss Meditec Group can be found in note "(31) Contingent liabilities and other financial commitments" in the accompanying notes to the consolidated financial statements.

As a listed medical technology company with global operations, the Carl Zeiss Meditec Group is subject, in the countries in which the Group operates, to a large number of laws, regulations and guidelines. In order to ensure compliance with these regulations, these are regularly analyzed for any changes and internal processes and guidelines are adapted, if necessary. The Company has set out the basic principles of correct conduct in business activities in a Code of Conduct, which applies to all employees. In order to avoid breaches of compliance and minimize risks to the Group’s reputation, the Group has established a corporate-wide compliance organization. Regular training measures are also in place to familiarize the employees with internal guidelines and make them aware of the negative effects breaches could have. The management does not expect this to have any material effects on the Group's net assets, financial position or results of operations.

Financial risks

As a result of the European debt crisis there is a latent credit risk concerning business banks at which the Carl Zeiss Meditec Group holds deposits. However, the Company has taken various measures to mitigate risks. For example, it has introduced a monitoring procedure to monitor the current situation in the capital markets. The Company has categorized its financial risks as moderate. The basis for this categorization is the sound financing structure with an equity ratio of 70.0%, the large reserve of cash and cash equivalents, and strong cash flows from operating activities. Cash and cash equivalents at the Carl Zeiss Meditec Group are kept in reserve based on a rolling monthly cash forecast within a fixed planning period, and are managed as part of a Group-wide ZEISS cash pool.

The financial risks also include liquidity risks, price fluctuation risks for financial instruments and risks associated with fluctuations in cash flows. These risks and their management are described in note "(37) Financial risk management" in the accompanying notes to the consolidated financial statements. There are no further significant risks beyond the risks already taken into account in the statement of financial position.

Economic environment

As a company with global operations, the Carl Zeiss Meditec Group is exposed to developments that pose a risk to the global economy. Therefore, the general global political situation, major natural disasters, macro-economic development and market trends in individual regions of the world may have diverse effects on the Carl Zeiss Meditec Group's chances of success in all business segments.

The global economic environment, which has become more volatile over the last few years, resulting in greater overall economic risks, has once again changed for the worse due to the COVID-19 pandemic. Lockdowns, entry restrictions, disrupted supply chains, volatile commodity prices and worsening financial conditions have set off a lasting chain reaction, leading to fears of a global recession far beyond the economic downturn following the financial crisis of 2008/09. In many countries, the number of cases of COVID-19 have declined in the course of calendar year 2021 to date, also flanked by vaccination measures and a resumption of everyday business. There is therefore an expectation that it will not come to renewed large-scale closures, even with a rise in infections in fall and winter 2021/22. The Carl Zeiss Meditec Group's business was only very moderately affected by the adverse effects of the pandemic in the fiscal year under review, and thus significantly less than expected.

The Carl Zeiss Meditec Group took various measures to cushion the negative impacts of the pandemic, such as optimizing and reducing costs. The Group also remained in close contact with its customers to avoid another disruption to business during the pandemic measures in the past fiscal year. In addition, digital marketing and sales activities and digital service activities were expanded, anti-infection components were developed for own products, and support services for infection control concepts for customers were offered.

Apart from the pandemic, economic development may also be curbed by reduced stability of the EU, as well as a general economic downturn. Furthermore, an increasingly protectionist economic policy is being observed in key markets in which the Group operates, such as the USA and China, the future direction of which is difficult to predict. Escalating trade tensions between China and the USA may have effects on global growth. There are also local risks and instabilities in emerging markets, such as Turkey or South America, which may cause global chain reactions.

This trend in the overall economic situation may have an adverse effect on the economic situation of our customers and their demand for the Carl Zeiss Meditec Group's products, which may in turn have an adverse effect on sales and earnings. The early warning system for risks established by the Company enables these risks to be identified in good time to allow countermeasures to be initiated. In addition, the Group's international presence means it is less affected by regional crises, and the highly differentiated product and customer structure of the Company limits its sales risks. According to current estimates, and in particular due to the pandemic, there are risks in the macroeconomic environment in the low-double-digit million euro range.

Market and competition

The Carl Zeiss Meditec Group is exposed to intense competitive pressure in both strategic business units. Besides the market entry of new competitors, there is also a risk, in the event of significant exchange rate fluctuations, of competitors from the beneficiary countries being able to offer their products at considerably lower prices in the market, and therefore improving their competitive position. Some competitors are better at dealing with competitive pressure, due to their higher total turnover and the financial resources they have at their disposal.

In addition, existing competitors may be bought up by large, financially strong companies, or form alliances with each other, which may lead to even greater competitive pressure, lower selling prices, margin pressure and/or the loss of market shares. The Company prepares itself for such risks by continuously observing and analyzing the market, in order to be able to react with the necessary foresight.

Health insurance funds, insurance companies or government health schemes reimburse the costs of certain medical treatments carried out using products of the Carl Zeiss Meditec Group. Changes in health care and reimbursement policy in Germany or abroad and, in particular, austerity measures as a result of the pandemic, may lead to the denial or reduction of reimbursements, which could reduce the demand for Carl Zeiss Meditec products. In the case of new products for which reimbursement cannot yet be predicted with certainty, demand may be considerably dampened by the financial situation of consumers. Refractive surgery is generally an elective procedure, which patients pay for themselves. Demand therefore depends on general economic development. In addition, on the customer side, and particularly in the private health care sector, there is a noticeable increase in the formation of regional and national purchasing alliances, as well as clinic chains. Such a trend may lead to a fall in selling prices in this customer segment.

Collectively, these market and competition-related risks may impact the Group's earnings by an amount in the mid-double-digit million euro range. On the other hand, the demographic trend in industrialized countries and economic development in the rapidly developing economies, as well as the increasing requirements placed on medical devices for diagnosing and treating age-related eye diseases, present growth opportunities for the Company.

Product approval and political environment
As the Group sells its products worldwide, statutory regulations have to be taken into consideration when manufacturing and launching products in the market, especially where explicit regulatory approvals and certifications are required. Although these requirements are incorporated into all stages of development, production and distribution, there is no guarantee that such approvals will be granted at all or in time for the planned launch in the market or that the Group's numerous registrations will still exist or be renewed in the future. This may lead to sales losses and, in the case of delayed product launches, to competitive disadvantages. In addition, registration requirements could become more stringent in future, also due in particular to increasing protectionist tendencies in various countries.

In order to be able to identify such developments in good time and respond appropriately, the Company monitors developments and approval procedures in this area very closely as part of its quality management system. This is especially the case right now with regard to the new EU medical devices directive, which entered into force in 2017. Any residual risks that remain move within the single-digit million euro range.

Certified quality management
A vital part of early risk detection is the Group's certified quality management system. Clearly structured and documented quality management processes ensure not only transparency, but are now a prerequisite in most markets for obtaining regulatory approval for medical devices. The quality management system employed by the Carl Zeiss Meditec Group was certified by DQS GmbH Deutsche Gesellschaft zur Zertifizierung von Managementsystemen and complies with the US standard for Good Manufacturing Practice ("GMP"), 21 C.F.R. part 820, Quality System Regulation.

Product liability risk
There is a fundamental risk with some of the medical devices and system solutions and implants manufactured by the Company that, in spite of all reasonable measures being taken by the certified quality management system and compliance with all legal requirements, malfunctions may result in injury to or adverse effects for patients. This may be due, among other things, to components and raw materials purchased from external suppliers not meeting the specified quality requirements. Although no significant product liability claims have been made against the Company to date, no assurance can be given that Carl Zeiss Meditec will not be faced with such claims in the future. This may damage the Group's reputation in the long term and lead to considerable legal costs, irrespective of whether a claim for damages ultimately materializes. Risk liability claims can be particularly high, especially in the USA, not to mention the costly recall campaigns that may be required.

The Company covers itself against potential product liability claims by taking out product liability insurance. The possibility cannot be completely excluded that the Carl Zeiss Meditec Group's existing insurance coverage may not be sufficient to cover potential claims. Any residual risks that remain are within the low-single-digit million euro range.

Infrastructure risks
Uncontrollable environmental influences, such as natural disasters or terrorist attacks, may result in an interruption to business operations at the affected locations, and may prevent the Company from providing regular production, distribution and other services in these regions and generating the expected earnings. All business segments could be affected by this. In addition, it could have adverse effects on the Company's customers domiciled in the affected region and on their willingness to invest, as well as the local suppliers there and their willingness to supply.

The Company's headquarters, with major research and development departments and other key Group functions, are located in Germany, a region with a comparatively low risk of natural disasters. A second major site is located in the Greater San Francisco area in the USA, a region with an increased risk of earthquakes. In order to minimize potential damage, the Carl Zeiss Meditec Group has set up a crisis management system, and has also developed local and central plans for maintaining the functionality of critical business processes (business continuity plans). For this reason the Company does not expect any material adverse effects on its net assets, financial position or results of operations.

Risks relating to the Group accounting process
The main risks associated with the accounting process are that the financial statements may not provide a true and fair view of the net assets, financial position and results of operations as a result of unintentional errors or willful actions, or that there is a delay in publishing these. The accounting would not present a true and fair view of the Company in this case. Deviations are classified as significant if they could individually or collectively influence the economic decisions taken by the recipients of the financial statements based on the financial statements.

In the area of accounting and Group accounting, processes ensure the completeness and accuracy of the financial statements with regularly reviewed, integrated, preventive and detective controls. All of the Group's internal accounting and valuation guidelines are collated in an accounting manual, which is available via the Group's intranet to all of the relevant organizational units and all of the Company's employees, along with the Group-wide financial reporting calendar. In addition, supplementary procedures, standardized reporting formats, IT systems and IT-assisted reporting and consolidation processes support the process for uniform and proper consolidated accounting.

The operative, timely implementation of the systemic requirements is effected by the affected areas of Carl Zeiss Meditec AG and its subsidiaries. These are supported and monitored by the Carl Zeiss Meditec Group Finance department. The Group Finance department is responsible for consolidated reporting, including Group-wide financial and management information, forecasts, budgets and risk reporting. Acts of law, accounting standards and other pronouncements are continuously analyzed with regard to their relevance for and impact on the consolidated and annual financial statements.

Additional disclosures pursuant to Section 289 (2) No. 1 HGB, Section 315 (2) No. 1 HGB
In principle, price fluctuation risks cannot be ruled out. However, the Carl Zeiss Meditec Group counters these risks by focusing on product innovations and optimizing its production costs through cost-cutting and efficiency-enhancing measures. Potential risks of default on trade receivables – particularly given the worsening global debt situation and a potential risk of bad debt losses as a result – are minimized by means of an active credit control system. The Group also regularly sets up adequate provisions to cover such risks. On the whole, however, we consider this to be a limited risk. The ratio of valuation allowances on trade receivables to consolidated revenue was 0.7% in the fiscal year under review (prior year: 0.9%).

The Carl Zeiss Meditec Group's financial situation can be considered sound. Cash and cash equivalents amounted to €7.4m as of the end of the reporting period on 30 September 2021. Added to this are credit balances recognized as receivables from the treasury of Carl Zeiss AG, in the amount of €949.3m. The Group also generated cash flows from operating activities of €362.7m in the year under review. From a current perspective there are therefore no significant liquidity risks.

All cash and cash equivalents, including the balances with the treasury of Carl Zeiss AG, are deposited at banks. Should it come to a loss of individual banks – due in particular to an increasingly unstable macroeconomic situation – the balances held there may be endangered. The Carl Zeiss Meditec Group counters this risk by continuously monitoring the solvency of the banks with which it has a business relationship and by spreading its assets among several banks via the treasury of Carl Zeiss AG.

As a company with global operations, the Carl Zeiss Meditec Group is exposed to the effects of exchange rate fluctuations. In order to hedge against this currency risk, the Carl Zeiss Meditec Group concludes currency forward contracts based on planned transactions in foreign currency. These contracts generally span a period of up to one year. Based on current exchange rate fluctuations, currency effects may continue to impact the financial result depending on the extent of the fluctuations. The notes to the financial statements contain further details on forward exchange contracts.

Overall assessment of the Company's risk situation
At the time of preparation of this report, there were no discernible risks that could jeopardize the continued existence of the Carl Zeiss Meditec Group. In terms of the overall assessment, there are differences compared with the prior year in that the Group is faced with a significantly less acute risk situation, especially as it was less impacted by the COVID-19 pandemic than expected. The Management Board continues to see a solid foundation for further development of the Group and uses a systematic strategy and planning process to provide the necessary resources to exploit any opportunities that arise.

DISCLOSURES PURSUANT TO SECTION 289 A AND 315 A HGB

Carl Zeiss Meditec AG's subscribed capital amounts to €89,440,570 and is composed of 89,440,570 no-par value ordinary bearer shares (no-par value shares), each with a theoretical interest in the share capital of €1 per no-par value share. Each share entitles the bearer to one voting right and an equal share in Company profits.

Other shares or shares with special rights that grant supervisory powers do not exist. Nor are there restrictions on the part of Carl Zeiss Meditec AG concerning the voting rights or transfer of shares. Furthermore, the Management Board is not aware of any other agreements concluded, for example, between individual shareholders.

Carl Zeiss Meditec AG is aware of the following direct and indirect holdings in the capital of Carl Zeiss Meditec AG that exceed ten percent of the voting rights. Carl Zeiss AG, Oberkochen, Germany, holds, both directly and indirectly, a total of 59.1% of the voting rights in Carl Zeiss Meditec AG. This corresponds to 52,893,270 no-par value shares. These include 6.8% of the voting rights or 6,074,256 no-par value shares in Carl Zeiss Meditec AG, which Carl Zeiss AG holds indirectly via its wholly owned subsidiary Carl Zeiss, Inc., Thornwood, USA.

Employees of Carl Zeiss Meditec AG or its affiliated companies pursuant to Section 15 et seqq. AktG, who participated in the Company via employee share plans concerning the share capital of Carl Zeiss Meditec AG in prior years, exercise their control rights directly like all other shareholders of the Company.

Pursuant to Section 179 and Section 133 AktG, an amendment to the Articles of Association requires a resolution by the Annual General Meeting which, in turn, requires a simple majority of the votes cast and a majority comprising at least three quarters of the share capital represented at the time the resolution is passed. The Articles of Association may specify a different capital majority; in the case of an amendment to the purpose of the Company, however, only a larger capital majority may be specified. Art. 25 of Carl Zeiss Meditec AG’s

Articles of Association states that in cases for which the law requires a majority of the share capital represented at the time of resolution, a simple majority of the share capital represented is sufficient, provided that a greater majority is not mandatory by law. Pursuant to Art. 28 of the Articles of Association of Carl Zeiss Meditec AG, the Supervisory Board is authorized to resolve amendments to the Articles of Association that only affect the version. This complies with Section 179 (1) Sentence 2 AktG.

The legal provisions concerning the appointment and dismissal of members of the Management Board are set forth in Section 84 and Section 85 AktG. In compliance with this, Art. 6 (2) of the Articles of Association of Carl Zeiss Meditec AG stipulates that the Supervisory Board shall be responsible for appointing and dismissing the members of the Management Board. Pursuant to statutory provisions, a member of the Management Board may only be dismissed for compelling reasons.

Pursuant to Art. 4 (5) of the Articles of Association of Carl Zeiss Meditec AG, the Company has an Authorized Capital. Accordingly, the Management Board was authorized – after partial utilization in March 2017 in the amount of €8,130,960.00 with the exclusion of statutory subscription rights – subject to the approval of the Supervisory Board, to increase the share capital, on one or several occasions until 5 April 2021, by up to €32,523,845.00 (Authorized Capital 2016). New no-par value bearer shares were issued against cash and/or contributions in kind for this. The Management Board was authorized, subject to the approval of the Supervisory Board, to exclude shareholders’ statutory subscription rights in the following cases:

» to balance out fractional amounts,
» if the capital increase is effected against cash contributions and the new shares, for which the subscription rights are excluded, are equivalent to no more than 10% of the share capital, neither on the date the increase becomes effective, nor on the date this authorization is exercised, and the issuing price of the new shares is not significantly lower than the market price of shares of the same type and structure already publicly quoted. Sales of own shares on the basis of other authorizations pursuant to Art. 186 (3) sentence 4 AktG must be taken into account in the limitation to 10% of the share capital.
» for capital increases against contributions in kind to grant shares for the purpose of acquiring companies, parts thereof or interests in a company.

The Management Board is authorized, subject to the approval of the Supervisory Board, to specify the further details of capital increases from Authorized Capital.

The Management Board is furthermore authorized, pursuant to Art. 3 (6) of the Articles of Association and subject to the approval of the Supervisory Board, to increase the share capital on one or several occasions up until 29 May 2022, by issuing new no-par value shares against cash and/or contributions in kind, up to a total value of €12,196,440.00 (Authorized Capital 2017). Shareholders shall be granted a subscription right, with the following restrictions. The Management Board shall be authorized, subject to the approval of the Supervisory Board, to exclude fractional amounts from the shareholders’ subscription right and also to exclude the subscription right to the extent necessary to grant the bearers of warrants and convertible bonds issued by Carl Zeiss Meditec AG or its subsidiaries a subscription right to new shares in the scope to which they would be entitled after exercising such warrant or convertible bond. The Management Board shall furthermore be authorized, subject to the approval of the Supervisory Board, to exclude the subscription right, in the case of a capital increase against cash contributions, for an amount of up to 10% of the share capital existing at the time the Authorized Capital 2017 enters into effect or – if lower – the share capital existing at the time of the resolution on the appropriation of the Authorized Capital 2017, if the issuing amount of the new shares is not significantly lower than the market price of the Company shares already listed at the date of final specification of the issue amount, which should occur as close as possible to the date of placement of the shares. This upper limit of 10% of the share capital shall take into account the pro rata amount of the share capital that is attributable to shares issued from Authorized Capital 2017 since granting of this authorization up until utilization of this authorization pursuant to Section 186 (3), sentence 4 AktG, with the exclusion of subscription rights, either on the basis of an authorization of the Management Board to exclude subscription rights in direct or analogous application of Section 186 (3), Sentence 4 AktG, or sold as acquired own shares in accordance with Section 186 (3), sentence 4 AktG, as well that pro rata amount of the share capital attributable to shares to which conversion and/or option rights or conversion obligations arising from bonds apply, which are issued up until utilization of this authorization, with the exclusion of subscription rights, pursuant to Section 186 (3), sentence 4 AktG. The Management Board shall also be authorized, subject to the approval of the Supervisory Board, to exclude the subscription right for a capital increase against contributions in kind to grant shares for the purpose of acquiring companies, parts of companies or investments in companies or other investable assets, including receivables. In addition, the Management Board shall be authorized to stipulate the further details of the capital increase and its implementation, subject to the approval of the Supervisory Board.

Based on the resolution of the Annual General Meeting of Carl Zeiss Meditec AG on 6 August 2020, the Management Board is authorized to purchase own shares. This authorization is valid until 5 August 2025. The shares may be purchased, subject to the approval of the Supervisory Board:

» to offer them for purchase to employees of the Company and the companies affiliated with the Company within the meaning of Section 15 et seqq. German Stock Corporation Act (AktG) – noting that the right of shareholders to subscribe to own shares is excluded – or
» as a (part) consideration within the scope of business combinations or to acquire companies, investments in companies or parts of companies and other assets, e.g. land or buildings or receivables from the Company or companies affiliated with it within the meaning of Section 15 et seqq AktG – whereby the right of shareholders to subscribe to own shares is also excluded – or
» to recall them.

This authorization is limited to the purchase of shares equivalent to a proportionate amount of the share capital of €8,940,000.00. The shares shall be purchased at the stock exchange. The consideration paid by the Company per share (excluding incidental purchase costs) may not be more than 10% above or below the closing rate of the shares in Xetra trading (or an equivalent successor system to the Xetra trading system) at the Frankfurt Stock Exchange on the previous day of trading. At no time may the purchased shares, together with other own shares held by the Company and ascribable to it pursuant to Section 71a et seqq. AktG, exceed 10% of the share capital.

The Company has not entered into any significant agreements contingent upon a change of control following a takeover bid.

Nor has the Company concluded any compensation agreements with the members of the Management Board or employees for the event of a takeover bid.

SUPPLEMENTARY REPORT

No events of material significance for the Group's net assets, financial position and results of operations occurred after the end of fiscal year 2020/21.

The development of business at the beginning of fiscal year 2021/22 validates the statements made in the following "Outlook".

We refer here to the information in the notes to the financial statements under section 39 “Events after the end of the reporting period”.

OUTLOOK

Future conditions for business development

Macroeconomic conditions[20]
Currently, economists are projecting continued growth of the global economy – albeit at a somewhat more moderate pace due to the catch-up effects that have already taken place following the recession. It is expected that supply bottlenecks – such as the shortage of semiconductor chips, for example – will have adverse effects in the coming year. This forecast is subject to major uncertainties, however. It is not possible at present to predict exactly how the COVID-19 pandemic will develop. The increased debt as a result of the pandemic may lead, especially if interest rates increase, to payment defaults or a reluctance to invest.[21]

In addition, the tensions between the U.S. and China are increasing the risks to free trade and may adversely affect global economic development. The rising energy prices are having a positive effect on the economies of oil and gas producing countries, while the higher prices may put a strain on importing countries.

Future situation in the medical technology industry[22]
The Company's management generally expects to see further growth on the medical technology market, as the factors responsible for this still hold true. In addition to the increase in the global population, key growth drivers also include a rising proportion of elderly people and a growing percentage of the global population with access to state-of-the-art medical care. The greater demands being placed on innovative capacity in the medical technology industry also play an important role. Consequently, the products and procedures of medical technology manufacturers shall no longer be measured based solely on their effectiveness and safety, but also on their cost-efficiency. Digitalization is another aspect that has already transformed the structure of the medical technology industry today. Integrated system solutions for simplified workflows are a key differentiator for customers. This presents a major opportunity for companies to help design products and solutions in health care and to thus contribute to better treatment outcomes. In the Company's view, the integration of medical technology and information technology shall continue to proceed at a fast pace.

If nothing else, the development of the global economy shall influence the growth of the medical technology industry. Both private customers and public authorities base their investment decisions on it to a certain extent. The COVID-19 pandemic has had a material adverse effect in fiscal year 2019/20, for example because of the cancellation of postponement of non-urgent eye operations, such as cataract surgery. In fiscal year 2020/21 this economic uncertainty eased significantly, however – procedures in the area of cataract surgery, for example, have returned to close to their normal level prior to the COVID-19 pandemic.

At the present time, growth in the medical technology industry as a whole is expected to be in the low to mid-single-digit percentage range in the coming years.

Future development in the strategic business units of the Carl Zeiss Meditec Group

Ophthalmic Devices strategic business unit
In fiscal year 2020/21, the Ophthalmic Devices strategic business unit recorded a significant recovery of revenue compared with the prior year, which was hampered by the effects of the COVID-19 pandemic. Renewed growth is expected in fiscal year 2021/22, at least to the same extent as the underlying market. From a current

[20] IMF: World economy outlook update , July 2021
[21] Wall Street: Surge in interest rates on the bond market causes investors to flee, September 2021
[22] Luther. and Clairfield International, Marktstudie Medizintechnik 2020

perspective, and without taking currency effects into account, this corresponds to growth at least in the low to mid-single-digit percentage range. One uncertainty that remains is the situation regarding the global supply chains. Due among other things to difficulties in materials procurement, lead times for key products are currently significantly longer than the long-term averages. The result is an increased order backlog. If it proves possible to counter these difficulties in the course of fiscal year 2021/22, it will be possible to process existing orders at a faster pace and thus achieve faster revenue growth. The EBIT margin is likely to decline slightly in fiscal year 2021/22, due among other things to the anticipated normalization of selling and marketing expenses in light of the lessening effects of the COVID-19 pandemic.

The acquisition of Carl Zeiss Meditec Cataract Technology, Inc. in December 2018 offers the potential to further improve the quality of treatment results and the efficiency of workflows in cataract surgery through innovative, novel treatment options. The aim of product development is the safe removal of the natural lens before implantation of an intraocular lens. The development projects initiated in connection with the acquisition made further progress in fiscal year 2020/21 in the area of clinical trials. The company anticipates dynamic growth in the cataract surgery market in the coming years. Already today this procedure represents one of the most frequently performed surgical procedures worldwide.

Microsurgery strategic business unit
In the past fiscal year 2020/21 under review, the strategic business unit Microsurgery recovered significantly from the effects of the COVID-19 pandemic and, in particular in the second half of the fiscal year, it achieved significant, double-digit percentage growth.

The Company expects the Microsurgery strategic business unit to continue to make significant contributions to earnings in future, too, and is optimistic that it will grow at a faster rate than the underlying market in the coming fiscal year. From a current perspective, and excluding currency effects, the growth anticipated in fiscal year 2021/22 will be at least in the low to mid-single-digit percentage range. One uncertainty that remains is the situation regarding the global supply chains. Due among other things to difficulties in materials procurement, lead times for key products are currently significantly longer than the long-term averages. The result is an increased order backlog. If it proves possible to counter these difficulties in the course of fiscal year 2021/22, it will be possible to process existing orders at a faster pace and thus achieve faster revenue growth. The EBIT margin is expected to be roughly at the average level for the Carl Zeiss Meditec Group in fiscal year 2021/22.

Future selling markets

As a global Company, Carl Zeiss Meditec AG's aim in the years ahead shall be to maintain as balanced a distribution of revenue across the individual markets as possible. The Company sees particularly promising business prospects for the long term in the APAC region, due to the rapid economic growth there. In the medium term, Carl Zeiss Meditec AG also sees opportunities for further growth in the North American market, due to the targeted expansion of market shares in the surgical consumables business.

Future research and development activities

The Carl Zeiss Meditec Group invests continuously in research and development projects, in which efficient and targeted development processes play a key role. The Company searches for new technologies and market trends, in order to subsequently become established on the market with new solutions. To achieve this, regional market conditions and the needs of the customers are involved in the development process from the outset. Investment in digitalization will play an important role in this. R&D expenditure is expected to increase further in fiscal year 2021/22, to at least a high-single-digit percentage amount (2020/21: €232.1m).

Future investments

The investment ratio of the Carl Zeiss Meditec Group has been largely consistent over the past few years. Even the investments required to realize growth targets shall not significantly change the current investment ratio in the coming fiscal year. The Company plans to invest around 3% of its revenue in property, plant and equipment (cash) in fiscal year 2021/22.

Future dividend policy

Carl Zeiss Meditec AG pursues a long-term and earnings-oriented dividend policy. The Company's management plans to propose to the Annual General Meeting the distribution of a dividend of €0.90 per share for the past fiscal year. The dividend ratio would therefore be 34.1% (prior year: 36.5%).

Future employee development

Qualified and highly motivated employees are essential for the Company's success: we need them to be able to continue to work innovatively and profitably in future. It is crucial to keep investing in the further development of existing employees in future, and to recruit well qualified specialists and managers. The Company therefore expects employee growth in the coming periods to correlate with the Company’s business development.

Future financial position

Interest income and expenses depend on changes in interest rates on the financial markets. At present, the Company does not expect any marked improvements in investment conditions in the next two years. Interest income and interest expenses are thus expected to remain around the prior year's level. As of 30 September 2021, current cash and cash equivalents of around €939.9m are available for financing. Based on this and the continued expectation of positive business development and a positive cash flow from operating activities as a result, as well as the possibility to use other financial instruments and sources of financing, if required, the management considers the Carl Zeiss Meditec Group's financing capacity to be adequate. In fiscal year 2021/22, the aim is to achieve operative cash flow that is at least in low three-digit million range, based on active working capital management.

Future opportunities

The global medical technology market is characterized by fundamentally sustainable growth. This applies to both ophthalmology and microsurgery and assures us of good selling conditions for the Company. Additional opportunities are provided by our product range, which is to be expanded further in the fiscal year ahead. Our strong financial profile, which safeguards the Company's development against external influences, should also have a positive effect. Future development shall also include external growth opportunities in some areas. In a systematic process Carl Zeiss Meditec AG continuously looks for strategically meaningful acquisitions. It is not possible at this point to say how feasible such opportunities might be.

Overall assertion on future development

At the time of publication of this management report the management of the Carl Zeiss Meditec Group considers the outlook for the next two fiscal years to be generally positive. This assumption is also based on the persistent underlying long-term trends already described above. One factor of uncertainty that remains, in the Company's estimation, is the aforementioned tense situation surrounding the global supply chains.

The management therefore generally assumes that revenue growth will be at least in line with the market growth expected for the industry, which, from today's perspective and without taking currency effects into consideration, will be at least in the low to mid-single-digit percentage range.

A crucial advantage for even greater stability of our overall business is a higher proportion of revenue with case-number-dependent products and services, since there is generally less fluctuation in these areas than in the capital goods business, for example. A share of around 41% was achieved in fiscal year 2020/21. From a current perspective, we expect a further increase in fiscal year 2021/22 and in the medium term.

Carl Zeiss Meditec anticipates further growth in fiscal year 2021/22 that is at least on a par with the market growth projected for the industry, which, from today's perspective and without taking currency effects into consideration, corresponds to growth at least in low to mid-single-digit percentage range. The EBIT margin is expected to decline slightly compared with the prior-year margin of 22.7%, to within the range of around 19% to 21%, due, among other things, to the anticipated normalization of selling and marketing expenses in light of the lessening effects of the COVID-19 pandemic.

In the medium term, the Company expects to be able to sustainably establish its EBIT margin at a level above 20% (2020/21: 22.7%). In principle, the growing proportion of recurring revenue offers further upward potential in this respect. Conversely, there is an ongoing high need for investments, particularly in the areas of research and development and sales and marketing.

In terms of free cash flow for fiscal year 2021/22, Carl Zeiss Meditec AG is striving for a figure in at least the low three-digit million range. The Company expects Economic Value Added® (EVA®) in the coming fiscal year to be slightly below to around the level of fiscal year 2020/21.

Should there be any significant changes in the economic environment currently forecast over the course of the fiscal year, and should it thus become necessary to amend the statements made here on the development of business from today's perspective, these amendments shall be published promptly and shall specify our expectations in more detail.

FINAL DECLARATION OF THE MANAGEMENT BOARD ON THE DEPENDENT COMPANY REPORT PURSUANT TO SECTION 312 (3) AKTG

As a group company within Carl Zeiss AG, Carl Zeiss Meditec AG has prepared a dependent company report pursuant to Section 312 German Stock Corporation Act (AktG). In light of the circumstances known to the Management Board at the time the legal transactions were concluded, the companies of Carl Zeiss Meditec AG received an appropriate consideration for each of the transactions listed in this report concerning relationships with affiliated companies. No other reportable transactions pursuant to Section 312 (1) Sentence 2 AktG were entered into by the Company.

DECLARATION ON CORPORATE GOVERNANCE (PURSUANT TO SECTION 289F, 315D HGB) AND CORPORATE GOVERNANCE REPORT

The declaration on corporate governance (pursuant to Section 289f HGB and 315d HGB) includes the declaration of conformity pursuant to Section 161 AktG, relevant information on corporate governance practices applied which go beyond the statutory requirements, in addition to information of where these are publicly accessible and a description of how the Management and Supervisory Boards work, as well as the composition and mode of working of their committees. In addition, disclosures are made concerning the stipulation of targets for the proportion of women on the Management Board and within the next two levels of management below the Management Board, including the deadlines for attaining these targets, and concerning compliance with the minimum proportions of women and men on the Supervisory Board.

The Declaration on Corporate Governance is available at
www.zeiss.de/meditec-ag/investor-relations/corporate-governance.html.

Jena, 26 November 2021

Dr. Ludwin Monz President and CEO	Justus Felix Wehmer Member of the Management Board	Jan Willem de Cler Member of the Management Board