175 years

ZEISS

Seeing beyond

Challenge the limits of imagination

Annual report 2020/21
Carl Zeiss Meditec Group

Financial highlights[1]

(IFRS)

	2020/21		2019/20		2018/19	
	€m	%	€m	%	€m	%
Revenue	**1,646.8**	**100.0**	1,335.5	100.0	1,459.3	100.0
Research and development expenses	**232.1**	**14.1**	218.8	16.4	173.3	11.9
EBIT	**373.6**	**22.7**	177.6	13.3	264.7	18.1
Consolidated profit[2]	**237.5**	**14.4**	123.4	9.2	160.6	11.0
Earnings per share[3] (in €)	**2.64**		1.37		1.79	
Dividend per share (in €)	**0.90[4]**		0.50		0.65	
Cash flows from operating activities	**362.7**		178.5		219.6	
Cash flows from investing activities	**-71.2**		-70.9		-145.8	
Cash flows from financing activities	**-289.9**		-123.0		-58.6	

	30 Sep 2021		30 Sep 2020		30 Sep 2019	
	€m	%	€m	%	€m	%
Total assets	**2,396.0**	**100.0**	2,014.9	100.0	2,022.1	100.0
Property, plant and equipment	**199.6**	**8.3**	135.3	6.7	116.8	5.8
Equity	**1,677.4**	**70.0**	1,450.6	72.0	1,417.0	70.1
Net cash[5]	**939.9**	**39.2**	708.2	35.0	677.8	33.5
Employees (number)	**3,531**		3,290		3,232	

[1] Due to the finalization of the purchase price allocation for the acquisition of Photono Oy, individual prior-year figures as of 30 September 2020 have been adjusted. For further information, please refer to section 3 "Purchase and sale of business operations" of the notes to the consolidated financial statements.
[2] Before non-controlling interests
[3] Profit/(loss) per share attributable to the shareholders of the parent company in the fiscal year
[4] Amount of dividend proposed by the Supervisory Board and the Management Board of Carl Zeiss Meditec AG
[5] Cash and cash equivalents plus treasury receivables from/payables to the treasury of Carl Zeiss AG

For more information visit our website at:
www.zeiss.com/meditec-ag/ir

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Management Board

Jan Willem de Cler
Management Board Member

responsible for:
» Group function
Human Resources, Diversity & Inclusion, Global Operations, Global Service and Customer Care, Cultural Development, Training

Dr. Ludwin Monz
Chairman of the Management Board

responsible for:
» Strategic Business Unit Microsurgery
» Strategic Business Unit Ophthalmic Devices
» Strategic business development
» Group functions Communications, Marketing Communication, Digital Innovation, Quality and Regulatory

Member of the Management Board of Carl Zeiss AG, Oberkochen, Germany

The images on this page were realized with the kind support of Deutsche Börse AG.

Justus Felix Wehmer
Management Board member

responsible for:
» Group functions
Finance and Controlling, Investor Relations, IT, Legal Affairs, Taxes

Letter to the shareholders

Dear Shareholders, Ladies and Gentlemen,

2021 is a special year for ZEISS. 175 years ago, on 17 November 1846, the Company was founded by Carl Zeiss in Jena. Ever since, we have been working together with scientists and customers to create new perspectives and turn challenges into opportunities.

Dr. Ludwin Monz

Fiscal year 2020/21 was once again dominated by the ongoing COVID-19 pandemic. Once again, therefore, the focus of the Management Board of Carl Zeiss Meditec AG was on protecting the health of its employees, supporting our customers and on preserving the Company's financial stability. We as a team have been very successful in this regard – because, in spite of the challenging overall conditions, Carl Zeiss Meditec achieved a record result.

This outstanding result is attributable to a large extent to our broad and diversified product range and our globally balanced presence. Our broad product range enabled us to mutually offset the varied dynamics of the business, for example for implants, consumables and equipment. As the timing and severity of the crisis varied from region to region, our broad global presence also stood us in good stead.

Thanks to our very good financial performance, we were able to push ahead unimpeded with our innovation projects – in spite of the COVID-19 pandemic. Not only did we maintain our high level of investment in research and development, but we even significantly increased our total spend on the development of new products. The result of this endeavor is a very well filled pipeline of innovations. If I could just highlight one particular outcome of this: the ZEISS Medical Ecosystem. I firmly believe that this platform will play a crucial role in the digital transformation of ophthalmology over the next few years.

Due to the COVID-19 pandemic we are also seeing a growing acceptance of digital approaches in health care and, as a result, an increasing demand for telemedicine solutions. This trend is driven by the necessity to increase the efficiency of medical care and to improve the effectiveness and results of the treatment for the patients.

Both these aspects are also addressed by other products launched during the fiscal year. For instance, the recently launched ZEISS VISUMAX 800 laser will help to further extend our technology leadership in minimally invasive laser vision correction. Another milestone was the launch of the highly innovative and efficient phaco machine ZEISS QUATERA 700, which further strengthens our industry-leading cataract portfolio. And the newly launched ZEISS VELARA Teleretinal Screening System improves the quality of basic care for diabetes patients. You will find more information on all these innovations on the following pages. During the expert discussion with the medical team from the Klinikum rechts der Isar in Munich, I spoke about the new opportunities provided by the ZEISS Tumor Workflow to neurosurgeons, pathologists and radiotherapists.
As you read you will discover that a lot of what was discussed fits in with our 175-year company tradition.

We are looking to the future with optimism. The markets are recovering in all regions, the innovations launched and the ZEISS Medical Ecosystem are market-shaping and further improve Carl Zeiss Meditec's strategic position. And, in our teams, we are promoting diversity and inclusion. We shall also be showing you examples of this on the following pages, illustrating how different points of view, experiences and qualifications can lead to new approaches, more creativity and greater dynamics. Aspects that are forward-looking for a technology company like Carl Zeiss Meditec.

Dear Shareholders, the start of the new calendar year shall be marked by a change in Carl Zeiss Meditec's President and CEO. After more than 27 years at ZEISS and more than 11 years as President and CEO of the Management Board of Carl Zeiss Meditec AG, I shall be leaving the Company effective 31 December 2021, at my own request and by mutual amicable agreement with the Supervisory Board.

My years at Carl Zeiss Meditec have been very exciting, fascinating and, not least, successful. I would like to thank the Supervisory Board for the outstanding support I have received as well as all customers, partners and, of course, all employees, for their long and very good cooperation.

My successor Dr. Markus Weber, who has been appointed from among the ranks of the ZEISS Group, brings with him an excellent understanding of technology and outstanding skills in innovation management. I would like to personally wish him all the very best and every continued success. With the support of megatrends such as digitalization and demography, Dr. Weber, along with the other two members of the Management Board, Justus Felix Wehmer, Jan Willem de Cler and, of course, our global team, will work on further exploiting this potential.

The success of Carl Zeiss Meditec is not a given, but is based on the many years of trust placed in the Company by our customers, our partners and our investors. For that I would like to say a huge thank you on behalf of the entire Management Board. My successor Markus Weber shall work together with the management team and our dedicated employees to ensure that the Company continues to be awarded this trust in future.

Yours sincerely, Ludwin Monz

L. Monz

Dr. Ludwin Monz
President and CEO Carl Zeiss Meditec AG

Expert Dialog

"Innovation often occurs at interfaces between disciplines"
...said Dr. Ludwin Monz, President and CEO of Carl Zeiss Meditec AG, in a discussion with the medical team from the Klinikum rechts der Isar. He was speaking to Professor Dr. Stephanie E. Combs (Radiotherapy), Professor Dr. Jens Gempt (Neurosurgery) and Professor Dr. Jürgen Schlegel (Neuropathology) about how the collaboration between users, scientists and companies can challenge the boundaries of imagination. This is very much in keeping with the tradition of Carl Zeiss who founded the Company 175 years ago. Even though the world has changed considerably over the past 175 years, one thing remains the same: Seeing beyond.

Monz: ZEISS's corporate culture was influenced to a large extent by its founders Carl Zeiss and Ernst Abbe. Their convictions can still be felt in many ways in the Company today. We continue to work closely with scientists and users of our products to generate new ideas to improve the performance of our products and thus challenge the limits of what is possible. When and how did you come into contact with ZEISS?

Gempt: *As a surgeon, I came into contact with ZEISS through surgical microscopes. ZEISS is known in this area for providing technically superior and sophisticated products. A recent addition is the CONVIVO, a device for visualizing tissue microstructure, with which we – along with a number of pathology colleagues, including Professor Schlegel – are also carrying out studies.*

Schlegel: *I have worked with ZEISS microscopes before, during my histology course when I was studying for my degree. ZEISS products have been my daily work companion for a long time. The laboratory microscopes are indispensable for our diagnostic work.*

Monz: And the quality of your diagnoses depends on the image quality and therefore directly on the quality of the technology.

Schlegel: *Without a doubt – and it is very satisfying. Reliable equipment is an important prerequisite.*

Combs: *As someone who has worn glasses for many years, the first time I came into contact with ZEISS was through glasses. Professionally, I encountered ZEISS products during my training: my university in Heidelberg had a INTRABEAM radiotherapy system in use for gynecology, at a smaller site.*

Monz: All three of you use ZEISS products on a daily basis. You also collaborate with the Company on new developments, such as the ZEISS Tumor Workflow, to push "the boundaries of what is possible". What is your experience of such a partnership between a company and users?

Gempt: *ZEISS – like other companies – is very technology-driven. That is good, because it means that the innovations are then very technologically advanced. As users, we bring another perspective into play. The task is therefore to overlap both perspectives and extract the best. The thing that seems most interesting from a technical point of view is rarely the most useful thing for the user and vice versa.*

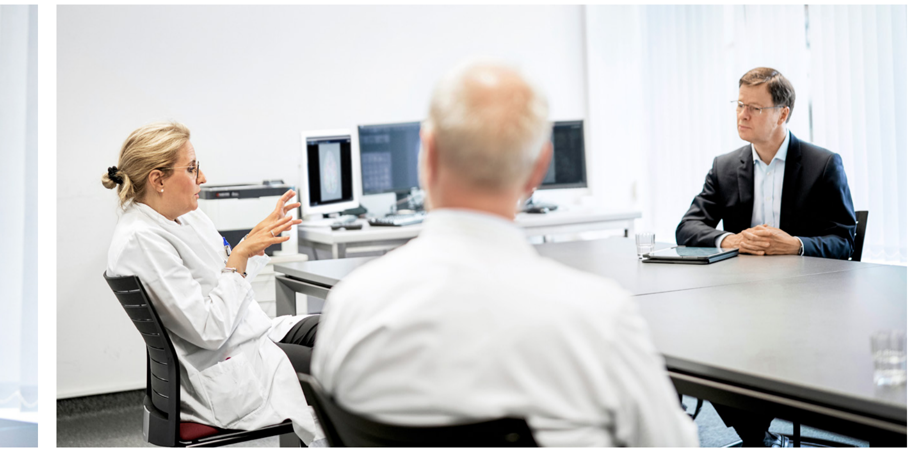
"We continue to work closely with scientists and users of our products to generate new ideas to improve the performance of our products and thus challenge the limits of what is possible."
Dr. Ludwin Monz

Monz: I can confirm that the technology seeks application approach is not very successful…

Combs: *… but this approach is still the one often pursued by the industry. Ultimately, it is the communication between engineers and users that results in the best solution.*

Gempt: *At the end of the day, what matters in medicine is that the technology provides a proven benefit for patients.*

Schlegel: *Such as in the area of microscopy, for example: ZEISS, along with us, the users, has played a very important role in shaping neuropathology – with a clear benefit for the patient. Diagnostic imaging has been expanded to include functional components. For instance, we are now able to visualize the enzyme composition of a cell and draw conclusions about the effects of chemotherapy. With the CONVIVO suite, we now have the opportunity to visualize microstructures.*



"The technology seeks application approach is still the one often pursued by the industry. Ultimately, it is the communication between engineers and users that results in the best solution."
Prof. Dr. Stephanie E. Combs

"Interdisciplinary cooperation is making us think more about what exactly we are operating on and look at things from a different perspective during the surgery. I see huge opportunities for the long term."
Dr. Jens Gempt

Monz: My impression is that there has been no significant advancement in the standard treatment of brain tumors – such as glioblastoma, for example – in recent years. Where do you see potential, particularly in terms of the collaboration with ZEISS, to also improve the prognosis for patients?

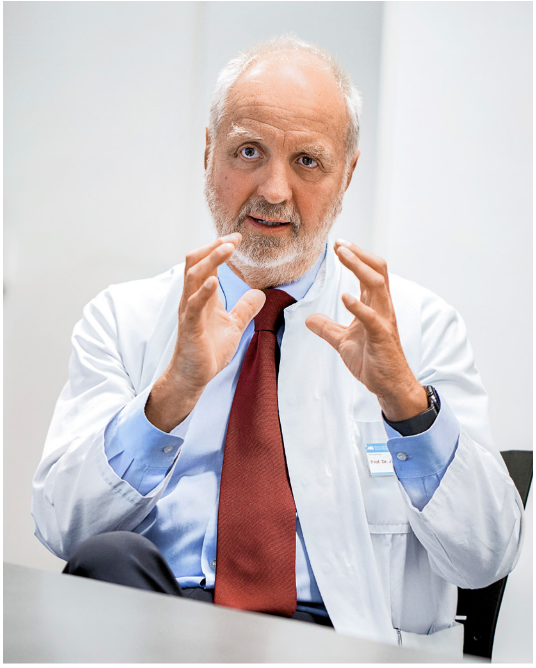
Combs: *The Swiss physician Dr. Roger Stupp published a paper on radiochemotherapy in 2005. It was "practice changing", as we say in the business; it changed the therapy. Since then there has been no clinically proven procedure that would have improved the treatment in principle. In terms of systemic therapy and radiotherapy, a lot has been evaluated, a lot of work has been invested. Unfortunately with no major benefits for patients. Why is that? One reason is that we are not hitting the tumor properly, or at least the tumor area, because the resection cavity changes postoperatively. With intraoperative radiation, we are now right at the site where the tumor has been surgically removed and have a high chance of targeting the (residual) tumor.*

Monz: If this prolongs survival, that would be an important contribution for patients.

Combs: *In that regard, I also consider personalized concepts going forward, meaning that cancer patients are examined specifically. Molecular tumor board is the catchphrase here.*

Monz: ZEISS Tumor Workflow and the intraoperative diagnostics enabled by the CONVIVO are changing your workflow. Radiotherapy and pathology are now happening in the OR. Neurosurgeons are getting much faster feedback and also have an entirely different opportunity to interact with neuropathologists and radiotherapists. Is there an opportunity here for interdisciplinary cooperation?

Gempt: *Yes, it is making us think more about what exactly we are operating on, even while we are operating on the tumor, about how it looks and about the diagnostics. It is making us look at things*



ZEISS, along with the users, has played a very important role in shaping neuropathology – with a clear benefit for the patient. Diagnostic imaging has been expanded to include functional components."

Prof. Dr. Jürgen Schlegel

from a different perspective during the surgery. I also see huge opportunities for the long term. Ultimately, we currently lack information on these tumors. I expect the in vivo visualization of the tumor to trigger major opportunities.

Schlegel: *I was involved in the development of the CONVIVO suite early on. The improved image quality has resulted in much more intensive and more direct communication with our colleagues in the OR. Also because we are now looking at the same image. If development continues like this, we will ideally have even more image components at our disposal in future. This is another major advantage for me, as well as the fact that we speak directly to each other in the OR for diagnostic purposes.*

Combs: *I also think that working together in the OR is a special and good form of interaction. It allows for more contact between different departments, which will culminate in added value for patients.*

Monz: Innovation often occurs at interfaces between disciplines. Between medical disciplines, but also between medical and technical disciplines. Thank you for this inspiring discussion.

The **ZEISS Tumor Workflow** offers hospitals new treatment options for brain tumors – combining ZEISS technologies for visualization, in vivo tissue analysis and intraoperative radiotherapy. The In Vivo Pathology Suite CONVIVO® from ZEISS is an integral step of the ZEISS Tumor Workflow. ZEISS CONVIVO enables pathologists to remote-access in vivo images in the OR to support the surgeon.

Highlights in the fiscal year

It is the collaboration with users that has enabled ZEISS to shape and have a lasting impact on markets for the past 175 years – yesterday, today and tomorrow. In addition to an innovative portfolio for microsurgery, ZEISS Medical Technology also offers a wide range of products for ophthalmology. By providing digital concepts and workflow solutions ZEISS Medical Technology supports the various customer groups in improving the quality of life of their patients.

ZEISS Medical Ecosystem –
a concept for the future

The core of ZEISS Medical Technology's business strategy is to shape the health care system with the help of new technologies in such a way as to promote medical progress and support the digital transformation. The ZEISS Medical Ecosystem will be an integrated environment that gives customers the opportunity to network ZEISS products and solutions and use digital technologies with a wide range of new applications. The underlying futur platform, which will be based on cloud technology, creates a basis to manage health data securely and efficiently and to better automate workflows and use intelligent algorithms such as machine learning or artificial intelligence.

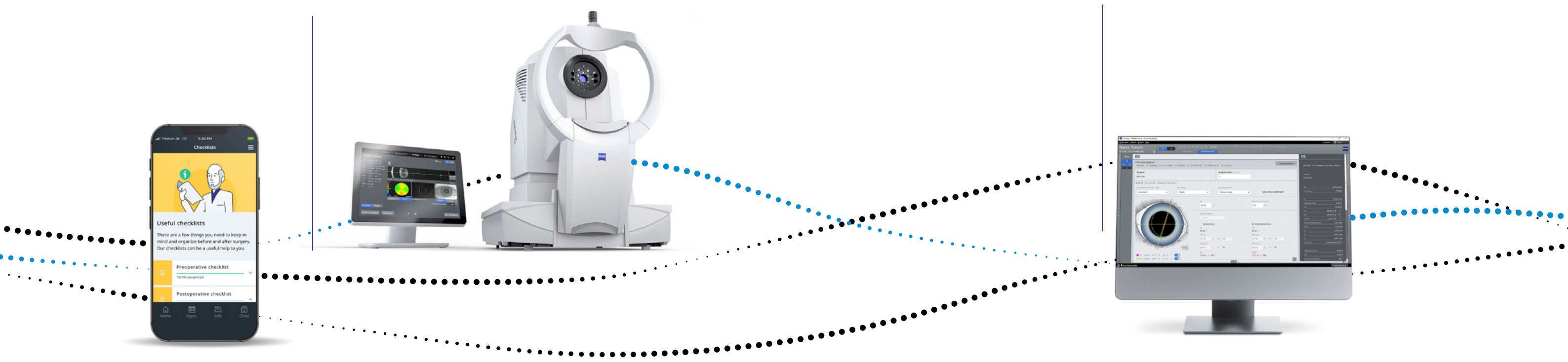
"In our clinical environment, data management and efficient workflows can be a challenge," says Ranya Habash, MD, distinguished surgeon and assistant professor of ophthalmology at the Bascom Palmer Eye Institute in the USA, where she also serves as medical director of technology innovation. "So combining new ZEISS technologies with our existing equipment, even from other providers, allows for more accessible data and helps me provide better care to my patients."

Based on the fully networked environment of the ZEISS Medical Ecosystem, ZEISS Medical Technology plans to further expand its offering of workflow solutions and offer customers value-added that goes beyond the devices themselves.

ZEISS Cataract Workflow

Assess & educate

Plan



ZEISS EYEGUIDE

ZEISS IOLMaster 700
SWEPT Source OCT biometer with Central Topography. Provides information on the central corneal shape – right from the start.

ZEISS EQ Workplace
Software designed to save time during pre-operative processes, protect against never-events, and access data from anywhere.

ZEISS Cataract Workflow – addressing future challenges efficiently

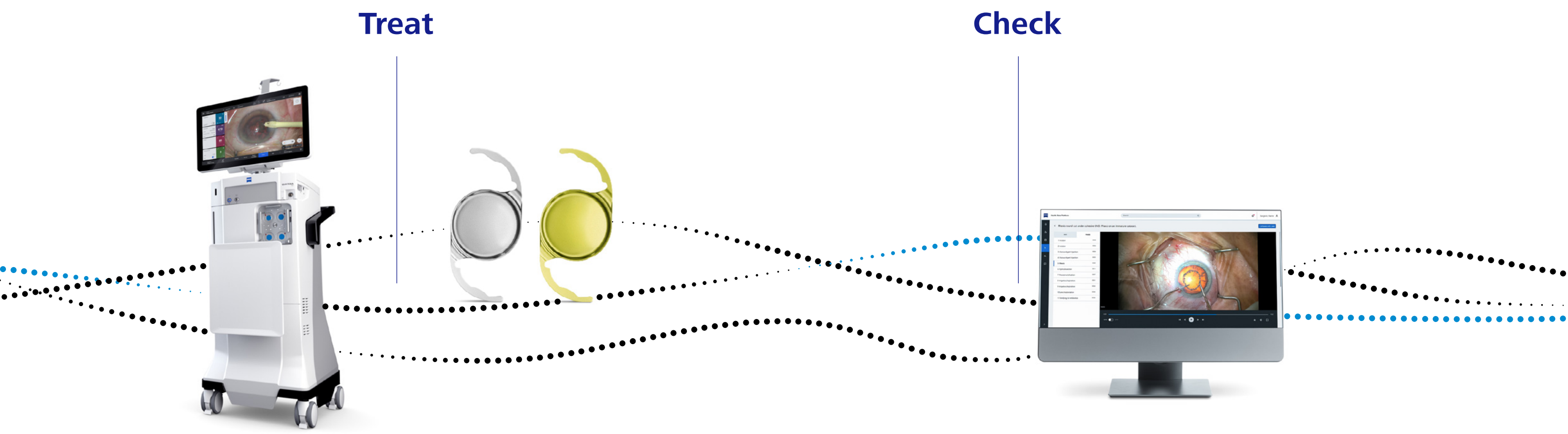
In the field of ophthalmology, physicians treat conditions that often affect people of advanced age – such as cataracts, for example. Due to demographic change, the health care system is experiencing a steadily growing number of patients in this area worldwide, but with the same or a decreasing number of medical personnel at the same time. The **ZEISS Cataract Workflow** is meeting these challenges head on. By combining devices, data and applications, it allows for seamless integration and an efficient workflow, from the treatment room to the OR.

Building on the concept of the ZEISS Medical Ecosystem, the latest software solutions from ZEISS combine the different steps of cataract treatment and make all relevant data available throughout. The **QUATERA® 700** – the latest phaco technology from ZEISS – becomes a OR cockpit, which brings together all elements of the ZEISS Cataract Workflow to support an integrated digital surgical workflow – for a more effective and more efficient procedure.

The ZEISS QUATERA 700 also includes the patented QUATTRO Pump® from ZEISS, which keeps the anterior chamber stable, independent of the intraocular pressure (IOP) and flow rate. “The chamber is absolutely stable, irrespective of the type of cataract, irrespective of the situation. It ensures safety and efficiency and you can work at the highest vacuum levels and flow rates and there absolutely is no chamber instability. This is something which is very assuring and I am very confident about operating even on the toughest cases, the toughest cataracts”, says Sri Ganesh, MD, Nethradhama Super Speciality Eye Hospital, Bangalore/India.

Surgeons want to keep learning. The **ZEISS Surgery Optimizer** can help, because this application provides surgeons with easy access and enables them to manage their own personal eye surgery videos. Using artificial intelligence, the app analyzes the saved recordings and divides them into individual surgical phases. This means that users are able to not only review their surgical procedures, but they can also compare their operations with those performed by their colleagues and thus standardize surgical procedures.

The ZEISS Cataract Workflow helps physicians to improve outcomes for people suffering from cataracts. The new patient app **ZEISS EYEGUIDE** helps with communication and clarification from the start by enabling patients and clinics to stay in contact throughout the entire cataract treatment process.



ZEISS QUATERA 700

ZEISS CT LUCIA
Hydrophobic, monofocal, C-loop IOLs, available in different optic designs, suitable for a wide range of patients.

ZEISS Surgery Optimizer

Highlights in the fiscal year

ZEISS Corneal Refractive Workflow – from the science to the market

ZEISS Medical Technology offers one of the broadest portfolios for the laser correction of ametropia in adults. The Company has had a lasting impact on this market, particularly with the development of SMILE®. This minimally invasive procedure for lenticule extraction with SMILE is now regularly used in more than 80 countries by more than 2,500 surgeons. In order to remain the partner of choice for refractive eye surgery in future, too, ZEISS is focusing on streamlining clinical workflows.

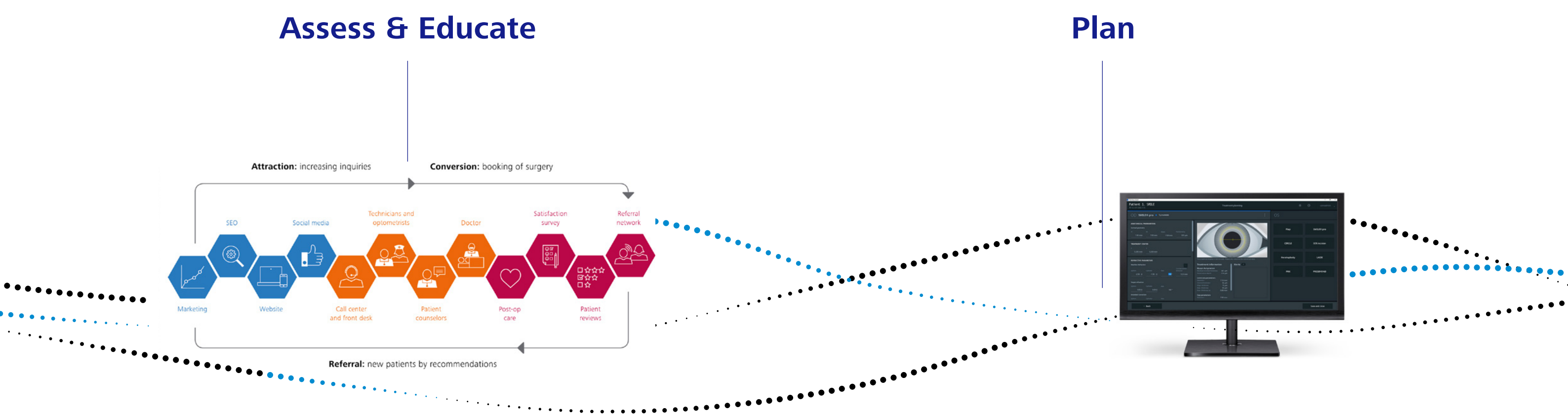
Recently, ZEISS launched the new **VISUMAX® 800** and has presented the concept of the ZEISS **Corneal Refractive Workflow**, which combines and connects several medical devices with the goal to optimize customer's workflow. As part of the ZEISS Medical Ecosystems, the ZEISS Corneal Refractive Workflow enables the digital integration of devices, data, applications and services at every step of a refractive eye treatment. The concept of the Refractive Workplace® with a connection to the ZEISS data management system FORUM® assists health care professionals with the planning of surgical procedures for laser vision correction and digitizes the transfer of the treatment planning data between the devices in the hospital.

Fully integrated in the ZEISS Corneal Refractive Workflow is the VISUMAX® 800 – a new generation of the femtosecond laser from ZEISS. With a laser pulse rate of 2 MHz, the laser is able to create a lenticule with SMILE® pro in under 10 seconds. Intelligent robotic assistance systems of the ZEISS VISUMAX 800 can help surgeons to improve control during their procedures.

"I am sure that every surgeon appreciates the advantages of digital connectivity, such as the elimination of transcription errors and the possibility to plan outside the OR. However, the biggest step forward is without a doubt the incredible speed of the laser in the VISUMAX 800, which significantly shortens the suction time of the contact glass on the eye," says Professor Walter Sekundo, Head of the Eye Clinic at Phillips University in Marburg/Germany.

Each surgeon and each patient is different. Data collection and evaluation can therefore be crucial. **ZEISS VISULYZE** helps refractive clinics to collect data and analyze it using standardized reporting methods. Based on the results of previous treatments, the software creates personalized user nomograms that can help improve the clinical outcomes and quality control. As an alternative to the software, hospital staff can also use the ZEISS User Nomogram Service for support. With better predictability of the results, patient satisfaction generally is increasing which might in turn increase the success of practices and clinics.

ZEISS Corneal Refractive Workflow



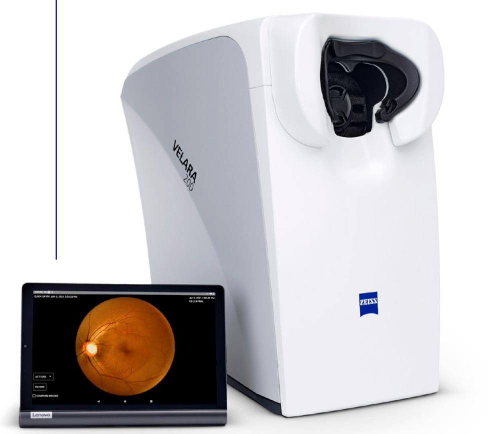
ZEISS Practice Development Consulting

Dedicated consultants will provide healthcare professionals with an unbiased evaluation of the patient experience in their clinic and collaborate with them to define improvements tailored to their specific needs.

ZEISS Refractive Workplace

ZEISS VELARA Teleretinal Screening System – Improving ophthalmic care for diabetes patients

There are 537 million adults worldwide living with diabetes.[1] Statistics show that in the USA alone one in three people with diabetes will suffer from diabetic retinopathy at some point, yet only 50 percent of diabetes patients have had their eyes examined in the past year.[2] The risk of vision loss due to diabetic eye disease can, however, be reduced by 95 percent if it is detected early.[3] Check-ups and regular screenings are therefore all the more important.



ZEISS Medical Technology's aim is to improve the quality of primary ophthalmic care for people with diabetes. In the USA the Company has now launched a telemedical solution that provides a new avenue beyond the standard ophthalmic practice and into a state-of-the-art primary care environment: The **ZEISS VELARA Teleretinal Screening System** enables yearly retinal examinations to be carried out during diabetes patients' routine visits to their general practitioner. A cloud-based platform and a centralized management system optimize the uploading of images, which are then examined by an ophthalmic practice or clinic. This ZEISS solution can be seamlessly integrated into leading patient electronic medical record (EMR) and closes gaps in medical care through the exchange of data between the general practitioner, ophthalmologist and medical insurance companies.

"We always think of ourselves as providing the best medical care available. And so how can we do that in the shortest time possible, how can we get patients in and out? The ZEISS VELARA Teleretinal Screening System is one more thing that I think we will have in our toolbox as physicians to offer to our patients to really provide good medical care and make things happen." said Dr. Nathan Kiskila, Urgent Care General Practitioner President, founder and co-owner of Marque Medical, California/USA.

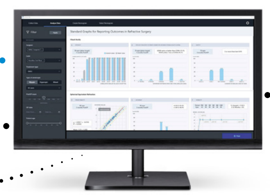
1. https://diabetesatlas.org/
2. https://www.niddk.nih.gov/health-information/diabetes/overview/preventing-problems/ diabetic-eye-disease and https://www.cdc.gov/mmwr/preview/mmwrhtml/00019889.htm
3. National Institute of Diabetes and Digestive and Kidney Diseases

Treat

ZEISS VISUMAX 800 and ZEISS MEL 90

The combination allows to perform a broad range of laser vision corrections: Lenticule Extraction with SMILE® pro, Femto-LASIK, PRK/LASEK and LASIK correction for presbyopic patients with PRESBYOND®.

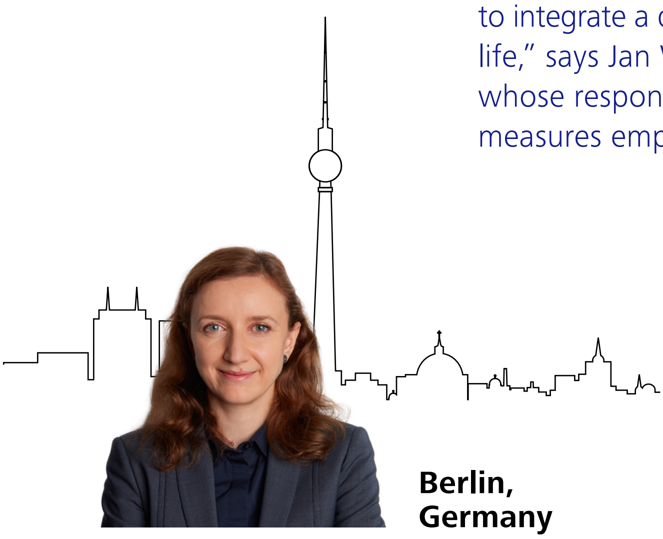
Check



ZEISS VISULYZE

Future factor diversity

ZEISS Medical Technology stands up for diversity, tolerance and openness worldwide and has reaffirmed this by signing the Charta der Vielfalt in 2021. To further strengthen diversity, the focus in fiscal year 2020/21 was once again on supporting women. "Mentoring programs, employee networks, workshops and training are only some of the initiatives used by ZEISS Medical Technology to integrate a diverse and inclusive corporate culture into everyday life," says Jan Willem de Cler, member of the Management Board whose responsibilities include Human Resources. "These measures empower female executives and talents worldwide."



Berlin, Germany

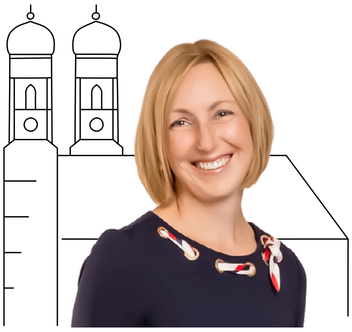
Hristina Srbinoska heads up the Innovation team at ZEISS Medical Technology in Berlin. The engineer promotes creativity and interdisciplinary networking. Three years ago she initiated an in-house Innovation Challenge:

"Brainstorming is meant to be fun and the best ideas often come when we give the child in us room to play. Crafts and games can help to find solutions, even for complex problems."

Goodlands, Mauritius

Varoonah Fullee manages the FCI SUD (France Chirurgie Instrumentation) site of ZEISS Medical Technology in Goodlands, Mauritius, where medical devices, accessories and consumables for ophthalmology are manufactured. What drives the female leader?

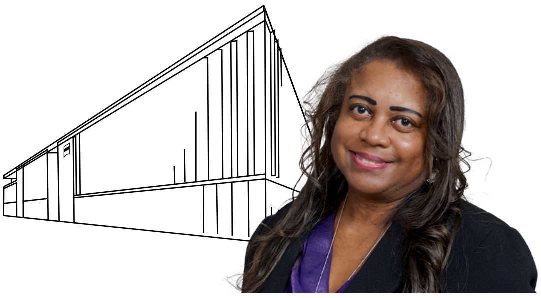
"The incredibly stimulating work environment with new challenges every day that enable me to grow my experience permanently. I enjoy working collaborating and accomplishing big things, and that's what drives me to do my best each day with my great team."



Munich, Germany

Rebecca Berghorn along with her Digital team in Munich and the global partners are shaping the digital transformation of ZEISS Medical Technology. The U.S. native is enthusiastic ...

"... to combine the expertise in ophthalmology with state-of-the-art digital technology, to enable continuous improvement in outcomes for patients and thus evidence-based decisions".



Dublin, USA

Anita Burton is heading Human Resources for ZEISS Medical Technology in the US. She operates out of the new ZEISS site in Dublin, California. Anita is a certified diversity and inclusion (D&I) leader and a champion of advancing a diverse culture within ZEISS.

"Diversity is about celebrating our uniqueness along every dimension and cultivating that sense of well-being which assures every ZEISSian they are valued and inspires them to be their true, authentic selves."

Shanghai, China

Eleven Qian is Head of ZEISS Medical Technology's microsurgical business in the fast-growing Chinese market. She is proud that...

"... the overall efforts my team and I have implemented over the past 10 years in the neurosurgical field are paying off in a high customer satisfaction and loyalty. In the meantime, the development of new markets like spine bring new challenges and opportunities to the team and we are excited to see the future market potential. I am very happy to be part of this progress".

Oberkochen, Germany

Natalia Memanishvili is a medical doctor and earned an MBA degree. She works in Business Management of Global Service & Customer Care Business Unit at ZEISS Medical Technology. Her motivation:

"My education and experience enable me to understand the needs of both: healthcare professionals and our industry. Working at ZEISS allows me to contribute to medical progress by acting as a bridge between these two stakeholders. With this it is my aspiration to make a positive impact on the lives of millions around the globe."

Report of the Supervisory Board

Dear Shareholders and Friends of the Company,
Fiscal year 2020/21 was a record year for sales and earnings for the Carl Zeiss Meditec Group, over the course of which the company succeeded, for the most part, in leaving the economic impacts of the COVID-19 pandemic behind it. I would like to express my thanks and appreciation – also on behalf of the entire Supervisory Board – to our customers for their trusting cooperation and our employees and the members of the Management Board for their commitment and motivation under conditions that still remain difficult.

Dr. Karl Lamprecht

The Supervisory Board supported the Management Board in the management of business operations by engaging in intensive exchange and consultation. The focus in the fiscal year under review remained on the continuous discussion with the Management Board regarding both the unfamiliar challenges posed by the pandemic as well as the long-term strategic orientation of the Carl Zeiss Meditec Group.

In fiscal year 2020/21, the Supervisory Board conscientiously fulfilled the duties incumbent upon it according to the law, the Company's Articles of Association and rules of procedure. The Supervisory Board therefore kept itself regularly and comprehensively up to date about all events and business transactions of relevance for the Company, and monitored and supported the work of the Management Board in an advisory capacity. The subject of the written and verbal reports from the Management Board was the economic situation and the development of the Company's business, as well as its individual strategic business units, including their further strategic development. The Supervisory Board also addressed the Company's position with respect to the risk situation, risk management, as well as the internal control system and compliance. The Supervisory Board was involved in all important decision-making. In the case of transactions requiring approval, the Supervisory Board cast its vote after thorough examination of the reports and draft resolutions submitted.

The Supervisory Board also continued to engage in a regular exchange of information with the Company's Management Board, including outside of Supervisory Board meetings. Any collaboration between the Supervisory Board and the Management Board was always open and trusting, with constructive dialog.

No conflicts of interest arose among the members of the Supervisory Board in fiscal year 2020/21.

Focus of the deliberations and audits of the Supervisory Board
In fiscal year under review the Supervisory Board convened five ordinary meetings and one extraordinary meeting. The members of the Management Board also participated in the meetings on 3 December 2020, 14 April 2021, 17 June 2021 and 9 September 2021. The meetings on 27 May 2021 (constituent meeting following the Annual General Meeting) and the extraordinary meeting on 30 September 2021 (changes to the Management Board) took place without the members of the Management Board. The meetings on 3 December 2020, 17 June 2021 and 30 September 2021 were held as telephone conferences and the meetings on 14 April 2021, 27 May 2021 and 9 September 2021 took place in a hybrid format.

The table "Individualized disclosure of meeting attendance" contains an overview of the meeting attendance of the individual members of the Supervisory Board.

Resolutions on matters requiring a decision between the meetings were passed by way of a circulation procedure.

The regular meetings addressed the revenue and earnings situation and the development of business within the Carl Zeiss Meditec Group, including the effects of the COVID-19 pandemic; the Company's financial situation and ongoing strategic projects, and future investments and their funding. Additional agenda items were also addressed during the respective meetings.

During the telephone conference meeting on 3 December 2020 to adopt the consolidated and annual financial statements for fiscal year 2019/20, the declaration of conformity to the recommendations of the German Corporate Governance Code was also resolved. The proposal to the Annual General Meeting on the utilization of profit was discussed in detail and adopted. The meeting of the Supervisory Board also passed a resolution to determine the performance-related remuneration of the Management Board in accordance with the proposal of the General Committee. The Supervisory Board resolved, at the recommendation of the Audit Committee, to propose Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft (EY), Stuttgart, for election by the Annual General Meeing on 27 May 2021 as auditor of the annual and the consolidated financial statements for fiscal year 2020/21.

During the hybrid meeting of the Supervisory Board on 14 April 2021, the plenary Supervisory Board resolved, at the proposal of the Nominating Committee, to propose Mr. Kameritsch and Mr. Reitze for ordinary election to the Supervisory Board at the Annual General Meeting on 27 May 2021 and Dr. Müller for re-election to the Supervisory Board. During this meeting the Supervisory Board also passed the agenda for the Annual General Meeting on 27 May 2021. It was also resolved at this meeting to include in the Rules of Procedure the possibility to appoint an honorary chairperson of the Supervisory Board It was resolved to appoint Prof. Dr. Kaschke as Honorary Chairman of the Supervisory Board of Carl Zeiss Meditec AG. Furthermore, the Management Board provided information about the development of business, including the COVID-19 pandemic, and the committees reported on their work.

The Supervisory Board Chairman, Deputy Chairman and members of the committees were elected at the constituent meeting of the Supervisory Board on 27 May 2021.

In the Supervisory Board meeting on 17 June 2021, which was held as a telephone conference, a resolution was passed to propose to the Annual General Meeting 2023 the appointment of PricewaterhouseCoopers GmbH as auditor of the annual and consolidated financial statements for fiscal year 2022/23. There were reports from the committees and the Management Board provided information about the Company’s business performance.

During the meeting of the Supervisory Board on 9 September 2021, an unanimous decision was taken to adopt the budget proposed by the Management Board for fiscal year 2021/22. In addition, the changes to the Rules of Procedure of the Supervisory Board required by the German Act to Strengthen Financial Market Integrity (*Finanzmarktintegritätsstärkungsgesetz, FISG*) were unanimously adopted. The Company’s business performance was discussed and there were reports from the committees. The possibility of holding the Annual General Meeting on 30 March 2022 as a virtual meeting was discussed. After detailed consideration this was also passed by unanimous decision, particularly because of the ongoing uncertainty surrounding the pandemic situation. This decision will be reconsidered at the scheduled February 2022 meeting in light of current pandemic developments.

In the Supervisory Board meeting on 30 September 2021 it was mutually and amicably resolved to terminate the appointment of Dr. Ludwin Monz as a member of the Management Board and President and CEO of Carl Zeiss Meditec AG effective from the end of 31 December 2021. In this connection, it was resolved to appoint Dr. Markus Weber as a member of the Management Board of Carl Zeiss Meditec AG and to simultaneously appoint him as President and CEO as of 1 January 2022.

The contents of the termination agreement with Dr. Ludwin Monz and the new Management Board agreement with Dr. Markus Weber were resolved and during this meeting and the Supervisory Board gave its consent to the conclusion of the agreements. The Supervisory Board also gave its consent to Dr. Markus Weber continuing his activities as a member of the Management Board of Carl Zeiss AG.

In addition, the target agreements with the Management Board for fiscal 2021/22 were discussed at the meeting and adopted in accordance with the recommendation of the General Committee.

Intensive work of the committees
In accordance with its Rules of Procedure, the Supervisory Board of Carl Zeiss Meditec AG has formed three committees. These committees carry out preliminary work on topics to be discussed at the plenary Supervisory Board meeting and make decisions on behalf of the Supervisory Board, insofar as the plenary session has instructed them to do so in accordance with statutory regulations. The current chairs of the committees report regularly and extensively to the Supervisory Board about their work on the committees.

Committees of the Supervisory Board

General and Personnel Committee

» Prof. Dr. Michael Kaschke (Chairman until 27 May 2021)
» Dr. Karl Lamprecht (Chairman since 27 May 2021)
» Tania von der Goltz
» Dr. Christian Müller (since 27 May 2021)

Audit Committee

» Dr. Markus Guthoff (Chairman until 27 May 2021)
» Peter Kameritsch (Chairman since 27 May 2021)
» Cornelia Grandy
» Dr. Christian Müller (until 27 May 2021)
» Torsten Reitze (since 27 May 2021)

Nominating Committee

» Dr. Christian Müller (Chairman)
» Isabel De Paoli
» Prof. Dr. Michael Kaschke (until 27 May 2021)
» Dr. Karl Lamprecht (since 27 May 2021)

The General and Personnel Committee advises the Management Board on matters of Company strategy. It is jointly responsible for coordinating and preparing for the Supervisory Board meetings. In addition, this committee prepares the Supervisory Board's personnel decisions and, in certain cases, passes resolutions on the transactions requiring approval submitted by the Management Board. The General and Personnel Committee convened at one meeting during the past fiscal year. There was no meeting in December 2020. The result of the target agreements for fiscal year 2019/20 was determined by way of circular resolution. The target agreements for the Management Board for fiscal year 2020/21 were discussed at the meeting on 30 September 2021. In addition, the changes in the chairmanship of the Management Board were addressed and corresponding resolutions were passed.

The Audit Committee is mainly concerned with the development of business and monitoring the accounting process, the efficiency of the internal control system and the internal auditing and risk management system, auditing, and its focus areas, and in particular the independence of the auditor, as well as the additional services rendered by the auditor. It also addresses the work of the Company's compliance organization. The Audit Committee convened at four meetings in the reporting period.

In the event of the appointment of new Supervisory Board members, the Nominating Committee proposes suitable candidates to the Supervisory Board for its candidate proposals to the Annual General Meeting. The Nominating Committee convened at two meetings during the reporting period. In the meeting on 3 December 2020 the upcoming re-elections of the Supervisory Board on 27 May 2021, which affect Prof. Dr. Kaschke, Dr. Guthoff and Dr. Müller, were discussed. The meeting on 23 February 2021 resolved to recommend to the Supervisory Board to propose to the Annual General Meeting Dr. Müller for re-election and Mr. Kameritsch and Mr. Reitze as candidates for the Supervisory Board.

Individualized disclosure of meeting attendance

Supervisory Board member	Committees	Meeting attendance	Attendance in %
Dr. Karl Lamprecht	Plenary Supervisory Board	6/6	100%
(Chairman since 27 May 2021)	General and Personnel Committee (since 27 May 2021)	1/1	100%
	Nominating Committee (since 27 May 2021)	n/a as no meetings	n/a as no meetings
	Total	**7/7**	**100%**
Prof. Dr. Michael Kaschke	Plenary Supervisory Board (until 27 May 2021)	2/2	100%
(Chairman until 27 May 2021)	General and Personnel Committee (until 27 May 2021)	n/a as no meetings	n/a as no meetings
	Nominating Committee (until 27 May 2021)	2/2	100%
	Total	**4/4**	**100%**
Tania von der Goltz	Plenary Supervisory Board	6/6	100%
(Deputy Chairwoman)	General and Personnel Committee	1/1	100%
	Total	**7/7**	**100%**
Dr. Markus Guthoff	Plenary Supervisory Board (until 27 May 2021)	2/2	100%
(until 27 May 2021)	Audit Committee (until 27 May 2021)	3/3	100%
	Total	**5/5**	**100%**
Dr. Christian Müller	Plenary Supervisory Board	6/6	100%
	Audit Committee (until 27 May 2021)	3/3	100%
	Nominating Committee	2/2	100%
	Total	**11/11**	**100%**
Isabel De Paoli	Plenary Supervisory Board	6/6	100%
	Nominating Committee	2/2	100%
	Total	**8/8**	**100%**
Peter Kameritsch	Plenary Supervisory Board (since 27 May 2021)	4/4	100%
(since 27 May 2021)	Audit Committee (since 27 May 2021)	1/1	100%
	Total	**5/5**	**100%**
Torsten Reitze	Plenary Supervisory Board (since 27 May 2021)	4/4	100%
(since 27 May 2021)	Audit Committee (since 27 May 2021)	1/1	100%
	Total	**5/5**	**100%**
Cornelia Grandy	Plenary Supervisory Board	5/6	83%
	Audit Committee	4/4	100%
	Total	**9/10**	**90%**
Renè Denner	Plenary Supervisory Board	6/6	100%
	Total	**6/6**	**100%**
Jeffrey Marx	Plenary Supervisory Board (since 27 February 2020)	6/6	100%
	Total	**6/6**	**100%**

Corporate governance and declaration of conformity

During the Supervisory Board Meeting on 3 December 2020 the Supervisory Board resolved upon the declaration of conformity pursuant to German Corporate Governance Code.

Further information on corporate governance reporting and the declaration of conformity can be found on Carl Zeiss Meditec AG's website at www.zeiss.com/meditec-ag/investor-relations.html within the "Corporate Governance" section.

Audit of the annual and consolidated financial statements 2020/ 21
The Annual General Meeting on 27 May 2021 appointed Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft (EY), Stuttgart, as auditor for the annual and consolidated financial statements.

Before making its candidate proposal to the Annual General Meeting, the Supervisory Board obtained a declaration of independence from the auditor. In this declaration EY confirms that there are no private, professional, business, financial or other relationships between the auditor and its executive bodies or audit managers, on the one hand, or between the Company and its executive body members, on the other. On 14 April 2021, the Supervisory Board engaged EY, subject to the postponed election of EY by the Annual General Meeting, to audit all financial statements and management reports for fiscal year 2020/21, including the dependent company report on relationships with associated companies of Carl Zeiss Meditec AG, pursuant to Section 312 AktG. The focal points of the audit in fiscal year 2020/21 were approved on 5 August 2021.

The annual financial statements of Carl Zeiss Meditec AG were prepared in accordance with the rules of the German Commercial Code (Handelsgesetzbuch, HGB). The consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRSs) prevailing at the end of the reporting period, as they are to be applied in the EU, and in accordance with Section 315a HGB in compliance with specific provisions of the HGB.

EY audited the annual financial statements and consolidated financial statements, as well as the associated management reports for fiscal year 2020/21, including the accounting, and issued all the financial statements with an unqualified audit certificate.

The annual financial statements and consolidated financial statements prepared by the Management Board to 30 September 2021, and the associated management reports, as well as the audit reports prepared by the appointed auditor, were submitted in good time for inspection by all members of the Supervisory Board and discussed in detail and audited in advance at the meeting of the Supervisory Board's Audit Committee in the presence of the auditor on 6 December 2021, and subsequently at the plenary Supervisory Board meeting. The Supervisory Board approved the results of the audit. No objections were raised following the Supervisory Board's conclusive review of the audit. The Supervisory Board thus approved the annual financial statements prepared by the Management Board and the consolidated financial statements at its meeting on 6 December 2021. The annual financial statements are thus adopted. After a detailed examination and taking the development of earnings and the financial position into consideration, the Supervisory Board approved the Management Board's proposal on the utilization of profit at its meeting on 6 December 2021.

Dependent company report
Given that Carl Zeiss Meditec AG is a subsidiary of Carl Zeiss AG, the Management Board of Carl Zeiss Meditec AG prepared a report, pursuant to Section 312 AktG, on relations with associated companies in fiscal year 2020/21, which states that – under the circumstances known to the Management Board at the time the legal transactions were concluded – Carl Zeiss Meditec AG received an appropriate consideration for each of the transactions listed and that reportable measures were neither implemented nor omitted in the fiscal year. After conducting its audit EY issued the report with the following audit certificate pertaining to the correctness of the actual disclosures and the appropriateness of the Company's compensation with respect to the legal transactions listed:

"Based on the results of our statutory audit and assessment, we confirm that

1. the actual information in the report is correct,
2. the Company's compensation with respect to the legal transactions listed in the report was not inappropriately high."

At the meeting on 6 December 2021 the auditor reported on the key results of the audit and responded to questions. After conducting its own audit of the dependent company report and inspecting the audit report prepared by the auditor, the Supervisory Board concluded that it agrees with the statements and conclusions in the dependent company report and the audit report. On completion of its own audit the Supervisory Board has no objections to raise against the declaration of the Management Board at the end of the dependent company report.

All documentation pertaining to the financial statements and audit reports were submitted early to the Supervisory Board.

Composition of the Management Board and Supervisory Board

There were some changes to the composition of the Supervisory Board during the course of the fiscal year under review. At the end of the virtual Annual General Meeting on 27 May 2021, the terms of office of elected shareholder representatives Prof. Dr. Michael Kaschke, Dr. Markus Guthoff and Dr. Christian Müller came to an end. At the Annual General Meeting on 27 May 2021, the Supervisory Board proposed Peter Kameritsch, Torsten Reitze for election and Dr. Christian Müller for re-election based on the proposal of the Nominating Committee. Mr. Peter Kameritsch, Mr. Torsten Reitze and Dr. Christian Müller were elected to the Supervisory Board as shareholder representatives, effective from the end of the virtual Annual General Meeting on 27 May 2021 until the end of the Annual General Meeting that resolves upon their discharge for the fiscal year from 1 October 2024 to 30 September 2025.

In the Supervisory Board meeting on 27 May 2021, Dr. Karl Lamprecht was elected as Chairman of the Supervisory Board and thus Chairman of the General and Personnel Committee. Furthermore, Dr. Karl Lamprecht was elected as a member of the Nominating Committee; Mr. Christian Müller as a member of the Personnel and General Committee and Mr. Peter Kameritsch was elected as Chairman and Mr. Torsten Reitze as member of the Audit Committee.

There were no changes to the members of the Management Board of Carl Zeiss Meditec AG in fiscal year 2020/21.

Members of the Supervisory Board took personal responsibility for undertaking the training and further development measures necessary to fulfill their duties. The new members joining the Supervisory Board in fiscal year 2020/21 were given an individually tailored induction. The members were also kept regularly informed about new regulatory developments, legislative changes and new accounting and auditing standards, as well as corporate governance issues. In addition, members of the respective committees took part in further training courses for the respective committees, and members of the Supervisory Board took part in external training programs.

Final remarks

Carl Zeiss Meditec AG is in a good position, in the Supervisory Board's opinion, with its innovation-driven and diversified product portfolio, and as a competent partner to physicians, to continue to participate in the growth of medical technology and to keep steadily improving its strong market position in future, too.

I would like to thank the Management Board and all members of the Supervisory Board for their consistently good and constructive collaboration. I would like to express my special thanks to the departing members of the Supervisory Board, Prof. Dr. Michael Kaschke and Dr. Markus Guthoff, for their many years of very successful work for the Company. I wish the newly elected Mr. Peter Kameritsch and Mr. Torsten Reitze, who were elected to the Supervisory Board for the first time, a good start and an equally successful cooperation. Last but not least, I would like to wish all employees and the members of the Management Board every success, a huge amount of motivation and enthusiasm for the new fiscal year that is already underway, and look forward to continuing to work closely with you on a basis of trust.

Jena, 6 December 2021

On behalf of the Supervisory Board

Dr. Karl Lamprecht
Chairman

The Carl Zeiss Meditec AG share
Fiscal year 2020/21

General development of the capital market

The trend on the global stock markets during fiscal year 2020/21 was strongly positive. Due to the expectation of a powerful economic recovery and an expansionary monetary and fiscal policy, the performance of the stock markets turned out impressive. In light of the progress with vaccinations and the further opening of borders of many countries and regions, the outlook pointed to sustainable containment of COVID-19 pandemic. The International Monetary Fund (IMF) raised its global growth forecast for 2021 from 5.5 to 6.0 percent[6].

The German benchmark index, the DAX, reached new record highs in fiscal year 2020/21, increasing 19.9% to 15,261 points. The benchmark index S&P 500 in the USA was also up by around 27.4% to 4,308 points.

The MDAX and the TecDAX, whose stocks also include the Carl Zeiss Meditec AG share were up by around 26% to 34,370 points and by around 20% to 3,742 points, respectively, as of 30 September 2021, compared with the start of the fiscal year.

The Carl Zeiss Meditec share price also recorded an impressive increase. The Carl Zeiss Meditec AG share finished trading on 30 September 2021 at a closing price[7] of €166.05. The increase in the share's value since the beginning of fiscal year 2020/21 amounted to 52.4%.

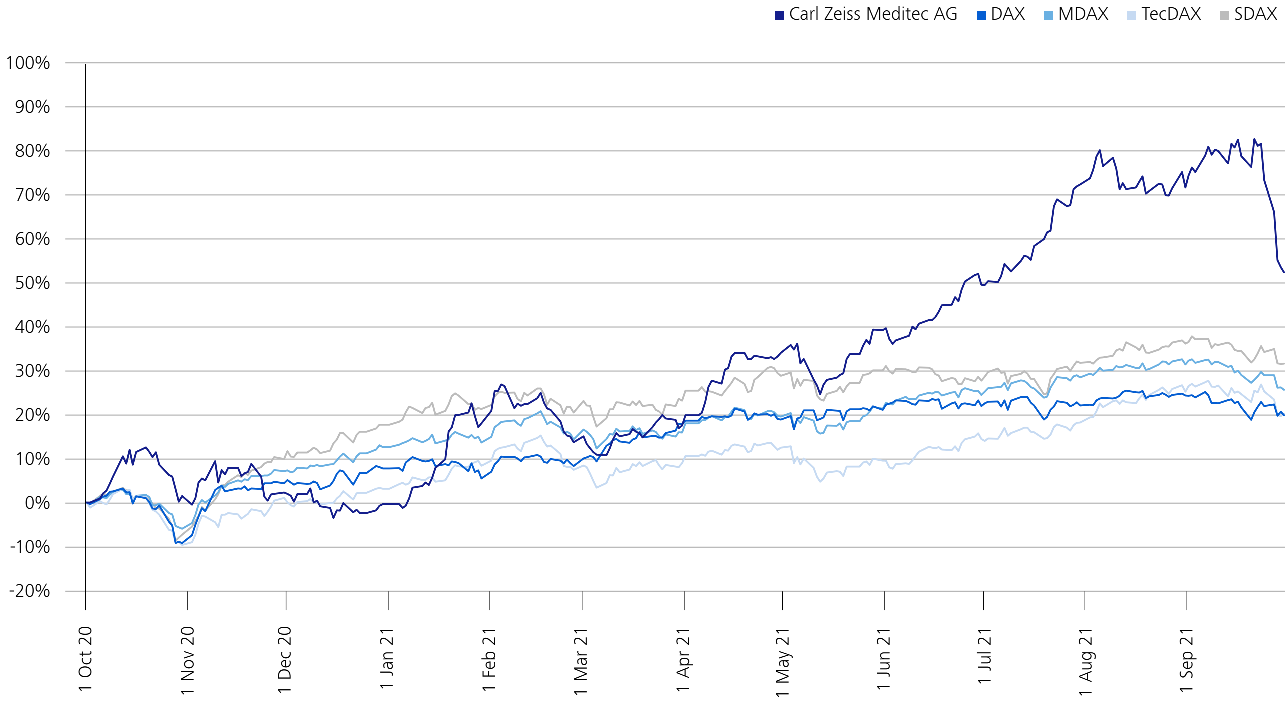
Performance of the Carl Zeiss Meditec share

The share's performance during fiscal year 2020/21 was positive. On the first day of trading of the new fiscal year, the Carl Zeiss Meditec AG share opened at a price of €108.20.

The share reached a new all-time high of €199.05 on 21 September 2021. At the end of the fiscal year, the Carl Zeiss Meditec AG share was being traded at a closing rate of €166.05.

[6] World Economic Outlook Update, July 2021, by IWF
[7] Share price based on XETRA closing rates (30 September 2021)

Relative performance of the Carl Zeiss Meditec share compared with the DAX, MDAX, SDAX and TecDAX indices in the period from 1 October 2020 to 30 September 2021



Performance of Carl Zeiss Meditec share
in the period from 1 October 2020 to 30 September 2021

Market capitalization and trading volume

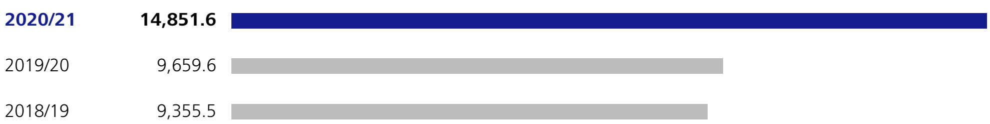
Carl Zeiss Meditec AG's market capitalization (product of shares issued multiplied by share price at the end of the reporting period) increased year-on-year from €9,659.6m to €14,851.6m as of 30 September 2021. The trading volume (number of shares traded on XETRA multiplied by the respective closing rate on the date on which they were traded) was €3,867.3m in fiscal year 2020/21 (prior year: €4,054.7m).

During the reporting period, an average of 105,938 shares (prior year: 167,107 shares) of Carl Zeiss Meditec AG were traded each trading day.

The German MDAX share index is composed of 50 company stocks[8] that rank below the shares listed on the DAX in terms of market capitalization and trading volume. All company stocks are listed on a quarterly basis. Carl Zeiss Meditec AG was in 44th place in the ranking for market capitalization as of 30 September 2021 (prior year: 56th place).

The German TecDAX share index brings together 30 of the largest technology stocks in terms of market capitalization and trading volume on the Frankfurt Stock Exchange. All technology stocks are listed on a quarterly basis. Carl Zeiss Meditec AG was in 7th place in the ranking for market capitalization as of 30 September 2021 (prior year: 11th place).

Market capitalization of Carl Zeiss Meditec AG as of 30 September 2021 in €m



The Carl Zeiss Meditec share from the capital market perspective

A large number of German and international financial analysts monitor the movements of the Carl Zeiss Meditec AG share. At present, we are in contact with 17 analyst firms. Based on the assessments of the past six months, the analysts have put the current average price target at €159.42 (as of: 30 September 2021).

A current overview of the individual analysts' recommendations can be found on our website at www.zeiss.com/meditec-ag/investor-relations/carl-zeiss-meditec-share.html.

Dividend policy

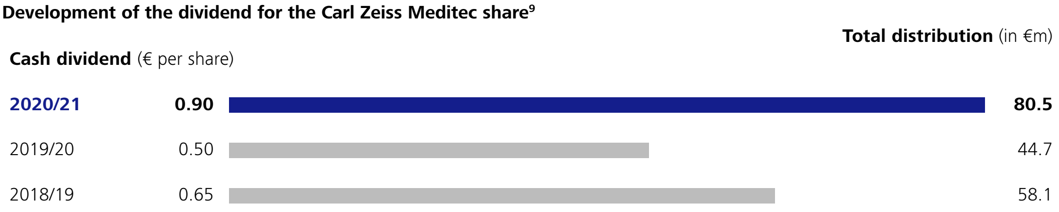
We pursue a continuous, profit-driven dividend policy. We aim to adhere to this strategy in future and to continue to allow shareholders to participate to an appropriate extent in the Company's success.

Our reference for the regular dividend is a dividend ratio that generally equates to around one third of consolidated net income after non-controlling interests for the fiscal year just ended. On 30 March 2022, therefore, the Management Board and the Supervisory Board of Carl Zeiss Meditec AG shall propose to the

[8] The rules of composition have been revised significantly from December 2020 to September 2021. With the expansion of the DAX to 40 companies the MDAX has been reduced to 50 stocks.

Annual General Meeting the distribution to shareholders of a regular dividend of €0.90 per share for fiscal year 2020/21 (prior year: €0.65). This would equate to a total distribution of €80.5m (prior year: €44.7m) and a dividend ratio of 34.1% (prior year: 36.5%). The dividend return (ratio of dividend per share to closing rate on 30 September) would be 0.5% (prior year: 0.5%).

Development of the dividend for the Carl Zeiss Meditec share[9]



Shareholder structure

Carl Zeiss Meditec AG's subscribed capital is composed of 89,440,570 ordinary shares, each with a theoretical par value of €1 per share. The ZEISS Group holds around 59.1% of the shares. According to our knowledge, the remaining 40.9% are in free float. In the voting rights announcement dated 19 October 2020, Capital Group Companies, Inc., Los Angeles, USA, informed the Company that the share of voting rights held by its subsidiary Capital Research and Management Company in Carl Zeiss Meditec AG exceeded the reporting threshold of 5% on 15 October 2020, resulting in a share of 5.04% (4,511,021 ordinary shares) from this date.

Investor relations

Providing our investors with comprehensive, transparent and up-to-the-minute information was once again the focus of our investor relations work in fiscal year 2020/21, with the aim of boosting confidence in our sustainable corporate governance. This includes the commentary on Carl Zeiss Meditec AG's strategy, its operative business development, as well as the Company's prospects vis-à-vis existing and potential investors and other market participants, such as analysts and journalists.

We regularly inform our shareholders about strategic and business developments within the Group through quarterly, six-monthly and annual reports, as well as ad hoc disclosures and press releases. The Company also strives, in a variety of ways, to meet the high demand for information from all interest groups, both via the Management Board and through the members of the Investor Relations department. During the fiscal year under review roadshows and conferences were mainly held in the form of video conferences due to the travel restrictions imposed as a result of the COVID-19 pandemic. We also held regular conference calls on the interim financial statements, as well as numerous one-to-one and group meetings with institutional and private investors.

In addition, our Annual General Meeting gives our shareholders the opportunity to exert a direct influence and ask Carl Zeiss Meditec AG's Management Board questions directly. The Annual General Meeting in the fiscal year under review was once again held as a virtual meeting on 27 May 2021, 86.65% of the voting share capital was represented at this meeting.

[9] Amount of dividend for 2020/21 proposed by the Supervisory Board and the Management Board of Carl Zeiss Meditec AG

Listing and trading on the MDAX and TecDAX

Carl Zeiss Meditec AG share	
Index	MDAX, TecDAX
Segment	Prime Standard
ISIN	DE0005313704
Trading volume	Average 105,938 shares/trading day
Total shares placed	89,440,570 shares
Price performance	
Share price at beginning of fiscal year 2020/21 (1 Oct 2020)	€108.93
Share price at end of fiscal year 2020/21 (30 Sep 2021)	€166.05
Share price on 26 November 2021	€173.15
Highest price in fiscal year 2020/21	€199.05
Lowest price in fiscal year 2020/21	€105.14
Shareholder structure	
Free float	40.9%
Carl Zeiss AG	59.1%
Valuation	
Market capitalization of share capital as of 26 November 2021	€15,486.6m
Market capitalization of free float as of 26 November 2021	€6,328.2m
Designated Sponsor	ODDO BHF Corporates & Markets AG

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Summary management report
for fiscal year 2020/21

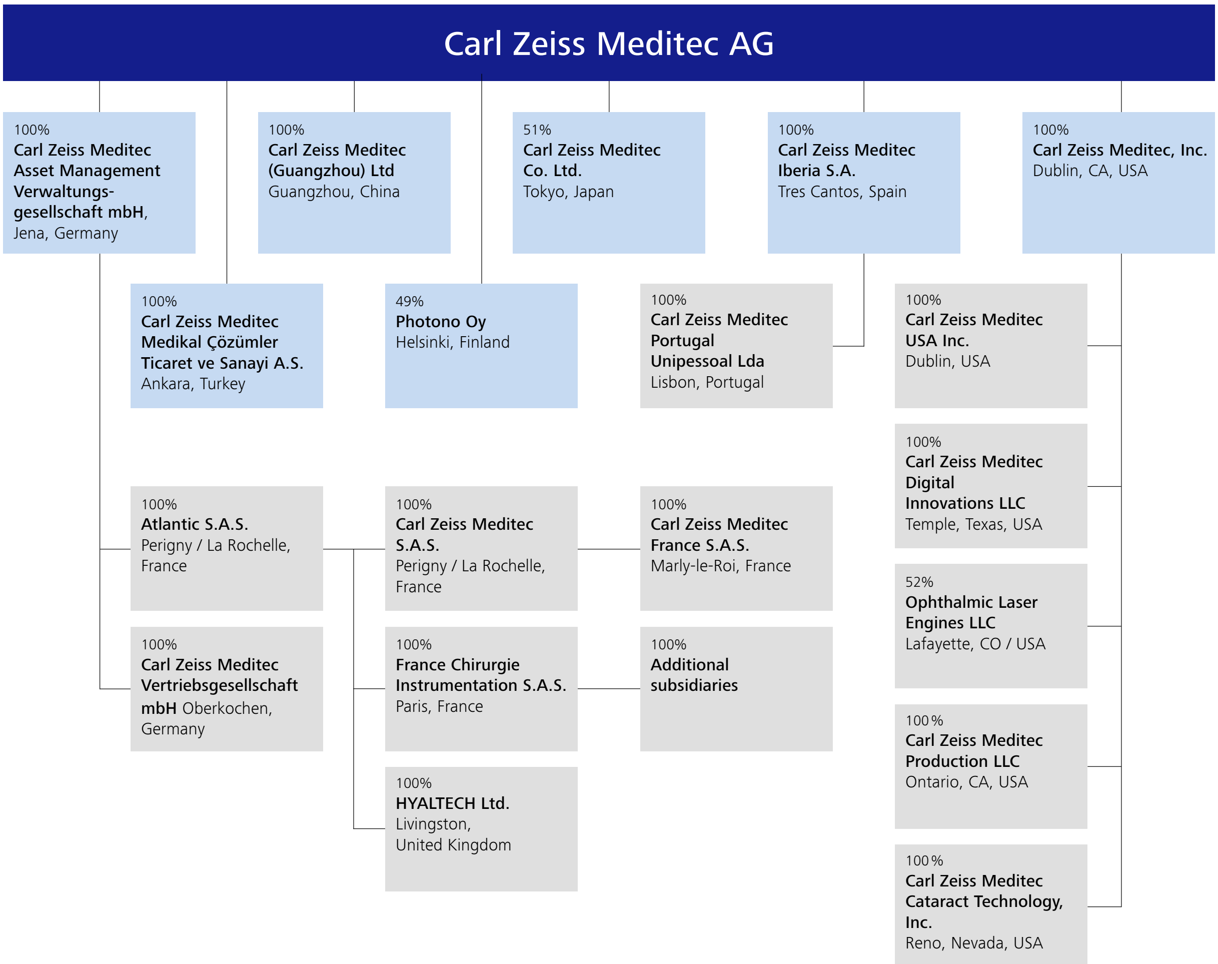
CARL ZEISS MEDITEC GROUP

Group structure

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

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

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



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

Markets

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

Organization and business activity

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

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

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

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

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

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

Group strategy

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

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

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

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

Corporate governance

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

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

Corporate management

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

BUSINESS REPORT[3]

Underlying conditions for business development

Macroeconomic conditions[4]

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

Situation in the medical technology industry

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

[1] Calculation: EVA® = operating result (EBIT) after taxes plus write-downs on intangible assets arising from purchase price allocations in the amount of €7.5m less cost of capital in the amount of €55.5m for fiscal year 2020/21. (calculation of cost of capital: average capital employed, adjusted for write-downs on intangible assets arising from purchase price allocations ("gross" asset basis) (2020/21: €840.9m), multiplied by the cost of capital rate (2020/21: 6.6%)).

[2] Calculation: Free cash flow (FCF) = EBIT ± changes in trade receivables ± changes in inventories including advance payments ± changes in provisions (excluding provisions for pensions and provisions for taxes) ± changes in current accrued liabilities ± changes in trade payables ± changes in advance payments received ± changes in leasing liabilities ± changes in other assets and liabilities - increase in investment in property, plant and equipment and intangible assets + write-downs on intangible assets and property, plant and equipment - acquisition of investments.

[3] Due to the finalization of the purchase price allocation of the acquisition of Photono Oy a number of the prior-year figures as of 30 September 2020 have been adjusted. For further information, please refer to section 3 "Purchase and sale of business operations" of the notes to the consolidated financial statements.

[4] IMF: World economy outlook update July 2021

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

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

a) Market for ophthalmic products

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

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

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

b) Market for microsurgery products

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Results of operations

Presentation of results of operations

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

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

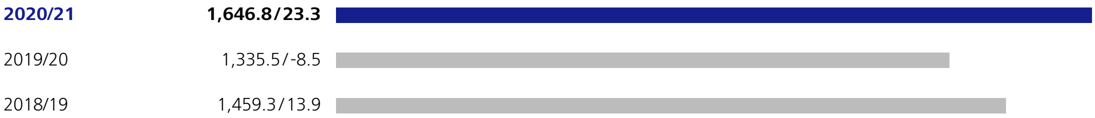
Revenue

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

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

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

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

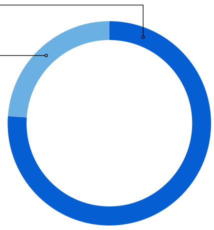


a) Revenue by strategic business unit

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

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

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



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

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

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

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

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

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

Revenue by strategic business unit

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

b) Revenue by region

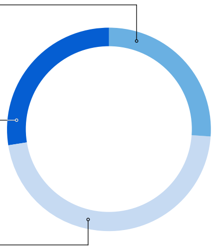
In fiscal year 2020/21, 46.5% (prior year: 44.1%) of total revenue was attributable to the **APAC** region. The **EMEA** region accounted for 26.2% (prior year: 27.1%) of total revenue, while the **Americas** region accounted for 27.3% (prior year: 28.8%) of total revenue.

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

EMEA **26.2%**

Americas **27.3%**

APAC **46.5%**



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

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

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

Revenue of the Carl Zeiss Meditec Group by region

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

Gross profit

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

Functional costs

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

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

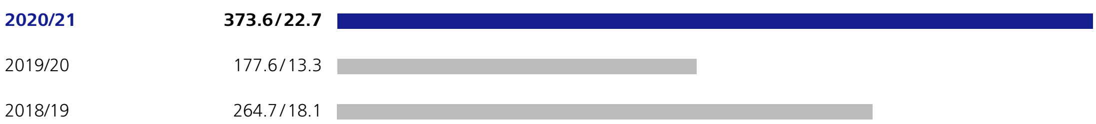
» **General administrative expenses:** Expenses in this area amounted to €60.7m (prior year: €56.3m). Relative to revenue, there was a slight decline in the share of general administrative expenses compared with the prior year, to 3.7% (prior year: 4.2%).

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

Development of earnings

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

EBIT in €m/EBIT margin in %



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

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

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

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

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

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

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

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

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

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

Financial position

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

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

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

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

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

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

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

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

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

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

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

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

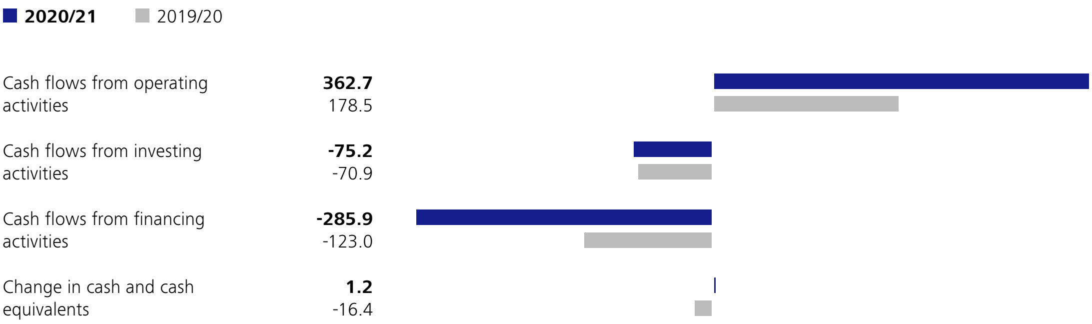
Value-at-risk analyses, together with scenario, sensitivity and stress test analyses, are implemented in risk control and monitoring, to quantify the currency risks. Hedging rates are specified for operative control of all relevant currencies. Limits were defined to limit risks relating to contracting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

Statement of cash flows

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

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

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



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

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

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

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

Investment and depreciation policy

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

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

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

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

Key ratios relating to financial position

Key ratios relating to financial position

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

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

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

Net assets

Presentation of net assets

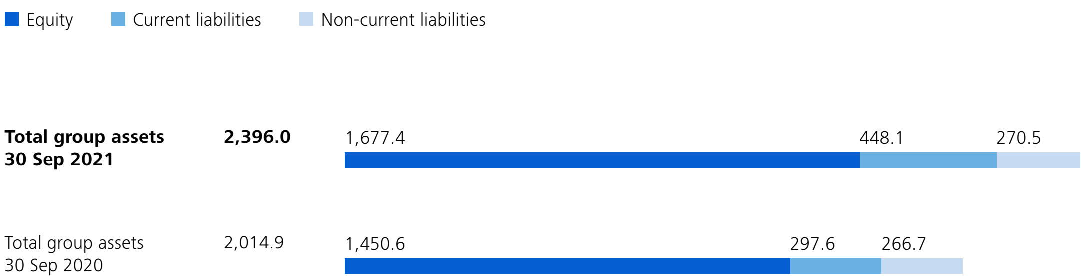
Total assets increased to €2,396.0m as of 30 September 2021 (prior year: €2,014.9m).

Structure of statement of financial position - Assets in €m

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

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

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



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

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

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

Key ratios relating to net assets

Key ratios relating to net assets

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

Orders on hand

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

Events of particular significance

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

NON-FINANCIAL PERFORMANCE INDICATORS

Sustainability

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

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

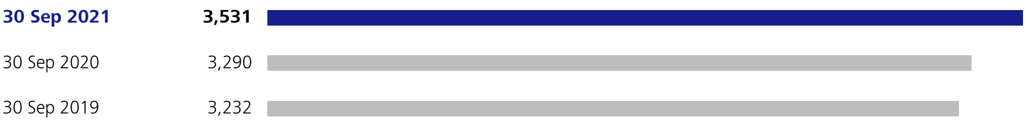
Carl Zeiss Meditec AG therefore makes use of the option under Section 289b (2) HGB and Section 315b (2) HGB to exempt itself from issuing a non-financial statement and the non-financial consolidated statement, and refers to the separate summary non-financial report of the parent company, Carl Zeiss AG,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

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

Employees

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

Employees



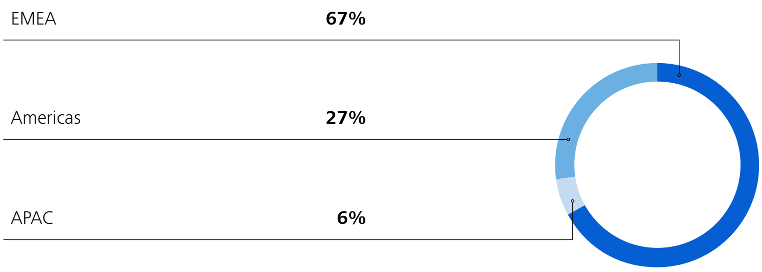
At 43% and 30%, respectively, the majority of employees were working in Production or Sales and Marketing as of 30 September 2021. This includes a total of 573 Service employees, who are spread across various areas. The percentage of employees working in Research and Development was 19% at the end of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

Employees by function 30 September 2021

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

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

Employees by region as of 30 September 2021



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

Compliance

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

Production

Production plants

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

Production concept

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

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

Production planning

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

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

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

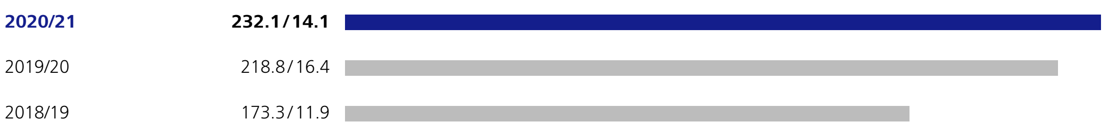
Research and development

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

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

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

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



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

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

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

Brands and patents

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

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

FINANCIAL STATEMENTS OF CARL ZEISS MEDITEC AG

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

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

Preparation of the financial statements

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

Summary of business development

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

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

Income statement according to HGB

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

Results of operations

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

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

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

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

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

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

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

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

Balance sheet

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

Net assets and results of operations

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

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

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

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

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

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

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

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

Employees

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

Appropriation of profits

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

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

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

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

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

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

REMUNERATION REPORT

Remuneration report of the Management Board

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

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

Structure and amount of remuneration paid to the Management Board

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

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

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

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

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

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

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

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

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

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

Pension scheme for members of the Management Board

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

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

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

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

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

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

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

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

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

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

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

Allocation amount in fiscal year Dr. Ludwin Monz

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

[16] Entitlement if thresholds exceeded

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

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

Allocation amount in fiscal year under review, Justus Felix Wehmer

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

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

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

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

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

Departure of members of the Management Board

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

Remuneration of the Supervisory Board

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

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

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

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

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

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

OPPORTUNITY AND RISK REPORT

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

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

Risk management

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

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

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

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

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

Significant risks

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

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

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

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

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

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

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

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

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

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

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

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

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

Legal risks, patents and intellectual property
The Company's competitiveness depends on the protection of its technological innovations against exploitation by third parties. Violations of intellectual property and patent protection may compromise any technological lead and thus competitive advantages in all business segments. The expiry of property rights, particularly patents, as well as the geographical limitation of property rights could result in new or existing competitors

exploiting the inventions of the Carl Zeiss Meditec Group to enter the market or strengthen their market position. Furthermore, in spite of the measures taken, third parties may still attempt to copy or partly copy products of the Company, since the unauthorized use of intellectual property is generally difficult to monitor and copyright laws only provide for limited protection.

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

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

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

Financial risks

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

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

Economic environment

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

DISCLOSURES PURSUANT TO SECTION 289 A AND 315 A HGB

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SUPPLEMENTARY REPORT

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

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

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

OUTLOOK

Future conditions for business development

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

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

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

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

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

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

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

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

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

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

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

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

Future selling markets

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

Future research and development activities

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

Future investments

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

Future dividend policy

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

Future employee development

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

Future financial position

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

Future opportunities

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

Overall assertion on future development

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

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

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

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

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

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

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

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

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

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

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

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

Jena, 26 November 2021

Dr. Ludwin Monz
President and CEO

Justus Felix Wehmer
Member of the
Management Board

Jan Willem de Cler
Member of the
Management Board

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Consolidated income statement (IFRS)
from 1 October 2020 to 30 September 2021

	Note	2020/21 1 Oct 20 to 30 Sep 21	2019/20 1 Oct 19 to 30 Sep 20
		€k	€k
Revenue	**(2q) (4)**	**1,646,785**	**1,335,452**
Cost of sales		-679,572	-589,935
Gross profit		**967,213**	**745,517**
Selling and marketing expenses		-303,233	-292,841
General and administrative expenses		-60,747	-56,320
Research and development expenses	(35)	-232,066	-218,804
Other operating result	(5)	2,447	-
Earnings before interest, taxes, depreciation and amortization		435,198	237,977
Depreciation and amortization		-61,584	-60,425
Earnings before interest and taxes		**373,614**	**177,552**
Interest income	(7)	1,562	1,456
Interest expenses	(7)	-8,578	-27,265
Net interest from defined benefit pension plans	(7)	-787	-623
Foreign currency gains (+)/ losses (-), net	(2d) (2w) (7)	-25,104	4,458
Other financial result	(7)	-1,657	23,139
Earnings before income taxes		**339,050**	**178,717**
Income taxes	(2j) (8)	-101,531	-55,296
Consolidated profit		**237,519**	**123,421**
Attributable to:			
Shareholders of the parent company		236,276	122,385
Non-controlling interests		1,243	1,036
Earnings per share attributable to the shareholders of the parent company in the fiscal year (in €):			
- Basic/diluted	**(2s) (9)**	**2.64**	**1.37**

The following notes are an integral part of the audited consolidated financial statements.

Consolidated statement of comprehensive income (IFRS)
from 1 October 2020 to 30 September 2021

	Note	2020/21 1 Oct 20 to 30 Sep 21	2019/20 1 Oct 19 to 30 Sep 20
		€k	€k
Consolidated profit		**237,519**	**123,421**
Gains/losses on foreign currency translation	(2d) (21)	7,742	-32,199
Total gains/losses that may subsequently be reclassified to consolidated profit		**7,742**	**-32,199**
Remeasurement from equity instruments	(2n) (27)	-248	-583
Remeasurement from defined benefit pension plans	(2o) (22)	27,697	1,099
Total gains/losses that will not subsequently be reclassified to consolidated profit		**27,449**	**516**
Other comprehensive income		**35,191**	**-31,683**
Comprehensive income for the period		**272,710**	**91,738**
Attributable to:			
Shareholders of the parent company		272,330	91,414
Non-controlling interests		380	324

The following notes are an integral part of the audited consolidated financial statements.

Consolidated statement of financial position (IFRS)
as of 30 September 2021

	Note	30 Sep 2021	30 Sep 2020*
		€k	€k
ASSETS			
Non-current assets			
Goodwill*	(2c) (2f) (11)	328,714	326,510
Other intangible assets*	(2c) (2g) (12)	153,698	145,221
Property, plant and equipment	(2h) (13)	199,555	135,265
Investments and other holdings in affiliated non-consolidated companies	(27)	6,713	4,108
Deferred taxes	(2j) (14)	84,964	94,572
Non-current trade receivables	(17)	9,191	9,225
Other non-current assets	(15)	9,115	6,197
		791,950	**721,098**
Current assets			
Inventories	(2k) (16)	286,375	286,360
Trade receivables	(17)	185,940	165,158
Trade receivables from related parties	(2u) (35)	134,868	93,330
Treasury receivables	(2u) (35)	949,317	703,560
Tax refund claims		4,178	2,940
Other current financial assets	(2i) (18)	10,479	14,717
Other current non-financial assets	(19)	25,422	18,240
Cash and cash equivalents*	(2c) (2m) (20)	7,439	6,202
		1,604,018	**1,290,507**
Assets held for sale		**0**	**3,245**
		2,395,968	**2,014,850**
EQUITY AND LIABILITIES			
Equity			
Share capital	(21)	89,441	89,441
Capital reserve	(21)	620,137	620,137
Retained earnings	(21)	1,000,478	808,922
Other components of equity	(2n) (21)	-50,729	-86,783
Equity before non-controlling interest		**1,659,327**	**1,431,717**
Non-controlling interests	(2a) (21)	18,056	18,841
		1,677,383	**1,450,558**
Non-current liabilities			
Provisions for pensions and similar obligations	(2o) (22)	54,457	89,377
Other non-current provisions	(2p) (23)	7,409	8,870
Non-current financial liabilities	(2i) (24) (27)	76,496	87,543
Non-current leasing liabilities	(2l) (28)	101,929	53,093
Other non-current non-financial liabilities		14,738	10,659
Deferred taxes*	(2c) (2j) (14)	15,438	17,166
		270,467	**266,708**
Current liabilities			
Current provisions	(2p) (23)	19,873	18,856
Current accrued liabilities	(25)	127,787	99,387
Current financial liabilities	(2i) (27)	54,943	19,513
Current portion of non-current leasing liabilities	(2l) (28)	19,341	15,512
Trade payables		98,230	55,133
Trade payables to related parties	(2u) (35)	47,235	36,546
Treasury payables	(2u) (35)	16,835	1,522
Current income tax payables		21,560	17,257
Other current non-financial liabilities	(26)	42,314	33,858
		448,118	**297,584**
		2,395,968	**2,014,850**

The following notes are an integral part of the audited consolidated financial statements.

* The figures as of 30 September 2020 have been adjusted due to the finalization of the purchase price allocation of the acquisition of Photono Oy. Further information on this can be found in note 3 "Purchase and sale of business operations".

Consolidated statement of changes in equity (IFRS)

	Appendix	Share capital	Capital reserve	Retained earnings	Other components of equity	Equity before non-controlling interests	Non-controlling interests	Equity
		€k	€k	€k	€k	€k	€k	€k
As of 1 Oct 2019		**89,441**	**620,137**	**744,673**	**-55,812**	**1,398,439**	**18,517**	**1,416,956**
Gains/losses on foreign currency translation	(2d) (21)	-	-	-	-31,327	-31,327	-872	-32,199
Remeasurement from equity instruments	(2n) (27)	-	-	-	-583	-583	-	-583
Remeasurement from defined benefit pension plans	(2o) (22)	-	-	-	939	939	160	1,099
Changes in value recognized in other comprehensive income	**(2n) (21)**	**-**	**-**	**-**	**-30,971**	**-30,971**	**-712**	**-31,683**
Consolidated profit		-	-	122,385	-	122,385	1,036	123,421
Comprehensive income for the period	**(2n) (21)**	**-**	**-**	**122,385**	**-30,971**	**91,414**	**324**	**91,738**
Dividend payment	(10)	-	-	-58,136	-	-58,136	-	-58,136
As of 30 Sep 2020	**(2n) (21)**	**89,441**	**620,137**	**808,922**	**-86,783**	**1,431,717**	**18,841**	**1,450,558**
As of 1 Oct 2020		**89,441**	**620,137**	**808,922**	**-86,783**	**1,431,717**	**18,841**	**1,450,558**
Gains/losses on foreign currency translation	(2d) (21)	-	-	-	8,565	8,565	-823	7,742
Remeasurement from equity instruments	(2n) (27)	-	-	-	-248	-248	-	-248
Remeasurement from defined benefit pension plans	(2o) (22)	-	-	-	27,737	27,737	-40	27,697
Changes in value recognized in other comprehensive income	**(2n) (21)**	**-**	**-**	**-**	**36,054**	**36,054**	**-863**	**35,191**
Consolidated profit		-	-	236,276	-	236,276	1,243	237,519
Comprehensive income for the period	**(2n) (21)**	**-**	**-**	**236,276**	**36,054**	**272,330**	**380**	**272,710**
Dividend payment	(10)	-	-	-44,720	-	-44,720	-1,165	-45,885
As of 30 Sep 2021	**(2n) (21)**	**89,441**	**620,137**	**1,000,478**	**-50,729**	**1,659,327**	**18,056**	**1,677,383**

The following notes are an integral part of the audited consolidated financial statements.

Consolidated statement of cash flows (IFRS)
from 1 October 2020 to 30 September 2021

	Note	2020/21 1 Oct 20 to 30 Sep 21	2019/20* 1 Oct 19 to 30 Sep 20
		€k	€k
Consolidated profit		237,519	123,421
Income taxes	(8)	101,531	55,296
Interest income/expenses	(7)	7,803	26,432
Result from other investments	(7)	-95	-
Result from the change in fair value of contingent purchase price obligations	(7)	1,840	-23,131
Result from the sale of assets held for sale	(5)	-2,447	-
Depreciation and amortization	(12) (13)	61,584	60,425
Gains/losses on disposal/depreciation of fixed assets	(12) (13)	1,442	94
Interest and dividends received		1,376	1,428
Interest paid		-1,629	-1,365
Income tax payments		-97,908	-58,964
Trade receivables	(17)	-62,102	54,177
Inventories	(16)	18	-28,421
Other assets	(15) (18) (19)	-5,531	-2,528
Trade payables		52,692	-25,171
Provisions and financial liabilities	(22) (23) (25)	54,459	-7,015
Other liabilities	(26)	12,111	3,849
Cash flows from operating activities		**362,663**	**178,527**
Cash outflow for investments in property, plant and equipment	(13)	-30,122	-29,325
Cash outflow for investments in other intangible assets	(12)	-35,979	-15,661
Proceeds from disposal of fixed assets		403	128
Proceeds from disposal of financial assets		-	163
Cash outflow for investments in financial assets		-2,416	-25
Purchase of shares in affiliated consolidated companies, net of cash acquired*	(3)	-11,509	-26,227
Proceeds from the sale of assets held for sale	(5)	4,423	-
Cash flows from investing activities*		**-75,200**	**-70,947**
Change in current loans	(29)	420	27
Change in treasury receivables	(2u) (29) (35)	-241,624	-50,329
Change in treasury payables	(2u) (29) (35)	14,950	1,554
Cash receipts from sale-and-leaseback transactions	(28)	3,977	-
Repayment of leasing liabilities	(28) (29)	-17,727	-16,077
Dividend payment to shareholders of Carl Zeiss Meditec AG	(10)	-44,720	-58,136
Dividend payment to non-controlling interests		-1,165	-
Cash flows from financing activities		**-285,889**	**-122,961**
Effect of exchange rate fluctuation on cash and cash equivalents		-337	-1,056
Change in cash and cash equivalents*		**1,237**	**-16,437**
Cash and cash equivalents, beginning of reporting period	(20)	6,202	22,639
Cash and cash equivalents, end of reporting period*	**(2c) (20)**	**7,439**	**6,202**

The following notes are an integral part of the audited consolidated financial statements.

* The figures as of 30 September 2020 have been adjusted due to the finalization of the purchase price allocation of the acquisition of Photono Oy. Further information on this can be found in note 3 “Purchase and sale of business operations”.

Consolidated notes
for fiscal year 2020/21(IFRS)

GENERAL INFORMATION, ACCOUNTING AND VALUATION PRINCIPLES

1 The Company

(a) Description of operations
Carl Zeiss Meditec AG, Jena, Germany, is the parent company of the Carl Zeiss Meditec Group (the "Company", the "Group"), which comprises additional subsidiaries. The Group offers end-to-end solutions for the diagnosis and treatment of ophthalmic diseases, including implants and consumables. In microsurgery, the Group provides innovative visualization solutions. The Company’s customers are physicians in various fields and hospitals worldwide.

Carl Zeiss Meditec AG's headquarters are located in 07745 Jena, Germany (Göschwitzer Straße 51-52), Germany’s traditional center of excellence for optical and optical-related technologies. The Company has major subsidiaries in the USA, France, Japan, Spain, the United Kingdom, Turkey and Germany.

Carl Zeiss Meditec AG is recorded in the commercial register of Jena Local Court under HRB 205623.

The present consolidated financial statements for fiscal year 2020/21 were released for publication by the Management Board on 26 November 2021.

The consolidated financial statements are published on the internet and in the Federal Gazette (Bundesanzeiger).

Consolidated financial statements for the largest group of companies are prepared by Carl Zeiss AG, which is domiciled in 73447 Oberkochen, Germany (Carl-Zeiss-Straße 22). These are published on the internet and in the Federal Gazette.

(b) Basis of presentation
The consolidated financial statements of Carl Zeiss Meditec AG are based on the going concern assumption. They have been prepared in accordance with the International Financial Reporting Standards ("IFRSs") promulgated by the International Accounting Standards Board ("IASB"), London, and take into account all accounting standards and interpretations adopted by 30 September 2021 for which application is mandatory, as they are to be applied in the EU. The present version of the consolidated financial statements complies with the provisions of Section 315e of the German Commercial Code (Handelsgesetzbuch, HGB).

The fiscal year of Carl Zeiss Meditec Group ends on 30 September.

2 Accounting and valuation policies

(a) Principles of consolidation
The consolidated financial statements comprise the statements of Carl Zeiss Meditec AG and all of its subsidiaries. Subsidiaries are all companies controlled by Carl Zeiss Meditec AG. A company is controlled if the Carl Zeiss Meditec Group is subject to variable returns from its relationship with a company, or has rights to these returns, and can control the relevant activities that influence these returns. Normally, the possibility of control at subsidiaries is based on an indirect or direct voting majority of Carl Zeiss Meditec AG.

All major intragroup transactions, balances and interim results from transactions between Group companies were eliminated within the scope of consolidation. Non-controlling interests in the net assets of consolidated subsidiaries were calculated and shown in the consolidated statement of financial position separate from the equity attributable to stockholders of the parent company.

Major subsidiaries with non-controlling interests in the Carl Zeiss Meditec Group are Carl Zeiss Meditec Co. Ltd., Tokyo, Japan, whose non-controlling interest amounts to 49%, and Ophthalmic Laser Engines LLC, Lafayette, USA, (hereinafter: OLE), whose non-controlling interest amounts to 48%. Due to the fact that Ophthalmic Laser Engines is treated for tax purposes in the USA similar to a German partnership, the earnings presented here for Ophthalmic Laser Engines have no tax effect. This is recognized, according to the company form, on a pro rata basis at the respective shareholders.

The financial information of significant subsidiaries with non-controlling interests before consolidation effects (such as eliminations) is as follows.

Condensed income statement and other result:

	2020/21		2019/20	
	Carl Zeiss Meditec Co. Ltd.	**Ophthalmic Laser Engines LLC**	Carl Zeiss Meditec Co. Ltd.	Ophthalmic Laser Engines LLC
	€k	€k	€k	€k
Revenue	101,554	-	103,047	-
Net income	2,545	-11	3,679	-990
» thereof profit/loss attributable to non-controlling interests	1,247	-5	1,803	-475
Other result (recognized in other comprehensive income)	-1,742	-10	-1,527	38
Comprehensive income	803	-21	2,152	-952
» thereof comprehensive income attributable to non-controlling interests	393	-10	1,054	-457

Condensed statement of financial position:

	30 Sep 2021		30 Sep 2020	
	Carl Zeiss Meditec Co. Ltd.	**Ophthalmic Laser Engines LLC**	Carl Zeiss Meditec Co. Ltd.	Ophthalmic Laser Engines LLC
	€k	€k	€k	€k
Non-current assets	6,369	29	6,057	59
Current assets	55,501	-	52,041	2
Non-current liabilities	5,791	386	5,955	467
Current liabilities	20,318	536	14,808	466
Equity	35,761	-893	37,335	-872
» thereof comprehensive income attributable to non-controlling interests	18,516	-429	19,288	-419

Condensed statement of cash flows:

	2020/21		2019/20	
	Carl Zeiss Meditec Co. Ltd.	**Ophthalmic Laser Engines LLC**	Carl Zeiss Meditec Co. Ltd.	Ophthalmic Laser Engines LLC
	€k	€k	€k	€k
Cash flows from operating activities	978	86	11,300	108
Cash flows from investing activities	-9	-	-222	-
Cash flows from financing activities	587	-88	-13,458	-110
Effect of exchange rate fluctuation on cash and cash equivalents	-126	-	-192	-
Change in cash and cash equivalents	**1,430**	**-2**	**-2,572**	**-2**

(b) Business combinations
Capital is consolidated in accordance with the acquisition method pursuant to IFRS 3 *Business Combinations*. This means that the first-time valuation measures the identifiable assets and liabilities at their respective fair values at the acquisition date. Non-controlling interests are thus stated as a proportion of the fair values of the assets and liabilities. The acquisition costs of the acquired interests are offset against the Group's share in the subsidiary's equity measured at fair value. Incidental acquisition costs are recorded as an expense as they are incurred. Insofar as an asset-side difference remains after this offsetting, this is reported as goodwill.

The figures for the acquired subsidiaries are incorporated in the consolidated income statement according to their affiliation to the Group, i.e., from their effective date of acquisition (possibility to be controlled). A subsidiary is deconsolidated as soon as Carl Zeiss Meditec loses its control over the company. Third-party equity interests are recorded in the consolidated financial statements as part of consolidated equity under the item "Non-controlling interests".

(C) Change in prior-year figures
In the reporting year the purchase price allocation of Photono Oy, Helsinki, Finland, was finalized, which led to an adjustment of the figures in the statement of financial position as of 30 September 2020. The changes in the prior-year figures resulting from the purchase price allocation are as follows:

	Published in the consolidated financial statements as of 30 Sep 2020	Adjusted consolidated statement of financial position as of 30 Sep 2020
	€k	€k
Goodwill	333,767	326,510
Other intangible assets	137,400	145,221
Cash and cash equivalents	5,202	6,202
Deferred income tax liabilities	15,602	17,166

In the cash flow statement, the line "Purchase of shares in affiliated consolidated companies, net of cash acquired* changed from €-27,227k to €-26,227k. Further details on the finalization of the purchase price allocation can be found in note 3 "Purchase and sale of business operations".

(d) Foreign currency translation
The consolidated financial statements have been prepared in euros, as the majority of the Group's transactions are executed in this currency, and because the euro is the functional currency of Carl Zeiss Meditec AG. Unless otherwise specified, all amounts are stated in thousands of euros (€k). Figures are rounded according to proper commercial standards. This may result in rounding differences.

The assets and liabilities of those foreign subsidiaries whose functional currency is not the euro, but, rather, the local currency of the respective subsidiary, are translated using the exchange rate at the date of the transaction. Equity transactions are translated at historic rates of exchange at the transaction date. The items in the income statement, on the other hand, are converted at the average exchange rate for the fiscal year. Differences arising from currency translation are carried under "Other components of equity".

Transactions executed in foreign currencies are translated using the effective exchange rate at the transaction date. Monetary assets and liabilities denominated in foreign currency, such as cash and cash equivalents, trade receivables or payables, are revalued at each reporting date until settlement. The resulting income or expenses are shown in the income statement under Foreign currency gains (+)/ losses (-), net.

The following table shows the principal exchange rates applied in the preparation of the consolidated financial statements:

	Exchange rate at end of reporting period as of		+/-	Average exchange rate		+/-
	30 Sep 2021	30 Sep 2020	%	**2020/21**	2019/20	%
USD	0.8636	0.8541	1.1	0.8363	0.8931	-6.4
JPY	0.0077	0.0081	-4.9	0.0078	0.0083	-6.0
GBP	1.1621	1.0961	6.0	1.1443	1.1383	0.5
AUD	0.6213	0.6083	2.1	0.6287	0.6051	3.9
BRL	0.1597	0.1508	5.9	0.1563	0.1846	-15.3
TRY	0.0971	0.1099	-11.6	0.1039	0.1371	-24.2
KRW	0.0007	0.0007	0.0	0.0007	0.0007	0.0
CNY	0.1336	0.1254	6.5	0.1285	0.1275	0.8

(e) Discretionary decisions and use of estimates

The preparation of the consolidated financial statements in accordance with the IFRSs requires the use of certain assumptions and discretionary decisions that relate to the measurement and recognition of assets and liabilities, income and expenses, and contingent liabilities. The assumptions, estimates and discretionary decisions are mainly based on the determination of values in use of cash-generating units, particularly for the purposes of the goodwill impairment test, the accounting and valuation of provisions and inventories, the date of capitalization for self-constructed intangible assets as well as the realizability of future tax charges and tax relief. Assumptions, estimates and discretionary decisions are also often necessary with respect to the default rates for determining the valuation allowances on financial assets, the terms and interest rates for leasing liabilities and the allocation of the expected consideration, and so on. Actual values may vary from the assumptions and estimates made in individual cases. Changes are shown at the time the true value became known.

(f) Goodwill

Goodwill is not subject to scheduled amortization but is reviewed regularly for impairment (impairment test).

To do this, Carl Zeiss Meditec determines the following: 1. the cash-generating units, 2. the respective net assets of the cash-generating units and 3. the recoverable amounts of the cash-generating units. The cash-generating units of the goodwill correspond to the defined business segments according to IFRS 8.5, which represent the lowest level at which goodwill is monitored for internal management purposes.

Insofar as the recoverable amount of the asset – which corresponds to the higher of fair value less costs to sell and the value in use – falls below the carrying amount, an impairment shall be made. If the reason for previous impairment no longer applies, assets, with the exception of goodwill, are written up to a maximum of the amortized cost.

The recoverable amount of the cash-generating units – in the periods presented, this was the respective value in use – is calculated using cash flow forecasts. These forecasts are based on financial forecasts approved by the Company's management and modified to the current state of knowledge in each case. These financial forecasts, or management forecasts, relating to the development of revenue, costs and earnings, which are taken as a basis for the impairment test, are based on a planning horizon of three years. They are determined based on historical values, budgets for the following year and the future strategic orientation of the business unit or cash-generating unit (medium-term planning). In addition, external information sources, such as market studies and the results of market surveys and publications are used in order to take macroeconomic trends into account to a reasonable extent.

At the time of publication of this Annual Report, the management of the Carl Zeiss Meditec Group considers the outlook for the coming fiscal year to be generally positive. This assumption is based on the persistent long-term trends: One factor of uncertainty that remains, in the Company’s estimation, is the tense situation regarding the global supply chains. In principle, therefore, the management anticipates further revenue growth that is at least in line with the market growth expected for the industry, which, from today's perspective and without taking currency effects into consideration, will be at least in the low to mid-single-digit percentage range. Cost planning also considers strategic aspects as well as price trends in the procurement markets.

Carl Zeiss Meditec expects further revenue growth for fiscal year 2021/22 that is at least on a par with the market growth projected for the industry. The EBIT margin is expected to decline slightly compared with the prior-year margin of 22.7%, to within the range of around 19 – 21%, due, among other things, to the anticipated normalization of selling and marketing expenses in light of the lessening effects of the COVID-19 pandemic. In the medium term, the Company expects to be able to sustainably stabilize its EBIT margin at a level above 20% (2020/21: 22.7 %). The growing proportion of case-number-dependent revenue offers further upward potential. Conversely, there is an ongoing high demand for investments, particularly in the areas of research and development and sales and marketing.

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

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

The cash flow projections resulting from the management's financial forecasts, to determine the value in use, do not contain any cash flows from future restructuring measures or enhancements or improvements to increase earnings power. In order to determine the future development of working capital, specific ranges are currently applied for each SBU. At the same time, the earnings for the respective planning year are adjusted for the expected depreciation and amortization, and for any asset additions, for the purpose of calculating free cash flows – insofar as the investments for this had already begun at the time of the impairment test. The value in use of the cash-generating unit is derived from the sum of discounted future flows at a standard, risk-adjusted capitalization interest rate.

The capitalization interest rate is calculated from the parameters risk-free base rate, risk premium (market risk premium and beta factor), borrowed capital spread and tax effect, and reflects the capital structure customary within the industry of the cash-generating unit under review. For the purposes of impairment test, a growth rate of 1.0 % is applied for the cash flows, for the perpetuity period (prior year: 1.0 %). The pre-tax discount rate applied for cash flow forecasts is 9% (prior year: 10%). The carrying amount of a cash-generating unit includes all assets that stimulate the flow of cash, i.e., that contribute to the creation of a salable service. This means that all non-operating items and interest-bearing borrowings are excluded from the calculation.

The Carl Zeiss Meditec Group reviews its goodwill for impairment at least once a year or at the onset of major events or changed circumstances which indicate that the fair value of a reporting unit of the Group has fallen below its carrying amount. In addition, intangible assets not yet available for use are examined at least once a year for impairment.

The Carl Zeiss Meditec Group completed its annual scheduled impairment testing of goodwill, and intangible assets not yet available for use on 30 June 2021. The results of these tests did not give any indication of a need for impairment of goodwill or of the intangible assets not yet available for use, based on the values in use. Nor did any significant events arise up until the end of the reporting period that could lead to a change in the assessment as of the end of June.

The sensitivity analyses carried out by the Company for the two SBUs Microsurgery and Ophthalmic Devices relate to the changes in the valuation parameters capitalization interest rate and long-term growth rate deemed possible by the management. An increase in the capitalization interest rate by one percentage point and a reduction in the long-term growth rate for the perpetuity period by half a percentage point were assumed for these analyses. Neither of the sensitivity analyses, nor a combination of both adjustments (simultaneous increase in discount rate and reduction in long-term growth rate) results in a need for impairment.

(g) Other intangible assets
Intangible assets acquired separately are valued at cost less accumulated amortization and impairment.

Research and development expenses are recorded as expenses in the period in which they arise.

A self-constructed intangible asset, which results from development activities (or from the development phase of an internal project), is recognized if evidence can be provided that the recognition criteria according to IAS 38.57 are fulfilled. Essentially, fulfillment of these criteria is based on certain milestones in the internal development process. These are recognized from the date on which the intangible asset meets the criteria prescribed by IAS 38.57, in the amount that corresponds to the total expenses incurred. An agile approach to development is frequently pursued, especially in digital development projects. In this context, no specific milestones can generally be used as criteria, but the review of the criteria according to IAS 38.57 takes place continuously. If a self-constructed intangible asset cannot be capitalized, the development costs are recognized through profit or loss in the period in which they arise, and are not capitalized retrospectively at a later date.

In subsequent periods, self-constructed intangible assets are valued at cost less accumulated amortization and impairment.

All other intangible assets that are ready for use shall be amortized either over their expected useful life or on a straight-line basis over the following periods:

Brand names and trademarks	2 to 15 years
Software	1 to 10 years
Licenses, royalties	1 to 10 years
Patents and other industrial property rights	2 to 19 years
Development expenses	3 to 15 years
Miscellaneous other intangible assets	3 to 10 years

The amortization amounts for other intangible assets may be recognized in the income statement under both cost of goods sold and other operating costs. Assets are each allocated individually with respect to their intended purpose or assignment to certain business groups. These assets are also reviewed regularly for impairment (impairment test). The results of these tests did not give any indication of a need for impairment of capitalized other intangible assets in the current fiscal year.

(h) Property, plant and equipment
Property, plant and equipment are measured at cost, net of accumulated depreciation and impairment. In the case of property, plant and equipment acquired within the scope of a business combination, the acquisition costs correspond to the fair values of the assets at their acquisition date. Depreciation is calculated using the straight-line method over the expected useful life of each asset. The following depreciation periods were applied:

Buildings and leasehold improvements	2 to 32 years
Technical equipment and machinery	2 to 21 years
Other office equipment, fixtures and fittings	1 to 23 years

Leasehold improvements are depreciated over their estimated useful life or the expected term of the rental or lease agreement, if shorter. Estimated useful life is reviewed regularly by the Company's management, taking current technological advancement into account. Maintenance and repairs are expensed as incurred, while renewals and improvements that extend the expected useful life or increase capacity are capitalized if they fulfill the general recognition criteria under IAS *16 Property, Plant and Equipment*. Property, plant and equipment are also reviewed for impairment (impairment test), if indicated. Upon the sale or retirement of property, plant and equipment, the accounts are relieved of the cost and the related accumulated depreciation and impairments, and any resulting gain or loss is recognized through profit or loss. The scheduled depreciation amounts and any impairment losses and write-ups recorded in the period on property, plant and equipment are recognized in the consolidated income statement according to the functions for which the assets are used.

(i) Financial instruments
Financial assets and financial liabilities are recognized in the consolidated statement of financial position from the date on which the Group becomes a contracting party to the financial instrument. Regular way purchases and sales of financial assets are generally recognized on the settlement date.

Financial assets and liabilities are generally carried at their gross amounts. Netting only occurs if Carl Zeiss Meditec currently has a legally enforceable right to offset the amounts and netting is actually intended.

Primary financial instruments
The Company's primary financial instruments consist of cash and cash equivalents, long-term financial assets, treasury receivables and treasury payables (group cash management [Treasury] with Carl Zeiss Financial Services GmbH, Oberkochen, Germany), trade receivables and trade payables, current and non-current loans, as well as other financial assets and liabilities.

When recognized for the first time, financial assets and financial liabilities should be measured at fair value and classified in accordance with the provisions of IFRS 9. As a general rule, the fair value equates to the transaction price.

Fair value generally corresponds to the market or quoted value. If there is no active market, the fair value is determined using recognized valuation methods (for example, present value method or option pricing model). The amortized cost corresponds to the acquisition cost adjusted for repayments, write-downs, impairment and the amortization of any discounts or premiums.

Pursuant to IFRS 9, financial assets are to be allocated to the following categories: "measured at amortized cost (AC)", "measured at fair value through profit or loss (FVPL)" and "measured at fair value through other comprehensive income (FVOCI)".

The classification of financial assets in the form of debt instruments depends on the business model under which the Company holds the instruments, as well as on the specific features of the contractual cash flows from the individual instrument. Crucial for the classification is therefore

» whether the underlying business model is designed to hold financial assets for the collection of contractual cash flows (business model "Hold") and

» the contractual cash flows are solely payment of principal and interest (SPPI).

The business model is determined based on the corporate management system of Carl Zeiss Meditec AG. The financial instruments are combined into groups for this purpose, each of which is based on a uniform business model. All business models that exist within the Carl Zeiss Meditec Group currently meet the criteria for the "Hold" business model. The characteristics of the contractual cash flows are reviewed at the level of the individual financial instrument.

Financial assets for which the cash flows are solely payment of principal and interest on the capital employed and which are held within the scope of the "Hold" business model, shall be measured at amortized cost (AC). This generally includes all debt instruments held by the Group. These include, for example, trade receivables, receivables from related parties, treasury receivables, loans, cash and other financial assets. The effective interest method shall be applied for subsequent measurement. Gains and losses from impairment or from derecognition shall be recorded in the income statement.

Financial assets for which the cash flow condition is not fulfilled shall be measured at fair value through profit or loss (FVPL). Gains and losses from a change in fair value shall be recognized directly in the income statement. By definition, all derivatives with a positive market value, which are employed within the scope of currency hedges, but are not recognized in accordance with the rules on hedge accounting, fall into this category.

For equity instruments, Carl Zeiss Meditec makes use of the option, in individual cases as appropriate, to recognize these financial instruments at fair value through other comprehensive income. At the present time, this option has been exercised for the investments in MicroOptx Inc. and the investments acquired in the fiscal year under review in Audioptics Medical Inc. and OcuTerra Therapeutics, Inc., as the current intention for all investments is to hold the investment for the long term.

The Group does not currently apply the fair value option under IFRS 9.

Financial assets are subject to default risks, which are taken into account by the recognition of a loan loss provision or, in the case of losses already incurred, by the recognition of an impairment. The default risk is taken into account by the creation of specific valuation allowances and portfolio-based valuation allowances in the amount of the expected loss. IFRS 9 essentially provides for a three-step procedure for this. A loan loss provision is created either on the basis of the 12-month expected credit losses (Step 1) or on the basis of the credit losses expected over the term, if the credit risk has increased significantly since the first-time recognition (Step 2), or if impaired credit is established (Step 3). As a rule, impaired credit is assumed if the debtor is no longer meeting their payment obligations in the short term (indication: overdue > 30 days) or if there are signs of a deterioration in the debtor's business situation. The default of a contracting party leads to a valuation allowance on all open items with the contracting party. The default is determined on the basis of an individual assessment, the first indicator being an overdue payment of more than 90 days or specific indications, such as a bankruptcy declaration.

The simplified procedure is applied for a majority of the financial assets, including trade receivables that do not contain any significant financing components. The expected credit losses are always calculated over the entire term of the financial instruments. The calculation is based on an age structure (days overdue) and the probability of default determined from the past, supplemented by relevant future-related parameters. Current macroeconomic forecasts are also taken into account, which span at least one full economic cycle. A financial instrument is derecognized, if it is not reasonable to assume that a financial asset can be realized in full or in part. This may be the case, for example, after the conclusion of insolvency proceedings or depending on other circumstances under local law.

Non-current, non-interest-bearing receivables and loans are discounted according to normal market conditions. Interest amounts are recognized using the effective interest method.

Derivative financial instruments and hedging

The Company is a business group with global operations, and as such it is subject to the effects of exchange rate fluctuations. In order to hedge against this currency risk, it concludes currency forward contracts based on planned transactions in foreign currency. These contracts generally span a period of up to one year. Derivative financial instruments that have a positive fair value are carried in the statement of financial position under the item "Other current financial assets" and derivative financial instruments with a negative fair value are carried in the statement of financial position under the item "Current financial liabilities". The sole purpose of the derivative financial instruments is currency hedging. The rules for presenting hedges are not applied, however.

(j) Income taxes

Current taxes are recognized for taxes owed on income at the time the Group companies incur them. Income taxes are calculated in accordance with the Asset and Liability Method pursuant to the provisions of IAS 12 *"Income Taxes"*. All liabilities or claims relating to taxes on income and earnings arising during a fiscal year are reflected in the consolidated financial statements pursuant to the relevant tax laws. There were no uncertainties over income tax treatment, to be treated in accordance with IFRIC 23.

In order to take account of the tax effects of differences between the carrying amounts of assets and liabilities in the consolidated statement of financial position and the corresponding tax bases, and of differences arising from consolidation processes, and loss carryforwards, deferred taxes are calculated each year, if these differences are expected to be offset over time. In addition, deferred tax liabilities are carried for net retained earnings. This is based on those tax rates that are expected to apply in the years in which these temporary differences are reversed or settled. The effects of changes in tax rates on deferred tax assets and liabilities are recognized in income in the period in which the change was legally enacted or pronounced.

Deferred tax assets are written down as necessary to reflect the net amount that is likely to be realized. Income tax expense comprises the taxes payable to or refundable by the tax authorities for the reporting period, plus or minus the changes in deferred taxes (to be recognized through profit or loss).

Deferred tax claims for tax losses carried forward are carried at the amount at which the associated tax benefits are expected to be realized as a result of future tax profits.

Deferred tax assets and liabilities are carried net, insofar as a right exists to offset actual income tax receivables and liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same tax authorities and are owed by the same Group companies.

(k) Inventories

Inventories are measured at the lower of cost or net realizable value. Costs are determined using the weighted-average cost method. Production costs include materials and labor, as well as direct manufacturing and material overheads, including depreciation. In addition, the costs of company retirement benefits, the Company’s social establishments and the Company’s voluntary social benefits are also included to the extent that these can be allocated to the production area. Production costs do not include any borrowing costs.

Write-downs are recorded on inventories when the costs of purchase or conversion exceed the estimated net realizable value. The net realizable value is the estimated price that could be obtained in the ordinary course of business, less the estimated costs of completion, selling costs and other costs (if necessary, e.g. warehousing). The write-ups are mainly attributable to the adjustment of parameters for depreciation routines to new empirical values.

(l) Leases
A lease is established by a contract which, for a fee, transfers to the user (lessee) of an identified asset the right to control the use of that asset for a specific period of time. In this sense, the Group is both lessor and lessee. As lessor, Carl Zeiss Meditec offers, on the one hand, financing models in the form of finance leases, under which the main opportunities and risks arising from the use of the leased property are transferred to the customer. Under such leases the present value of the outstanding minimum lease payments is recognized as a receivable. Payments made by the lessee are treated as repayments or interest income and the interest income over the term of the lease is recognized in accordance with the effective interest method. The Group also acts as lessor under operating leases. In these cases, the lease payments are recognized immediately through profit or loss in earnings before interest and tax.

The general rule for leases where the Carl Zeiss Meditec Group acts as lessor is for the present value of future lease payments to be recognized as a financial liability, depending on the time to maturity. The lease payments are divided into principal and interest portions in accordance with the effective interest method. At the beginning of the lease the Group recognizes a right of use to the leased asset in the same amount under property, plant and equipment. The value of the right of use is then corrected for any initial direct costs incurred as well as reimbursements received. This right of use shall be written down over the term of the lease.

Lease agreements may contain renewal and termination options. The Group assumes in the case of larger contracts (e.g. for buildings) that it is generally possible to make a sufficiently reliable estimate of exercise of the options, if this is to be made within the next 5 years. For key production and administrative buildings, options to be exercised later can also be classified as sufficiently likely, which means they will also be taken into account. In the case of smaller contracts for exchangeable goods (e.g. cars), on the other hand, it is regularly assumed that there will be no extension.

The Group makes use of the simplification rule of recognizing leases with a maximum total term of 12 months (also taking into consideration the reasonably certain exercise of existing contractual options) and leases pertaining to low-value assets in a similar way to the previous operating lease model. The expense is then recognized on a straight-line basis over the term. The Company classifies assets as low-value assets, as defined in the standard, insofar as the acquisition cost of a relevant new device is less than/equal to €5k (or a similar amount in foreign currency).

(m) Cash and cash equivalents
Cash on hand and at the bank, as well as all financial investments with an original maturity of up to three months, which are only subject to minor risks of valuation changes, are disclosed as cash and cash equivalents. The carrying amounts of cash and cash equivalents essentially correspond to their fair values due to their short-term maturity.

(n) Other components of equity
The item "Other components of equity" includes the other changes in equity recognized in other comprehensive income that are not associated with transactions with shareholders. For the Group, this currently relates to both currency translation and the actuarial effects of pension commitments and the taxes levied on these. The

fluctuations in value arising from the financial instruments classified as at fair value through other comprehensive income are also recognized under this item at the same time.

(o) Pension obligations
The company pension scheme of the Carl Zeiss Meditec Group comprises various defined contribution and defined benefit obligations arising from current pensions and future pension entitlements, primarily in Germany, the USA and Japan. Provisions for pensions also include liabilities of the US company for post-employment health care benefit obligations.

Defined benefit plans within the Group are financed partly with provisions and partly with funds from external sources.

Pension commitments and related costs are calculated according to the prescribed projected unit credit method pursuant to IAS 19 "*Employee benefits*". This takes into account both the pensions and acquired future pension entitlements known as of the end of the reporting period, as well as the salary and pension increases expected in the future. The interest rate used to calculate the present value of the obligations is generally determined based on the yields on top-rated fixed-interest corporate bonds in the respective currency zone. In principle, bonds with at least an “AA” rating are considered. The expected income from plan assets and expenses from the interest cost of the obligations are recognized under interest income.

The service cost is classified as an operating expense.

Actuarial gains or losses that may result from changes in the valuation assumptions or a deviation of actual circumstances from the valuation basis shall be recognized in their full amount through other comprehensive income in the period in which they arise.

(p) Provisions
Provisions are formed if the Group has a current (de facto or statutory) commitment as a result of a past event, the outflow of resources with an economic benefit to fulfill the commitment is probable and it is possible to reliably estimate the amount of the commitment. To the extent that the Company expects at least a partial reimbursement for a provision carried as a liability (as is the case, for example, in insurance policies), the reimbursement is only recorded as a separate asset if the reimbursement is as good as certain. The expense for the formation of provisions is disclosed in the consolidated income statement after deduction of the reimbursement.

If the interest impact is material, provisions are discounted using a pre-tax interest rate, which reflects the specific risks for the liability. In the event of discounting, the increase in the provision over time is carried as an interest expense. Provisions are classified according to their expected maturity, thus provisions with a maturity of up to one year are considered as current provisions and provisions with a maturity of more than one year are considered as non-current.

The provisions for obligations under the German phased retirement scheme, and long-service awards are determined and measured on the basis of actuarial reports.

(q) Revenue recognition
Carl Zeiss Meditec recognizes revenue when the control over identifiable goods or services is transferred to the customer, in other words, as soon as the customer has the ability to determine the use of the transferred goods and services and essentially derives the residual benefit from those goods and services. This is subject to the

existence of a contractual agreement that sets forth legally enforceable rights and obligations. The amount of revenue recognized corresponds to the expected consideration to which the Company has a contractual claim. Variable price components such as discounts, concessions, customer bonuses and rebates are measured based on past experience and reduce revenue accordingly. At Carl Zeiss Meditec AG such components are mainly volume-related bonus payments, which are measured on the basis of estimated future purchase volumes based on the individual customers.

As a general rule, Carl Zeiss Meditec recognizes revenue from contracts with customers from the sale of goods, the provision of services, and from royalties/licenses. Revenue from the sale of goods is recognized at the point at which control passes to the purchaser, which is generally upon delivery of the goods. Depending on the business unit, these are products for the diagnosis and treatment of eye diseases, including implants and consumables, or visualization solutions in the field of neurosurgery, ear, nose and throat surgery, as well as products for intraoperative radiation therapy. Revenue from services, which mainly consist of services arising, for example, from maintenance contracts, is recognized over a specific period, as the customer receives the benefit from the service and uses it at the same time. The revenue is recognized either on a straight-line basis, or – where the service is not provided on a straight-line basis – according to the provision of the services, in other words, the service actually provided in relation to the overall services to be provided. License fees collected by the Group in the form of royalties (remuneration for the right of access) over the period of use are recognized on an accrual basis in accordance with the economic substance of the underlying contract. In all of the cases described revenue is recognized according to the output-based method, as customers generally use the licenses and the services evenly throughout the year. The service agreements consist of a defined service (e.g. repair service), which is provided as soon as the customer decides to use it.

In addition to conventional product sales, the Company also offers several performance obligations in so-called multi-component contracts. This may be, for example, the combination of a product sale with a warranty extension or with consumables. Insofar as a single contract with a customer contains several performance obligations (multi-component contracts) and the respective dates of performance differ, the agreed transaction price is allocated to the individual performance obligations in accordance with the relative individual selling prices. The relative individual selling prices generally correspond to the contractually agreed prices for product delivery and service.

In addition, the Group generates revenue from leases, which are recognized in accordance with IFRS 16 *Leases*. These relate either to product sales under finance leases (as manufacturer/distributor), in which case the revenue is recognized on the date the product is made available for use, or operating leases, where revenue is recognized on a straight-line basis over the agreed term of the lease.

In connection with the sale of goods, at least the usual statutory guarantees are also granted. Their expected utilization is reflected by the formation of provisions.

Revenue from the sale of extended warranties that can be purchased separately (*service type warranties*) are recognized on a pro rata basis over the contractually agreed period of the warranty obligation, and are included in revenue from services.

A financing component is not taken into account for the amount and date of revenue recognition, if the period of time between the transfer of the goods or services and payment by the customer is no more than one year. With the exception of finance leasing, the Carl Zeiss Meditec Group generally does not offer any long-term financing options. The payment term is generally between 30 and 90 days.

Additional costs for contract initiation (mainly sales commissions), for which the write-down period would not be more than one year, are recognized immediately as an expense.

The Group does not generally offer any product sales with return rights. For this reason, the contractual obligations are mainly advance payments received on orders and deferred revenue due to period-related revenue recognition (e.g. revenue from services).

Interest income is recognized pro rata temporis using the effective interest method. Dividends are recognized when the legal right to receive the payment is established.

(r) Government grants
Pursuant to IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*, government grants are only recognized, if there is sufficient assurance that the associated conditions will be fulfilled and the grants will be allocated.

The Group received subsidies from various public bodies within the scope of government economic stimulus programs, for example for research and development.

Investment grants and investment subsidies for assets for which it is sufficiently certain that the associated conditions are being complied with and that they will be awarded, reduce the acquisition and production costs of the related assets. Subsidies for investments such as investment subsidies grants and tax-free investment grants for assets are recognized through profit or loss over the useful life of the subsidized assets (as a reduction of the depreciation on the subsidized property, plant and equipment).

Grants related to income are offset against the corresponding expenses in the period in which the expenses are incurred. Grants allocated for social security contributions attributable to reduced working hours in connection with the COVID-19 pandemic are deducted as income under both cost of goods sold and functional costs, depending on the allocation of personnel expenses to the functional areas.

(s) Earnings per share
Earnings per share were calculated by dividing the consolidated profit attributable to shareholders of the parent company by the weighted-average number of ordinary shares issued during each individual accounting period. There were no conversion or option rights in circulation. As in the prior fiscal year there were also no dilutive effects in the reporting year.

(t) Borrowing costs
Borrowing costs are recognized as expenses in the period in which they are incurred, since there are not usually any qualified assets pursuant to IAS 23.5.

(u) Related party disclosures
The parent company of Carl Zeiss Meditec AG is Carl Zeiss AG, which is controlled by the Carl Zeiss Foundation (Carl-Zeiss-Stiftung). The Carl Zeiss Foundation, Heidenheim and Jena, Carl Zeiss AG, Oberkochen, and its subsidiaries, excluding the Carl Zeiss Meditec Group (the "ZEISS Group"), Schott AG, Mainz, including its subsidiaries (the "Schott Group"), as well as the associated and joint venture companies, are regarded as related parties.

Carl Zeiss Meditec Group sells some of its products through the distribution companies of the ZEISS Group. For the purposes of furnishing the Company with short-term funds and investing surplus liquidity, Carl Zeiss Meditec co-operates with the group cash management system of Carl Zeiss Financial Services GmbH, Oberkochen. Loans granted and monies invested within the scope of this business relationship are shown as liabilities to or receivables from treasury, and are usually due or available daily. Pursuant to the cash pooling agreement, the companies of the Carl Zeiss Meditec Group are authorized to utilize liquidity to finance their ongoing business activities, so that, from the Group's perspective, the cash pool transactions have the character of financing, are thus to be classified as financing activities and are therefore carried in the statement of cash flows under cash flows from financing activities. Since the treasury receivables are also cash pool transactions, these are also carried in the statement of cash flows under cash flows from financing activities, thus ensuring consistency of the accounting.

In addition to financial services, the Company procures various services from the ZEISS Group, including Carl Zeiss AG. These include, among others, research and development services, personnel and administrative activities, the leasing of administrative and production buildings, as well as the licensed use of the "ZEISS" brand, as well as logistics, distribution and IT services provided on the basis of contractual agreements. In addition, some preliminary products are procured from companies of the ZEISS Group and the Schott Group.

The members of the Management Board and the Supervisory Board of Carl Zeiss Meditec AG, and their next of kin, are considered to be related parties (management in key positions). The Management Report (Remuneration Report) contains further information on this.

(v) Recent pronouncements on accounting principles

Carl Zeiss Meditec has implemented all accounting standards adopted by the EU and mandatory from 1 October 2020. For all standards and interpretations applied for the first time (including Agenda Decisions) there were no significant changes to the accounting and valuation methods, nor are such changes expected. The following accounting principles were applied for the first time in the fiscal year under review:

Date of issue	Standard/Interpretation	Amendment/new statutory regulation
29 Mar 2018	Amendments to the conceptual framework	Revision of definitions and new guidelines on measurement and derecognition, recognition and disclosures
22 Oct 2018	Amendment to IFRS 3 *Business Combinations*	Changes to the definition of a business for clarification purposes
31 Oct 2018	Amendment to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*	Definition of materiality
26 Sep 2019	Interest rate benchmark reform (amendment to IFRS 9, IAS 39 and IFRS 7)	Changes in interest rates for hedge accounting in connection with IBOR reform
31 Mar 2021	Amendment to IFRS 16 *Leases*	Extension of discretion in determining whether lease concessions granted due to COVID-19 pandemic constitute lease modification

The IASB and IFRS IC also issued the following standards, interpretations and revisions of existing standards; however, application of these is not yet mandatory for Carl Zeiss Meditec AG. The Company did not opt to apply these standards early:

Date of issue	Standard/Interpretation	Amendment/new statutory regulation	Date of first mandatory application	Adopted by the EU
18 May 2017	IFRS 17 *Insurance Contracts*	Principles for the recognition, measurement, presentation and disclosure of insurance contracts (supersedes IFRS 4)	Fiscal years beginning on or after 1 Jan 2023	no
23 Jan 2020	Amendment to IAS *1 Presentation of Financial Statements*	Clarification of when debt is to be classified as non-current	Fiscal years beginning on or after 1 Jan 2022	no
14 May 2020	Improvements to IFRSs (2018 - 2020)	Amendment to standards IAS 41, IFRS 1, 9 and the illustrative examples for IFRS 16	Fiscal years beginning on or after 1 Jan 2022	Yes
14 May 2020	Amendment to IFRS 3 *Business Combinations*	Adjustment of a reference to the framework concept	Fiscal years beginning on or after 1 Jan 2022	Yes
14 May 2020	Amendment to IAS 16 *Property, Plant and Equipment*	Clarification that revenue generated during preparation of an asset for use must be recognized in the income statement	Fiscal years beginning on or after 1 Jan 2022	Yes
14 May 2020	Amendment to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*	Clarification of which costs are to be recognized for loss-making contracts	Fiscal years beginning on or after 1 Jan 2022	Yes
25 Jun 2020	Amendment to IFRS 17 *Insurance Contracts*	Clarifications on the first-time application of IFRS 17	Fiscal years beginning on or after 1 Jan 2023	no
15 Jul 2020	Amendment to IFRS 4 *Insurance Contracts*	Temporary exemption from the application of IFRS 9 up until first-time application of IFRS 17	Fiscal years beginning on or after 1 Jan 2021	Yes
27 Aug 2020	Interest Rate Benchmark Reform - Phase 2 (amendments to IFRS 4, 7, 9, 16 and IAS 39)	Additional simplifications in the application of IAS 39 and IFRS 9 for hedge accounting in connection with IBOR Reform	Fiscal years beginning on or after 1 Jan 2021	Yes
12 Feb 2021	Amendment to IAS 1 *Presentation of Financial Statements*	Restriction of the presentation of accounting policies to "significant", i.e., relating to significant transactions, changes in policy or highly discretionary	Fiscal years beginning on or after 1 Jan 2023	no
12 Feb 2021	Amendment to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*	Clarification for better distinction between changes in accounting policies and changes in accounting estimates	Fiscal years beginning on or after 1 Jan 2023	no
6 May 2021	Amendment to IFRS 12 *Income Taxes*	Partial withdrawal of an exception to the recognition of deferred taxes in special cases	Fiscal years beginning on or after 1 Jan 2023	no

Carl Zeiss Meditec is not expected to apply any of the standards listed above until the date of first mandatory application. According to the current state of knowledge, the future application of these standards is not expected to have material effects on the accounting and valuation.

(w) Calculation of fair values

A large number of the consolidated accounting principles and notes to the financial statements require a definition of the fair values of the respective financial and non-financial assets and liabilities involved. The fair values are calculated in accordance with the methods described below. If required, additional information on the assumptions made for the calculation of the fair values is provided in the specific notes on the respective items described in the statement of financial position and the income statement.

Other intangible assets

The fair values of trademark, patent and technology rights or similar, which were acquired within the scope of a business combination, are determined according to the relief from royalty method. In this method an analogy is used, whereby the financial contributions (cash flows) of an intangible asset due to royalties are estimated, which the owner of this asset is then spared from paying, contrary to the alternative of licensing a similar asset with an equivalent use. This involves determining the fictitious royalty payments that would be payable if the respective intangible asset were owned by a third party.

The fair values of intangible assets consisting of customer relationships acquired within the scope of a business combination are determined according to the multi-period excess earnings method. Customer relationships generally only generate cash flows in conjunction with other tangible or intangible assets. The planning of excess earnings is thus based on a collection of assets. The calculation of the relevant excess earnings received thus regards fictitious payments made for these "supporting" assets as fictitious user fees. It is assumed that the supporting assets are fictitiously rented or leased by a third party to the extent necessary to generate the cash flows.

Trade receivables and other receivables
The fair value of trade receivables and other receivables is calculated as the present value of future cash flows, discounted by a standard market interest rate. The fair value of current trade receivables and other receivables basically corresponds to their nominal value, due to their short-term nature.

Investments and securities
The fair value of financial assets, which are measured at fair value through profit or loss, is based, if an active market exists, on listed stock prices. If there is no active market, the fair value is measured using an appropriate valuation method, e.g. based on current market prices of similar financial instruments, or the discounted cash flow method.

Derivative financial instruments
The fair value of derivative financial instruments is based on the prevailing market or stock market value. The market value of a financial instrument is estimated as the amount that could be obtained in a business transaction between independent contracting partners under prevailing market conditions. The market values are calculated on the basis of market conditions as of the end of the reporting period – interest rates, foreign exchange rates, commodity prices – and the evaluation methods described below.

If there is no active market, the fair value is determined using recognized valuation methods (present value method or option pricing model). Current market volatilities are used in option pricing models. The interest rates applied across the various maturities and foreign currencies range from -0.7% to +5.9% (prior year: -0.2% to +5.3%).

The Carl Zeiss Meditec Group exclusively holds currency forward contracts as derivative financial instruments and classifies these as assets and liabilities measured at fair value through profit or loss (“FVPL”). The fair value of forward currency transactions is calculated based on the average spot exchange rate at the end of the reporting period, adjusted for forward premiums and discounts for the respective residual term of the contract, compared to the contracted forward exchange rate and the counterparty risk.

Financial liabilities
The fair value of financial liabilities is calculated based on the present value of future capital and interest payment flows – discounted by a standard market interest rate – as of the end of the reporting period.

3 Purchase and sale of business operations

Acquisitions from previous fiscal years

Acquisition of Photono Oy
By way of an agreement effective 1 July 2020, Carl Zeiss Meditec AG, Jena, acquired 20% of the shares in Photono Oy, Helsinki, Finland, (hereinafter: Photono). It was also contractually agreed that Carl Zeiss Meditec AG may acquire additional shares in Photono in several tranches over the next three years, up to a 100 % stake. The preliminary purchase price is €14.0m and is composed of a payment transacted at the acquisition date

for 20% of the shares in the amount of €2.0m, and €12.0m from options for shares to be acquired in future amounting to an 80% stake over several tranches. At the acquisition date the Carl Zeiss Meditec Group assumed a discounted expected value of €10.4m for the options and recognized this under current and non-current financial liabilities.

In the fiscal year under review Carl Zeiss Meditec AG acquired a further 29% of the shares in Photono, for a purchase price of €3.0m and reduced its current financial liabilities accordingly. This increased the capital share from 20% to 49%. Due to the fact that full acquisition remains possible at any time from today’s perspective, and would currently be advantageous for Carl Zeiss Meditec AG, Photono has already been fully consolidated with 100% of the shares since the acquisition date.

At the date of publication of Carl Zeiss Meditec AG's consolidated financial statements as of 30 September 2020, the allocation of the purchase price to the assets and liabilities of the acquired company was not yet complete, as not yet all information on the assets and liabilities was available. The purchase price allocation was completed in the fiscal year under review and the prior year was adjusted accordingly. The fair values of the identified assets and liabilities as of the acquisition date are as follows:

	After adjustment	Before adjustment
	€k	€k
Other intangible assets	8,565	744
Other assets	1,000	-
Total assets	**9,565**	**744**
Non-current financial liabilities	593	593
Deferred taxes	1,564	-
Other current liabilities	40	40
Total liabilities	**2,197**	**633**
Net assets	**7,368**	**111**
Goodwill from acquisition	5,022	12,279
Total costs of acquisition	**12,390**	**12,390**
Cash received	1,000	-
Past cash outflow for purchase price components	2,000	2,000

The change in the fair value is mainly due to the allocation of the difference to other intangible assets within the scope of the preliminary purchase price allocation.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

4 Sales

Group earnings for fiscal years 2020/21 and 2019/20 mainly consist of sales revenues. The table below shows a breakdown of revenue:

	2020/21	2019/20
	€k	€k
Income from the sale of merchandise	1,499,228	1,204,397
Income from the provision of services (incl. sale of replacement parts)	137,263	124,775
Income from royalties/licenses	1,059	1,035
Revenue from contracts with customers	**1,637,550**	**1,330,207**
Income from operating leases (rent)	2,351	1,455
Income from finance leases	6,884	3,790
Total	**1,646,785**	**1,335,452**

Recognized revenue in the amount of €24,035k (prior year: €24,891k) was still carried under contract liabilities at the beginning of the reporting period. Contracts presently still included under current contract liabilities, in the amount of €31,537k (prior year: €24,035k), are expected to result in revenue in the next fiscal year.

The transaction price allocated to (fully or partially unfulfilled) remaining performance obligations arising from contracts pertaining to the provision of services that have an original term of more than one year is expected to result in revenue of €7,813k in fiscal year 2022/23 (prior year for fiscal year 2021/22: €5,773k) and €5,497k in subsequent fiscal years (prior year: €4,425k). In addition, there are performance obligations as order backlog in the amount of €273,926k (prior year: €186,151k).

For a breakdown of revenue by category please refer to the segment reporting and to the notes on regional development in the accompanying management report.

5 Other operating result

The item other operating result includes the income from the sale of the administration building in Jena Göschwitz to Landesentwicklungsgesellschaft Thüringen mbH in the amount of €4,648k. In the prior year the building was already included under the item “Assets held for sale” at the net book value of €3,245k. As the contract is a sale-and-lease-back transaction, the sale proceeds were reduced by the pro rata amount not immediately recognizable in the amount of €2,201k. This reduced the carrying amount of the newly added right-of-use assets in the same amount and is therefore recognized ratably by way of reduced amortization over the term of the contract. This listed income was allocated to the Ophthalmic Devices segment.

6 Personnel expenses

Personnel expenses for fiscal years 2020/21 and 2019/20 are as follows:

	2020/21	2019/20
	€k	€k
Wages and salaries	306,743	287,072
Social security contributions	54,061	47,987
Pension costs	17,663	17,590
Total	**378,467**	**352,649**

The employer's statutory pension contribution is included under social security costs. Total expenses from all additional defined contribution plans in the current fiscal year amounted to €4,789k (prior year: €4,800k).

The table below shows employee numbers and the personnel structure of the Group:

	30 Sep 2021	30 Sep 2020	Average 2020/21	Average 2019/20
Production	1,509	1,390	1,445	1,407
Sales & Marketing	1,064	1,011	1,039	1,018
Research & Development	684	626	648	621
Administration	274	263	270	267
Total	**3,531**	**3,290**	**3,402**	**3,313**
Trainees	15	17	15	18

7 Financial result

The financial result comprises the following:

	2020/21	2019/20
	€k	€k
Interest income	1,562	1,456
Interest expenses	-8,578	-27,265
Net interest from defined benefit pension plans	-787	-623
Net interest income/loss	**-7,803**	**-26,432**
Currency gains	28,617	30,923
Currency losses	-53,721	-26,465
Foreign currency gains (+)/ losses (-), net	**-25,104**	**4,458**
Other financial result	**-1,657**	**23,139**
Total financial result	**-34,564**	**1,165**

Interest expenses mainly include the annual interest cost of the liabilities arising from the contingent purchase price obligation for IanTECH Inc. as well as the adjustment of capital costs for the measurement of this liability.

The other financial result is mainly influenced by the remeasurement of the purchase price obligation for the acquisition of IanTECH Inc.

Further information on this can be found in note 24 “Non-current financial liabilities”.

8 Income taxes

Income taxes comprise the following:

	2020/21	2019/20
	€k	€k
Germany	95,794	52,753
Other countries	5,514	4,932
Current taxes:	**101,308**	**57,685**
(thereof prior-period)	-2,110	-273
Germany	-1,904	6,131
Other countries	2,127	-8,520
Deferred taxes:	**223**	**-2,389**
Total	**101,531**	**55,296**

In accordance with the tax law applicable in fiscal year 2020/21, the income of Group subsidiaries in Germany is subject to a corporation tax rate of 15.0% (prior year: 15.0%). Taking into account the solidarity surcharge and the varying trade income tax rates, companies in Germany are subject to a tax rate of 29.87% (prior year: 29.87%). The nominal tax rates outside Germany in the fiscal year range between 19.00% and 34.59% (prior year: 17.44% and 34.59%).

The tax rate applied for the tax reconciliation is the nominal tax rate of the parent company, Carl Zeiss Meditec AG, Jena, of 29.87%, which applied in the past fiscal year (prior year: 29.87%). Deferred taxes on interim profits are calculated in each case using the current or future tax rate applicable for the receiving Group company. This results in a tax rate ranging from 19.00% to 34.59% (prior year: 17.44% to 34.59%).

The reconciliation of the expected income tax expense in relation to earnings before income taxes to the actual income tax expense is as follows:

	2020/21	2019/20
	€k	€k
Earnings before income taxes	**339,050**	**178,717**
Expected income tax expense	101,274	53,383
Non-deductible expenses	1,829	2,479
Tax-free income	-154	-249
Effect of changes in tax rates	363	356
Taxes prior years	2,110	273
Foreign tax rate differential	-461	1,916
Net retained earnings of subsidiaries intended for disbursement	219	205
Recognition and measurement of deferred tax assets	-4,436	-3,370
Other	787	303
Actual income tax expense	**101,531**	**55,296**
Effective tax rate	29.9%	30.9%

Deferred tax liabilities were carried in the amount of €-7,573k (prior year: €-149k) directly in equity, mainly in connection with the measurement of pensions.

9 Earnings per share

The following table shows the calculation of earnings per share:

	2020/21	2019/20
Consolidated profit attributable to shareholders of the parent company (€k)	236,276	122,385
Weighted average of issued shares	89,440,570	89,440,570
Earnings per share basic/diluted (in €)	**2.64**	**1.37**

10 Dividend

During the period under review, a dividend of 50 cents per share was paid to the shareholders of Carl Zeiss Meditec AG for fiscal year 2019/20 (prior year: 65 cents per share).

	2020/21		2019/20	
	€ cent per share	€k Total	€ cent per share	€k Total
Dividend paid	**50**	**44,720**	**65**	**58,136**

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

11 Goodwill

The table below shows the development of the Group's recognized goodwill and its allocation to the respective strategic business units (SBUs) for fiscal years 2020/21 and 2019/20:

	Ophthalmic Devices SBU	Microsurgery SBU	Total
	€k	€k	€k
As of 30 Sep 2019	**336,793**	**1,301**	**338,094**
Additions*	5,022	-	5,022
Currency effects	-16,285	-321	-16,606
As of 30 Sep 2020*	**325,530**	**980**	**326,510**
Currency effects	2,271	-67	2,204
As of 30 Sep 2021	**327,801**	**913**	**328,714**

The recognized book values correspond to the acquisition costs. Accumulated impairment losses of the capitalized goodwill do not exist. The allocation of existing goodwill to cash-generating units conforms to IAS 36.80. Accordingly, the relevant goodwill is allocated within the Group independently of other individual assets and liabilities; rather, it is allocated to the smallest cash-generating unit, which is expected to benefit from the synergy effects of the business combination. The cash-generating unit is determined based on the Group's internal reporting system.

The change in the goodwill of the cash-generating unit “Ophthalmic Devices” SBU in 2020/21 results from currency effects, in particular of goodwill in USD.

* The figures as of 30 September 2020 have been adjusted due to the finalization of the purchase price allocation of the acquisition of Photono Oy. Further information on this can be found in note 3 “Purchase and sale of business operations”.

12 Other intangible assets

Other intangible assets developed as follows in fiscal years 2020/21 and 2019/20:

	Brand names and trade-marks	Software	Licenses, royalties	Patents and other industrial property rights	Development costs	Miscellaneous other intangible assets	Total
	€k	€k	€k	€k	€k	€k	€k
Acquisition and production costs as of 1 Oct 2020*	**8,748**	**39,922**	**9,845**	**41,097**	**173,663**	**35,657**	**308,932**
Additions	-	963	5	96	32,698	774	34,536
Disposals	-	-	-	-109	-	-1,006	-1,115
Reclassifications	-	834	5	204	-	-1,043	-
Currency effects	17	197	14	204	1,532	59	2,023
As of 30 Sep 2021	**8,765**	**41,916**	**9,869**	**41,492**	**207,893**	**34,441**	**344,376**
Amortization as of 1 Oct 2020	**8,574**	**29,977**	**6,815**	**37,781**	**50,511**	**30,053**	**163,711**
Additions	23	4,803	573	793	19,468	45	25,705
Currency effects	16	196	14	189	794	53	1,262
As of 30 Sep 2021	**8,613**	**34,976**	**7,402**	**38,763**	**70,773**	**30,151**	**190,678**
Net carrying amount as of 30 September 2021	**152**	**6,940**	**2,467**	**2,729**	**137,120**	**4,290**	**153,698**

	Brand names and trademarks	Software	Licenses, royalties	Patents and other industrial property rights	Development costs	Miscellaneous other intangible assets	Total
	€k	€k	€k	€k	€k	€k	€k
Acquisition and production costs as of 1 Oct 2019	**8,865**	**40,123**	**9,935**	**41,296**	**151,498**	**35,531**	**287,248**
Additions reporting entity/ acquisitions*	-	-	-	319	8,246	-	8,565
Additions	-	1,046	-	117	21,553	4,060	26,776
Disposals	-	-695	-	-48	-	-	-743
Reclassifications	-	786	-	-	1,371	-2,157	-
Currency effects	-117	-1,338	-90	-587	-9,005	-1,777	-12,914
As of 30 Sep 2020*	**8,748**	**39,922**	**9,845**	**41,097**	**173,663**	**35,657**	**308,932**
Amortization as of 1 Oct 2019	**8,652**	**26,725**	**6,168**	**36,247**	**35,142**	**29,978**	**142,912**
Additions	25	5,087	735	2,018	17,583	1,715	27,163
Disposals	-	-695	-	-48	-	-	-743
Currency effects	-103	-1,140	-88	-436	-2,214	-1,640	-5,621
As of 30 Sep 2020	**8,574**	**29,977**	**6,815**	**37,781**	**50,511**	**30,053**	**163,711**
Net carrying amount as of 30 Sep 2020*	**174**	**9,945**	**3,030**	**3,316**	**123,152**	**5,604**	**145,221**

* The figures as of 30 September 2020 have been adjusted due to the finalization of the purchase price allocation of the acquisition of Photono Oy. Further information on this can be found in note 3 “Purchase and sale of business operations”.

13 Property, plant and equipment

Property, plant and equipment, including rights of use

Property, plant and equipment, including rights of use developed as follows in fiscal years 2020/21 and 2019/20:

	Land, buildings and leasehold improvements	Technical plant and machinery	Other office equipment, fixtures and fittings	Payments on account and assets under construction	Total
	€k	€k	€k	€k	€k
Acquisition and production costs as of 1 Oct 2020	**130,594**	**56,026**	**118,179**	**15,509**	**320,308**
Additions	60,559	3,391	20,556	15,907	100,413
Disposals	-35,531	-2,631	-5,485	-61	-43,708
Reclassifications	3,962	3,420	2,203	-9,585	-
Currency effects	1,547	729	192	399	2,867
As of 30 Sep 2021	**161,131**	**60,935**	**135,645**	**22,169**	**379,880**
Amortization as of 1 Oct 2020	**63,014**	**37,510**	**84,519**	**-**	**185,043**
Additions	17,373	4,714	13,792	-	35,879
Disposals	-34,226	-1,908	-4,960	-	-41,094
Currency effects	-208	489	216	-	497
As of 30 Sep 2021	**45,953**	**40,805**	**93,567**	**-**	**180,325**
Net carrying amount as of 30 September 2021	**115,178**	**20,130**	**42,078**	**22,169**	**199,555**
thereof owned property, plant and equipment	11,296	20,130	31,089	22,169	84,684
thereof leased property, plant and equipment (rights of use)	103,882	-	10,989	-	114,871

	Land, buildings and leasehold improvements	Technical plant and machinery	Other office equipment, fixtures and fittings	Payments on account and assets under construction	Total
	€k	€k	€k	€k	€k
Acquisition and production costs as of 1 Oct 2019	**115,022**	**51,842**	**107,986**	**5,620**	**280,470**
Additions	26,285	4,972	12,832	13,832	57,921
Disposals	-426	-395	-1,765	-47	-2,633
Reclassifications	300	1,372	2,114	-3,786	-
Reclassification to assets held for sale	-7,147	-	-	-	-7,147
Currency effects	-3,440	-1,765	-2,988	-110	-8,303
As of 30 Sep 2020	**130,594**	**56,026**	**118,179**	**15,509**	**320,308**
Amortization as of 1 Oct 2019	**54,617**	**33,715**	**75,386**	**-**	**163,718**
Additions	15,123	5,224	12,915	-	33,262
Disposals	-180	-352	-1,521	-	-2,053
Reclassification to assets held for sale	-3,902	-	-	-	-3,902
Currency effects	-2,644	-1,077	-2,261	-	-5,982
As of 30 Sep 2020	**63,014**	**37,510**	**84,519**	**-**	**185,043**
Net carrying amount as of 30 Sep 2020	**67,580**	**18,516**	**33,660**	**15,509**	**135,265**
thereof owned property, plant and equipment	6,506	18,511	29,170	15,509	69,696
thereof leased property, plant and equipment (rights of use)	61,074	5	4,490	-	65,569

As in the prior year, no items of property, plant and equipment were pledged as collateral for liabilities as of 30 September 2021.

Leases to rights of use

The table below shows the separately presented rights of use to assets that are recognized under fixed assets as part of a leasing arrangement:

	Land, buildings and leasehold improvements	Technical plant and machinery	Other office equipment, fixtures and fittings	Total
	€k	€k	€k	€k
Net carrying amount as of 1 Oct 2020	**61,074**	**5**	**4,490**	**65,569**
Additions	57,794	-	10,045	67,839
Depreciation and amortization	-15,339	-5	-3,405	-18,749
Other changes	353	-	-141	212
As of 30 Sep 2021	**103,882**	**-**	**10,989**	**114,871**
Net carrying amount as of 1 Oct 2019	**47,923**	**34**	**4,732**	**52,689**
Additions	25,363	-	3,072	28,435
Depreciation and amortization	-11,472	-14	-3,156	-14,642
Other changes	-740	-15	-158	-913
As of 30 Sep 2020	**61,074**	**5**	**4,490**	**65,569**

In the property segment, the Group rents primarily administrative and production buildings. The rights of use to other equipment, operating and office equipment mainly relate to rented vehicles. The terms of the lease agreement are negotiated individually and contain a multitude of different conditions.

Details of the corresponding lease liabilities can be found in note 28 “Leasing liabilities and further disclosures on leases”.

14 Deferred taxes

Deferred tax assets and liabilities comprise the following items in the statement of financial position:

	30 Sep 2021		30 Sep 2020	
	Deferred tax assets	**Deferred tax liabilities**	Deferred tax assets	Deferred tax liabilities
	€k	€k	€k	€k
Loss carryforwards	3,569	-	6,769	-
Other intangible assets*	194	29,483	1,425	24,962
Fixed assets	1,514	1,320	1,049	1,713
Inventories	15,673	560	15,881	979
Trade receivables	1,683	602	2,343	-
Other assets	990	1,398	738	3,148
Provisions	52,132	-	56,964	-
Trade payables	-	134	-	-
Other liabilities	27,515	28	23,276	32
Retained earnings	-	219	-	205
Total*	**103,270**	**33,744**	**108,445**	**31,039**
Deferred tax assets (net)*	**69,526**		**77,406**	

* The figures as of 30 September 2020 have been adjusted due to the finalization of the purchase price allocation of the acquisition of Photono Oy. Further information on this can be found in note 3 “Purchase and sale of business operations”.

After netting according to IAS 12 *Income Taxes*, the consolidated statement of financial position includes deferred tax assets totaling €84,964k (prior year: €94,572k) and deferred tax liabilities totaling €15,438k (prior year*: €17,166k).

Deferred tax liabilities were carried in the amount of €15,097k in the fiscal year under review (prior year: €12,191k) for net retained earnings of subsidiaries intended for distribution in the amount of €14k (prior year: €74k). The Group did not carry as liabilities deferred tax liabilities of €9,909k (prior year: €8,025k) on retained earnings of subsidiaries of €668,198k (prior year: €532,467k), because, from today's perspective, these earnings are to remain permanently invested.

The loss carryforwards result mainly from the US subsidiaries and can be used indefinitely.

The table below shows the reconciliation of deferred taxes:

	€k
Deferred tax assets (net) as of 30 Sep 2019	**78,204**
Effects recognized through profit or loss	2,389
Effects recognized in other comprehensive income	-149
Changes in the reporting entity*	-1,564
Currency effects	-1,474
Deferred tax assets (net) as of 30 Sep 2020*	**77,406**
Effects recognized through profit or loss	-224
Effects recognized in other comprehensive income	-7,573
Currency effects	-83
Deferred tax assets (net) as of 30 Sep 2021	**69,526**

The effects recognized in other comprehensive income include the deferred taxes on the measurement of pension commitments in the amount of €-7,653k (prior year: €-336k) and on the fair value adjustment of equity instruments held in the amount of €80k (prior year: €187k).

15 Other non-current assets

Other non-current assets comprise the following:

	30 Sep 2021	30 Sep 2020
	€k	€k
Plan assets for pension commitments	5,932	4,287
Plan assets for accrued flexitime	2,398	1,322
Other	785	588
Total other non-current assets	**9,115**	**6,197**

* The figures as of 30 September 2020 have been adjusted due to the finalization of the purchase price allocation of the acquisition of Photono Oy. Further information on this can be found in note 3 "Purchase and sale of business operations".

16 Inventories

Inventories comprise the following:

	30 Sep 2021	30 Sep 2020
	€k	€k
Raw materials and supplies	127,556	129,774
Work in progress	37,383	47,295
Finished goods	166,458	164,007
Total inventories, gross	**331,397**	**341,076**
Valuation allowances	-45,022	-54,716
Total inventories, net	**286,375**	**286,360**

Inventories were written up/down as follows:

	2020/21	2019/20
	€k	€k
Beginning of fiscal year	**54,716**	**46,185**
Additions recognized as expenses	12,285	26,027
Currency effects	33	-1,551
Utilization	-17,880	-11,898
Reversals	-4,132	-4,047
End of fiscal year	**45,022**	**54,716**

The carrying amount of the inventories recognized at net realizable value amounted to €157,939k as of 30 September 2021 (prior year: €163,138k). Write-ups of €4,132k (prior year: €4,047k) were recognized in income. The cost of materials amounted to €490,983k and €412,216k, respectively, for fiscal years 2020/21 and 2019/20. These expenses are calculated according to the total cost format and include the costs of raw materials and supplies and purchased goods and services, plus any valuation allowances and changes in inventories. No inventories have been pledged as collateral for liabilities.

17 Trade receivables

Trade receivables, which also include leasing receivables in the amount of €8,243k (prior year: €8,287k), comprise the following:

	30 Sep 2021	30 Sep 2020
	€k	€k
Current trade receivables	197,140	176,653
Non-current trade receivables	9,215	9,280
Trade receivables, gross	**206,355**	**185,933**
Valuation allowances	-11,224	-11,550
Trade receivables, net	**195,131**	**174,383**

The schedule of valuation allowances and the range of default rates are presented in note 37 “Financial risk management”.

18 Other current financial assets

Other current financial assets comprise the following:

	30 Sep 2021	30 Sep 2020
	€k	€k
Credit card receivables	2,706	1,858
Derivative financial instruments	6,049	9,871
Receivables from the ZEISS Group	241	435
Debit balances of accounts payable	957	804
Receivables from the German Federal Employment Agency (reduced hours compensation)	76	810
Commission receivable	53	250
Other receivables	397	689
Other current financial assets	**10,479**	**14,717**

19 Other current non-financial assets

Other current non-financial assets comprise the following:

	30 Sep 2021	30 Sep 2020
	€k	€k
Prepaid expenses	8,557	6,668
Receivables from tax office/other tax receivables	15,641	9,656
Advances paid	945	1,476
Other receivables	279	440
Other current non-financial assets	**25,422**	**18,240**

The receivables from the tax office mainly include advance VAT payments.

20 Cash and cash equivalents

Cash and cash equivalents comprise the following:

	30 Sep 2021	30 Sep 2020
	€k	€k
Cash	8	35
Bank balances*	7,431	6,167
Cash and cash equivalents*	**7,439**	**6,202**

* The figures as of 30 September 2020 have been adjusted due to the finalization of the purchase price allocation of the acquisition of Photono Oy. Further information on this can be found in note 3 "Purchase and sale of business operations".

21 Equity

Share capital
As in the prior fiscal year 2019/20, the share capital of Carl Zeiss Meditec AG is composed of 89,440,570 no-par value shares bearing equal rights, each with a theoretical value of €1, and was fully paid in. Ownership of the shares carries with it the right to vote at the Annual General Meeting and the right to participate in any dividend distributions resolved.

Authorized capital
Pursuant to a resolution of the Annual General Meeting on 6 April 2016 and the entry in the commercial register dated 21 April 2016, the Management Board was authorized, with the approval of the Supervisory Board, to increase the share capital on one or several occasions up until 5 April 2021, by a total of up to €40,655k, by issuing new no-par value bearer shares with a theoretical nominal value of €1 per share (40,654,805 shares) against cash and/or contributions in kind (Authorized Capital). The Management Board utilized this authorization for the capital increase of €8,131k in fiscal year 2016/17. The authorized capital remaining until 5 April 2021 in the amount of €32,524k expired in the fiscal year under review. Further authorized capital of up to €12,196k exists until 29 May 2022. Pursuant to the resolution of the Annual General Meeting on 30 May 2017 and the entry in the commercial register dated 14 June 2017, the Management Board is authorized, with the approval of the Supervisory Board, to increase the share capital, on one or several occasions until 29 May 2022, by a total of up to €12,196k, by issuing new no-par value bearer shares with a theoretical nominal value of €1 per share (12,196,440 shares) against cash and/or contributions in kind (Authorized Capital 2017). As with the original authorized capital, the Management Board shall be authorized, with the approval of the Supervisory Board, to exclude shareholders' statutory subscription rights in certain cases.

Capital reserves
The capital reserve contains the amounts obtained in excess of the theoretical value from the share issue.

Revenue reserves
Under the German Stock Corporation Act (Aktiengesetz), the dividend available for distribution to the shareholders is dependent upon equity as reported in the single-entity financial statements of Carl Zeiss Meditec AG in accordance with the German Commercial Code (HGB). Dividends may only be resolved and paid from any retained earnings that exist (after transfer to statutory reserves). As of 30 September 2021, the annual financial statements of Carl Zeiss Meditec AG showed a net profit of €516,505k (prior year: €364,303k).

Non-controlling interests
The item non-controlling interests comprises the holdings of other shareholders in the equity of Carl Zeiss Meditec Co. Ltd., Tokyo, Japan and Ophthalmic Laser Engines, LLC, Lafayette, USA. The change in this item is mainly due to the payment of a dividend by Carl Zeiss Meditec Co. Ltd., Tokyo, Japan, to the minority shareholder, in the amount of €-1,165k (prior year €0k).

Other components of equity
The amounts recorded under "Other components of equity" resulting from foreign currency translation developed as follows:

	€k
Currency translation as of 30 Sep.2019	**28,668**
Development in fiscal year 2019/20	-31,327
Currency translation as of 30 Sep 2020	**-2,659**
Development in fiscal year 2020/21	8,565
Currency translation as of 30 Sep 2021	**5,906**

In addition to currency translation, other components of equity also include effects of the fair value adjustment of equity instruments held, which were allocated to the category Fair Value through other comprehensive income (FVOCI).

From the fair value adjustment of equity instruments effects to the amount of €-328k (prior year: €-770k) less deferred tax liabilities attributable thereto of € 80k (prior year: €187k) are included in other components of equity.

22 Pension commitments

The commitments arising from defined benefit plans are mainly attributable to retirement benefit obligations in Germany, the USA and Japan. The features and the risks thus associated with the defined benefit plans vary, depending on the general legal, tax and economic conditions of the respective country.

Defined benefit plans

Germany
The currently applicable benefit regulation for employees in Germany is an employer-funded benefit comprising retirement, disability and survivor benefits. As a general rule, employees are entitled to these benefits after they have been with the company for at least five years.

The defined benefit plan is a modular system in which a pension module is calculated and fixed for each fiscal year. The amount of the contribution is based on the employee's income and the Company's performance in the respective fiscal year, with a basic contribution guaranteed. The contribution is converted into a pension module according to age-related factors. The acquired pension modules are added together and paid out as a lifelong pension.

In order to reduce the risks associated with defined benefit pension plans, in particular longevity, pay increase and inflation, benefits are funded via external plan assets. Since 2006 the Company has had a Contractual Trust Arrangement (CTA) with the independent trustee Carl Zeiss Pensions-Treuhand e.V. for the pension entitlements of the active employees at that time. Allianz Global Investors Advisory GmbH, whom the trustee commissioned to manage the special fund, invests the special fund in the capital market according to the investment principles prescribed by the trustee.

In addition to the employer-funded benefit, employees in Germany also have the option to participate in the Deferred Compensation plan. This is a defined contribution plan funded by the deferral of a certain amount of salary, for which the company takes out reinsurance policies.

USA

The benefit entitlement for employees in the USA is regulated via three pension schemes. These are employer-financed benefit commitments which, depending on their structure, include retirement and survivor benefits and medical benefits.

The two most comprehensive plans at present relate exclusively to retirement benefits and were drawn up on 31 December 2012 for new employees, as well as to serve additional claims. This is a commitment based on the average salary immediately prior to drawing up the plan. The general legal and regulatory terms and conditions of the plans are based on the U.S. Employee Retirement Income Security Act (ERISA). There is a regulatory requirement in these defined benefit plans, to ensure a minimum level of funding in the amount of the administrative costs and other anticipated costs, in order to avoid benefit limitations.

The third major plan regulates medical and survivor benefits. Similar to the plans described above, this plan has also been drawn up already and consists only of benefits to beneficiaries who entered the retirement phase up until 31 October 2006. This plan is not subject to any legal or regulatory minimum funding requirements of any kind.

These closed defined benefit plans give rise to actuarial risks, such as investment risk, interest rate risk and longevity risk.

The plan assets are managed in a trust. As the funding employer, the Group has delegated supervision of the assets to an investment committee. The members of the investment committee have a fiduciary duty under U.S. Law and the trust agreement to act in the exclusive interest of the beneficiaries. The committee has defined the principles and objectives of asset management in an investment strategy, including the stipulation to diversify the investment of the trust, in order to adequately mitigate concentration risks. The trustee of the trust, who is responsible for managing the assets within the confines of the law, acts only according to the specifications of the investment committee and has no autonomous decision-making authority over the plan assets.

Japan

The Company provides employees in Japan with an employer-funded benefit plan offering retirement benefits within the scope of a Retirement Allowance Plan. This defined benefit plan is a modular system in which a pension module is calculated and fixed for each fiscal year. The amount of the contribution is based on the employee’s income and the Company’s performance in the respective fiscal year. The benefit is paid in the form of a one-time payment upon retirement.

This defined benefit plan gives rise to actuarial risks, such as an interest rate risk and a longevity risk, as well as the risk associated with pay increases.

The amount disclosed in the statement of financial position on the basis of the Company's obligation from defined benefit plans is based on the following:

	30 Sep 2021	30 Sep 2020
	€k	€k
Present value of obligations not financed by plan assets	9,996	9,986
Present value of obligations wholly or partly financed by plan assets	224,804	232,587
Total value of defined benefit obligation (DBO)	**234,800**	**242,573**
Fair value of plan assets	186,275	157,483
Net obligation/Carrying amount	**48,525**	**85,090**
thereof in: Other non-current assets	5,932	4,287
thereof in: Provisions for pensions and similar obligations	54,457	89,377

The defined benefit obligation comprises the following:

	30 Sep 2021			30 Sep 2020		
	Defined benefit obligations (DBO)	**Fair value of plan assets**	**Net obligation**	Defined benefit obligations (DBO)	Fair value of plan assets	Net obligation
	€k	€k	€k	€k	€k	€k
Germany	208,059	162,386	45,673	214,458	133,783	80,675
USA	17,957	23,889	-5,932	19,413	23,700	-4,287
Japan	5,540	-	5,540	5,745	-	5,745
Other	3,244	-	3,244	2,957	-	2,957
Carrying amount	**234,800**	**186,275**	**48,525**	**242,573**	**157,483**	**85,090**

The following amounts are recognized in the income statement for defined benefit plans:

	2020/21	2019/20
	€k	€k
Current service cost	12,874	12,790
Net interest expense	787	623
Net expenditure in the fiscal year recognized in the income statement	**13,661**	**13,413**
(Income)/loss from plan assets, excluding amounts already included in interest	-16,164	1,730
Actuarial gains (-)/losses (+)	-19,165	-3,249
Result recognized in other comprehensive income	**-35,329**	**-1,519**
Actual income (-)/expense (+) on plan assets	-18,051	-263

The current service cost of €12,874k (prior year: €12,790k) is carried under both cost of goods sold and functional costs, depending on the allocation of personnel expenses to the functional areas.

The present value of defined benefit obligations developed as follows:

	2020/21	2019/20
	€k	€k
Defined benefit obligation (DBO) at beginning of fiscal year	**242,573**	**236,290**
Current service cost	12,874	12,790
Interest expense	2,674	2,616
Benefit payments	-3,746	-4,224
Actuarial gains (-)/losses (+) based on demographic assumptions	109	-301
Actuarial gains (-)/losses (+) based on financial assumptions	-18,788	-1,600
Actuarial gains (-)/losses (+) based on empirical assumptions	-485	-1,348
Additions/Disposals	-308	134
Currency effects from foreign plans	-103	-1,784
Defined benefit obligation (DBO) at end of fiscal year	**234,800**	**242,573**

The changes in the fair value of the plan assets are as follows:

	2020/21	2019/20
	€k	€k
Fair value of plan assets at beginning of fiscal year	**157,483**	**160,034**
Interest income	1,887	1,993
Remeasurements (income (+)/ expense (-) from plan assets, excluding amounts already included in interest)	16,164	-1,730
Employer contributions	11,700	1,850
Employee contributions	171	185
Pension payments from plan assets	-1,391	-3,108
Currency effects from foreign plans	261	-1,741
Fair value at end of fiscal year	**186,275**	**157,483**

For the coming fiscal year the Group intends to pay a contribution of €272k (prior year: €269k) into the defined benefit plans.

The plan assets serve exclusively to fulfill the defined benefit obligations. The funding of these benefit obligations is a provision for future cash outflows, which in some countries is based on existing legal requirements, while other countries provide such funding on a voluntary basis.

The Group's objective is to cover the pension obligations in Germany in full, within a medium-term period, by means of additions to capital and a positive capital market return. To this end, the Group shall make regular annual contributions to the plan assets. The Carl Zeiss Meditec Group controls and monitors the financial risks arising from the outsourcing of pension obligations. Mainly pensions, shares and similar securities are employed, which, due to a broad spread in terms of currency and investment region, should generate an attractive return, as well as an appropriate reduction of risk. The outsourced funds are allocated by asset category based on analyses conducted by the trustee in concert with the Group and the appointed asset management company. In order to review the external funding strategy at regular intervals and make adjustments, an Asset-Liability-Matching (ALM) study is also regularly prepared in collaboration with an external consultant.

The main investment categories of the plan assets were as follows at the end of the reporting period:

	30 Sep 2021	30 Sep 2020
	€k	€k
Developed markets	45,468	44,033
Growth markets	15,740	8,004
Equity instruments (shares)	**61,208**	**52,037**
Government bonds	7,690	8,399
Corporate bonds	50,800	45,762
Other	14,202	15,486
Debt instruments (bonds, notes)	**72,692**	**69,647**
Real estate	**20,970**	**21,480**
Alternative instruments	**14,562**	**7,817**
Cash	**16,843**	**6,502**
Total plan assets	**186,275**	**157,483**

Pension commitments were calculated using the following average valuation factors:

	Germany		USA		Japan	
	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20
	in %	in %	in %	in %	in %	in %
Discount factor	1.35	1.05	2.55	2.30	0.37	0.43
Long-term salary increase	2.75	2.75	0.00	0.00	2.97	2.97
Future pension increase	1.75	1.75	0.00	0.00	0.00	0.00

The calculation of pensions is linked to employee turnover. Depending on the respective plan, the pensionable age was set at 62 to 65. Pension obligations in Germany were calculated based on Prof. Dr. Klaus Heubeck's 2018 G life expectancy tables. Country-specific mortality tables were used in other countries. In addition, market changes were taken into account in the calculation of the underlying discount factor.

Changes in the definitive actuarial assumptions would affect the defined benefit pension obligation as follows:

Change in present value of defined benefit obligations (DBO)	Increase by 0.5%	Decrease by 0.5%
	€k	€k
Actuarial interest	-25,696	30,427
Salary trend	1,644	-1,540
Rate of pension progression	6,104	-5,532

The presented sensitivity analyses take into account the change in one parameter ceteris paribus, while maintaining the calculation method. The variation ranges set for the valuation assumptions were selected such that the respective assumption will not move outside the range within one year, with a probability of 60% to 90%.

In order to examine the sensitivity of the DBO to a change in the assumed life expectancy, the projected mortality rates were reduced, within the scope of a comparative calculation, to the extent that the reduction leads to an increase in life expectancy of roughly one year. The DBO as of 30 September 2021 would therefore have been higher by €8,902k.

The weighted duration of the pension obligations was 24.3 years as of 30 September 2021 (prior year: 25.2 years).

The following pension payments are projected for the next ten years for the defined benefit plan obligations existing as of the end of the reporting period:

Fiscal year ending 30 September	Expected benefit payments
	€k
2022	3,782
2023	3,951
2024	4,319
2025	4,571
2026	4,959
2027-2031	29,589

23 Provisions

Current and non-current provisions developed as follows:

	Personnel and social	Ongoing operations	Other	Total
	€k	€k	€k	€k
As of 1 Oct 2020	**4,337**	**13,840**	**9,549**	**27,726**
Additions	984	15,036	2,254	18,274
Interest yield	48	-	-	48
Reversals	-1,106	-1,294	-668	-3,068
Utilization	-1,427	-12,755	-1,571	-15,753
Currency effects	-12	-59	126	55
As of 30 Sep 2021	**2,824**	**14,768**	**9,690**	**27,282**
thereof current provisions	381	14,744	4,748	19,873
thereof non-current provisions	2,443	24	4,942	7,409
As of 30 Sep 2020	**4,337**	**13,840**	**9,549**	**27,726**
thereof current provisions	1,099	13,798	3,959	18,856
thereof non-current provisions	3,238	42	5,590	8,870

Personnel and social commitments

The provisions for personnel and social commitments mostly relate to commitments for partial retirement and anniversary expenses which are carried in their full amount as non-current in accordance with IAS 19.133.

The provisions for partial retirement and anniversaries are measured using a projected unit credit method based on actuarial surveys. Actuarial gains and losses are recognized immediately through profit or loss. The measurement parameters correspond to the economic assumptions for financing the pension commitments.

Plan assets for partial retirement obligations were offset at their fair value at the end of the reporting period with the provision for partial retirement.

The fair value of the plan assets was offset against the provision at the end of the reporting period as follows:

	30 Sep 2021	30 Sep 2020
	€k	€k
Present value of partial retirement obligations	1,118	937
Fair value of plan assets	856	687
Reported net liability for partial retirement obligations	**262**	**250**

Commitments from ongoing operations
Commitments from ongoing operations primarily include warranty provisions. The Company is liable to the purchaser for the perfect functioning of the products sold during the contractually guaranteed period (warranty). Provisions are set up for this based on average values of warranty claims asserted in the past. These provisions are regularly adjusted to reflect actual experience. The appropriation to these warranty provisions is recorded under cost of goods sold.

Other commitments
The provisions for other commitments relate to identifiable individual risks and uncertain commitments, e.g. litigation risks, asset retirement obligations in buildings or taxes unrelated to income. The provisions for litigation risks are measured mainly on the basis of potential claims arising from pending lawsuits. The provisions for asset retirement obligations include the estimated costs mainly for the removal of leasehold improvements and the restoration of the leased property to its original state. Taxes unrelated to income mainly result from taxes on social security contributions in the U.S., which are not due until December 2021 or 2022 because of COVID-19.

24 Non-current financial liabilities

Non-current financial liabilities comprise the following:

	30 Sep 2021	30 Sep 2020
	€k	€k
Liabilities from contingent purchase price components	67,672	79,286
Other purchase price liabilities	8,231	7,664
Other non-current financial liabilities	593	593
Non-current financial liabilities	**76,496**	**87,543**

The liabilities from contingent purchase price components presented in the table result, on the one hand, from the acquisition of IanTECH, Inc., and contain the expected value of the performance-related components of the purchase price. They also include the obligations arising from the acquisition of the assets of InfiniteVision Optics S.A.S. The other purchase price liabilities relate to the outstanding obligations from the acquisition of Photono.

€20,727K (prior year: €11,454k) originally non-current financial liabilities are now recognized under current financial liabilities due to their maturity. These relate in their entirety to liabilities from the acquisition of IanTECH Inc. for the achievement of certain manufacturing cost reduction targets. The remeasurement of purchase price components for the acquisition of IanTECH Inc. had an increasing effect of €3,067k as of the reporting date. Of this amount, €1,167k relates to the adjustment of capital costs. In addition, a slightly more positive expectation regarding the future earnings contributions of the acquired business compared with the prior year led to an increase in the obligation for payment of the sales-related component of the purchase price in the amount of €1,900k.

All purchase price components and obligations include the interest accrued to date and, if the obligation is denominated in a foreign currency, the associated currency effects from translation.

25 Current accrued liabilities

Current accrued liabilities include the following items:

	30 Sep 2021	30 Sep 2020
	€k	€k
Outstanding invoices	41,830	33,303
Christmas bonus, special payments, and other personnel-related liabilities	74,414	55,822
Commissions/bonuses	7,569	6,709
Year-end costs	942	737
Other accrued liabilities	3,032	2,816
Current accrued liabilities	**127,787**	**99,387**

26 Other current non-financial liabilities

Other current non-financial liabilities comprise the following:

	30 Sep 2021	30 Sep 2020
	€k	€k
Contract liabilities	31,537	24,035
Liabilities from taxes not related to income	4,976	4,229
Liabilities from social security	1,758	1,768
Wage withholding tax	2,914	2,811
Other liabilities	1,129	1,015
Other current non-financial liabilities	**42,314**	**33,858**

The contract liabilities presented in the table relate to advance payments received on orders in the amount of €9,833k (prior year: €4,940k) as well as deferred revenue due to period-related revenue recognition, in the amount of €21,704k (prior year: €19,095k).

27 Additional disclosures on financial instruments

The following table shows the carrying amounts by valuation category of the financial instruments as of 30 September 2021 and 30 September 2020. In all items presented, the carrying amounts correspond to the fair values.

	Valuation category according to IFRS 9	Carrying amount 30 Sep 2021	Carrying amount 30 Sep 2020
		€k	€k
Primary financial instruments			
Assets			
Trade receivables	AC	195,131	174,383
Receivables from related parties	AC	134,868	93,330
Treasury receivables	AC	949,317	703,560
Investments	FVOCI	6,688	4,083
Other financial assets	AC	4,662	4,846
Cash*	AC	7,439	6,202
Equity and liabilities			
Trade payables	AC	98,230	55,133
Liabilities to related parties	AC	47,235	36,546
Treasury payables	AC	16,835	1,522
Outstanding invoices	AC	41,830	33,303
Other financial accrued liabilities	AC	8,511	6,074
Loans from banks	AC	645	209
Contingent purchase price obligations	FVPL	88,399	87,827
Other financial liabilities	AC	20,483	17,926
Derivative financial instruments			
Assets			
Currency hedging contracts	FVPL	6,049	9,871
Equity and liabilities			
Currency hedging contracts	FVPL	21,912	1,094
Thereof aggregated by valuation category pursuant to IFRS 9			
Amortized cost (AC)*		1,525,186	1,133,034
Fair value through other comprehensive income (FVOCI)		6,688	4,083
Fair value through profit or loss (FVPL)		116,360	98,792

* The figures as of 30 September 2020 have been adjusted due to the finalization of the purchase price allocation of the acquisition of Photono Oy. Further information on this can be found in note 3 "Purchase and sale of business operations".

For a comparison of the valuation categories with the items in the statement of financial position the following reclassifications should be noted:

Classification acc. to IFRS 7	Category according to IFRS 9	Statement of financial position item
Trade receivables	AC	Non-current trade receivables Trade receivables
Receivables from related parties	AC	Trade receivables from related parties
Treasury receivables	AC	Treasury receivables
Investments	FVOCI	Investments and other holdings in affiliated non-consolidated companies
Other financial assets	AC	Other non-current assets Other current financial assets
Asset-side currency hedging contracts	FVPL	Other current financial assets
Cash	AC	Cash and cash equivalents
Trade payables	AC	Trade payables
Liabilities to related parties	AC	Trade payables to related parties
Treasury payables	AC	Treasury payables
Outstanding invoices Other accrued financial liabilities	AC	Current accrued liabilities
Other financial liabilities	AC	Non-current financial liabilities Current financial liabilities
Loans from banks	AC	Non-current financial liabilities Current financial liabilities
Contingent purchase price obligation	FVPL	Non-current financial liabilities Current financial liabilities
Liabilities-side currency hedging contracts	FVPL	Current financial liabilities

Derivatives are recognized as freestanding derivatives. The nominal amounts and the market values of the derivative financial instruments are presented in the table below:

	30 Sep 2021		30 Sep 2020	
	Nominal value	Market value	Nominal value	Market value
	€k	€k	€k	€k
Derivatives excluding hedge accounting				
» Derivatives with a positive market value	336,730	6,049	585,812	9,871
» Derivatives with a negative market value	600,561	21,912	183,972	1,094

Net results by valuation category

The following table shows the distribution of income from interest, the subsequent valuation of financial instruments at fair value, and from currency translation among the individual categories of financial instruments in the sense of IFRS 9, and how the respective net result is calculated.

		Interest effects	From subsequent valuation			Write-offs	Net result
			at fair value	Currency translation	Valuation allowance		
		€k	€k	€k	€k	€k	€k
From financial assets measured at amortized cost	30 Sep 2021	514	n.a.	5,060	29	-14	5,589
	30 Sep 2020	784	n.a.	-10,570	-3,522	-12	-13,320
From assets measured at fair value through other comprehensive income	30 Sep 2021	-	-328	-	-	-	-328
	30 Sep 2020	-	-770	-	-	-	-770
From assets and liabilities measured at fair value through profit or loss	30 Sep 2021	-6,239	-17,707	-13,752	-	-	-37,698
	30 Sep 2020	-25,631	31,826	5,425	-	-	11,620
From financial liabilities carried at amortized cost	30 Sep 2021	-1,110	n.a.	-545	n.a.	n.a.	-1,655
	30 Sep 2020	-295	n.a.	908	n.a.	n.a.	613
Other	30 Sep 2021	-968	-	-	183	-	-785
	30 Sep 2020	-1,290	-	-	8	-	-1,282
Total	**30 Sep 2021**	**-7,803**	**-18,035**	**-9,237**	**212**	**-14**	**-34,877**
	30 Sep 2020	**-26,432**	**31,056**	**-4,237**	**-3,514**	**-12**	**-3,139**
thereof through profit or loss	30 Sep 2021	-7,803	-17,707	-9,237	212	-14	-34,549
	30 Sep 2020	-26,432	31,826	-4,237	-3,514	-12	-2,369
thereof selling and marketing expenses	30 Sep 2021	-	-	-	29	-14	15
	30 Sep 2020	-	-	-	-3,522	-12	-3,534

Interest from financial instruments is carried under “Interest income", effects of currency translation and the fair value measurement of assets measured at fair value through profit or loss are carried under "Foreign currency gains/losses, net", and dividends are carried under "Other financial result”. The Carl Zeiss Meditec Group also records the other components of the net result under "Other financial result", with the exception of the valuation allowances on trade receivables attributable to the valuation category financial assets measured at amortized cost, which are carried under “Selling and marketing expenses”.

Financial assets and liabilities carried at fair value by valuation category

The following table shows the financial assets and liabilities carried at fair value by valuation category. The valuation categories are defined as follows:

Category 1: Financial instruments traded on active markets, for which the listed prices were assumed unchanged for valuation.

Category 2: Valuation is based on valuation methods where input factors are derived directly or indirectly from observable market data. Key valuation parameters include, in particular, exchange rates, interest rate differences and future forward rates.

Category 3: Valuation is based on valuation methods where input factors are not based exclusively on observ-able market data.

Carl Zeiss Meditec AG reviews at the end of each reporting period whether there are grounds for reclassification to or from a valuation category. In the reporting period there were no reclassifications between categories 2 and 3.

		Category 1	Category 2	Category 3	Total
		€k	€k	€k	€k
Financial assets measured at fair value through other comprehensive income	30 Sep 2021	-	-	6,688	6,688
	30 Sep 2020	-	-	4,083	4,083
Financial assets recognized at fair value through profit or loss	30 Sep 2021	-	6,049	-	6,049
	30 Sep 2020	-	9,871	-	9,871
Financial liabilities recognized at fair value through profit or loss	30 Sep 2021	-	-21,912	-88,399	-110,311
	30 Sep 2020	-	-1,094	-87,827	-88,921

The table below presents the changes in the fair value of the financial instruments allocated to category 3:

	Contingent purchase price obligations	Investments	**Total**
	€k	€k	**€k**
As of 1 Oct 2020	**87,827**	**4,083**	**91,910**
Additions	-	2,835	**2,835**
Changes in fair value recognized through profit or loss	8,079	-	**8,079**
Changes in fair value recognized through profit or loss	-	-328	**-328**
Payment of contingent purchase price obligations	-8,509	-	**-8,509**
Currency effects	1,002	98	**1,100**
As of 30 Sep 2021	**88,399**	**6,688**	**95,087**

	Contingent purchase price obligations	Investments	**Total**
	€k	€k	**€k**
As of 1 Oct 2019	**109,009**	**5,173**	**114,182**
Additions	9,673	-	**9,673**
Changes in fair value recognized through profit or loss	2,500	-	**2,500**
Changes in fair value recognized through profit or loss	-	-770	**-770**
Payment of contingent purchase price obligations	-25,227	-	**-25,227**
Currency effects	-8,128	-320	**-8,448**
As of 30 Sep 2020	**87,827**	**4,083**	**91,910**

The financial assets that were allocated to category 3 and already existed at the start of the fiscal year mainly relate to the 17.7% of shares in MicroOptx, Inc. (€3,667k, prior year: €3,961k). The investments newly acquired in the fiscal year under review relate, on the one hand, to the 4.4% of shares in OcuTerra Therapeutics, Inc (hereinafter referred to as OcuTerra) and, on the other hand, to the 20.4% of shares in Audioptics Medical Inc. (hereinafter referred to as Audioptics). Due to the acquisition of both companies in the fiscal year, the carrying amount as of 30 September 2021 corresponds to the acquisition costs of €2,094k for OcuTerra and €751k for Audioptics. An upward or downward fluctuation in the interest rate of 1.0% points would reduce or increase the investment book value, respectively, in the lower single-digit-million range. None of the companies paid dividends.

The financial liabilities assigned to category 3 include contingent purchase price obligations arising from the acquisition of IanTECH, Inc. and InfiniteVision Optics S.A.S., which was acquired in an asset deal. The change in fair value recognized through profit or loss includes, on the one hand, the annual interest cost of both liabilities, and the adjustment of the capital costs for the measurement of the liability for IanTECH Inc., on the other. Both effects were recognized under interest expense. The other financial result also includes the expense from the remeasurement of the contingent purchase price obligation in relation to IanTECH Inc., which is also a component of the change in fair value recognized through profit or loss presented here. The fair value of the contingent considerations was determined on the basis of the criteria agreed in the purchase agreement and the probable achievement of the target expected according to the current status and discounted at a standard market interest rate. An upward or downward fluctuation in the interest rate by 0.5% points would reduce or increase the contingent considerations, respectively, in the lower single-digit-million range. A delay in the achievement of targets linked to milestones, accompanied by a simultaneous reduction in the planned revenue targets of 15%, would reduce the obligations by €19m.

Offsetting of financial assets and liabilities

There may be arrangements with individual business partners that allow specific gross items to be offset against each other. The following table shows the offset amounts of trade receivables and trade payables, for which such an arrangement exists, as of 30 September 2021.

		Gross amount	Offsetting	Net amount recognized
		€k	€k	€k
Trade receivables	30 Sep 2021	197,729	-2,598	195,131
	30 Sep 2020	175,909	-1,526	174,383
Trade payables	30 Sep 2021	100,828	-2,598	98,230
	30 Sep 2020	56,659	-1,526	55,133

28 Leasing liabilities and further disclosures on leases

In fiscal year 2020/21 leasing liabilities in the amount of €17,727k (prior year: €16,077k) were paid off and €1,139k (prior year: €1,110k) was paid as interest for leases. Total payments for leasing liabilities, including payments for short-term and low-value leases not recognized in financing cash flow, amounted to €19,161k in the current financial year (prior year: €17,568k). At the end of the reporting period there were future cash outflows amounting to €121,270k; please refer to note 37 “Financial risk management” for the maturity analysis of the undiscounted lease payments.

Future cash outflows, which have not been included in leasing liabilities because it is not sufficiently certain whether the lease agreements will be renewed or they will not be terminated, did not exist. There are no leases that the Group has entered into as lessee that have not yet commenced.

Further disclosures on leases:

	2020/21	2019/20
	€k	€k
Expense for short-term leases	490	531
Expense for leases for a low-value asset	944	960
Income from sub-leasing rights of use	508	657
Gains on sale-and-lease-back agreements	2,447	-

In the first quarter of the fiscal year under review the Group sold its administration building in Jena-Göschwitz to a third party by way of a sale-and-lease-back agreement and leases these premises from this contracting party. The minimum lease period is 25 months and the maximum term is 10 years. There is an annual cancellation option. The Group expects to use this building until it moves to its new high-tech ZEISS location in Jena at the end of 2025. This transaction results in a gain on disposal of €4,648k, of which €2,447k was recognized immediately and reported under other operating result. The remaining income of €2,201k shall be amortized over the expected lease term at a reduced rate for the right-of-use asset recognized, which has been reduced by this amount.

Cancellation and extension options in the amount of €6,948k, which have been deemed unlikely, relate to the leasing of the Group's administration building in Jena Göschwitz and leased space at the Spanish subsidiary.

OTHER DISCLOSURES

29 Note to the cash flow statement

The consolidated statement of cash flows shows how the Group's cash and cash equivalents reported in the statement of financial position changed in the course of the fiscal year as a result of cash received and paid. In accordance with IAS 7 *Statement of Cash Flows*, a distinction is made between cash flows from operating activities and cash flows from investing activities and financing activities.

The cash flows from operating activities are derived indirectly from the consolidated profit or loss for the year. Cash flow from operating activities are calculated after adjustment for non-cash expenses and income, and including cash financial expenses, financial income and taxes, and taking changes in working capital into account. The cash flows from investing activities and financing activities are generally determined on the basis of payments made or received.

The changes in items in the statement of financial position taken into account as part of this indirect calculation are adjusted for currency translation effects, the effects of changes in the reporting entity and non-cash effects. Changes in the relevant items in the statement of financial position can therefore not be reconciled with the corresponding figures in the consolidated statement of financial position.

Changes in liabilities from financing activities are presented in the table below. As treasury receivables are also cash pool transactions and these are also carried under cash flows from financing activities, the change in this item in the statement of financial position is likewise presented in the table below.

The other non-cash changes relate to new contracts and/or contract amendments from leasing and valuation allowances on treasury receivables. Other changes in leasing liabilities in the current financial year include an amount of €3,977k in connection with the payment from sale-and-leaseback transactions.

	As of 1 Oct 2020	Cash changes	Non-cash changes		As of 30 Sep 2021
			Currency effects	Other changes	
	€k	€k	€k	€k	€k
Liabilities to banks	209	420	16	-	**645**
Leasing liabilities	68,605	-17,727	1,537	68,855	**121,270**
Treasury payables	1,522	14,950	363	-	**16,835**
Treasury receivables	703,560	241,624	3,896	237	**949,317**

	As of 1 Oct 2019	Cash changes	Non-cash changes		As of 30 Sep 2020
			Currency effects	Other changes	
	€k	€k	€k	€k	**€k**
Liabilities to banks	192	27	-10	-	**209**
Leasing liabilities	57,489	-16,077	-977	28,170	**68,605**
Treasury payables	-	1,554	-32	-	**1,522**
Treasury receivables	655,167	50,329	-1,680	-256	**703,560**

30 Leases – Group as lessor

Operating leases

Within the scope of selling its products, the Company offers some financing models in the form of lease agreements, which, due to their nature, are to be classified as operating leases.

Risks arise from lease agreements in particular due to agreed conditions or purchase volumes not being adhered to. In order to safeguard against such risks in these cases, the underlying agreements may provide, for example, for compensation for minimum quantities, in spite of failure to purchase or the return of the leased object to the lessor, including appropriate settlement payments for premature termination of the contract. Key measures to minimize risk prior to the conclusion of the agreement also include a customer credit check, a feasibility analysis of the lease agreement, and a comprehensive analysis of the customer's realistic requirements.

The leasing income in the current fiscal year amounts to €2,351k. No leasing income was generated from variable lease payments that are not dependent on an index or interest.

The future accumulated minimum lease and rental payments from binding operating lease agreements amount to the following:

	Lease and rental payments
	€k
Up to 1 year	1,413
In year 2	362
In year 3	243
In year 4	140
In year 5	90
More than 5 years	41
Total minimum lease and rental payments	**2,289**

The carrying amount of the property, plant and equipment underlying the operating leases amounts to €2,387k at the end of the reporting period, with €650k relating to technical plant and machinery and €1,737k to other equipment, furniture and fixtures.

Finance leases

In some cases the Company offers financing models within the scope of selling its products, in the form of lease agreements, which, due to their nature, must be classified as finance leases.

For information on risks arising from finance leases, please refer to the statements under “Operating leases”.

In the fiscal year under review, income from finance leases amounted to €3,800k (prior year: €1,702k).

The outstanding minimum rental and lease payments from finance leases are as follows:

	30 Sep 2021	30 Sep 2020
	€k	€k
Due in year 1	3,234	2,530
Due in year 2	2,032	2,747
Due in year 3	1,800	1,696
Due in year 4	1,177	1,328
Due in year 5	271	516
Due after more than 5 years	246	-
Total	**8,760**	**8,817**
Financial income on the net investment in the lease	-525	-560
Present value of future lease payments	**8,235**	**8,257**

The change in the carrying amount of the net investment in finance leases is due, in the current fiscal year, exclusively to newly concluded agreements and to scheduled lease payments by the lessee. Valuation allowances for the expected credit loss on leasing receivables are included in trade receivables.

31 Contingent liabilities and other financial obligations

Guarantees
As in the prior year, there are no guarantees to third parties.

Purchase commitments
The Carl Zeiss Meditec Group has purchase obligations to suppliers for property, plant and equipment amounting to €21,808k (prior year: €7,130k) and for intangible assets in the amount of €1,618k (prior year: €1,343k).

Litigation and arbitration
With the exception of the proceedings described below, the Carl Zeiss Meditec Group is not currently involved in any litigation or arbitration proceedings which, in the Company’s current estimation, could individually have a material effect on the financial position of Carl Zeiss Meditec AG. Nor are such proceedings pending or to be expected to the Company’s knowledge.

There is a litigation risk in connection with the claim of a former distribution partner in Egypt for compensation and damages. In the Company’s opinion, there is no sufficient basis for this claim; the Company is therefore contesting the claim.

Provisions have been set up for the expected costs.

32 Securities

Assets pledged as security
There are no assets pledged as security as of the end of the reporting period.

Assets held as security
The Group does not hold any assets pledged as security.

33 Segment reporting

Pursuant to IFRS 8, the Group publishes its operating segments based on the information that is reported internally to the Management Board, which is also Chief Operating Decision Maker. The Carl Zeiss Meditec Group has two operating segments, which are simultaneously the Company’s Strategic Business Units ("SBUs").
All activities relating to ophthalmology, such as intraocular lenses, surgical visualization solutions and medical laser and diagnostic systems are allocated to the "Ophthalmic Devices" SBU. The "Microsurgery" segment encompasses the activities of neuro, ear, nose and throat surgery, as well as the activities in the field of intraoperative radiotherapy. For more information on the business activities of the SBUs please refer to the management report.

Internal management reports are evaluated regularly by the Management Board for each of the strategic business units with regard to making decisions on resource allocation and performance. In addition to publishing the results at segment level, any write-downs and appropriations to provisions are also published for each SBU.

	Ophthalmic Devices SBU		Microsurgery SBU		Total	
	2020/21	2019/20	**2020/21**	2019/20	**2020/21**	2019/20
	€k	€k	€k	€k	€k	€k
External revenue	**1,255,711**	**990,617**	**391,074**	**344,835**	**1,646,785**	**1,335,452**
Gross profit	727,150	531,901	240,063	213,616	967,213	745,517
Selling and marketing expenses	-213,435	-211,124	-89,798	-81,717	-303,233	-292,841
General and administrative expenses	-48,954	-45,540	-11,793	-10,780	-60,747	-56,320
Research and development expenses	-179,796	-179,544	-52,270	-39,260	-232,066	-218,804
Other operating result	2,447	-	-	-	2,447	-
Earnings before interest and taxes	**287,412**	**95,693**	**86,202**	**81,859**	**373,614**	**177,552**
Depreciation and amortization	48,540	47,308	13,044	13,117	61,584	60,425
Appropriation to provisions	14,693	15,858	3,581	4,995	18,274	20,853
Reconciliation of segments' comprehensive income to the Group's period-end result						
Comprehensive income of the segments					**373,614**	**177,552**
Earnings before interest and taxes					**373,614**	**177,552**
Financial result					-34,564	1,165
Earnings before income taxes					**339,050**	**178,717**
Income taxes					-101,531	-55,296
Consolidated profit					**237,519**	**123,421**
Attributable to:						
Shareholders of the parent company					236,276	122,385
Non-controlling interests					1,243	1,036

As a general rule there were no intersegment sales.

The information on geographical areas is based on the geographical regions of Germany, the USA, Asia, Europe (excluding Germany) and Other, according to the location of the headquarters of the subsidiary generating the revenue or holding the non-current assets. Each region essentially offers the same type of products and services.

	2020/21		2019/20	
	Revenue	Non-current assets	Revenue	Non-current assets
	€k	€k	€k	€k
Germany	938,741	156,362	732,069	166,443
USA	476,701	374,256	389,839	328,790
Asia	101,278	31,111	102,518	7,832
Europe (excluding Germany)*	130,065	128,449	111,026	109,558
Other	-	904	-	570
Total*	**1,646,785**	**691,082**	**1,335,452**	**613,193**

* The figures as of 30 September 2020 have been adjusted due to the finalization of the purchase price allocation of the acquisition of Photono Oy. Further information on this can be found in note 3 "Purchase and sale of business operations".

The segment assets comprise non-current assets less deferred income taxes of €84,964k (prior year: €94,572k), investments of €6,713k (prior year: €4,108k) and non-current trade receivables of €9,191k (prior year: €9,225k).

Key customers
Carl Zeiss AG and its subsidiaries (except Carl Zeiss Meditec Group) constitute a key customer of the Carl Zeiss Meditec Group, accounting for a share of 53% (prior year: 48%) of total revenue. Revenue is generated with Carl Zeiss AG and its subsidiaries in both segments. The share of total revenue totals 37% (prior year: 38%) in the SBU Microsurgery and 58% (prior year: 52%) in the SBU Ophthalmic Devices.

34 Government grants

Grants allocated for fiscal years 2020/21 and 2019/20 were as follows:

	2020/21	2019/20
	€k	€k
Reimbursement of social security contributions	46	1,518
Grants for assets/investment subsidies	-	637
Research and development subsidies	-	83
Other subsidies	-	82
Total	**46**	**2,320**

The Group has not identified any risks of repayment for which provisions have not been set up. Grants received were recognized in the cost of goods sold and functional costs.

35 Related party disclosures

The following transactions and outstanding balances arise from various agreements with related parties:

	Transaction amount			
	2020/21		2019/20	
	ZEISS Group	thereof Carl Zeiss AG	ZEISS Group	thereof Carl Zeiss AG
	€k	€k	€k	€k
Sale of merchandise	865,465	-	642,419	-
Purchase of merchandise	56,342	-	44,521	-
Services rendered excluding financial income	2,634	334	2,025	254
Services procured excluding financial expenses	135,802	53,080	115,024	50,566
Financial income	13,988	-	21,009	-
Financial expense	44,686	-	7,309	-
including:				
Lease and rental costs	1,960	1,533	1,692	1,439
Research and development expenses	46,420	6,382	32,057	7,409

The financial income and expenses presented above mainly include effects from the recognition and valuation of forward exchange contracts.

	Outstanding balance			
	30 Sep 2021		30 Sep 2020	
	ZEISS Group	thereof Carl Zeiss AG	ZEISS Group	thereof Carl Zeiss AG
	€k	€k	€k	€k
Receivables	1,090,520	75	807,197	35
Liabilities	87,557	13,332	41,364	12,273

The amounts above include treasury receivables of €949,317k (prior year: €703,560k) from and treasury payables of €16,835k (prior year: €1,522k) to Carl Zeiss Financial Services GmbH. As 30 September 2021, allowances for receivables from companies of the ZEISS Group totaling €1,160k had been recognized (prior year: €1,252k) This had an effect on earnings of €92k in the financial year (prior year: €-275k). In accordance with the expected loss model of IFRS 9, impairment losses were also recognized on balances due from companies of the ZEISS Group for a technically expected loss based on rating information. A deterioration in creditworthiness or even a default was not identified in any case and is also not considered probable. With regard to the impairment losses recognized, reference is made to note 37 "Financial risk management".

The loans granted by Carl Zeiss Financial Services GmbH and funds invested with said company are subject to variable interest at normal market conditions.

The remuneration paid to the Group's management in key positions (Management Board and Supervisory Board) comprises the following:

	2020/21	2019/20
	€k	€k
Short-term payments due	2,878	3,190
Benefits resulting from termination of employment	930	-
Appropriation to defined benefit plans	306	453
Other long-term payments due	306	355
Total remuneration paid to key personalities within the Group	**4,420**	**3,998**

Under short-term payments due an amount of €930k relates to benefits resulting from termination of employment. Further information can be found in the remuneration report in the management report.

There were no transactions with the Carl Zeiss Foundation in the fiscal year just ended; there were no outstanding items at the end of the reporting period.

36 Notifiable transactions in the reporting period

During the fiscal year under review no members of the Management Board or Supervisory Board executed any notifiable securities transactions pursuant to Article 19 Market Abuse Regulation (MAR).

At the current time, no Company shares are held by members of the Management Board of Carl Zeiss Meditec AG. The shareholdings of the members of the Supervisory Board total less than 1% of all shares issued.

37 Financial risk management

The Carl Zeiss Meditec Group operates a global financial risk management system, which encompasses all subsidiaries and is organized centrally at Group level. The prime objective of the financial risk management system is to provide the necessary liquidity for the operations of companies within the Group and to limit the financial risks.

Due to its use of a range of financial instruments, the Group is exposed to risks which arise particularly as a result of fluctuation in exchange rates, interest rates and changes in the creditworthiness of the contracting partners involved.

The Company's exposure to each of the risks listed above is described below. The Group's objectives, strategies and procedures for controlling, and methods for measuring the risks are also described. The risk report within the management report also contains information about the risk management system.

Market risk

Interest fluctuation risk

The Group holds interest-bearing financial instruments mainly via its short-term cash and cash equivalents, loans and treasury receivables - from Carl Zeiss group cash management of Carl Zeiss Financial Services GmbH, Oberkochen. The Carl Zeiss Meditec Group also holds non-current, interest-bearing financial receivables and liabilities and leasing receivables and liabilities.

An interest sensitivity analysis is based on the following assumptions: changes in market interest rates on primary financial instruments with fixed interest rates will only have an effect on income if these are measured at fair value. As a result, all financial instruments carried at amortized cost with fixed interest are not subject to any risks of interest rate changes within the meaning of IFRS 7. In addition, forex derivatives are not subject to any major risk of interest rate changes and thus do not impact interest rate sensitivities. Variable-interest financial instruments with an original term of less than 91 days show very little fluctuation due to the current low level of interest rates, which is why the Group can consider the interest rate risk for these financial instruments to be negligible.

As of the end of the reporting period, the Company mainly holds fixed-interest financial instruments measured at fair value. The variable-interest financial instruments relate to a loan of Photono. Due to the contract terms and a minimum interest rate agreed therein, which currently exceeds the current interest rate, a fluctuation in the interest rate of one percentage point up or down would have no effect on the interest expense. The general interest rate risk is countered as part of overall financial risk management, by regularly monitoring significant items and their inherent interest rate risks with the aim of limiting these, if necessary. At the present time, this risk can be considered negligible.

The table below shows the Company's interest-bearing, non-derivative financial instruments with a term of more than 90 days.

	30 Sep 2021	30 Sep 2020
	€k	€k
Variable-interest financial assets	-	-
Fixed-interest financial assets	-	-
Total interest-bearing assets	**-**	**-**
Variable-interest financial liabilities	593	593
Fixed-interest financial liabilities	217,901	167,009
Total interest-bearing liabilities	**218,494**	**167,602**

Currency risk

The currency risk for the Group in the sense of IFRS 7 results from its financial instruments, which arose from its business operations and investing and financing activities. The Company counters a risk that remains after compensation of payments made and received in the same foreign currency mainly by concluding simple currency forward contracts. These transactions mainly relate to the currencies listed in the following table. Carl Zeiss Meditec AG and its subsidiaries are linked to the currency hedging processes of Carl Zeiss AG, Oberkochen via its treasury company, Carl Zeiss Financial Services GmbH. The total foreign currency payments made and received and reported to the treasury by the Group's subsidiaries, generally on a monthly basis, are thus hedged against the euro by means of currency forward contracts with a maximum term of one year at the rate fixed. The Group is currently striving to hedge 100% of the expected foreign currency receipts and outgoings.

The carrying amounts of Carl Zeiss Meditec Group's financial assets and liabilities denominated in foreign currencies reflect the level of risk exposure as of the end of the reporting period. The tables below provide an overview of the Company's foreign currency financial instruments.

The fair values are calculated exclusively using recognized actuarial methods and based on publicly accessible market information.

The average exchange rates of the currency forward contracts concluded for the major currencies are as follows:

	30 Sep 2021	30 Sep 2020
EUR/USD	0.8509	0.8693
EUR/JPY	0.0082	0.0082
EUR/GBP	1.1228	1.0967
EUR/AUD	0.6110	0.6083
EUR/KRW	0.0007	0.0007
EUR/CNY	0.1247	0.1238

In order to better present the currency risks that exist, the effects of hypothetical fluctuations in the relevant currencies on net income for the year and equity are presented below based on a currency sensitivity analysis.

If, hypothetically, the euro had been 10% stronger (weaker) as of the end of the reporting period against the main foreign currencies used by the Group – ceteris paribus – earnings before taxes and equity would have been affected as follows:

		Total	Thereof: in the following currencies – translated to € -								
		EUR	EUR	USD	JPY	GBP	KRW	CNY	AUD	BRL	Other
Assets		€k	€k	€k	€k	€k	€k	€k	€k	€k	€k
Trade receivables	30 Sep 2021	195,131	193,338	1,793	-	-	-	-	-	-	-
	30 Sep 2020	174,383	172,989	1,392	2	-	-	-	-	-	-
Receivables from related parties	30 Sep 2021	134,868	23,298	13,524	-	6,853	11,024	48,434	3,564	5,351	22,820
	30 Sep 2020	93,330	10,650	9,601	-	2,468	12,748	35,619	343	7,429	14,472
Asset-side currency hedges	30 Sep 2021	6,049	-	1,081	1,884	228	677	353	702	-	1,124
	30 Sep 2020	9,871	-	2,204	1,199	452	1,271	1,165	134	-	3,446
Total assets	**30 Sep 2021**	**336,048**	**216,636**	**16,398**	**1,884**	**7,081**	**11,701**	**48,787**	**4,266**	**5,351**	**23,944**
	30 Sep 2020	**277,584**	**183,639**	**13,197**	**1,201**	**2,920**	**14,019**	**36,784**	**477**	**7,429**	**17,918**
Liabilities											
Trade payables	30 Sep 2021	98,230	88,255	7,846	1,102	20	1	-	-	-	1,006
	30 Sep 2020	55,133	52,074	2,419	445	13	1	-	-	-	181
Liabilities to related parties	30 Sep 2021	47,235	42,818	244	-	162	22	3,276	157	94	462
	30 Sep 2020	36,546	33,534	125	-	110	15	2,154	77	40	491
Liabilities-side currency forward contracts	30 Sep 2021	21,912	-	2,295	362	282	156	16,658	53	-	2,106
	30 Sep 2020	1,094	-	307	325	130	21	77	128	-	106
Total liabilities	**30 Sep 2021**	**167,377**	**131,073**	**10,385**	**1,464**	**464**	**179**	**19,934**	**210**	**94**	**3,574**
	30 Sep 2020	**92,773**	**85,608**	**2,851**	**770**	**253**	**37**	**2,231**	**205**	**40**	**778**

		Carrying amount	Effects of currency risks on net income	
		EUR	+10%	-10%
Assets		€k	€k	€k
Trade receivables	30 Sep 2021	195,131	110	-110
	30 Sep 2020	174,383	48	-48
Receivables from related parties	30 Sep 2021	134,868	-12,761	12,761
	30 Sep 2020	93,330	-8,186	8,186
Asset-side currency hedging contracts	30 Sep 2021	6,049	14,819	-14,819
	30 Sep 2020	9,871	57,351	-57,351
Total assets	**30 Sep 2021**	**336,048**	**2,168**	**-2,168**
	30 Sep 2020	**277,584**	**49,213**	**-49,213**
Liabilities				
Trade payables	30 Sep 2021	98,230	921	-921
	30 Sep 2020	55,133	268	-268
Liabilities to related parties	30 Sep 2021	47,235	1,099	-1,099
	30 Sep 2020	36,546	298	-298
Liabilities-side currency hedging contracts	30 Sep 2021	21,912	61,153	-61,153
	30 Sep 2020	1,094	1,234	-1,234
Total liabilities	**30 Sep 2021**	**167,377**	**63,173**	**-63,173**
	30 Sep 2020	**92,773**	**1,800**	**-1,800**

The most significant effect of exchange rate risks results, as of 30 September 2021, from the asset-side and liabilities-side currency hedging contracts in CNY, KRW and USD. Under the items receivables from and liabilities to affiliated companies, the effects of exchange rate risks presented here are particularly attributable to CNY, KRW and USD. Effects on equity due to exchange rate fluctuations only arise due to the translation of the financial statements.

Default risk

The Group is exposed to a default risk due to its business operations and financing activities. The following applies to all performance relationships underlying the primary financial instruments: depending on the type and level of the respective service, collateral is required, credit information/references are obtained and historical data from the previous business relationship is used, in particular regarding payment behavior, in order to minimize the default risk. To the extent that default risks can be identified for the individual financial assets, these risks are covered by valuation allowances. The management is routinely involved in such decisions on risk provisioning. The default risk arising from the derivative financial instruments used is not believed to be material, based on credit checks, among other things. There is no discernible concentration of default risks arising from business relationships with individual debtors or groups of debtors. The maximum default risk is reflected by the carrying amounts of the financial assets recognized in the statement of financial position. It is assumed that default rates will not change significantly in the future. No significant financial assets were individually impaired at the end of the reporting period, nor were the terms and conditions of the financial assets re-negotiated, as they would otherwise have been past due or impaired.

The risks associated with trade receivables are adequately covered by valuation allowances. The valuation allowances were derived using historical default rates, taking future-oriented information into account. The resulting valuation allowances developed as follows:

	Valuation allowance on			
	Trade receivables	Receivables from related parties	Treasury receivables	Total
	€k	€k	€k	€k
As of 1 Oct 2020	**11,550**	**557**	**695**	**12,802**
Appropriation	3,092	145	50	3,287
Utilization	-395	-	-	-395
Reversal	-3,029	-	-287	-3,316
Currency effects	6	-	-	6
As of 30 Sep 2021	**11,224**	**702**	**458**	**12,384**

The valuation allowances on trade receivables include an amount of €9,647k for individually adjusted trade receivables. No individual valuation allowances were made on receivables from related parties or treasury receivables. The valuation allowances on trade receivables also include valuation allowances on leasing receivables.

The table below shows the gross carrying amounts and the average default rates for trade receivables according to the expected credit loss model:

	30 Sep 2021	30 Sep 2020	**Gross receivables as of 30 Sep 2021**	Gross receivables as of 30 Sep 2020
	in %	in %	in €k	in €k
Not overdue	0.4	0.8	145,837	132,354
Up to 30 days overdue	1.2	2.5	27,573	18,930
31 to 60 days overdue	2.0	4.0	9,158	8,146
61 to 90 days overdue	2.8	5.3	4,073	5,112
More than 90 days overdue	3.6	7.0	19,714	21,391

Since the fiscal year under review, the table also includes the receivables that have already been individually adjusted. For better comparability, the prior year's presentation has been adjusted accordingly. Based on the current environment, consideration was given to the default risk, which the market now considers to be moderate again compared with the past, taking the forward-looking element into account. In the previous year, this factor was used primarily to reflect uncertainty due to the general COVID-19 situation, which is why it was reduced again in this fiscal year. An increase in this factor in the context of the default risk by two percentage points would result in an increase in the valuation allowances in the lower single-digit million range.

Liquidity risk
In order to ensure solvency and financial flexibility within the Group, Carl Zeiss Meditec AG forecasts, within a fixed planning period, the funds it will require using a cash forecast, and holds a corresponding liquidity reserve in the form of cash and unused lines of credit at the treasury of Carl Zeiss AG. Due to the high amount of cash and cash equivalents and treasury receivables within the Company, as well as its sound financing structure with an equity ratio of 70.0%, the risk of insolvency can currently be considered negligible.

As of 30 September, the Group's derivative financial liabilities have the following maturities:

	End of reporting period	Undiscounted cash flows from derivative financial liabilities with settlement on a gross basis				
		Total	up to 30 days	31 to 90 days	91 to 180 days	181 to 365 days
		€k	€k	€k	€k	€k
Cash outflows	30 Sep 2021	600,483	53,206	87,131	143,647	316,499
	30 Sep 2020	183,738	29,620	43,836	50,375	59,907
Cash inflows	30 Sep 2021	630,580	56,148	91,256	151,837	331,339
	30 Sep 2020	184,996	29,833	44,119	50,647	60,397

As of 30 September, the Group's other financial liabilities have the following maturities:

	End of reporting period	Undiscounted cash flows settled on a gross basis			
		Total	up to 1 year	1 to 5 years	after more than 5 years
		€k	€k	€k	€k
Leasing liabilities	30 Sep 2021	129,199	20,360	55,062	53,777
	30 Sep 2020	72,878	15,562	28,601	28,715
Loans from banks	30 Sep 2021	645	645	-	-
	30 Sep 2020	209	209	-	-
Other financial liabilities	30 Sep 2021	142,765	32,387	12,217	98,161
	30 Sep 2020	146,202	18,210	33,535	94,457

38 Additional disclosures on capital management

The Group manages its capital with the aim of minimizing the Group's capital costs and, at the same time, maintaining the balance between cash flow volatility and financial flexibility. In order to achieve this goal, the ratio of equity to borrowed capital, among other things, must be optimized accordingly. Currently the Company is moving within the specified target corridor. The main decisions relating to the financing structure are made by the Management Board. The equity ratio and net debt are used as control parameters for the relationship between equity and borrowings. Carl Zeiss Meditec AG calculates these key performance indicators regularly and reports them to the Management Board so that the Management Board can take any actions necessary. The key performance indicator "equity ratio" is defined as the percentage ratio of equity, including non-controlling interests, to total capital. Net debt is calculated from the Group's borrowed capital less cash and cash equivalents and treasury receivables (Group treasury of Carl Zeiss AG). In the fiscal year under review the equity ratio was 70.0% (prior year: 72.0%).

Net debt* was €-238,171k (prior year: €-145,470k). The Company is not subject to any external minimum capital requirements. The table below presents the above key performance indicators in the reporting period:

	30 Sep 2021	30 Sep 2020
	€k	€k
Equity (incl. non-controlling interests)	1,677,383	1,450,558
Borrowed capital*	718,585	564,292
Total assets*	**2,395,968**	**2,014,850**
Cash and cash equivalents*	7,439	6,202
Treasury receivables	949,317	703,560
Equity ratio in percent	70.0%	72.0%
Net debt*	**-238,171**	**-145,470**

The Group's dynamic debt ratio, i.e., the ratio of net debt to operative cash flow, amounted to -0.7 years in the course of fiscal year 2020/21 (prior year: -0.8 years). As in the prior year, therefore, existing debts could be settled immediately using cash flows from operating activities. The interest coverage ratio, which is the coverage of interest income by earnings before interest, tax, depreciation and amortization (EBITDA), amounted to 55.8 in fiscal year 2020/21 (prior year: 9.0).

The Company's overall strategy with regard to capital management remained the same as the prior year.

39 Events after the end of the reporting period

Dividend payments

The Management Board and Supervisory Board propose to distribute a dividend of €80,497k (€0,90 per share). Based on fiscal year 2019/20, a dividend of €44,720k (€0.50 per share) was proposed in the fiscal year under review and distributed to the shareholders.

* The figures as of 30 September 2020 have been adjusted due to the finalization of the purchase price allocation of the acquisition of Photono Oy. Further information on this can be found in note 3 "Purchase and sale of business operations".

40 Other mandatory disclosures pursuant to Section 315e HGB

Disclosures on executive bodies of the parent company

Management Board

The following were appointed as members of the Management Board of Carl Zeiss Meditec AG in fiscal year 2020/21 and entered in the commercial register:

<table>
<tr><th>Member of Management Board</th><th>Membership of statutory supervisory boards and similar supervisory bodies at companies of the Carl Zeiss Group</th><th>Membership of statutory supervisory boards and similar supervisory bodies at other companies</th></tr>
<tr><td>Dr. Ludwin Monz
President and CEO of Carl Zeiss Meditec AG

Area of responsibility:
Ophthalmic Systems SBU, Microsurgery SBU, Strategic business development, Group functions Communication, MarCom, Digital Innovation, Quality, Regulatory

First appointed 2007

In addition:
Member of the Executive Board of Carl Zeiss AG, Oberkochen, Germany</td><td>» Member of the Board of Directors of Carl Zeiss Meditec, Inc., Dublin, USA
» Member of the Board of Directors of Carl Zeiss Meditec USA, Inc., Dublin, USA (until 22 July 2020)
» Member of the Board of Directors of Carl Zeiss Meditec Cataract Technoloy, Inc. Reno, USA
» Member of the Board of Directors of Carl Zeiss Meditec Co. Ltd., Tokyo, Japan
» Member of the Board of Directors of Carl Zeiss Co., Ltd., Tokyo, Japan
» Chairman of the Board of Directors of Carl Zeiss Meditec Iberia S.A., Tres Cantos, Spain
» Chairman of the Board of Directors of Carl Zeiss Iberia S.L., Tres Cantos, Spain</td><td>» Member of the university council of Friedrich Schiller University, Jena, Germany
» Member of the board of trustees of the Leibniz Institute of Photonic Technology, Jena, Germany
» Member of the board of trustees of the Fraunhofer-Institut für System- und Innovationsforschung, Karlsruhe, Germany (since 1 January 2021)</td></tr>
<tr><td>Jan Willem de Cler

Area of responsibility:
Group function Human Resources, Diversity & Inclusion, Global Operations, Global Service and Customer Care, Cultural Development, Training

First appointed 2018</td><td>» President of the Board of Directors of FCI Ophthalmic Inc., Pembroke, USA
» Member of the Board of Directors of FCI Sud, Goodlands, Mauritius
» President of the Board of Directors of FCI SAS, Paris, France
» Member of the Board of Directors of Hyaltech Ltd., Livingston, UK</td><td>none</td></tr>
<tr><td>Justus Felix Wehmer

Area of responsibility:
Group functions Finance and Controlling, Investor Relations, IT, Legal Affairs, Taxes

First appointed 2018</td><td>» Member of the Board of Directors of Carl Zeiss Meditec, Inc., Dublin, USA
» Member of the Board of Directors of Carl Zeiss Meditec Iberia S.A., Tres Cantos, Spain
» Member of the Board of Directors of Carl Zeiss Meditec Co. Ltd., Tokyo, Japan
» Chairman of the Board of Directors of Carl Zeiss Meditec (Guangzhou) Ltd., Guangzhou, China</td><td>» Member of the Executive Board of Spectaris e.V.</td></tr>
</table>

The total remuneration paid to the active members of the Management Board pursuant to Section 314 (1) No. 6a HGB amounted to €2,244k in fiscal year 2020/21 (prior year: €2,792k). Details of this remuneration are contained in the remuneration report in the management report. Projected unit credits for pensions for former members of the Company’s Management Board amounted to €424k (prior year: €353k). The service cost of active Management Board members was €450k (prior year: €453k). Furthermore, projected unit credits for pensions for former members of the Management Board of Carl Zeiss Meditec amount to €1,305k (prior year: €1,397k).

Supervisory Board

The Supervisory Board of Carl Zeiss Meditec AG had the following members in fiscal year 2020/21:

Member of Supervisory Board	Membership of statutory supervisory boards and similar supervisory bodies at companies within the Carl Zeiss Group	Membership of statutory supervisory boards and similar supervisory bodies at other companies
Prof. Dr. Michael Kaschke Chairman (until 27 May 2021) Chairman of the Supervisory Board since 2002 Suspended mandate pursuant to Section 105 AktG between 22 July 2008 and 21 July 2009 Re-elected Chairman of the Supervisory Board since 2010	none	» Member of the Supervisory Board, Chairman of Audit Committee, of Henkel AG & Co. KGaA, Düsseldorf, Germany » Member of the Supervisory Board, Audit Committee of Deutsche Telekom AG, Bonn, Germany » Member of the Supervisory Board of Robert Bosch GmbH, Stuttgart, Germany » Chairman of the Supervisory Board of Karlsruher Institut für Technologie, Karlsruhe, Germany » Member of the Supervisory Board (since 1 June 2021), Deputy Chairman (since 29 Sep 2021) of Ottobock SE & Co. KGaA, Duderstadt, Germany
Dr. Karl Lamprecht Chairman (since 27 May 2021) Member of the Supervisory Board since 2020 Chairman of the Executive Board of Carl Zeiss AG, Oberkochen, Germany	» Member of the Board of Directors of Carl Zeiss (Shanghai) Co. Ltd., Shanghai, China » Chairman of the Supervisory Board of Carl Zeiss SMT GmbH, Oberkochen, Germany » Chairman of the Board of Directors of Carl Zeiss Far East Co., Ltd., Kwai Fong, NT./ Hong Kong, China » Chairman of the Board of Directors of Carl Zeiss India (Bangalore) Pte. Ltd., Bangalore, India » Chairman of the Board of Directors of Carl Zeiss Pte. Ltd., Singapore, Singapore » Chairman of the Supervisory Board of Carl Zeiss Industrielle Messtechnik GmbH, Oberkochen, Germany (until 4 November 2020) » Chairman of the Supervisory Board of Carl Zeiss Jena GmbH, Jena, Germany (until 31 March 2020) » Chairman of the Board of Directors of tooz technologies, Inc., White Plains, USA	» Member of the Supervisory Board of Körber AG, Hamburg, Germany
Dr. Christian Müller Member of the Supervisory Board since 2019 Member of the Executive Board (CFO) of Carl Zeiss AG, Oberkochen, Germany	» Chairman of Carl Zeiss Pensions-Treuhand e.V., Oberkochen, Germany » Chairman of the Board of Directors of Carl Zeiss Inc., White Plains, USA » Member of the Management Board of Carl Zeiss Pensions Trust Properties, White Plains, USA	none

Member of the Supervisory Board	Membership of statutory supervisory boards and similar supervisory bodies at companies within the Carl Zeiss Group	Membership of statutory supervisory boards and similar supervisory bodies at other companies
Torsten Reitze Member of the Supervisory Board since 27 May 2021 Member of the Management Board (CFO) of Carl Zeiss SMT GmbH, Oberkochen, Germany	» Member of the Board of Directors of Carl Zeiss SMS Ltd., D.N. Misgav, Israel » Chairman of the Board of Directors of Carl Zeiss SMT, Inc., Peabody, USA » Member of the Board of Directors of Carl Zeiss SBE, LLC, White Plains, USA	none
Dr. Markus Guthoff Member of the Supervisory Board until 27 May 2021 Member of the Management Board of NATIONAL-BANK AG, Essen, Germany	none	» Member of the Supervisory Board of Innovation City Management GmbH, Bottrop, Germany
Tania von der Goltz Deputy Chairwoman Member of the Supervisory Board since 2018 Senior Vice President Global Financial Strategy, Fresenius Medical Care AG & Co. KGaA, Bad Homburg, Germany	none	none
Isabel De Paoli Member of the Supervisory Board since 2020 Partner Private Equity - Healthcare Sector, EQT Partners GmbH, Munich, Germany (since 1 September 2021)	none	» Member of the Supervisory Board of Futury Regio Growth GmbH & Co KG, Frankfurt am Main, Germany (since 27 November 2020)
Peter Kameritsch Member of the Supervisory Board since 27 May 2021 Member of the Management Board (CFO) of MTU Aero Engines AG, Munich, Germany	none	none
Cornelia Grandy* Member of the Supervisory Board since 2011 Chairwoman of the Works Council of Carl Zeiss Meditec AG, Oberkochen, Germany, and member of the General Works Council of Carl Zeiss Meditec AG, Jena, Germany (until 30 April 2021) Deputy Chairwoman of the Works Council of Carl Zeiss Meditec AG, Oberkochen, Germany (since 1 May 2021)	none	none
Renè Denner* Member of the Supervisory Board since 2019 Chairman of the Works Council of Carl Zeiss Meditec AG, Jena, Germany, and Chairman of the General Works Council of Carl Zeiss Meditec AG, Jena, Germany	none	none
Jeffrey Marx* Member of the Supervisory Board since 2020 Process Engineer, Deputy Chairman of the Works Council of Carl Zeiss Meditec AG, Berlin, Germany	none	none

*elected employee representatives

Committees of the Supervisory Board

	Members
General and Personnel Committee	Dr. Karl Lamprecht, Chairman (since 27 May 2021) Prof. Dr. Michael Kaschke, Chairman (until 27 May 2021) Tania von der Goltz Dr. Christian Müller (since 27 May 2021)
Audit Committee	Peter Kameritsch, Chairman (since 27 May 2021) Dr. Markus Guthoff, Chairman (until 27 May 2021) Cornelia Grandy Torsten Reitze (since 27 May 2021) Dr. Christian Müller (until 27 May 2021)
Nominating Committee	Dr. Christian Müller, Chairman Isabel De Paoli Dr. Karl Lamprecht (since 27 May 2021) Prof. Dr. Michael Kaschke (until 27 May 2021)

The remuneration of the active members of the Supervisory Board amounted to €419k for fiscal year 2020/21 (prior year: €371k).

Details of the remuneration of the active members of the Supervisory Board are contained in the remuneration report within the management report. The remuneration of Supervisory Board members is governed by Art. 19 of the Articles of Association of Carl Zeiss Meditec AG.

Advances/loans and contingent liabilities in favor of members of executive bodies

No advances or loans were granted to members of the executive bodies. The Company did not enter into any contingent liabilities in favor of members of the Management Board or Supervisory Board.

Auditors' fees

The total fee charged by the Group auditor comprises the following:

	2020/21	2019/20
	€k	€k
Auditing of financial statements	437	383
Other auditing services, other countries	308	312
Total	**745**	**695**

Information on shareholdings (consolidated companies)

Name and registered office of the company	in local currency:	Share of voting capital (in %)	Equity 30 Sep 2021		thereof profit/loss for fiscal year 2020/21	
			in local currency (k)	in €k translated at market rate at end of reporting period	in local currency (k)	in €k translated at average annual exchange rate
Carl Zeiss Meditec Inc., Dublin, USA	USD	100	554,500	478,885	34,455	28,815
Carl Zeiss Meditec Production LLC, Ontario, USA	USD	100	20,308	17,539	1,758	1,471
Carl Zeiss Meditec Asset Management Verwaltungsgesellschaft mbH, Jena, Germany*	EUR	100	68,394	68,394	0	0
Carl Zeiss Meditec Iberia S.A., Tres Cantos, Spain	EUR	100	5,737	5,737	795	795
Carl Zeiss Meditec Co. Ltd. Tokyo, Japan	JPY	51	4,624,602	35,664	379,002	2,950
Carl Zeiss Meditec Medikal Çözümler Ticaret ve Sanayi A.S, Ankara, Turkey	TRY	100	43,038	4,179	1,211	126
Carl Zeiss Meditec Vertriebsgesellschaft mbH, Oberkochen, Germany*	EUR	100	23,428	23,428	0	0
Atlantic S.A.S., Périgny/ La Rochelle, France	EUR	100	57,699	57,699	1,399	1,399
HYALTECH Ltd., Livingston, United Kingdom	GBP	100	6,502	7,556	-4,532	-5,186
France Chirurgie Instrumentation S.A.S., Paris, France	EUR	100	6,305	6,305	1,913	1,913
Carl Zeiss Meditec France S.A.S., Marly-le-Roi, France	EUR	100	12,197	12,197	1,227	1,227
Carl Zeiss Meditec S.A.S., Périgny/La Rochelle, France	EUR	100	7,855	7,855	678	678
France Chirurgie Instrumentation SUD Ltd., Quatre Bornes, Mauritius	EUR	100	2,897	2,897	253	253
France Chirurgie Instrumentation Ophthalmics Inc., Pembroke, USA	USD	100	5,578	4,818	1,719	1,438
Ophthalmic Laser Engines LLC, Lafayette, USA	USD	52	-1,034	-893	-13	-11
Carl Zeiss Meditec Digital Innovation LLC, Temple, USA	USD	100	915	790	0	0
Carl Zeiss Meditec Cataract Technology, Inc., Reno, USA	USD	100	-6,300	-5,441	-7,948	-6,647
Carl Zeiss Meditec (Guangzhou) Ltd., Guangzhou, China	CNY	100	55,596	7,428	-13,177	-1,694
Carl Zeiss Meditec Portugal Unipessoal Lda., Lisbon, Portugal	EUR	100	2,626	2,626	186	186
Carl Zeiss Meditec USA Inc., Dublin, USA	USD	100	22,606	19,523	6,562	5,488
Photono Oy, Helsinki, Finland	EUR	49	66	66	-902	-902

* In accordance with Sec. 264 (3) HGB, these entities are exempted from the duty to publish their financial statements.

Information on shareholdings (unconsolidated companies)

Name and registered office of the company	Currency	Share of voting capital (in %)
Emmetropia Inc., Princeton, USA	USDk	100
InfiniteVision Optics S.A.S., Strasbourg, France	EURk	100
Carl Zeiss EyeTec GmbH i.L., Oberkochen, Germany**	EURk	100

** The company Carl Zeiss EyeTec GmbH, Oberkochen, Germany has been in liquidation since 30 September 2021.

The figures shown in the table above represent the values determined in accordance with country-specific accounting regulations.

German Corporate Governance Code / Declaration pursuant to Section 161 AktG
The declaration prescribed under Section 161 German Stock Corporation Act (AktG) has been issued by the Management and Supervisory Boards and made permanently available to the shareholders on the Company’s website at: http://www.zeiss.com/meditec-ag/ir.

41 Clearance for publication

The Management Board of Carl Zeiss Meditec AG cleared these IFRS consolidated financial statements for submission to the Supervisory Board on 26 November 2021. The Supervisory Board's task is to review the consolidated financial statements and declare whether it approves the consolidated financial statements.

Jena, 26 November 2021
Carl Zeiss Meditec AG

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

Responsibility statement
pursuant to Section 297 (2) Sentence 4 HGB and Section 315 (1) Sentence 5 HGB

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements of the Carl Zeiss Meditec AG provide a true and fair view of the net assets, financial position and results of operations of the Group, and the consolidated management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Carl Zeiss Meditec Group.

Jena, 26 November 2021
Carl Zeiss Meditec AG

Dr. Ludwin Monz
President and CEO

Justus Felix Wehmer
Member of the
Management Board

Jan Willem de Cler
Member of the
Management Board

Auditor’s report

Independent auditor’s report

To Carl Zeiss Meditec AG

Report on the audit of the consolidated financial statements and of the management report of the Company and the Group

Opinions
We have audited the consolidated financial statements of Carl Zeiss Meditec AG, Jena, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 30 September 2021, and the consolidated income statement, consolidated statement of comprehensive income for the fiscal year from 1 October 2020 to 30 September 2021, consolidated statement of cash flows and consolidated statement of changes in equity for the fiscal year from 1 October 2020 to 30 September 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the management report of the Company and the Group of Carl Zeiss Meditec AG for the fiscal year from 1 October 2020 to 30 September 2021. In accordance with the German legal requirements, we have not audited the content of the group declaration on corporate governance pursuant to Sec. 315d HGB [“Handelsgesetzbuch”: German Commercial Code] published on the website stated in the management report of the Company and the Group that is a part of the management report of the Company and the Group.

In our opinion, on the basis of the knowledge obtained in the audit,

» the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 30 September 2021 and of its financial performance for the fiscal year from 1 October 2020 to 30 September 2021, and

» the accompanying management report of the Company and the Group as a whole provides an appropriate view of the Group’s position. In all material respects, this management report of the Company and the Group is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the management report of the Company and the Group does not cover the content of the aforementioned group statement on corporate governance.

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the management report of the Company and the Group.

Basis for the opinions
We conducted our audit of the consolidated financial statements and of the management report of the Company and the Group in accordance with Sec. 317 HGB and the EU Audit Regulation (No 537/2014, referred to subsequently as “EU Audit Regulation”) and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the “Auditor’s responsibilities for the audit of the consolidated financial statements and of the management report of the Company and the Group” section of our auditor’s report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided

non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the management report of the Company and the Group.

Key audit matters in the audit of the consolidated financial statements
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the fiscal year from 1 October 2020 to 30 September 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matter:

Write-downs on inventories
Reasons why the matter was determined to be a key audit matter

The amount of write-downs on inventories, which include both medical devices and medical consumables, is, depending on the type of product, dependent on specific valuation risks concerning the minimum shelf lives of medical devices and marketability parameters.

In addition, spare parts have to be kept in stock for the medical devices for extended periods, even after the end of series production. As part of inventory valuation, the executive directors must make assumptions regarding the future usability of the spare parts. These mainly concern estimates of the required stock levels as well as the technical useful life of spare parts.

Furthermore, certain medical devices are provided to the customer for test use (loan equipment). For the loan equipment, assumptions are made in particular by the sales unit regarding short-term saleability and the realizable proceeds from the sale of the equipment.

Given the underlying complexity of the write-down routines, write-downs on inventories were one of the key audit matters.

Auditor’s response
During our audit, we obtained an understanding of the parameters and assumptions underlying each of the write-down routines with respect to future usability/technical usability as well as the required stock levels and short-term saleability/amount of realizable sales proceeds by comparing them with past fiscal years. In this context, we compared the forecast accuracy of the underlying assumptions in prior years on a sample basis by checking them against the actual write-downs realized upon disposal of the corresponding inventories. The result of our comparison was used as a basis for our assessment of write-downs in the current fiscal year.

In addition, we examined the implementation of the write-down routines in the SAP system with the assistance of corresponding IT specialists.

Our audit did not lead to any significant reservations concerning write-downs on inventories.

Reference to related disclosures
For information on the recognition and measurement policies applied for inventories, refer to the disclosures in note 2 (k) of the notes to the consolidated financial statements and, for disclosures on inventories, to note 16 of the notes to the consolidated financial statements.

Other information
The Supervisory Board is responsible for the Report of the Supervisory Board. The executive directors and the Supervisory Board are responsible for the declaration pursuant to Sec. 161 AktG ["Aktiengesetz": German Stock Corporation Act] on the German Corporate Governance Code, which is part of the group declaration on corporate governance. In all other respects, the executive directors are responsible for the other information. The other information comprises the abovementioned group declaration on corporate governance. The other information also comprises other components of the annual report, of which we obtained a copy prior to issuing our auditor's report, in particular: Financial highlights, Management Board, Letter to the shareholders, Expert dialog, Highlights in the fiscal year, Future factor diversity, Report of the Supervisory Board, The Carl Zeiss Meditec AG share and the responsibility statement, but not the consolidated financial statements, not the disclosures in the management report of the Company and the Group whose content is audited and not our auditor's report thereon.

Our opinions on the consolidated financial statements and on the management report of the Company and the Group do not cover the other information and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

» is materially inconsistent with the consolidated financial statements, with the management report of the Company and the Group or our knowledge obtained in the audit, or

» otherwise appears to be materially misstated.

Responsibilities of the executive directors and the Supervisory Board for the consolidated financial statements and the management report of the Company and the Group
The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the management report of the Company and the Group that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report of the Company and the Group that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report of the Company and the Group.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the management report of the Company and the Group.

Auditor's responsibilities for the audit of the consolidated financial statements and of the management report of the Company and the Group

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report of the Company and the Group as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the management report of the Company and the Group.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this management report of the Company and the Group.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

» Identify and assess the risks of material misstatement of the consolidated financial statements and of the management report of the Company and the Group, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

» Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the management report of the Company and the Group in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

» Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

» Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the management report of the Company and the Group or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

» Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB.

» Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the management report of the Company and the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

» Evaluate the consistency of the management report of the Company and the Group with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.

» Perform audit procedures on the prospective information presented by the executive directors in the management report of the Company and the Group. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements
Report on the assurance on the electronic rendering of the consolidated financial statements and the management report of the Company and the Group prepared for publication purposes in accordance with Sec. 317 (3a) HGB

Opinion
We have performed assurance work in accordance with Sec. 317 (3a) HGB to obtain reasonable assurance about whether the rendering of the consolidated financial statements and the management report of the Company and the Group (hereinafter the "ESE documents") contained in "zeiss.zip" (SHA-256-checksum: 1caa03d3d79bd37e4bc50ada78bafc28f1c75b1f85bef4ffce78020f88197718) and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the management report of the Company and the Group into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the file identified above.

In our opinion, the rendering of the consolidated financial statements and the management report of the Company and the Group contained in the file identified above and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinions on the accompanying consolidated financial statements and the accompanying management report of the Company and the Group for the fiscal year from 1 October 2020 to 30 September 2021 contained in the "Report on the audit of the consolidated financial statements and of the management report of the Company and the Group" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the file identified above.

Basis for the opinion
We conducted our assurance work on the rendering of the consolidated financial statements and the management report of the Company and the Group contained in the file identified above in accordance with Sec. 317 (3a) HGB and the IDW Assurance Standard: Assurance on the Electronic Rendering of Financial Statements and Management Reports Prepared for Publication Purposes in Accordance with Sec. 317 (3a) HGB (IDW AsS 410) (10.2021). Our responsibility in accordance therewith is further described in the "Group auditor's responsibilities for the assurance work on the ESEF documents" section. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the executive directors and the Supervisory Board for the ESEF documents
The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic rendering of the consolidated financial statements and the management report of the Company and the Group in accordance with Sec. 328 (1) Sentence 4 No. 1 HGB and for the tagging of the consolidated financial statements in accordance with Sec. 328 (1) Sentence 4 No. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have determined necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of Sec. 328 (1) HGB for the electronic reporting format.

The Supervisory Board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

Group auditor's responsibilities for the assurance work on the ESEF documents
Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Sec. 328 (1) HGB. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also:

» Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Sec. 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.

» Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.

» Evaluate the technical validity of the ESEF documents, i.e., whether the file containing the ESEF documents meets the requirements of Commission Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, on the technical specification for this file.

» Evaluate whether the ESEF documents enable an XHTML rendering with content equivalent to the audited consolidated financial statements and to the audited management report of the Company and the Group.

» Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Arts. 4 and 6 of Commission Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further information pursuant to Art. 10 of the EU Audit Regulation
We were elected as group auditor by the Annual General Meeting on 27 May 2021. Due to the mobility restrictions in place at the time as a result of the governmental and administrative action taken to fight the spread of the coronavirus pandemic, the Annual General Meeting at which we were to be elected as auditor was postponed to a later date in calendar year 2021. Subject to the election of the auditor by the Annual General Meeting at a later point in time, we were therefore engaged by the Supervisory Board to audit the consolidated financial statements on 19 April 2021. We have been the group auditor of Carl Zeiss Meditec AG without interruption since fiscal year 2012/2013.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Art. 11 of the EU Audit Regulation (long-form audit report).

In addition to the financial statement audit, we have provided to group entities the following services that are not disclosed in the consolidated financial statements or in the management report of the Company and the Group:

» Review of the IFRS reporting packages of Carl Zeiss Meditec AG and Carl Zeiss Meditec Inc. as of 31 March 2021.

Other matter – Use of the auditor's report
Our auditor's report must always be read together with the audited consolidated financial statements and the audited management report of the Company and the Group as well as the assured ESEF documents. The consolidated financial statements and the management report of the Company and the Group converted to the ESEF format – including the versions to be published in the Bundesanzeiger [German Federal Gazette] – are merely electronic renderings of the audited consolidated financial statements and the audited management report of the Company and the Group and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

German Public Auditor responsible for the engagement
The German Public Auditor responsible for the engagement is Dominique-Andre Bendler.

Eschborn/Frankfurt am Main, 26 November 2021

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Bendler	Schoenfeldt
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Financial calendar

Financial calendar 2021/22

Publication of 3-Month Quarterly Statement and Conference Call
11 February 2022

Annual General Meeting Jena, virtual
30 March 2022

Publication of 6-Month Report and Conference Call
13 May 2022

Publication of 9-Month Quarterly Statement and Conference Call
5 August 2022

Publication of Annual Report and Analyst Conference
9 Deceumber 2022

Imprint/Disclaimer

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Editor: Henriette Meyer,
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Design: Carl Zeiss AG

Photography: page 4-6 and 8-11 Anna Schroll, page 16 Christian Thomas, page 16 and 17 private

Printing: W. Kohlhammer Druckerei GmbH + Co. KG, Stuttgart

This report was published on
10 December 2021.

The Annual Report 2020/21 of Carl Zeiss Meditec AG was published in German and English.

Both versions and the key figures contained in this report can be downloaded from the following address:
www.zeiss.com/ir/reports_and_publications

Disclaimer

This report contains certain forward-looking statements concerning the development of the Carl Zeiss Meditec Group. At the present time, the Carl Zeiss Meditec Group assumes that these forward-looking statements are realistic. However, such forward-looking statements are based both on assumptions and estimates that are subject to risks and uncertainties, which may lead to the actual results differing significantly from the expected results. The Carl Zeiss Meditec Group can therefore assume no liability for such a deviation. There are no plans to update the forward-looking statements for events that occur after the reporting date.

Not all products are approved in all markets, and approval markings and instructions may vary from country to country. Please refer to the respective country website for further product-specific information. Subject to change in design and scope of delivery Products and further technical development.

Apparent addition discrepancies may arise throughout this annual report due to mathematical rounding.

This is a translation of the original German language annual financial report of the Carl Zeiss Meditec Group.
Carl Zeiss Meditec shall not assume any liability for the correctness of this translation. If the texts differ, the German report shall take precedence.

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