# Summary management report
for fiscal year 2021/22

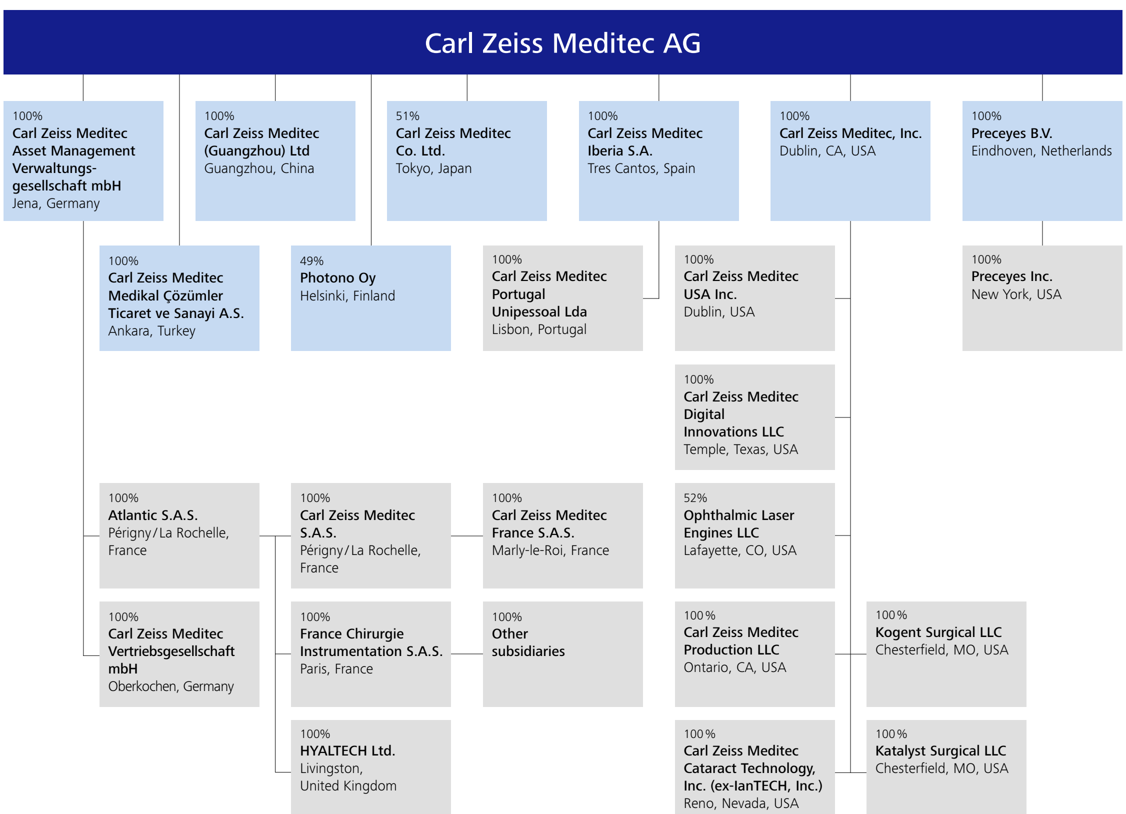
## CARL ZEISS MEDITEC GROUP

### 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 have been presented in the form of a summary management report. Major holdings of the Carl Zeiss Meditec Group as of 30 September 2022 are presented in the chart below:

**Holding structure of the Carl Zeiss Meditec Group as of 30 September 2022**



With regard to the consolidated group and the structure of its consolidated financial statements in fiscal year 2021/22 the following changes occurred in fiscal year 2021/22: On 10 March 2022, Carl Zeiss Meditec AG, Germany, acquired 100% of the shares in Preceyes B.V., Eindhoven, Netherlands. Preceyes B.V. is a company specializing in the development of products and procedures in the field of ophthalmic surgery and will therefore be integrated into the Ophthalmic Devices strategic business unit.

Furthermore, Carl Zeiss Meditec, Inc., Dublin, California, USA acquired Katalyst Surgical LLC, Chesterfield, Missouri, USA, and Kogent Surgical LLC, Chesterfield, Missouri, USA, on 14 April 2022. Katalyst Surgical LLC is a company that develops and produces solutions and instruments for ophthalmic surgery. Katalyst Surgical LLC will be integrated into the Ophthalmic Devices strategic business unit. Kogent Surgical LLC will be integrated into the Microsurgery strategic business unit, as it develops technological solutions and instruments in the microsurgical field.

## 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 more than 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 locations, the Carl Zeiss Meditec Group also has access to the expertise of the ZEISS Group. Of the around 29 research and development locations of the ZEISS Group worldwide, China and India, in particular, are important development 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 or Strategic Business Units (SBU). The division of the strategic business units is based on the fields of application and customer groups within ophthalmology and microsurgery. Therefore, a distinction is made between the **Ophthalmic Devices** (OPT) SBU and **Microsurgery** (MCS) SBU.

**Ophthalmic Devices**

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

Various workflows were designed according to the clinical conditions in order to adapt these treatments to the needs of the customers and patients. These workflows focus on clinical proceduress in hospitals and surgery centers and provide a link for the application of necessary devices and consumables. Thus, the workflow solutions offer an approach that goes beyond the individual use of device. The workflows within ophthalmology comprise a total of four steps. These individual steps range from a holistic process from diagnosis (Assess & Educate) to planning (Plan) as well as execution (Treat) of the procedure itself to follow-up (Check).

For the diagnosis, treatment and monitoring of chronic eye diseases, the Carl Zeiss Meditec Group offers equipment for general ophthalmic examination and care. The product range includes slit lamps, refractometers, tonometers as well as devices for optical coherence tomography (OCT) and fundus cameras, used for the examination of the retina in hospitals and practices. In addition, the Company offers equipment for functional diagnostics (perimeters). Digital products for the storage, evaluation and sharing of clinical data complement the product range. The offering for surgical ophthalmology includes surgical microscopes, biometers and phacoemulsification or vitrectomy devices. In the microincision surgery portfolio, the Carl Zeiss Meditec Group offers intraocular lenses (IOL) for cataract patients. 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 the Carl Zeiss Meditec Group provides products and solutions for minimally invasive surgical treatments. Customers include clinics and practices for neurosurgery and spinal surgery, ENT and reconstructive surgery, and dentistry. During surgical procedures, workflow solutions from ZEISS support intraoperative diagnostics and provide information that would otherwise not be visible to the human eye, for example with fluorescence modules.

For neurosurgery, the Carl Zeiss Meditec Group offers a workflow solution that supports surgical procedures beyond visualization: The ZEISS Tumor Workflow combines ZEISS technologies for visualization, tissue analysis and intraoperative radiation therapy. In addition to the use of robotic visualization systems and the intraoperative radiation device, multidisciplinary treatment of brain tumors is also possible by enabling consultation of medical professionals via remote access to in vivo images to support the surgeon directly in the operating room. Thus, a digital biopsy and direct interaction between neurosurgery and neuropathology can take place. Via the cloud-based workstation, pathology can view live, real-time images acquired during surgery with cellular resolution.

## Group strategy

The Carl Zeiss Meditec Group is an internationally active medical technology group in the field of ophthalmology and microsurgery. The Group's goal is to use new technologies to shape healthcare in a way that promotes progress in medicine and supports digital transformation. 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. A deep understanding of the challenges faced by customers and a range of services tailored to them are therefore key prerequisites for the Group's long-term success.

In order to make customers' workflows more efficient and at the same time increase quality, the Carl Zeiss Meditec Group offers integrated solutions. The meaningful networking of devices and systems in practices and clinics plays an important role here by providing a digital environment that offers the possibility of networking ZEISS products and solutions and using digital technologies with a variety of new applications. The basis for this is a cloud as a platform on which health data can be securely managed and workflows supported by intelligent algorithms, with the aim of achieving good treatment results. In addition to close cooperation with customers and digital networking, continuous investment in research and development (R&D) is key to securing the company's technology base.

## 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 and 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 all 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 the most significant control variables. These are supplemented by strategic measures and projects in the areas of customer excellence, people/performance culture and operational excellence.

# BUSINESS REPORT

## Underlying conditions for business development

**Macroeconomic conditions[3]**
Fiscal year 2021/22 continued to be impacted by the COVID-19 pandemic, although to varying degrees depending on the region. While the situation in Europe continued to ease, the situation in the APAC region remained tense. In particular, the containment strategy against the COVID-19 pandemic in China led to production stoppages and the closure of entire factories and port facilities, which weighed on the Chinese and global economies. Beyond the existing capacity and supply bottlenecks, the war in Ukraine led to a shortage of supply and, consequently, to a massive increase in the price of grain, energy and, in particular, natural gas,

[1] Calculation: EVA® = operating result (EBIT) after taxes (consolidated tax rate 29.87%) plus write-downs on intangible assets arising from purchase price allocations in the amount of €8.6m less cost of capital in the amount of €81.7m for fiscal year 2021/22. (calculation of cost of capital: average capital employed, adjusted for write-downs on intangible assets arising from purchase price allocations ("gross" asset basis) (2021/22: €1,186.0m), multiplied by the cost of capital rate (2021/22: 6.9%)).
[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 (including additions in rights of use) and intangible assets + write-downs on intangible assets and property, plant and equipment - acquisition of investments.
[3] IMF, World economic outlook update, July 2022

for example. While global economic growth has steadily deteriorated over the course of the year, global inflation increased. This resulted in the U.S. Federal Reserve and the ECB significantly raising the base rate during the year.

**Situation in the medical technology industry**
The medical technology industry has grown continuously over the past number of decades. The Company and other industry players consider future economic development to be predominantly positive. Growth drivers are rapid medical progress, the aging population due to demographic development and global population growth. A distinction should be made here between western industrialized nations and growth markets. The increase in chronic diseases also continues to point to strong and steady growth of medical technology.

A rising per capita income is, in the Company’s opinion, a favorable precondition for growing demand for basic medical care in fast-growing economies. Added to this is the growing willingness in developed markets to make use of high-quality services. Due to the continuous increase in patients affected by age-related illnesses, the need for comprehensive, high-quality health care shall increase in equal measure. An increased demand from patients and a strong willingness of self-payers to make use of premium services also play a major role from the Company’s perspective.

The greatest future opportunities lie especially in the fields of digitalization and artificial intelligence (AI). These areas also pose major challenges at the same time. 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. At the same time, the cost pressure in the health care systems is leading to price-driven competition.

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 USD47.9b (about €40.1b[4]) in 2021. 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 USD13.2b (around €11.0b[4]) in 2021. On this basis, the Company estimates its market share by revenue in 2021 at around 11% and considers itself the second-largest supplier worldwide in this market behind ophthalmic surgery business Alcon.

The market for devices and systems, implants, consumables and ophthalmic instruments grew significantly by around +19% in 2021 compared with the prior year, which had been dominated by the global COVID-19 pandemic. In future, aside from annual fluctuations and subject to any global geopolitical and economic distortions, the Carl Zeiss Meditec Group expects the market for ophthalmic products to grow annually by a percentage at least in the low to mid-single-digit range, due to the intact demographic and other growth drivers.

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

[4] At the average rate for fiscal year 2020/21 (€1 = USD1.1954)

***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 has a total revenue volume of around USD0.7b (around €0.6b)[5].

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

Following a significant market decline in 2020 due to the global COVID-19 pandemic, the market recorded a moderate recovery effect in 2021 and has now returned to pre-crisis level 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.

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

With revenue of €1,902.8m (prior year: €1,646.8m) and growth of 15.5% (adjusted for currency effects: 13.3%), the Carl Zeiss Meditec Group clearly achieved its most recent revenue forecast of at least around €1.8b for fiscal year 2021/22. Both strategic business units contributed to this positive development of revenue.

The **Ophthalmic Devices** SBU generated revenue of €1,469.3m (prior year: €1,255.7m), which equates to growth of 17.0% (adjusted for currency effects: 15.0%), thus significantly exceeding market growth, which was estimated in the low to mid-single-digit percentage range. This increase is particularly attributable to a strong consumables business. There was good demand for refractive lasers, Surgical Ophthalmology and Ophthalmic Diagnostics also contributed to this growth.

The **Microsurgery** SBU generated revenue of €433.6m (prior year: €391.1m) which equates to growth of 10.9% (adjusted for currency effects: 7.8%), 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**) increased to €396.9m (prior year: €373.6m). Relative to revenue, the Carl Zeiss Meditec Group achieved an EBIT margin of 20.9% (prior year: 22.7%), thus clearly meeting the target of the forecast range of 19-21%. A more favorable product mix with a high proportion of recurring revenue continued to make a positive contribution to the development of the EBIT margin. A curbing effect was had by the planned higher sales and marketing expenses as a result of the fading effects of the COVID-19 pandemic, particularly in connection with the launch of new products, higher research and development expenses, as well as higher procurement costs due to the strained global supply chains.

In the **Ophthalmic Devices** strategic business unit, the EBIT margin declined as anticipated compared with the prior year, due to the planned investments in Sales and Marketing and Research and Development. In addition, higher procurement costs had an adverse effect. On the other hand, the favorable development of the product mix had a positive effect once again, due to a higher proportion of consumables. The Company also benefited from currency effects. The EBIT margin of the **Microsurgery** strategic business unit was also down slightly compared with the prior year – with in particular higher procurement costs having an adverse effect here.

[5] At the average rate for fiscal year 2020/21 (€1 = USD1.1954).

Operative cash flow (cash flows from operating activities) in fiscal year  decreased year-on-year to €188.2m (prior year: €362.7m), in spite of the strong earnings performance. The higher cash outflow is mainly due to the build-up of safety stocks and the change in trade receivables.

Free cash flow decreased in fiscal year to €251.1m (prior year: €380.7m). EVA® decreased from €214.1m in the prior year to €205.2m.

In order to maintain its innovative strength and ensure future growth, the Company continuously invests in Research and Development. In fiscal year 2021/22 R&D spending amounted to 15.3% of revenue (prior year: 14.1%).

The Carl Zeiss Meditec Group's financial position remained solid.

**Comparison of actual business development with forecast development** in fiscal year 2021/22

| | **Results 2021/22** | Forecast 2021/22 |
|---|---|---|
| Revenue of Carl Zeiss Meditec Group | €1,902.8m | At least in line with market growth in the low to mid single digits |
| Revenue growth of Ophthalmic Devices SBU | +17.0% | Growth at least in low to mid-single-digit percentage range |
| Revenue growth of Microsurgery SBU | +10.9% | Growth at least in low to mid-single-digit percentage range |
| EBIT margin | 20.9% | Within 19-21% |
| Cash flows from operating activities | €188.2m | At least low three-digit million amount |
| Research and development expenses (see prior year) | +25.6% | Increase by at least a high single-digit percentage amount |
| Free cash flow (FCF) | €251.1m | At least low three-digit million amount |
| Economic Value Added® (EVA®) | €205.2m | Slightly below the level of fiscal year 2020/21 |

# Results of operations

## Presentation of results of operations

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

| | **2021/22** | 2020/21 | Change |
|---|---|---|---|
| **Revenue** | 1,902.8 | 1,646.8 | +15.5% |
| Gross margin | 59.3% | 58.7% | +0.6% pts |
| EBIT | 396.9 | 373.6 | +6.2% |
| EBIT margin | 20.9% | 22.7% | -1.8% pts |
| Earnings before income taxes | 403.5 | 339.1 | +19.0% |
| Tax rate | 26.7% | 29.9% | -3.2% pts |
| Consolidated profit after non-controlling interests | 293.9 | 236.3 | +24.4% |
| Earnings per share after non-controlling interests | €3.29 | €2.64 | +24.4% |

### Revenue

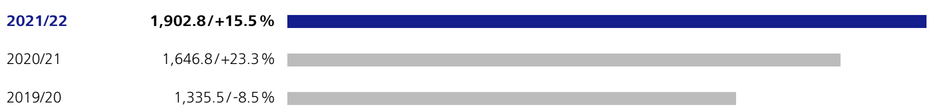
In fiscal year 2021/22, the Carl Zeiss Meditec Group increased its revenue significantly by 15.5%, to €1,902.8m (prior year: €1,646.8m). Both strategic business units contributed, as did all regions, with the strongest growth rates achieved in the APAC region, in particular in China. China was the largest single market for the

Company in fiscal 2021/22. Currency effects had a slightly positive effect, with currency-adjusted growth amounting to +13.3%.

Given the bottlenecks in the global supply chains, there was a significant increase in procurement expenses and the production and delivery time in the equipment business. Both strategic business units were affected by this. Orders received therefore increased even more significantly than revenue in fiscal year 2021/22, from €1,731.0m to €2,251.4m (+30.1%; adjusted for currency effects: +27.7%).

The war in Ukraine further aggravated the existing supply situation. A joint venture of the ZEISS Group in Belarus, which manufactures opto-electronic components to order for Carl Zeiss Meditec AG, was also particularly affected by this. Production volumes remained below normal operations in the second half of 2021/22. In order to cushion potential further delivery risks, intensive work is being done to increase the number of second-source suppliers and build up safety stocks. This situation is continuously re-evaluated. To date, there have been no significant sales shortfalls in connection with this supply relationship.

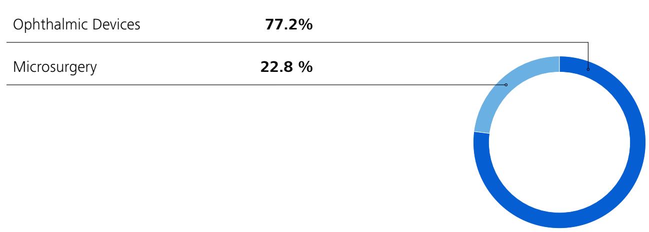
**Revenue of the Carl Zeiss Meditec Group** in €m/growth in %




***a) Revenue by strategic business unit***

The strategic business unit **Ophthalmic Devices** accounted for more than three quarters (77.2%) of the Carl Zeiss Meditec Group's total revenue in the fiscal year under review (prior year: 76.3%). The strategic business unit **Microsurgery** generated 22.8% (prior year: 23.7%) of total revenue.

**Share of strategic business units in revenue of the Carl Zeiss Meditec Group** in fiscal year 2021/ 22




Revenue in the SBU **Ophthalmic Devices** was significantly higher than the prior year, increasing by +17.0% (adjusted for currency effects: +15.0%) to €1,469.3m (prior year: €1,255.7m). Once again, the refractive laser business proved to be a growth driver, benefiting in particular from high levels of procedure-dependent revenue, as well as Surgical Ophthalmology.

Consumables and services (recurring revenue) contributed significantly to growth in fiscal year 2021/22. Recurring revenue increased to 45.9% of the Carl Zeiss Meditec Group's total revenue for fiscal year 2021/22 (prior year: 41.0%). Stockpiling of consumables of the Carl Zeiss Group sales company in China also contributed to this, with a contribution in the mid-double-digit million range, the majority of which took place in the last quarter of fiscal year 2021/22, serving, in particular, to provide for possible future lockdowns as a result of the Zero-COVID-Policy in China.

Orders received increased from €1,318.8m to €1,721.2m, which also surpassed revenue growth (+30.5%; adjusted for currency effects: 28.3%). In addition to strong demand, this is also attributable to the increase in production and delivery time in the equipment business due to shortages in the global supply chains and in materials procurement.

Revenue in the SBU **Microsurgery** amounted to €433.6m for fiscal year 2021/22, an increase of +10.9% compared with the prior year (prior year: €391.1m). Adjusted for currency effects, this revenue growth amounted to +7.8%. Sales of the visualization system KINEVO® 900 in neurosurgery, in particular, continued to develop well.

Orders received in Microsurgery have recently been developing disproportionately to revenue and increased by 28.6% (adjusted for currency effects: 25.7%) from €412.2m to €530.2m. In addition to strong demand, this is also attributable to the increase in production and delivery time in the equipment business, due to strained supply chains, and in materials procurement.

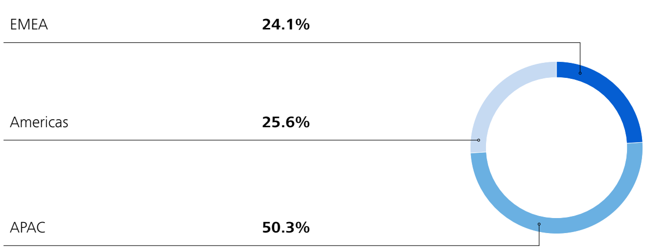
**Revenue by strategic business unit**

| | 2021/22 | 2020/21 | Change in % | |
|---|---|---|---|---|
| | €m | €m | | Adjusted for currency effects |
| Ophthalmic Devices | 1,469.3 | 1,255.7 | +17.0 | +15.0 |
| Microsurgery | 433.6 | 391.1 | +10.9 | +7.8 |
| **Carl Zeiss Meditec Group** | **1,902.8** | **1,646.8** | **+15.5** | **+13.3** |

### *b) Revenue by region*

In fiscal year 2021/22, 50.3% (prior year: 46.5%) of total revenue was generated in the **APAC** region. The **EMEA** region accounted for 24.1% (prior year: 26.2%) of total revenue, while the Americas region accounted for 25.6% (prior year: 27.3%).

**Share of the regions in revenue of the Carl Zeiss Meditec Group** in fiscal year 2021/ 22




Revenue in the **EMEA** region increased by +6.1%, from €432.6m to €459.1m. After adjustment for currency effects, this Increase amounted to +6.5%. The core markets Germany, France and the countries of Southern Europe, especially, and the UK, achieved solid growth. Orders received in the core European markets continued on a positive trend.

Revenue in the **Americas** region increased by +8.4% from €448.9m to €486.8m, due to positive currency effects (adjusted for currency effects: -0.1%). Revenue in the USA developed at a constant level, while Latin America showed accelerated growth. Orders received in the USA continued to grow upward.

Revenue in the **APAC** region increased significantly thanks to good contributions to growth, especially from India and China, the most important single market in the region. The stockpiling of consumables by the Carl Zeiss Group sales company in China, with a contribution in the mid-double-digit million range, mostly in the last quarter of the fiscal year, to provide for potential future lockdowns as a result of the Zero-COVID-Policy in China, also contributed to this positive trend. With revenue growth of +25.0% (adjusted for currency effects: 25.0%), revenue amounted to €956.9m (prior year: €765.3m. India, China, Japan and Southeast Asia recorded a high level of orders received.

**Revenue of the Carl Zeiss Meditec Group by region**

| | 2021/22 | 2020/21 | Change in % | |
|---|---|---|---|---|
| | €m | €m | | Adjusted for currency effects |
| EMEA | 459.1 | 432.6 | +6.1 | +6.5 |
| Americas | 486.8 | 448.9 | +8.4 | -0.1 |
| APAC | 956.9 | 765.3 | +25.0 | +25.0 |
| **Carl Zeiss Meditec Group** | **1,902.8** | **1,646.8** | **+15.5** | **+13.3** |

### Gross profit

Gross profit in fiscal year 2021/22 amounted to €1,127.6m (prior year: €967.2m). The gross margin reached 59.3% in the reporting period (prior year: 58.7%). 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, in spite of significantly higher procurement costs in the equipment business.

### Functional costs

Functional costs amounted to €729.4m in the fiscal year under review (prior year: €596.0m), a significant increase of 22.4%. The increase is mainly attributable to higher sales and marketing expenses in light of the scheduled launch of new products and the return to face-to-face sales and intensive travel activities. Increased research and development expenses and non-capitalizable IT costs for the introduction of a new ERP system also had a negative impact. The share of functional costs in revenue increased from 36.2% in the year-ago period to 38.3%.

» **Selling and marketing expenses:** Selling and marketing expenses increased from €303.2m in the prior year to €360.2m. The ratio of expenses to the Carl Zeiss Meditec Group's total revenue also increased slightly compared with the prior year, to 18.9% (prior year: 18.4%). The basis of comparison in the prior year was relatively low, particularly for sales-related fair, advertising and travel activities, due to the COVID-19 pandemic among other things.

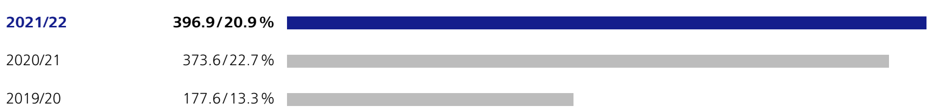
» **General and administrative expenses:** Expenses in this area amounted to €77.9m (prior year: €60.7m). Relative to revenue, the share of general administrative expenses increased compared to the prior year to 4.1%, partly due to the increase in personnel (prior year: 3.7%).

» **Research and development expenses:** The Carl Zeiss Meditec Group continuously invests in Research and Development (R&D) to further develop its product portfolio and ensure further growth. R&D expenses increased as planned in the reporting period, to €291.4m (prior year: €232.1m). Investments in digitalization, especially, and in the area of surgical ophthalmology played a particular role in this. The R&D ratio increased to 15.3%, which is higher than the prior year (prior year: 14.1%).

**Development of earnings**

The Carl Zeiss Meditec Group generated earnings before interest and taxes of €396.9m in the reporting period (prior year: €373.6m), which is an increase of 6.2% compared with the prior year. This corresponds to an EBIT margin of 20.9% (prior year: 22.7%). A favorable product mix with a high proportion of recurring revenue contributed positively to the development of the EBIT margin, while significantly higher procurement costs and the planned higher selling and marketing expenses, especially due to the launch of new products and higher research and development expenses, had a curbing effect.

**EBIT** in €m/EBIT margin in %




EBIT in fiscal year 2021/ 22 included negative effects due to write-downs from purchase price allocations (PPA), in the amount of €8.6m (prior year: €7.5m)

**Overview of effects of purchase price allocations and other operating result[6]**

| | 2021/22 | 2020/21 | Change |
|---|---|---|---|
| | €m | €m | in % |
| EBIT | 396.9 | 373.6 | +6.2 |
| Effects of purchase price allocations | -8.6 | -7.5 | +14.7 |
| Other operating expenses | -1.3 | +2.4 | -154.2 |
| **Total effects** | **-9.9** | **-5.1** | **+94.1** |

In the Ophthalmic Devices strategic business unit, the EBIT margin remained at an attractive level, due in particular to a more favorable product mix with a higher proportion of case-number-dependent revenue, taking the planned higher operating costs into account at the same time. At 20.7% (prior year: 22.9%), it was slightly lower than the EBIT margin for the Company as a whole. Although the EBIT margin in the strategic business unit Microsurgery decreased slightly to 21.5% (prior year: 22.0%), it was still slightly higher than the EBIT margin for the Group as a whole. This was mainly due to higher procurement costs in connection with supply chain bottlenecks.

Earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to €466.6m for the fiscal year under review (prior year: €435.2m). The EBITDA margin amounted to 24.5% (prior year: 26.4%).

Net interest income and interest expenses amounted to €4.2m in the reporting period (prior year: €-7.0m). Interest expenses mainly include the annual interest cost of the liability arising from the contingent purchase price obligation for Carl Zeiss Meditec Cataract Technology, Inc. as well as the adjustment of capital costs for the measurement of this liability.

Currency effects amounting to €-48.6m arose within the financial result in fiscal year 2021/22 as a result of foreign currency losses on hedges (prior year: currency effects of €-25.1m due to foreign currency losses on currency hedges), due in particular to fluctuations in the exchange rate between the euro and the CNY and the USD. Conversely, there was additional income in the other financial result of €51.6m in fiscal year 2021/22,

[6] Write-downs on intangible assets arose from the purchase price allocations (PPA), mainly in connection with the acquisitions of Aaren Scientific, Inc. in fiscal year 2013/14, Carl Zeiss Meditec Cataract Technology, Inc. in fiscal year 2018/19 and Katalyst Surgical LLC and Kogent Surgical LLC in the current fiscal year. In addition, the negative special effects in fiscal year 2021/22 mainly resulted from donations for humanitarian and scientific purposes in the Ukraine.

mainly arising from the remeasurement of the contingent purchase price obligation from the acquisition of Carl Zeiss Meditec Cataract Technology, Inc. (prior year: €-1.7m).

The tax rate for the reporting period was 26.7% (prior year: 29.9%). The change mainly results from the remeasurement of the contingent purchase price obligation from the acquisition of Carl Zeiss Meditec Cataract Technology, Inc. which led to tax-free income. 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 €293.9m for fiscal year 2021/22 (prior year: €236.3m). Non-controlling interests accounted for €2.0m (prior year: €1.2m). In fiscal year 2021/22, basic earnings per share of the parent company amount to €3.29 (prior year: €2.64).

## Financial position

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

For Carl Zeiss Meditec 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 covers 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 takes priority over 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 allows the Group to mitigate the effect of exchange rate fluctuations. 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) (h) 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 liabilities to equity amounts to 39.0% as of 30 September 2022 (prior year: 42.8%).

The Company's dynamic gearing ratio was -0.7 years[7] for fiscal year 2021/22, at a similar level as in the prior year.

The interest coverage ratio, i.e., the coverage of interest income by the operating result before depreciation and amortization (EBITDA), amounted to -127.6 (prior year: 55.8).

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.

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

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.

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).

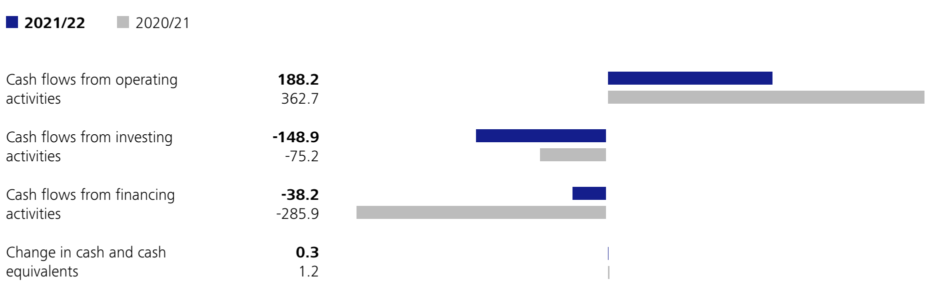
Value-at-risk analyses, together with scenario, sensitivity and stress test analyses, are implemented in risk control and monitoring, to quantify the currency risks. Hedging rates are specified for operative control of all relevant currencies. Risk limitations were set in the form of limits with respect to counterparties and types of business. 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 origins 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 2022. 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 €188.2m in the fiscal year under review (prior year: €362.7m). The increase in net profit, which included non-cash income from the change in the fair value of contingent purchase price liabilities amounting to €53.7m, had a positive effect. The higher cash outflow compared with the prior year resulted mainly from the build-up of safety stocks in light of the supply chain difficulties, a slightly higher increase in trade accounts receivable and a comparatively reduced increase in trade accounts payable. Higher tax payments and a stronger year-on-year increase in other assets (due to an increase in active forward exchange contracts and non-income taxes) had the same effect.

**Cash flows from investing activities** amounted to €-148.9m in fiscal year 2021/22 (prior year: €-75.2m) and are primarily attributable to a cash outflow resulting, among other things, from the expansion of production capacities for surgical consumables as well as the acquisition of Preceyes B.V. Eindhoven, Netherlands and the acquisition of Kogent Surgical LLC and Katalyst Surgical LLC, each in Chesterfield, USA.

**Cash flows from financing activities** amounted to €-38.2m in the fiscal year under review (prior year: €-285.9m). The lower cash outflow in fiscal year 2021/22 is mainly attributable to an decrease in treasury receivables from the treasury Carl Zeiss AG. This was offset by the dividend payment of €80.5m (prior year: €44.7m).

**Free cash flow** in fiscal year 2021/22 amounted to €251.1m (prior year: €380.7m), due primarily to the increase in net current assets compared with the prior year. **Net cash**[8] also decreased slightly to €885.6m (prior year: €939.9m).

**Investment and depreciation policy**

Continuous investments are required to further consolidate 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 flows 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 and surgical consumables. 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[9] in property, plant and equipment (cash) to consolidated revenue. In fiscal year 2021/22, it was 2.2% (prior year: 1.8%).

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) (f) Other intangible assets" and "(2) (g) 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.

[8] Includes receivables from and liabilities to the treasury of the ZEISS Group, as defined in the following table "Key ratios relating to financial position".
[9] In fiscal year 2021/22, investments in property, plant and equipment (cash) totaled €42.8m, compared with €30.1m the prior year.

### Key ratios relating to financial position

**Key ratios relating to financial position**

| | | 30 Sep 2022 | 30 Sep 2021 | Change |
|---|---|---|---|---|
| Key ratio | Definition | €m | €m | in % |
| **Cash and cash equivalents** | Cash-in-hand and bank balances | 7.7 | 7.4 | +4.1 |
| **Net cash and cash equivalents** | Cash-in-hand and bank balances<br>+ treasury receivables from the treasury of Carl Zeiss AG<br>./. treasury payables to Group treasury of Carl Zeiss AG | 885.6 | 939.9 | -5.8 |
| **Net working capital** | Current assets including financial investments<br>./. cash and cash equivalents<br>./. treasury receivables from treasury of Carl Zeiss AG<br>./. current liabilities excl. treasury payables to Group treasury of Carl Zeiss AG | 366.9 | 216.0 | +69.9 |
| **Working capital** | Current assets<br>./. current liabilities | 1,252.5 | 1,155.9 | +8.4 |

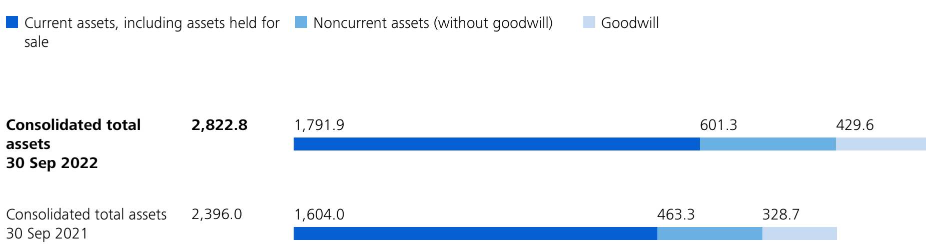
| Key ratio | Definition | 2021/22 | 2020/21 | Change |
|---|---|---|---|---|
| **Cash flow per share** | Cash flows from operating activities<br>Weighted average of shares outstanding | €2.10 | €4.05 | -48.1% |
| **Capex ratio** | Investment (cash) in property, plant and equipment<br>Revenue of Carl Zeiss Meditec Group | 2.2% | 1.8% | +0.4 % pts |

## Net assets

### Presentation of financial position

Total assets increased to €2,822.8m as of 30 September 2022 (30 September 2021: €2,396.0m).

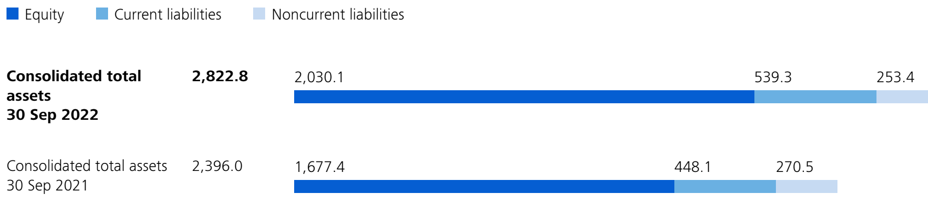
**Structure of statement of financial position - Assets** in €m




**Non-current assets** increased from €792.0m as of 30 September 2021 to €1,031.0m as of 30 September 2022. This was due in particular to the increase in goodwill and other intangible assets in connection with the acquisition of Preceyes B.V. and the acquisition of Kogent Surgical LLC and Katalyst Surgical LLC. Currency effects, in particular from the appreciation of the US dollar against the euro, also had an increasing effect.

**Current assets** amounted to €1,791.9m (30 September 2021: €1,604.0m). This was primarily due to a stockpiling of inventories in connection with the build-up of safety stocks for important components in light of the tense supply chain situation. Due to the strong sales trend, trade receivables and trade receivables from related parties increased also compared with the prior year. Currency effects, in particular from the appreciation of the US dollar against the euro, also had an increasing effect.

**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 €2,030.1m as of 30 September 2022 (30 September 2021: €1,677.4m). The equity ratio increased to 71.9% (30 September 2021: 70.0%) and thus remained high.

**Non-current liabilities** were down slightly to €253.4m as of 30 September 2022 (30 September 2021: €270.5m).

As of 30 September 2022, **current liabilities** amounted to €539.3m (30 September 2020: €448.1m). Due to the strong sales trend, among other things, trade payables (and trade payables from related parties) increased. Due to the valuation of forward exchange contracts as of the balance sheet date, there was an increase in current financial liabilities.

### Key ratios relating to net assets

**Key ratios relating to net assets**

| | | **30 Sep 2022** | 30 Sep 2021 | Change |
|---|---|---|---|---|
| Key ratio | Definition | in % | in % | % pts |
| **Equity ratio** | Equity (including non-controlling interests) | 71.9 | 70.0 | +1.9 |
| | Total assets | | | |
| **Inventories in % of rolling 12-month revenue**[10] | Inventories (net) | 20.1 | 17.4 | +2.7 |
| | Rolling revenue | | | |
| **Receivables in % of rolling 12-month revenue**[10] | Trade receivables at the end of the reporting period (including non-current receivables) | 22.2 | 20.0 | +2.2 |
| | Rolling revenue | | | |

## Order backlog

The Carl Zeiss Meditec Group's order backlog amounted to €662.9m as of 30 September 2022, an increase of 142.0% (30 September 2021: €273.9m). Due to the strong demand and strained global supply chains at the same time production and delivery time in the equipment business increased significantly.

## Events of particular significance

There were no other events of particular significance during fiscal year 2021/22.

[10] Revenue of the past twelve months as of the end of the reporting period (30 September 2022).

## NON-FINANCIAL PERFORMANCE INDICATORS

### Sustainability

Traditionally, the Company attaches great importance to commitment to the common good and the environment. In the Management Board's view, entrepreneurship encompasses both economic and, equally, sustainability targets. Social and civic responsibility as well as innovations are at the core of the Company's sustainability strategy. Climate change and its effects are clearly visible worldwide. Extreme weather events are on the increase, in some cases with serious consequences.

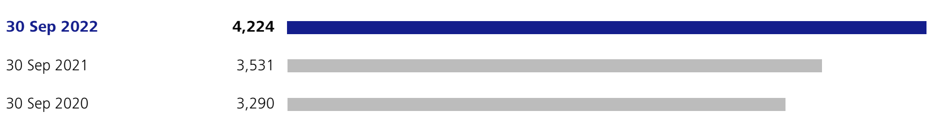
The central growth factors, which are presented in the medical technology industry report, are not significantly compromised by climate change. The production sites are not situated in locations that are particularly at risk from the forces of nature. Nor is the Company dependent on the purchase of $CO_2$ certificates. Nevertheless, the Company aims to use its know-how and innovations to make an important contribution to tackling climate challenges, so that it can achieve its economic goals and the associated continued growth in line with a responsible approach to the environment and society.

Carl Zeiss Meditec AG prepares a separate non-financial consolidated report in accordance with Section 315b in connection with Section 289b et seqq. HGB and Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment and to amend Regulation (EU) 2019/2088 (Taxonomy Regulation) on key non-financial aspects of the Carl Zeiss Meditec Group for fiscal year 2021/22. Included in this report are the aspects necessary for understanding the course of business, the business results and the position of the Carl Zeiss Meditec Group, as well as the effects of business activities on the environment and society. This separate non-financial report is available for inspection in German and English at https://www.zeiss.com/meditec-ag/investor-relations/reports-publications.html.

### Employees

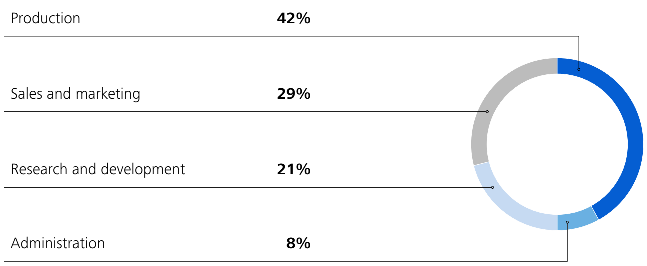
Highly qualified and motivated employees are a necessity for ensuring a company's long-term success. Responsible human resources development and attractive development opportunities play a vital role in this. As of 30 September 2022, the Carl Zeiss Meditec Group had 4,224 (prior year: 3,531) employees worldwide.

**Employees**




At 42% and 29%, respectively, the majority of employees were working in Production or Sales and Marketing as of 30 September 2022. This includes a total of 597 Service employees, who are spread across various areas. The percentage of employees working in Research and Development was 21% at the end of the reporting period. The percentage of employees working in administration as of 30 September 2022 was 8%.

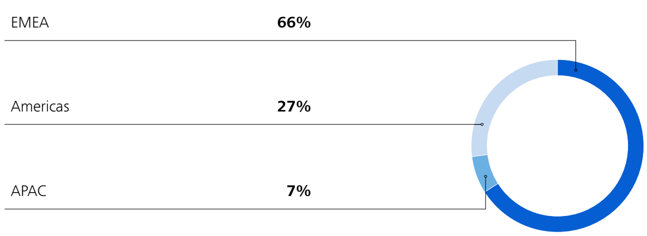
**Employees by function** as of 30 September 2022




With 66% and thus the majority of the Carl Zeiss Meditec Group's employees were working in the EMEA region as of 30 September 2022. A total of 27% of employees were working in the Americas region and 7% in the APAC region.

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

**Employees by regions** as of 30 September 2022




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. Both a centralized and a decentralized approach are taken to achieve 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 employees and customers, which has applied globally since 2007 and was updated in April 2020, is also adhered to. The Code of Conduct contains, among other things, rules on data protection, product safety, environmental protection and on combating corruption. This Code of Conduct sets out the fundamental ethical principles and values of good conduct 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 sites**

The Carl Zeiss Meditec Group manufactures its products in Jena, Oberkochen and Berlin in Germany, Dublin, Ontario and Chesterfield in the USA, Guangzhou in China, and La Rochelle in France. None of these production sites is at an increased risk from the forces of nature. 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 (IOL) are manufactured in La Rochelle, Berlin, Ontario and Guangzhou. 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 mostly done 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.

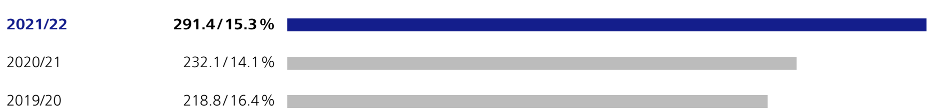
## Research and development

**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 2021/22, research and development expenses increased by 25.6% to €291.4m (prior year: €232.1m). In spite of the strong sales trend, the R&D ratio was higher compared with the prior year, at 15.3% (prior year: 14.1%). Primary development costs of €37.4m 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, 21% (prior year: 19%) of the entire workforce of the Carl Zeiss Meditec Group were employed 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 2021/22 the expenses incurred for this amounted to 19.2% (prior year: 20.0%) 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 by optimized workflows.

## Brands and patents

The Company invests in innovations and solutions and protects its innovations with patents. Currently, as in the previous year, the Carl Zeiss Meditec Group is the owner of more than 900 patent families worldwide. An average of more than two patents a week were granted for the Carl Zeiss Meditec Group in fiscal year 2021/22. 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 193 (prior year: 186) registered brand families (as of 30 September 2022). 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 Carl Zeiss Meditec 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 Carl Zeiss Meditec Group.

Carl Zeiss Meditec AG's utmost priority is to secure the Company's long-term and successful development and to ensure it has 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 were prepared in accordance with the rules of the German Commercial Code (Handelsgesetzbuch, HGB).

## Summary of business development

Carl Zeiss Meditec AG ended fiscal year 2021/22 with growing sales; thus, the growth trend of previous years continued again in the fiscal year under review.

Revenue increased by 20.8% compared with the prior year and was thus slightly aboce the growth rate of the Carl Zeiss Meditec Group. Exchange rate fluctuations had no material effect overall on the development of sales. EBIT (gross profit less selling and general administrative expenses, R&D expenses and other operating expenses, plus other operating income) increased by €7.9m year-on-year to €296.7m (prior year: €288.8m). The EBIT margin therefore decreased by 3.9 percentage points, from 25.8% in the prior year, to 21.9%. The forecast range of 19-21% was thus slightly exceeded.

## Income statement according to HGB

| | Appendix | 2021/22<br>1 Oct 21 to<br>30 Sep 22 | 2020/21<br>1 Oct 20 to<br>30 Sep 21 | Change |
|---|---|---|---|---|
| | | €k | €k | in % |
| **Sales** | (17) | **1,353,236** | **1,120,046** | **20.8%** |
| Cost of sales | | -532,927 | -451,212 | 18.1% |
| **Gross profit on sales** | | **820,309** | **668,834** | **22.6%** |
| Selling expenses | | -150,663 | -120,489 | 25.0% |
| General and administrative expenses | | -46,263 | -35,138 | 31.7% |
| Research and development expenses | | -258,437 | -209,067 | 23.6% |
| Other operating income | (20) | 45,021 | 37,295 | 20.7% |
| Other operating expenses | (21) | -113,239 | -52,656 | 115.1% |
| Income from long-term equity investments | (22) | 3,602 | 1,212 | 197.2% |
| of which from affiliated companies | | 3,602 | 1,212 | 197.2% |
| Income from profit and loss transfer agreements | (23) | 640 | 10,173 | -93.7% |
| Income from long-term loans | | 470 | 676 | -30.5% |
| of which from affiliated companies | | 470 | 676 | -30.5% |
| Other interest and similar income | | 949 | 831 | 14.2% |
| of which from affiliated companies | | 387 | 357 | 8.4% |
| Write-downs of long-term financial assets and securities classified as current assets | | -12,549 | -4,500 | 178.9% |
| Interest and similar expenses | (24) | -16,777 | -4,208 | 298.7% |
| of which from affiliated companies | | - | - | |
| **Result before tax** | | **273,063** | **292,963** | **-6.8%** |
| Income taxes | (25) | -107,277 | -95,645 | 12.2% |
| **Result after tax** | | **165,786** | **197,318** | **-16.0%** |
| Other taxes | (26) | -307 | -396 | -22.5% |
| **Net income for the fiscal year** | | **165,479** | **196,922** | **-16.0%** |
| Retained profits brought forward | | 516,505 | 364,303 | 41.8% |
| Dividend | | -80,497 | -44,720 | 80.0% |
| **Net retained profits** | | **601,487** | **516,505** | **16.5%** |

## Results of operations

Compared with the prior year (€1,120.0m), revenue rose by 20.8% to €1,353.2m. Overall, currency translations had no material effect on the increase in sales. Sales include €3.0m in service revenue pursuant to Section 277 (1) HGB.

Gross profit in fiscal year 2021/22 increased from €668.8m to €820.3m. The corresponding margin increased by 0.9 percentage points to 60.6 %(prior year: 59.7 %).

Selling expenses in the fiscal year amounted to €150.7m, general and administrative expenses amounted to €46.3m. 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. Carl Zeiss Meditec AG’s research and development expenses in fiscal year 2021/22 amount to €258.4m (prior year: €209.1m).

The increase in other operating income is mainly attributable to foreign currency gains. 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 Carl Zeiss Meditec Medikal Çözümler Ticaret ve Sanay A.Ş, Ankara, Turkey and 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 increase in interest and similar expenses within the financial result mainly relates to pension obligations.

As a result, earnings before income taxes fell from €293.0m in the previous year to € 273.1 million. Net income for the fiscal year under review amounts to €165.5m (prior year: €196.9m).

## Statement of financial position

| | Note | 30 Sep 2022 | 30 Sep 2021 |
|---|---|---|---|
| | | €k | €k |
| **ASSETS** | | | |
| **A. Fixed assets** | **(5)** | **747,498** | **686,940** |
| I. Intangible fixed assets | | 50,197 | 65,861 |
| II. Tangible fixed assets | | 55,990 | 36,296 |
| III. Long-term financial assets | | 641,311 | 584,783 |
| **B. Current assets** | | **1,295,473** | **1,125,699** |
| I. Inventories | | 217,194 | 161,693 |
| II. Receivables and other assets | (7) - (9) | 1,078,224 | 964,006 |
| III. Cash-in-hand and bank balances | (10) | 55 | - |
| **C. Prepaid expenses** | **(11)** | **2,315** | **1,437** |
| **Total ASSETS** | | **2,045,286** | **1,814,076** |
| | | | |
| **EQUITY AND LIABILITIES** | | | |
| **A. Equity** | **(12)** | **1,648,810** | **1,563,828** |
| I. Subscribed capital | | 89,441 | 89,441 |
| II. Capital reserve | | 954,942 | 954,942 |
| III. Revenue reserves | | 2,940 | 2,940 |
| IV. Net retained profits | | 601,487 | 516,505 |
| **B. Provisions** | **(13)** | **215,589** | **126,407** |
| **C. Liabilities** | **(14)** | **179,201** | **122,346** |
| **D. Deferred income** | **(15)** | **1,686** | **1,495** |
| **Total LIABILITIES** | | **2,045,286** | **1,814,076** |

## Net assets and results of operations

Pursuant to German commercial law (HGB), the total assets of Carl Zeiss Meditec AG amounted to €2,045.3 €m as of 30 September 2022. This corresponds to an increase of  compared with the prior year (€1,814.1m) 12.8%.

Long-term financial assets increased due in particular to an addition of shares in affiliated companies resulting from the acquisition of Preceyes B.V., Eindhoven, Netherlands. At €217.2m, inventories were up by €55.5m year-on-year (€161.7m). Receivables and other assets increased compared with the prior year due in particular to the increase in sales.

Cash and cash equivalents consist exclusively of bank balances. Term deposit balances are deposited with the 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 €165.5m, less the dividend paid of €80.5m.

Provisions increased to €215.6m (prior year: €126.4m). This was mainly due to higher provisions for pensions, remaining purchase price components from company acquisition and 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 due to the higher purchase volumes.

The debt ratio (ratio of borrowed capital to equity) increased to 23.9% as of 30 September 2022 (prior year: 15.9%).

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. This is also contributing toward the achievement of the Company's objectives, which are focused on sustainable growth.

## Employees

As of 30 September 2022, Carl Zeiss Meditec AG had 1,864 employees. This number does not include Management Board members.

## Appropriation of profits

Fiscal year 2021/22 closes with net income the year of €165,478,551.60. The Management Board proposes utilizing the net retained profits of €601,486,740.29 for fiscal year 2021/22 as follows:

» Payment of a dividend of €1.10 per no-par value share for 89,440,570 no-par-value shares: €98,384,627.00.
» Carryforward of residual profit to new account €503,102,113.29.

## 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. This can be found on the website https://www.zeiss.com/meditec-ag/investor-relations/declaration-on-corporate-management.html.

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

Carl Zeiss Meditec Group prepares a separate non-financial report in accordance with Section 315b and Section 289b et seqq. HGB and Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment and to amend Regulation (EU) 2019/2088 (Taxonomy Regulation) on key non-financial aspects of the Carl Zeiss Meditec Group for fiscal year 2021/22. Included in this report are the aspects necessary for understanding the course of business, the business results and the position of the Carl Zeiss Meditec Group, as well as the effects of business activities on the environment and society. This separate non-financial report is available for inspection in German and English at https://www.zeiss.com/meditec-ag/investor-relations/reports-publications.html.

# 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 within the Carl Zeiss Meditec Group.

## 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 at Group level, risk management coordinators are responsible for applying the policies and procedures. The management of the subsidiaries identifies and manages operating and strategic risks. Risks from minority interests are also taken into account. 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 of and monitor 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 potential 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 financial statements is in line with the International Financial Reporting Standards (IFRSs), and that external financial reporting is reliable.

**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.

**Assessment of risk-bearing capacity**

The risk-bearing capacity of the Carl Zeiss Meditec Group is the difference between the aggregated overall risks and the risk coverage potential. The risks are evaluated by means of distribution functions and the risks are aggregated using a Monte Carlo simulation. The risk coverage potential is calculated as the sum of the planned earnings before interest and taxes of the current fiscal year and the minimum of equity and current assets. Risk-bearing capacity is at risk if the risk coverage potential in the aggregation of all risks is exceeded with a probability of 1%.

## 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.

**War in Ukraine**
The war in Ukraine and its effects increased the risk situation of the Carl Zeiss Meditec Group in the past fiscal year.

On the one hand, and with the most direct impact, this concerns procurement. Carl Zeiss Meditec AG procures certain materials and components for its production activities through the ZEISS Group, which has these manufactured by a supplier in Minsk, Belarus, in which the ZEISS Group had held a stake for many years. In the event of a further tightening of international sanctions against Belarus, for example due to further military support for Russia by Belarus or direct involvement in the war, the flow of materials and goods could be severely delayed or stopped completely. This would have a material adverse effect on the Carl Zeiss Meditec Group's production and therefore its revenue. In order to reduce risk, the Carl Zeiss Meditec Group is working intensively on establishing a second procurement source or on manufacturing these itself, particularly for the key prioritized materials and components, but subsequently also for all other affected parts. Priority was given to those materials that are necessary for the manufacture of products with significant contributions to earnings, for products of important strategic significance for the Carl Zeiss Meditec Group and, of course, for products that ensure the continuous supply for patients. The establishment of alternative procurement sources is progressing according to plan, but will take the following fiscal year before the targets are fully achieved.

The war also has an impact on the sales side, especially on sales and services in Russia itself. However, current sanctions are not having a significant impact on the sale of products of the Carl Zeiss Meditec Group in Russia at the present time. This could change, however, if sanctions are tightened in future. In order to continue to provide patients and the population in Russia with high-quality ophthalmic care, the Carl Zeiss Meditec Group decided not to break off business relations with Russia.

The Ukraine war and the resulting conflicts of Germany and the European Union with Russia may give rise to shortages or outages in the area of electricity, gas and oil supply, which could lead to disruptions in energy supply to the European locations of the Carl Zeiss Meditec Group or its suppliers in this region. This could result in supply, production and sales losses, which could have an adverse effect on net assets, financial position and results of operations. The energy intensity of production of the Carl Zeiss Meditec Group's products is very low overall. The Carl Zeiss Meditec Group endeavors to reduce these risks by providing specific alternative supply options or back-up solutions for energy supply at the individual locations. In addition, there is currently an energy supply via prioritized district heating systems in some cases.

Finally, it should be mentioned that especially the influences in the supply chain at the designated Belarusian supplier and in the energy supply have a significant impact on the price level of the energy media, materials and components to be procured. Rising procurement prices could have a negative impact on the net assets, financial position and results of operations of the Carl Zeiss Meditec Group. Likewise, prices on the procurement market for materials and intermediate products from other suppliers, who are themselves negatively affected by the war, may rise additionally.

Overall, the risks arising from the war in Ukraine amount to a low double-digit million euro figure. However, this information is only intended to classify the effects and is not to be understood as addition to the risks explained in the following sections. The following sections include the monetary effects of the Ukraine war as well, but separated by topic.

**Economic and political 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, macroeconomic 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 had already become more volatile over the last few years, resulting in greater overall economic risks, has deteriorated once more due to the COVID-19 pandemic and more recently the Ukraine war. Lockdowns, entry restrictions, disrupted supply chains, volatile commodity prices and worsening financial parameters have set off a lasting chain reaction, raising fears of a global recession. The Carl Zeiss Meditec Group’s business was only very moderately affected by the adverse effects of the pandemic and, in particular, the lockdowns in China, and the war in Ukraine in the fiscal year under review, and thus significantly less than expected.

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 Carl Zeiss Meditec Group operates, such as the USA and China, the future direction of which is difficult to predict. Escalating trade tensions and conflicts between China and the USA may have an impact on global growth in general and the growth of the Carl Zeiss Meditec Group, in particular in these countries. There are also local risks and instabilities in emerging markets, such as Turkey or South America, for example, 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 Carl Zeiss Meditec 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 and the Ukraine war, there are risks in the macroeconomic environment in the lower 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 Group’s 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 higher single-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. In addition, the Carl Zeiss Meditec Group has been investing heavily in research and development for years, which has increasingly extended to digital applications in recent years, to increase organic growth opportunities and market share gains.

**Sales market Russia**

Current sanctions are not having a significant impact on the sale of products of the Carl Zeiss Meditec Group in Russia at the present time as explained in the section “War in Ukraine” above. We refer to our statements in the section “War in Ukraine”. The risks with respect to this sales market are in the lower single-digit million euro range.

**Sales market China**

The continued positive business development of the Carl Zeiss Meditec Group is heavily influenced by the positive dynamic development of the sales market in China and China’s strong contribution to earnings, particularly in the area of refractive surgery. Due to its size, demographics and a rising level of prosperity of the population, this market may continue to have a significantly positive effect on the Carl Zeiss Meditec Group’s results in future. There are, however, a number of risks with regard to net assets and results of operations, in that regional competitors are increasingly entering the market and, in this connection, China is increasingly pursuing a protectionist policy, also in the area of medical technology, which could lead to a reduction in the Carl Zeiss Meditec Group’s revenue and market shares.

Furthermore, the continued lockdowns in China, particularly in larger ports and cities, could have an adverse effect on sales and thus result in direct sales losses in the short term, e.g. due to the postponement of elective surgical procedures. However, the COVID-19 pandemic has also previously shown that such losses are temporary in nature and are recuperated once restrictions are dropped.

The Carl Zeiss Meditec Group is trying to mitigate these risks by increasingly expanding production capacities in China itself, which are not affected in the event of any protectionist measures. The development of other markets is also being intensified to increase geographic diversification.

The risks with respect to this sales market are currently in the low double-digit million euro range.

**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.

Due to the war in Ukraine, the procurement risk to the Carl Zeiss Meditec Group has increased further. In particular, the risk of procurement from a Belarusian supplier described above has an impact here. We refer to our statements in the section ”War in Ukraine”.

Due to the current lockdowns in China, especially in larger ports and cities, the supply chain situation is continuing to intensify. If these lockdowns persist for a longer period of time, this could significantly delay the flow of materials and components for the Carl Zeiss Meditec Group’s production activities, which could have an adverse effect on sales. In addition, there is a risk of suppliers failing to deliver or not being able to deliver in full due to the transport and supply bottlenecks being observed worldwide in a large number of areas.

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 are also being 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 efficient market development.

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

**Innovation risks**
The business success and reputation of the Carl Zeiss Meditec 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 Carl Zeiss Meditec 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 products of the Group being completely superseded by alternative technologies, procedures or treatment methods, thus reducing demand, 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 Carl Zeiss Meditec Group invests in research and development and upstream areas of products with a technological edge and unique selling points, as well as in the development of its strategy as a solutions provider.

**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 Carl Zeiss Meditec 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 Carl Zeiss Meditec 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 expects these risks to have very minor effects on the Carl Zeiss Meditec Group's net assets, financial position or results of operations in the low single-digit million euro range.

**Risks of inflation**

Rising inflation and the shortage of international transport capacities are causing the costs of production factors, production and sales of the Carl Zeiss Meditec Group to increase It is possible that these higher costs may not be able to be fully passed on to the customers or be cushioned by efficiency measures. Risks in this area amount to a lower double-digit million euro sum.

**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 a 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 Carl Zeiss Meditec 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 Carl Zeiss Meditec Group continuously monitors the implementation of and compliance with these standards.

Risks in this area amount to a lower single-digit million euro sum.

**Product approval**

As the Carl Zeiss Meditec 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 2017. Any residual risks that remain move within the single-digit million euro range.

**Quality and 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 the patient. 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 the Company 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 mid 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).

Risks from interruption of production may, in addition to the reasons already mentioned, also result from the failure of production facilities due to technical defects. The Carl Zeiss Meditec Group endeavors to minimize the risk of such failures by carrying out regular maintenance, replacing technically obsolete equipment and operating an appropriate contingency management system.

The Ukraine war and the resulting conflicts of Germany and the European Union with Russia may give rise to shortages or outages in the area of electricity, gas and oil supply, which could lead to disruptions in energy supply to the European locations of the Carl Zeiss Meditec Group or its suppliers in this region. We refer to detailed statements in the section "War in Ukraine".

Risks in this area amount to a low single-digit million euro sum.

**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 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. Given the importance of innovations for the Company, cases of this kind can be expected with a certain degree of probability in future, although such cases have rarely arisen in the past. When developing products and technologies, the Carl Zeiss Meditec 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 Carl Zeiss Meditec 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 Carl Zeiss Meditec Group. Should it be necessary, the Carl Zeiss Meditec 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 expects effects in the lower million euro range on the Carl Zeiss Meditec Group’s net assets, financial position and results of operations.

**Risks from acquisitions**
Acquisitions or investments shall offer the Carl Zeiss Meditec Group the opportunity to expand its portfolio of expertise and technology, or to increase its access to regional markets. In the area of cataract surgery, the acquisition of Carl Zeiss Meditec Cataract Technology, Inc. in December 2018 can contribute to the further improvement of the quality of treatment results and workflows in cataract surgery through novel treatment options. A further acquisition was made in the field of cataract surgery in March 2022. The acquisition of Preceyes B.V. shall allow Carl Zeiss Meditec AG to strengthen its technological position and its product portfolio, particularly in the area of retinal surgery using robotic technologies and implants. The acquisition of Katalyst Surgical LLC and Kogent Surgical LLC, both producers of surgical instruments, followed in April 2022. This

acquisition could further expand Carl Zeiss Meditec Group's position as a solutions provider, and enable it to generate additional recurring revenue in the medium term.

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 Carl Zeiss Meditec 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 €429.6m, which is tested annually for impairment in accordance with IAS 36. A total of €405.1m of this goodwill is attributable to the Ophthalmic Devices SBU, and €24.5m 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 the companies acquired.

**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 71.9%, 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.

**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 Carl Zeiss Meditec 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 0.5% in the fiscal year under review (prior year: 0.7%).

The Carl Zeiss Meditec Group's financial situation can be considered sound. Cash and cash equivalents amounted to €7.7m as of the end of the reporting period on 30 September 2022. Added to this are credit balances recognized as receivables from the treasury of Carl Zeiss AG, in the amount of €907.5m. The Group also generated cash flows from operating activities of €188.2m 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 Group 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 currency forward 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. Risk-bearing capacity is not at risk. For the overall assessment, there is a higher risk situation in terms of amount compared to the previous year, which results in particular from the increased uncertainties in the overall economic environment including the inflation trend and in the supply chain. However, it should also be noted that the Carl Zeiss Meditec Group was less affected than expected due to the COVID-19 pandemic and that the war in Ukraine also had less of an impact on the Carl Zeiss Meditec Group 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 issued 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 around 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., White Plains, 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 is authorized, subject to the approval of the Supervisory Board, to increase the share capital, on one or several occasions in the period until 29 March 2027, by up to a total of €26,500,000.00 (Authorized Capital 2022). New no-par value bearer shares may be issued against cash and/or contributions in kind for this. The Management Board is authorized, subject to the approval of the Supervisory Board, to exclude the statutory subscription rights of shareholders 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 Section 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.

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, for example, 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 the fiscal year 2021/22.

The development of business at the beginning of fiscal year 2022/23 validates the statements made in the following "Outlook".

Reference is made to the information in the notes to the financial statements under note "(39) Events after the end of the reporting period".

## OUTLOOK

### Future conditions for business development

**Macroeconomic conditions**[11]
Economists are forecasting only moderate growth of the global economy in the coming year, although that growth is expected to vary from region to region and there are fears of a recession, especially in Europe. It is possible that the base rates will be raised further to combat inflation. The higher interest expenses compared with previous years associated with a high rate of inflation may lead to increased payment defaults and consumer and investor restraint, which could in turn impact economic growth. Capacity and supply bottlenecks are expected to continue to have adverse effects in the coming year. The still ongoing COVID-19 pandemic could also give rise to risks, although these are considered low at the current time.

The geopolitical situation is tense in relation to the war in Ukraine. 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 high energy prices may have a positive effect on the economies of oil and gas producing countries, while the higher prices are putting a strain on importing countries and energy-intensive industries. High food prices are impacting in particular countries that rely on food imports, and could lead to social tensions.

**Future situation in the medical technology industry**[12]
The Company's management generally expects to see further growth in 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 for the patients, 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 at a fast pace.

[11] IMF, World economic outlook, October 2022
[12] Luther. and Clairfield International, Market Study Medical Technology 2020

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 this to a certain extent. The medical technology market recovered in 2021 and 2022, particularly the number of elective surgeries, such as non-urgent eye operations which had been postponed or canceled due to the COVID-19 pandemic. Market growth was also driven by the number of approvals granted for medical devices and the launch of new devices with advanced technologies.

The current forecast for the medical technology industry as a whole in the years ahead is further growth.[13]

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

**Ophthalmic Devices strategic business unit**

Ophthalmic Devices recorded strong revenue growth in fiscal year 2021/22 compared with the prior year. Renewed growth is expected in fiscal year 2022/23, at least to the same extent as the underlying market. From a current perspective, and without taking currency effects into account, this corresponds to growth at least in the mid-single-digit percentage range. One overriding uncertainty, among others, is the situation regarding the global supply chains. Due to difficulties in materials procurement, lead times in the equipment business are currently significantly longer than the long-term averages. The result is an increased order backlog. If it proves possible to counter these procurement difficulties in the course of fiscal year 2022/23, 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 slightly lower year-on-year in fiscal year 2022/23, due, among other things, to the high level of investment planned in sales and marketing and research and development in light of the launch of new products and innovations.

In the fiscal year under review, investments in future technologies were once again driven further forward by acquisitions, shareholdings and partnerships. These investments offer significant potential for medium-term growth in related technologies and new fields of application, but shall initially require further development and marketing investment.

In the area of cataract surgery, the acquisition of Carl Zeiss Meditec Cataract Technology, Inc. in December 2018 shall help to further improve the quality of treatment results and the efficiency of workflows through innovative, novel treatment options. The aim of product development is the safe removal of the natural lens before implantation of an intraocular lens. This procedure has already become one of the most frequently performed surgical procedures worldwide today. In fiscal year 2021/22, the purchase price liabilities from the acquisition were remeasured due to rescheduled planning caused, among other things, by the COVID-19 pandemic. The valuation of the purchase price liabilities will continue to be reviewed on an ongoing basis in fiscal 2022/23, and further effects from this on the Company's results of operations cannot be ruled out.

A further acquisition was made in the field of surgical ophthalmology in March 2022. The acquisition of Preceyes B.V. shall allow Carl Zeiss Meditec AG to strengthen its technological position and its product portfolio in the area of ophthalmic surgery through robotic technologies.

The acquisition of Katalyst Surgical LLC, a producer of surgical instruments, followed in April 2022. This acquisition shall further expand the Group’s position as a solutions provider, and shall enable it to generate additional recurring revenue in the medium term.

[13] Fortune Business Insights, Medical Devices Market, June 2022.

**Microsurgery strategic business unit**
The Microsurgery strategic business unit achieved significant revenue growth in fiscal year 2021/22 under review, in spite of supply chain bottlenecks, and thus further expanded its market position. A positive effect was in particular from a normalization or recovery of the investment activity of many hospitals after the COVID-19 pandemic.

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 2022/23 will be at least in the mid-single-digit percentage range. One major uncertainty is the situation regarding the global supply chains. Due to difficulties in materials procurement, lead times in the equipment business 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 2022/23, 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 at least on a comparable level with the prior year in fiscal year 2022/23.

The acquisition of Kogent Surgical LLC, a producer of surgical instruments, followed in April 2022. This acquisition shall further expand the Group's position as a solutions provider, and shall enable it to generate additional recurring revenue in the medium term.

## Future selling markets

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

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. Investments in digitalization play an important role in this. R&D expenditure is expected to increase further in fiscal year 2022/23, by at least a low double-digit percentage amount (2021/22: €291.4m).

## 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 2 - 3% of its revenue in property, plant and equipment (cash) in fiscal year 2022/23.

## 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 €1.10 per share for the past fiscal year. The dividend ratio would therefore be 33.4% (prior year: 34.1%).

## 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 2022, current cash and cash equivalents of around €885.6m 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 2022/23, the aim is to achieve operative cash flow that is at least in the 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 shields 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 gauge with certainty 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 coming fiscal year to be generally positive. This assumption is also based on the persistent long-term trends already described above. In the Company’s estimation, the remaining uncertainties are the tense global supply chain situation already described above, also in light of the sanctions policy as a result of the war in Ukraine, the high inflation rate and the consumer behavior influenced by fears of recession, the Zero COVID policy in China and geopolitical conflicts and exchange rate fluctuations.

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 46% was achieved in fiscal year 2021/22. A further increase is expected in the mdeium term.

Based on the assumption that the above uncertainties are not exacerbated further, the Carl Zeiss Meditec Group anticipates further revenue growth in fiscal year 2022/23 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 mid-single-digit percentage range. The EBIT margin is expected to be around 19% to 21% due, among other things, to the rising personnel and material costs, the planned high level of investment in sales and marketing and research and development against the backdrop of new product launches and innovations.

In the medium term, the Company expects to be able to sustainably stabilize its EBIT margin at a level above 20% (2021/22: 20.9%). 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 2022/23, 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 2021/22.

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 Sections 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 https://www.zeiss.com/meditec-ag/investor-relations/declaration-on-corporate-management.html.

Jena, 25 November 2022

Dr. Markus Weber
Chairman of the Management Board

Justus Felix Wehmer
Member of the Management Board