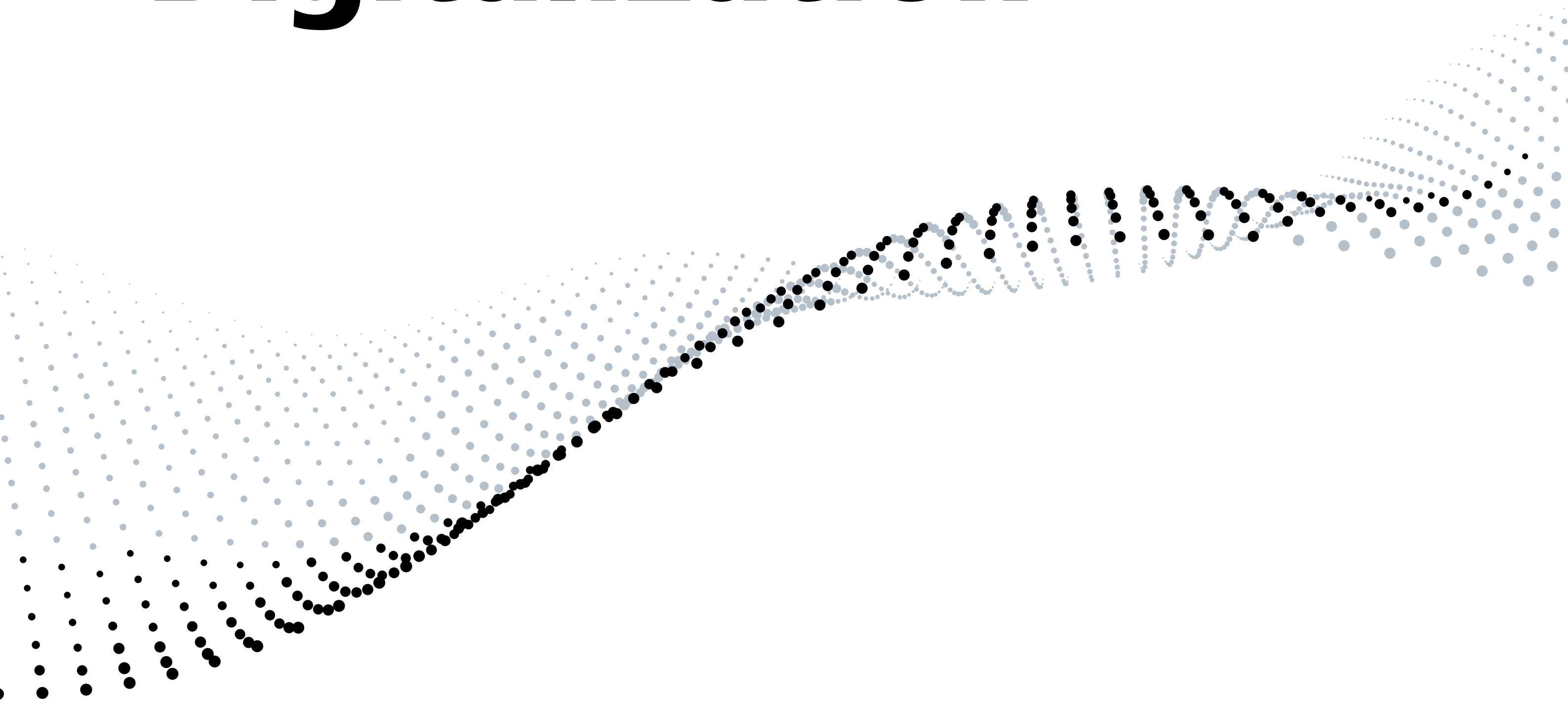
Seeing beyond

Enabling Digitalization



Annual report 2022/23
Carl Zeiss Meditec Group

Contents

Financial highlights
(IFRS)

	2022/23		2021/22		2020/21	
	€m	%	€m	%	€m	%
Revenue	**2,089.3**	**100.0**	1,902.8	100.0	1,646.8	100.0
Research and development expenses	**349.3**	**16.7**	291.4	15.3	232.1	14.1
EBIT	**348.1**	**16.7**	396.9	20.9	373.6	22.7
Consolidated profit[1]	**292.0**	**14.0**	295.9	15.6	237.5	14.4
Earnings per share[2] (in €)	**3.25**		3.29		2.64	
Dividend per share (in €)	**1.10[3]**		1.10		0.90	
Cash flows from operating activities	**250.9**		188.2		362.7	
Cash flows from investing activities	**-111,0**		-92.9		-75.2	
Cash flows from financing activities	**-135.1**		-94.2		-285.9	

	30 Sep 2023		30 Sep 2022		30 Sep 2021	
	€m	%	€m	%	€m	%
Total assets	**3,032.9**	**100.0**	2,822.8	100.0	2,396.0	100.0
Property, plant and equipment	**315.8**	**10.4**	236.1	8.4	199.6	8.3
Equity	**2,172.9**	**71.6**	2,030.1	71.9	1,677.4	70.0
Net cash[4]	**863.9**	**28.5**	855.6	30.3	939.9	35.0
Return on equity	**13.4%**		14.5%		14.1%	
Employees (number)	**4,823**		4,224		3,531	

[1] Before non-controlling interests
[2] Earnings/(loss) per share attributable to the shareholders of the parent company in the fiscal year
[3] Amount proposed by the Supervisory Board and the Management Board of Carl Zeiss Meditec AG
[4] 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

Fiscal year 2022/23

Management Board and extended Management Team

Magnus Reibenspiess
Extended Management Team
President of Microsurgery
Strategic Business Unit

Stefanie Spanagel
Extended Management Team
Chief Operating Officer

Justus Felix Wehmer
Management Board Member of
Carl Zeiss Meditec AG
CFO

Please visit the Carl Zeiss
Meditec AG website
for current information:
zeiss.com/med/management

Dr. Markus Weber
Management Board Member of
Carl Zeiss Meditec AG
CEO

Eva-Maria Heine
Extended Management Team
Chief Human Resources Officer

Dr. Euan Thomson
Extended Management Team
President of Ophthalmology
Strategic Business Unit and
Head of Digital Business Unit

Letter to the shareholders

Dear Shareholders,

For more than 110 years, ZEISS innovations have enabled doctors around the world to improve their patients' quality of life. In microsurgery, our solutions can be used to perform targeted interventions on diseased tissue to ensure the optimum functioning of small and sensitive organs. In ophthalmology, our technologies help to maintain and improve vision at all ages. Our products and solutions make a difference in the lives of patients – a fact which motivates us each and every day to develop further cutting-edge medical products and state-of-the-art digital solutions.

Dr. Markus Weber

ZEISS is an innovation-driven company which sets new standards in medical technology and whose pioneering technologies have a lasting impact on the fields of ophthalmology and microsurgery. The market launch of the ZEISS OPMI®1 in 1953, for example, marked the beginning of a new class of medical technology devices. As the first surgical microscope, it paved the way for many of the microsurgical procedures commonly used today. Over the last 70 years, we have developed our surgical microscopes into highly innovative robotic visualization systems.

Introduced in 2004, the ZEISS OPMI Pentero is now one of the most frequently used surgical microscopes in the world, having assisted in more than 20 million surgical procedures. Fiscal year 2022/23 opened the next chapter in the success story of this iconic platform with the launch of the new PENTERO® 800 S. Designed for the digital age and developed to meet the demanding requirements of a wide range of microsurgical disciplines, it is a prime example of the ongoing development of our top products. We are equipping these with even more functions and thus expanding them into extended digital workstations.

We are supporting the digital transformation of the healthcare sector with networked and integrated solutions, and thus responding to our customers' growing demands. We are creating networked clinical care by digitally linking our extended and specialized workstations. The resulting environment helps medical professionals to optimize the clinical care they provide – from diagnosis, therapy planning, individual treatment and aftercare through to administration and patient communication. Our workflow solutions are based on digital solutions and networked devices, which together form the ZEISS Medical Ecosystem (more on this on pages 12 to 13).

In fiscal year 2022/23, we expanded our portfolio of ophthalmology workflow solutions to include various new products. The Carl Zeiss Meditec Group presented its next-generation corneal topography system in the form of the ATLAS® 500. We also updated our portfolio of therapeutic laser systems and now offer the ZEISS VISULAS combi, for example. This is a versatile laser for photocoagulation of the retina, glaucoma laser therapy and secondary cataract treatment.

We also extended our range of hydrophobic intraocular lenses (IOLs). In fiscal year 2022/23, the Carl Zeiss Meditec Group introduced the AT ELANA® 841P, an IOL that represents the best of ZEISS trifocal technology. In addition, our Company received approval for CT LUCIA® 621P from the US Food and Drug Administration (FDA). This milestone was of crucial importance for our future success in the US market, where 3.7 million routine cataract operations are performed every year.

Strategic investment is crucial for realizing our growth ambitions and achieving business success. We invested more than 16.7% of our revenue in our own research and development in the 2022/23 financial year. In order to grow profitably in the long term, we also invested in inorganic growth – for example in innovative imaging procedures for ear, nose and throat diagnostics. Our intuition for future technologies helps us to recognize the potential of market-shaping innovations and to enter into partnerships and collaborations at an early stage. We deploy the resources at our disposal in a strategically focused manner.

The Carl Zeiss Meditec Group has once again achieved a sound result with its forward-looking and innovative product portfolio, its high proportion of consumables and its range of specialized services.

We look back on a further fiscal year of high growth in 2022/23, which closed with additional gains in market share despite the challenging start. The COVID lockdowns in China – one of our most important markets – had a negative impact on our business at the beginning of the financial year. Added to this were the ongoing difficulties in our supply chains. Our objectives were to create long-term, stable supply chains and to expand our global production network. By expanding automated and robotically supported production processes and investing in new production areas, including in Europe, we are strengthening our operational excellence and creating additional capacity which will allow us to react more quickly to dynamic changes in the future.

Our growth is supported by our optimized, customer-focused organizational structure. Aiming to continue realizing our growth ambitions in the future, we worked intensively on modernizing our organizational structure and harmonizing our processes in the 2022/23 financial year. We have aligned our organizational systems with specific customer segments and created structures that support our global teams in making quick decisions and seizing opportunities in our markets over the long term. This is reinforced by our clearly defined roles and responsibilities as well as a corporate culture that promotes diversity within our teams and supports an open feedback culture.

The substantial growth to roughly €2.1 billion is attributable to our global teams, who have once again gone the extra mile and achieved so much through their tireless commitment and unity of purpose. I would like to take this opportunity to thank all employees on behalf of the entire management team. Our company derives a great deal of its strength from this sense of togetherness within our global team.

On behalf of my fellow Board member, CFO Justus Felix Wehmer, and myself, I would like to thank the members of our extended management team.

The global market prospects are currently uncertain. However, we are confident that we have established resilient organizational structures and teams for fiscal year 2023/24. We will continue to make highly targeted investments in order to implement our future strategy and seize market opportunities as they arise, while keeping our earnings situation stable. Justus Felix Wehmer and I discuss with the extended management team the projects and initiatives on which our growth ambitions are based (p. 10 and 11).

We as a Company look beyond the obvious to create solutions which are outside the ordinary/predictable/feasible. For this, we need the trust of our customers, partners and investors. They all encourage us to seize opportunities and to strike out boldly in new directions. With their support, we as the Carl Zeiss Meditec Group can continue to grow and shape the medical technology market on a lasting basis in the future. Thank you for your support, thank you for your trust.

Seeing beyond.

Dr. Markus Weber

Yours, Dr. Markus Weber
President and CEO Carl Zeiss Meditec AG

Customer-focused organizational structure supporting our growth

The success of the Carl Zeiss Meditec Group is rooted in its long-term growth strategy. CEO Dr. Markus Weber, CFO Justus Felix Wehmer and the extended management team talk about how the Carl Zeiss Meditec Group is meeting its growth targets.

Markus Weber: The positive development in business in recent years has led to organizational growth, too. In order to continue meeting our growth targets, we are currently harmonizing our structures, reinforcing our straightforward and streamlined decision-making processes and developing our culture. Clear roles and responsibilities are just as important to us as an open error and feedback culture. It is crucial for us to put our customers first to satisfy their current requirements and needs and to anticipate the future dynamics in healthcare.

Magnus Reibenspiess: *In an effort to increase our contribution to clinical outcome in the future we focus our efforts on addressing the needs of specific customer groups by extending our offering to more integrated and complete solutions for the treatment of diseases along clinical workflows. In addition, our customer-focused organizational structures enable us to identify and establish new, effective and flexible customer group specific business models.*

In the field of microsurgery, our goal is to strengthen our offering within clinical workflows and extend in and beyond the operating rooms through digital solutions and market-defining innovations. This will enable us to inspire new customer groups and grow our existing market share in the addressed Medical disciplines Neuro & Spine Surgery, Ear, Nose & Throat Surgery, Plastic & Reconstructive Surgery as well as Dentistry. A decisive factor is that the ZEISS brand today stands for more than just top quality medical product, but also our unconditional focus and dedication to contribute to the improvement of healthcare.

Euan Thomson: *I can only agree because in recent years we have transformed ourselves into an innovative and customer-oriented solution provider for ophthalmology and microsurgery. Ensuring effective data management and efficient workflows can be challenging in a clinical environment. Our ZEISS workflows allow us to satisfy the needs of ophthalmologists' practices and clinics today. ZEISS workflows are based on the ZEISS Medical Ecosystem – consisting in a fully integrated environment of devices, software applications and data platform. It offers customers a level of added value that goes beyond the devices themselves. Digitalization is opening up new possibilities in terms of data analysis, while meeting the growing demand for personalized and flexible care. It is our goal to devise digital products and solutions for the healthcare sector which will help it to provide patients with even better treatment outcomes.*

Justus Felix Wehmer: This is why digitalization remains one of our most important areas of investment along with targeted growth initiatives in R&D and Sales & Marketing. At the same time, we need to balance our level of investment with the slow-down in the economy and in consumer climate that is happening across the world. The increasingly fragile macro environment calls for measures to improve our resilience and maintain a healthy earnings power. Focus is needed so that our key growth investments can be sustained.

Stefanie Spanagel: *Together with the Strategic Business Units we in Operations translate the innovative ideas into real products and services for our customers. To ensure this, we are working on our production and supplier network, continuous improvement of our processes and developing and establishing new production methods.*

The extended management team of the Carl Zeiss Meditec Group (left to right): **Dr. Euan Thomson**, President of Ophthalmology Strategic Business Unit and Head of Digital Business Unit; **Stefanie Spanagel**, Chief Operating Officer; **Dr. Markus Weber** (CEO) and **Justus Felix Wehmer** (CFO), **Eva-Maria Heine**, Chief Human Resources Officer; **Magnus Reibenspiess**, President of Microsurgery Strategic Business Unit.

An important goal is to keep our brand promises – to provide the best service, deliver the highest quality products, and ensure their availability worldwide. It has been gratifying to see how effective cooperation and the commitment and energy of our teams have enabled us to recover our normal delivery times in 2023. Our people are at the heart of everything we do. Even the best processes and structures cannot function properly without our employees.

Eva-Maria Heine: *The heart of our success is our team. We build on programs that actively promote lifelong and continuous learning and foster proactive people development. Furthermore, our corporate culture is about giving everyone the freedom to grow, nurturing high performance and integrating regular feedback into our collaboration. This approach unlocks the immense potential within our organization, sparking innovation, elevating customer service, and streamlining operations.*

For me, having a close relationship with the entire MED organization is key. I believe in lending an ear to our team and understanding their aspirations and needs. This close engagement with colleagues daily affirms the remarkable character of our worldwide teams, their passion for innovation and product development, and the enthusiasm they radiate in their mission to improve the quality of life for patients.

ZEISS Medical Ecosystem advancing clinical workflows

For more than 110 years, ZEISS has left a lasting mark in the fields of ophthalmology and microsurgery. By developing cutting-edge technology products, the company is driving medical progress and the digital transformation of healthcare system with innovative integrated solutions. The ZEISS Medical Ecosystem is a key element of the Company's strategy.

Demographic change is one of the biggest challenges facing health care. As people grow older, they are using more health services. According to the World Health Organization (WHO), one in six people in the world will be aged 60 years or over by 2030.[1] At the same time, this increase is being compounded by the decline in the number of medical staff: As early as 2030, there will be a shortfall of 10 million qualified health workers worldwide.[2] The digital transformation provides practices and clinics with solutions that help them streamline their clinical workflows, standardize processes, and reduce costs.

In addition, digital technology offers new opportunities for diagnosis and treatment, opens up new avenues for patient communication and engagement, and helps healthcare professionals collaborate. Artificial intelligence (AI) and big data analytics open doors to new clinical research. Also, tremendous amounts of data are generated in medical practices which can be leveraged. However, to realize the full potential of digital technologies, a connected clinical environment is essential. This is created in the framework of a medical ecosystem. For practices and clinics, it represents an environment in which devices and digital applications are fully integrated, data can be easily transmitted, stored and analyzed, and communication between professionals and patients is supported. Medical ecosystems can also facilitate personalized patient care and optimization of treatment.

[1] https://www.who.int/news-room/fact-sheets/detail/mental-health-of-older-adults#:~:text=By%202050%2C%20the%20number%20of,many%20are%20volunteers%20and%20workers.
[2] https://www.who.int/health-topics/health-workforce#tab=tab_1

The ZEISS Medical Ecosystem
The combination of digital applications and connected devices constitutes the basis of specific workflow solutions from ZEISS. They form the ZEISS Medical Ecosystem – a fully integrated environment that delivers connectivity, automation, artificial intelligence and secure, efficient data management. This creates a medical ecosystem that includes all the ZEISS products and solutions for the healthcare sector. It ranges from imaging modalities and surgical equipment through to services and IT systems, including software.

The ZEISS Medical Ecosystem is made possible by the ZEISS Health Data Platform, which supports connectivity, the integration of data and digital applications in clinical workflows. A fully integrated ZEISS workflow allows the data collected by the devices to be digitally transferred to the ZEISS Health Data Platform. There, it can be accessed by a variety of digital applications at each step of the clinical workflow. This helps procedures in practices and clinics to be standardized and efficient, high-quality patient care to be delivered.

“Our workflow is completely integrated, we're 100 percent paperless, and everything talks to each other. The benefits of this integrated workflow are a happy staff, less work for everybody involved, and everything flows a lot easier, decreasing time, stress, and ultimately improving the patient experience.”

Bruce A. Rivers, MD, Envue Eye & Laser Center, Maryland (USA).

Leveraging data and improving patient care
It is part of the DNA of ZEISS to innovate through collaboration and partnerships. This approach makes a significant contribution to the success of the company. The ZEISS Medical Ecosystem allows the Carl Zeiss Meditec Group to enter into strategic collaborations in order to initiate new research projects together with partner companies that focus on data analysis and the development of artificial intelligence. Against this background, ZEISS Medical Technology recently announced its partnership with the pharmaceutical company Boehringer Ingelheim. The aim of the collaboration is to develop predictive analyzes that make it possible to detect eye diseases at an early stage and to perform personalized treatments.

The integrated environment of the ZEISS Medical Ecosystem delivers value beyond devices through digitally connected workflows from ZEISS. The Carl Zeiss Meditec Group is focusing on expanding the ZEISS Medical Ecosystem and developing new digital innovations. The Company wants to enable doctors to offer individual and personalized care in order to improve the lives of their patients with enhanced treatment strategies.

“Our partnership with Carl Zeiss Meditec Group enables us to develop precision therapies to deliver the right treatment for the right patient at the right time to prevent vision loss by intervening before irreversible damage occurs. It is part of our commitment to champion early detection and treatment and will contribute to transforming the lives of people with serious eye disease.”

Ulrike Graefe-Mody, Ph.D., Head of Retinal Health at Boehringer Ingelheim.

ZEISS workflow solutions for refractive surgery

The Carl Zeiss Meditec Group offers one of the broadest product portfolios for the ophthalmology market, offering specific and effective workflow solutions – from the treatment of chronic eye diseases through to surgical ophthalmology and refractive surgery.

Eye conditions such as short- and long-sightedness or astigmatism are widespread. However, modern and effective treatment methods are available. These include laser vision correction (LVC), in which the corneal curvature of the eye is reshaped with a laser to correct refractive errors.

The **ZEISS Corneal Refractive Workflow** offers a digitally networked infrastructure for clinics specializing in the treatment of vision defects. This includes an intelligent data management solution as well as support for and optimization of patient interaction – from initial contact through to aftercare. The VISUMAX® 800 and MEL® 90 are part of the ZEISS Corneal Refractive Workflow. With these two technologies, ZEISS offers with SMILE® pro, Femto-LASIK, PRK/LASEK and PRESBYOND® individual treatment options for myopia (short-sightedness), hyperopia (long-sightedness) and presbyopia.

During eye surgery with **ZEISS SMILE pro**, physicians use the ZEISS VISUMAX 800 to correct refractive errors in people with short-sightedness (myopia). The femtosecond laser creates a thin, lens-shaped disk (lenticule) in the cornea. This Lenticule is removed through a small incision in the corneal surface, also created by the laser. SMILE® pro developed by ZEISS provides ophthalmologists with an impressive and state-of-the-art minimally invasive lenticule extraction procedure. More than eight million eyes have already been successfully treated worldwide using SMILE® and SMILE® pro since the approval of SMILE® in 2011.* ZEISS is working hard to extend the indication to ensure that hyperopia with or without astigmatism can also be treated with ZEISS SMILE pro in the future.

"SMILE and PRESBYOND enable unique applications that offer procedures with clinically proven results. Having these tools available, in addition to the standard range of refractive and cataract services, allows us to find the right solution for our patients."

Andrei Filip, MD PhD FEBO Ama Optimex Eye Clinic, Bucharest, Romania.

The company offers individualized methods to treat patients with presbyopia – a symptom affecting more than two billion people worldwide – using **ZEISS PRESBYOND**. Similar to conventional treatment methods, the refractive laser procedure involves correcting one eye primarily for distance vision and the other for near vision. ZEISS PRESBYOND has an advantage here: surgeons can use specific preoperative diagnostics to calculate the individual depth of field that can be achieved with the laser for each eye. This can improve binocular vision over the entire visual range.

ZEISS offers solutions for the treatment of presbyopia, which exemplify the strengths of the ZEISS Medical Ecosystem. It includes advanced diagnostic technologies for preliminary examination of the eyes. Physicians can use these technologies to assist them during individual consultations regarding presbyopia treatment. If treatment with ZEISS PRESBYOND is not possible due to the condition of the eyes, ZEISS offers lens extraction solutions and a portfolio of toric intraocular lenses.

* As of August 2023.In countries where the ZEISS VISUMAX 800 and ZEISS SMILE pro are not yet approved, the lenticule extraction procedure can be performed with SMILE® and ZEISS VisuMax.

Cloud-based solutions for microsurgery

Featuring a wide range of innovations, ZEISS workflows support effective clinical performance in neuro- and spinal surgery, in ear, nose and throat medicine, and in dentistry. ZEISS is already setting new standards with its networked and innovative digital solutions.

Practices and clinics generate large amounts of data every day. For microsurgery, the **ZEISS Surgical Cloud** offers an effective data management solution and better use of the data generated by a ZEISS visualization system such as the new ZEISS PENTERO 800 S or the ZEISS EXTARO 300. Dentists, for example, can use this cloud-based solution to access treatment data at any time via a computer or mobile device.

The ZEISS Surgical Cloud enables data documentation, and facilitates its remote transmission and retrieval. As a cloud-based solution, it also assists the sharing of photos and videos among specialists – for a particular dental treatment, for example: Restorative, implant and orthodontic teams often work together to decide whether a tooth can be retained or should be replaced with an implant. But they are rarely in the same practice or in the same place at the same time. During treatment, the ZEISS Surgical Cloud facilitates access to photos and videos generated by the dental microscope. The specialists can then determine the next treatment steps while looking at the same information.

Close cooperation in the field of learning promotes the exchange of knowledge and information between experts and medical healthcare staff. **ZEISS Livestream** is a cloud-based streaming application for the secure transmission of surgical video streams made with a ZEISS visualization system directly from the operating room via the World Wide Web. This helps specialists to share their knowledge. For example, experts can broadcast directly from an operating theater to major conferences to demonstrate how new and existing technologies can be integrated best into clinical workflows.

ZEISS Livestream also supports teaching. In small treatment rooms, such as in dental clinics, there is not usually enough space for students to observe a surgical procedure. Patients may also feel uncomfortable in the presence of so many people. ZEISS Livestream can be used to broadcast surgical procedures to classrooms for teaching purposes*.

"With the new ZEISS Surgical Cloud and ZEISS Livestream, it is extremely easy to access and manage all my data from my ZEISS EXTARO 300 anywhere and anytime to share cases with my peers."

Dr. Christian Del Rey Schnitzler,
Del Rey & Carrera Microscope Dentistry, Spain

* ZEISS Surgical Cloud and ZEISS Livestream are intended for educational purposes only, and not for the diagnosis or treatment of disease.

#ComingTogether

The global teams of the Carl Zeiss Meditec Group work every day to drive progress in medical technology and improve the lives of patients – with empathy, passion, inventiveness and a strong desire to make a difference. The Carl Zeiss Meditec Group supports further training and qualification measures and promotes talent, enabling employees to develop their full potential. Discipline-specific mentoring programs strengthen the network of global teams worldwide and facilitate the exchange of personal and professional experience.

The worldwide team of the Carl Zeiss Meditec Group stands for tolerance and open-minded cooperation. Together with the management the employees strengthened and developed the corporate culture through initiatives – such as diversity lunches and cultural breakfasts – in the 2022/23 financial year. This includes appreciating what we have achieved together. The global teams kicked off the 2023/24 financial year celebrating the successes of the past year together – under the motto #ComingTogether.

The following pages report on these highlights of the Carl Zeiss Meditec Group in the 2022/23 financial year:

New design

In fiscal year 2022/23, the Carl Zeiss Meditec Group is set to present the reimagination of its iconic PENTERO platform – the new ZEISS PENTERO® 800 S. The Advanced Visualization System provides Visual Certainty with extended optical capabilities to work in deep anatomical channels with more confidence and facilitates manipulation of submillimeter vessels with unprecedented resolution. Seamless Performance with reinvented interactions allows to accelerate workflow efficiency, and Integrated Connectivity with leading digital solutions supports to educate the next generation of leading surgeons, as well as communicating effectively within and outside of the OR.

Extended

The Carl Zeiss Meditec Group has one of the broadest product portfolios of intraocular lenses (IOLs) for the treatment of cataracts on the market. In fiscal year 2022/23, this portfolio was extended to include the newly developed hydrophobic trifocal intraocular lens (IOL) AT ELANA® 841P. The Company also received approval for its CT LUCIA® 621P from the Food and Drug Administration (FDA) in the USA. The ZEISS CT LUCIA 621P is an aspheric intraocular lens (IOL) with a monofocal, hydrophobic C-loop design. The patented ZEISS Optics (ZO) asphericity concept reduces potential decentration problems while ensuring good visual results.

The approval of the ZEISS CT LUCIA 621P represents a milestone which is critical for the company's strategy in the U.S. market, where 3.7 million routine cataract surgeries are performed annually.

Transformed

ZEISS and the Carl Zeiss Meditec Group won the SAP Innovation Award for its "Connected Smart Factory Transformation Leveraging SAP Digital Manufacturing Cloud (DMC)" project. The project focuses on processes for the automation of paperless documentation in production. The aim was to develop digital solutions that could be used to control production and track individual production steps more effectively, and to simplify the product documentation process. The Innovation Award recognizes companies and individuals who use SAP products and cloud technologies to establish business processes that have a positive economic, environmental or social impact. The SAP software group has been presenting the Award for 10 years now.

More than

8 million

eyes treated with ZEISS SMILE.

Collaboration

The Carl Zeiss Meditec Group is actively involved in initiating and implementing global IT standards for the healthcare sector across company boundaries. The Company is already a member of the OASIS Open Europe Foundation board. OASIS is a non-profit foundation established for the purpose of creating European standards for information technology (IT) by engaging in open collaboration and initiating open source projects. The Carl Zeiss Meditec Group has also been a corporate member of the Healthcare Information and Management Systems Society (HIMSS) since April 2023. This non-profit international organization is committed to driving the digital transformation of the healthcare sector, with a focus on interoperability.

Award-winning

In China, the Carl Zeiss Meditec Group received the Top Service Award for the seventh time in a row. Based on a survey of Chinese hospitals, this award is presented annually by China Medical Device Magazine.

In 2023, the Carl Zeiss Meditec Group received the ESCRS Sustainable Exhibitor Award and the Pura Challenge Award for sustainability-oriented activities in its business operations and on its trade fair stands.

The Supervisory Board

Torsten Reitze
Shareholder representative

Jeffrey Marx
Employee representative

Renè Denner
Deputy Chairman
Employee representative

Tania von der Goltz
Shareholder representative

Peter Kameritsch
Shareholder representative

Brigitte Koblizek
Employee representative

Dr. Karl Lamprecht
Chairman
Shareholder representative

Dr. Christian Müller
Shareholder representative

Falk Bindheim
Employee representative

Dr. Christian Münster
Employee representative

Isabel De Paoli
Shareholder representative

Heike Madan
Employee representative

Report of the Supervisory Board

Dear Shareholders and Friends of the Company,

Fiscal year 2022/23 was a successful year for Carl Zeiss Meditec AG on the whole. Revenue increased to a new record high and, in spite of all the macroeconomic and geopolitical uncertainties, a solid result was achieved. Significant investments in the future were also made at the same time. 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.

Dr. Karl Lamprecht
Chairman of the Supervisory Board

The Supervisory Board supported the Management Board in managing business operations through intensive communication and consultation. The focus in the fiscal year under review remained on the continuous discussion with the Management Board on both the current challenges and the long-term strategic orientation of the Carl Zeiss Meditec Group.

In fiscal year 2022/23, 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 2022/23.

Focus of the deliberations and audits of the Supervisory Board
In the fiscal year under review the Supervisory Board convened at six ordinary meetings. Two meetings were held on 22 March 2023, first the new election of all Supervisory Board members, without the members of the Management Board, as a constituent meeting, followed by the ordinary meeting of Supervisory Board with the participation of the Management Board. The members of the Management Board participated in all other meetings. The meetings on 30 January 2023 and 19 September 2023 were held as video conferences. The meetings on 5 December 2022, 22 March 2023 and 20 June 2023 were held in person.

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 subject of the regular meetings was the revenue and earnings situation as well as the business performance of the Carl Zeiss Meditec Group, including the particular current challenges, such as the implications of the war in Ukraine, the tensions in the global supply chains and the Zero-COVID-Policy in China, as well as the Company’s financial situation and ongoing strategic projects, future investments and their financing. Additional agenda items were also addressed during the respective meetings.

During the meeting on 5 December 2022 to adopt the consolidated and annual financial statements for fiscal year 2021/22, 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. At the recommendation of the Audit Committee, the Supervisory Board also resolved to propose Pricewaterhouse Coopers Wirtschaftsprüfungsgesellschaft (PwC), Frankfurt am Main, for election as auditor of the annual and the consolidated financial statements for fiscal year 2022/23 by the Annual Meeting on 22 March 2023. In addition, the Supervisory Board resolved to hold the Annual General Meeting for the 2021/22 fiscal year as a virtual meeting.

In the video conference meeting on 30 January 2023, the Supervisory Board adopted the agenda for the Annual General Meeting on 22 March 2023. A resolution was also passed to submit the new Management Board remuneration system to the Annual General Meeting for approval as well as amendments in the Management Board contract of Julius Wehmer concerning the LTI base value.

At the constituent meeting of the Supervisory Board on 22 March 2023, Dr. Karl Lamprecht was elected Chairman of the Supervisory Board and Renè Denner was appointed Deputy Chairman. Torsten Reitze and Jeffrey Marx were appointed as members of the newly established Mediation Committee, which Dr. Karl Lamprecht as Chairman and Renè Denner as Deputy Chairman are automatically members of in accordance with the Supervisory Board Rules of Procedure Renè Denner, Dr. Christian Müller and Dr. Christian Münster were appointed as members of the General and Personnel Committee, which Dr. Karl Lamprecht is automatically Chairman of in accordance with the Supervisory Board Rules of Procedure. Furthermore, Peter Kameritsch was elected Chairman of the Audit Committee; Torsten Reitze, Renè Denner and Heike Madan were appointed as members of this committee; Dr. Christian Müller was appointed Chairman of the Nominating Committee; Isabel De Paoli and Dr. Karl Lamprecht were appointed as members of the Nominating Committee. It was also decided that, as President and CEO, Dr. Markus Weber should take on the role of Industrial Relations Director.

No resolutions were passed at the Supervisory Board’s meetings in person on 22 March 2023 and 20 June 2023.

During the meeting of the Supervisory Board on 19 September 2023, the budget proposed by the Management Board for fiscal year 2023/24 was adopted. In addition, following Dr. Christian Müller’s resignation from office on 30 September 2023, it was decided to legally appoint Susan-Stefanie Breitkopf as an interim member of the Supervisory Board until the Annual General Meeting on 21 March 2024.

Intensive work of the committees
In accordance with its Rules of Procedure, the Supervisory Board of Carl Zeiss Meditec AG has formed four 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

» Dr. Karl Lamprecht (Chairman)
» Tania von der Goltz (until 22 March 2023)
» Renè Denner (from 22 March 2023)
» Dr. Christian Müller (until 30 September 2023)
» Dr. Christian Münster (from 22 March 2023)

Audit Committee

» Peter Kameritsch (Chairman)
» Renè Denner
» Heike Madan (from 22 March 2023)
» Torsten Reitze

Nominating Committee

- Dr. Christian Müller (Chairman) (until 30 September 2023)
- Isabel De Paoli
- Dr. Karl Lamprecht

Mediation Committee (new as of 22 March 2023)

- Dr. Karl Lamprecht (Chairman)
- Renè Denner
- Jeffrey Marx
- Torsten Reitze

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 did not convene at any meetings during the past fiscal year. Five resolutions were passed by circular resolution.

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, as well as the selection and the independence of the auditor, the quality of the auditing and 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. There Nominating Committee did not hold any meetings in the period under review. No resolutions were passed for fiscal year 2022/23.

Individualized disclosure of meeting attendance

Supervisory Board member	Committees	Meeting attendance	Attendance in %
Dr. Karl Lamprecht			
(Chairman)	Plenary Supervisory Board	6/6	100%
	General and Personnel Committee	n/a as no meetings	n/a as no meetings
	Nominating Committee	n/a as no meetings	n/a as no meetings
	Mediation Committee	n/a as no meetings	n/a as no meetings
	Total	**6/6**	**100%**
Renè Denner			
(Deputy Chairman)	Plenary Supervisory Board	6/6	100%
	Audit Committee	4/4	100%
	General and Personnel Committee (from 22 Mar 2023)	n/a as no meetings	n/a as no meetings
	Mediation Committee	n/a as no meetings	n/a as no meetings
	Total	**10/10**	**100%**
Falk Bindheim			
	Plenary Supervisory Board (from 22 Mar 2023)	4/4	100%
	Total	**4/4**	**100%**
Isabel De Paoli			
	Plenary Supervisory Board	6/6	100%
	Nominating Committee	n/a as no meetings	n/a as no meetings
	Total	**6/6**	**100%**
Tania von der Goltz			
	Plenary Supervisory Board	6/6	100%
	General and Personnel Committee (until 22 Mar 2023)	n/a as no meetings	n/a as no meetings
	Total	**6/6**	**100%**

Peter Kameritsch			
	Plenary Supervisory Board	6/6	100%
	Audit Committee	4/4	100%
	Total	**10/10**	**100%**
Brigitte Koblizek			
	Plenary Supervisory Board	6/6	100%
	Total	**6/6**	**100%**
Heike Madan			
	Plenary Supervisory Board (from 22 Mar 2023)	4/4	100%
	Audit Committee (from 22 Mar 2023)	2/2	100%
	Total	**6/6**	**100%**
Jeffrey Marx			
	Plenary Supervisory Board	6/6	100%
	Mediation Committee (from 22 Mar 2023)	n/a as no meetings	n/a as no meetings
	Total	**6/6**	**100%**
Dr. Christian Müller			
	Plenary Supervisory Board (until 30 Sep 2023)	6/6	100%
	General and Personnel Committee (until 22 Mar 2023)	n/a as no meetings	n/a as no meetings
	Nominating Committee (until 22 Mar 2023)	n/a as no meetings	n/a as no meetings
	Total	**6/6**	**100%**
Dr. Christian Münster			
	Plenary Supervisory Board (from 22 Mar 2023)	4/4	100%
	General and Personnel Committee (from 22 Mar 2023)	n/a as no meetings	n/a as no meetings
	Total	**4/4**	**100%**
Torsten Reitze			
	Plenary Supervisory Board	6/6	100%
	Audit Committee	4/4	100%
	Mediation Committee (from 22 Mar 2023)	n/a as no meetings	n/a as no meetings
	Total	**10/10**	**100%**

Corporate governance and declaration of conformity

During the Supervisory Board Meeting on 8 December 2023, the Supervisory Board resolved upon the declaration of conformity pursuant to the 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.de/meditec-ag/investor-relations.html within the “Corporate Governance” section.

Audit of the single entity annual and consolidated financial statements 2022/23

The Annual General Meeting on 22 March 2023 appointed PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC), Frankfurt am Main, as auditor for the single entity annual and consolidated financial statements.

Before proposing PwC to the Annual General Meeting, the Supervisory Board obtained a declaration of independence from the auditor. In this declaration, PwC 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 26 September 2023 the Supervisory Board engaged PwC to audit all of the financial statements and management reports for the fiscal year 2022/23, including the dependent company report on relationships with associated companies of Carl Zeiss Meditec AG pursuant to Section 312 AktG. On 2 August 2023, the Audit Committee resolved upon the focal points of the audit for fiscal year 2022/23.

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.

PwC audited the annual financial statements and consolidated financial statements, as well as the associated management reports for fiscal year 2022/23, including the accounting, and issued all the financial statements with an unqualified audit certificate.

The single entity annual financial statements and consolidated financial statements prepared by the Management Board to 30 September 2023 , 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 8 December 2023, 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 single entity annual and consolidated financial statements prepared by the Management Board and the consolidated financial statements at its meeting on 8 December 2023. 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 8 December 2023.

In addition, a separate non-financial Group report on the Carl Zeiss Meditec Group was submitted to the Audit Committee. The non-financial report was subjected to a voluntary business audit by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC), Munich, to obtain *"Limited Assurance"*. In accordance with the recommendation of the Audit Committee, the Supervisory Board has ratified the non-financial report of the Carl Zeiss Meditec Group prepared in accordance with the CSR Directive Implementation Act (EU Directive 2014/95/EU), and cleared it for publication.

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 2022/23, 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, PwC 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 8 December 2023 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 was submitted early to the Supervisory Board.

Composition of the Management Board and Supervisory Board

The provisions on the composition of the Supervisory Board expired at the end of the Annual General Meeting on March 22, 2023, as they contradicted the now applicable statutory provisions. The corresponding provisions of the Articles of Association and other provisions of the Articles of Association were adapted to the newly applicable statutory provisions and generally to the new co-determination rules. At the end of the Annual General Meeting on 22 March 2023, the Supervisory Board consists of 12 members. Of these, six members will be elected by the Annual General Meeting and six members by the employees in accordance with the provisions of the Co-Determination Act 1976. In the resulting re-election of all Supervisory Board members, all shareholder representatives were re-elected by the Annual General Meeting on 22 March 2023. In the election of employee representatives to the Supervisory Board, which took place on 14 March 2023, Renè Denner, Brigitte Koblizek and Jeffrey Marx were re-elected and Heike Madan, Falk Bindheim and Dr. Christian Münster were elected to the Supervisory Board.

For information on the necessary election of the new Chairman and Deputy Chairman of the Supervisory Board, the new composition of the committees and the first-time formation of the Mediation Committee, see above under "Focus of the deliberations and audits of the Supervisory Board".

There were no changes to the members of the Management Board of Carl Zeiss Meditec AG in fiscal year 2022/23.

Members of the Supervisory Board took personal responsibility for undertaking the training and further development measures necessary to fulfill their duties. The members were 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 innovative 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 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, 8 December 2023
On behalf of the Supervisory Board

Dr. Karl Lamprecht
(Chairman)

The Carl Zeiss Meditec AG share
Fiscal year 2022/23

General development of the capital market

The global economy is continuing to slowly recover from the effects of the pandemic, the Russian invasion of Ukraine and the cost-of-living crisis. Looking back, the resilience shown has been remarkable. Although the global economy has slowed due to the disruptions to the energy and food markets caused by the war and the tightening of global monetary conditions to combat decades of inflation, it has not come to a standstill. Growth remains sluggish and uneven, however, with increasing global divergences.

Economic activity reached its low point at the end of last year, while inflation – both overall and core inflation – is gradually being brought under control However, a full recovery towards pre-pandemic trends seems to be increasingly out of reach, particularly in emerging and developing countries.[1].

The German benchmark index, the DAX, rose in the course of fiscal year 2022/23, by 27.0% to 15,387 points. The benchmark index S&P 500 in the USA was also up by around 19.6% to 4,288 points.

The MDAX and the TecDAX indices, whose stocks also include the Carl Zeiss Meditec AG share were up by around 17% to 26,075 points and by around 13% to 3,020 points, respectively, as of 30 September 2023, compared with the start of the fiscal year.

The Carl Zeiss Meditec AG share price moved counter to the market trend. The Carl Zeiss Meditec AG share finished trading at a closing price[2] of €82.82 on 30 September 2023. The share's value thus decreased by 22.9% since the beginning of fiscal year 2022/23.

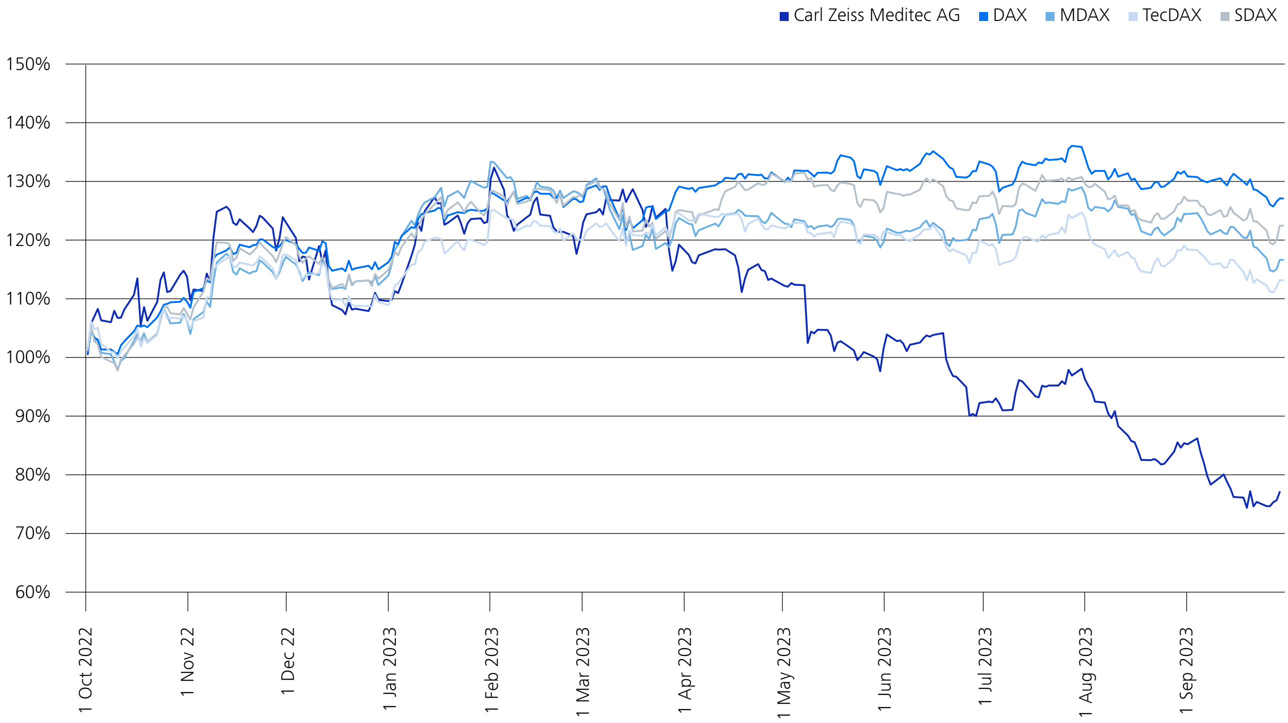
Performance of the Carl Zeiss Meditec share

The share exhibited a negative trend during fiscal year 2022/23. On the first day of trading of the new fiscal year, the Carl Zeiss Meditec AG share opened at a price of €106.45.

The share reached a peak price of €142.75 on 3 February 2023. At the end of the fiscal year, the Carl Zeiss Meditec AG share was being traded at a closing rate of €82.82.

[1] World Economic Outlook, IMF, October 2023
[2] Share price based on XETRA closing rates (30 September 2023)

Relative performance of the Carl Zeiss Meditec share compared with the DAX, MDAX, SDAX and TecDAX indices
in the period from 1 October 2022 to 30 September 2023



Performance of the Carl Zeiss Meditec share
in the period from 1 October 2022 to 30 September 2023

Market capitalization and trading volume

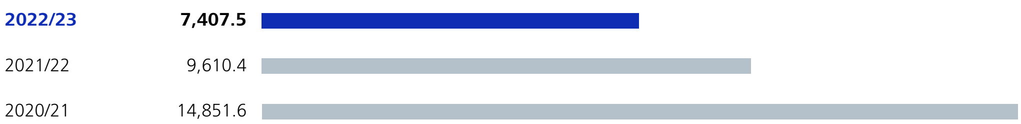
Carl Zeiss Meditec AG's market capitalization (product of shares issued multiplied by share price at the end of the reporting period) decreased year-on-year (as of 30 September 2022) from €9,610.4m to €7,407.5m. The trading volume (number of shares traded on XETRA multiplied by the respective closing rate on the date on which they were traded) was €3,037.8m in fiscal year 2022/23 (prior year: €3,949.4m).

During the reporting period, an average of 104,284 shares (prior year: 109,627 shares) of Carl Zeiss Meditec AG were traded each trading day.

The German MDAX share index is composed of 50 company stocks[3] that rank below the 40 stocks 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 62nd place in the ranking for market capitalization as of 30 September 2023 (prior year: 48th place) among all DAX and MDAX stocks.

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 11th place in the ranking for market capitalization as of 30 September 2023 (prior year: 7th place).

Market capitalization of Carl Zeiss Meditec AG as of 30 September 2023, in €m



The Carl Zeiss Meditec AG 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, the Company is in contact with 15 analyst firms. Based on the assessments of the past six months, the analysts have put the current average price target at €118.40 (as of 30 September 2023).

A current overview of the individual analysts' assessments can be found on the following website at www.zeiss.de/meditec-ag/investor-relations/carl-zeiss-meditec-aktie.html.

Dividend policy

Carl Zeiss Meditec AG pursues a continuous, earnings-oriented dividend policy and plans to adhere to this strategy in future and to continue to allow its shareholders to participate to an appropriate extent in the Company's success.

The Company's 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 20 March 2024, therefore, the Management Board and the Supervisory Board of Carl Zeiss Meditec AG shall propose to the Annual General Meeting the distribution to shareholders of a regular dividend of €1.10 per share for fiscal year 2022/23 (prior year: €1.10). Overall, this would equate to a total distribution of €98.4m (prior year: €98.4m)

[3] 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.

and a dividend ratio of 33.9% (prior year: 33.5%). The dividend return (ratio of dividend per share to closing rate on 30 September 2023) would be 1.3% (prior year: 1.0%).

Development of the dividend for the Carl Zeiss Meditec AG share

	Cash dividend (€ per share)[4]	**Total distribution** (in €m)
2022/23	**1.10**	**98.4**
2021/22	1.10	98.4
2020/21	0.90	80.5

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 the Company's knowledge, the remaining 40.9% are in free float. In the voting rights announcement dated 10 May 2023, 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 3% on 15 October 2020, resulting in a share of 2.94% (2,631,569 ordinary shares) from this date.

Investor relations

Providing all investors with comprehensive, transparent and up-to-the-minute information was once again the focus of the investor relations work in fiscal year 2022/23, with the aim of strengthening confidence in 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.

Carl Zeiss Meditec AG regularly informs its 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 the Investor Relations department. Last year, roadshows and conferences were held both in person and as video conferences. Regular conference calls on the interim financial statements were also held, as well as numerous one-to-one and group meetings with institutional and private investors.

In addition, the Annual General Meeting gives shareholders the opportunity to exert a direct influence and ask Carl Zeiss Meditec AG's Management Board questions directly. The Annual General Meeting on 22 March 2023 in the fiscal year under review was once again held virtually. A total of 83.37% of the voting share capital was represented at this meeting.

[4] 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 104,284 shares/trading day
Total shares placed	89,440,570
Price performance	
Share price at beginning of fiscal year 2022/23 (1 Oct 2022)	€108.00
Share price at end of fiscal year 2022/23 (30 Sep 2023)	€82.82
Share price on 29 November 2023	€83.98
Highest price in fiscal year 2022/23	€142.75
Lowest price in fiscal year 2022/23	€78.66
Shareholder structure	
Free float	40.9%
Carl Zeiss AG	59.1%
Valuation	
Market capitalization of share capital as of 29 November 2023	€7,511.2m
Market capitalization of free float as of 29 November 2023	€3,069.2m
Designated sponsor	
	ODDO BHF Corporate & Markets AG

Consolidated management report

Summary management report
for fiscal year 2022/23

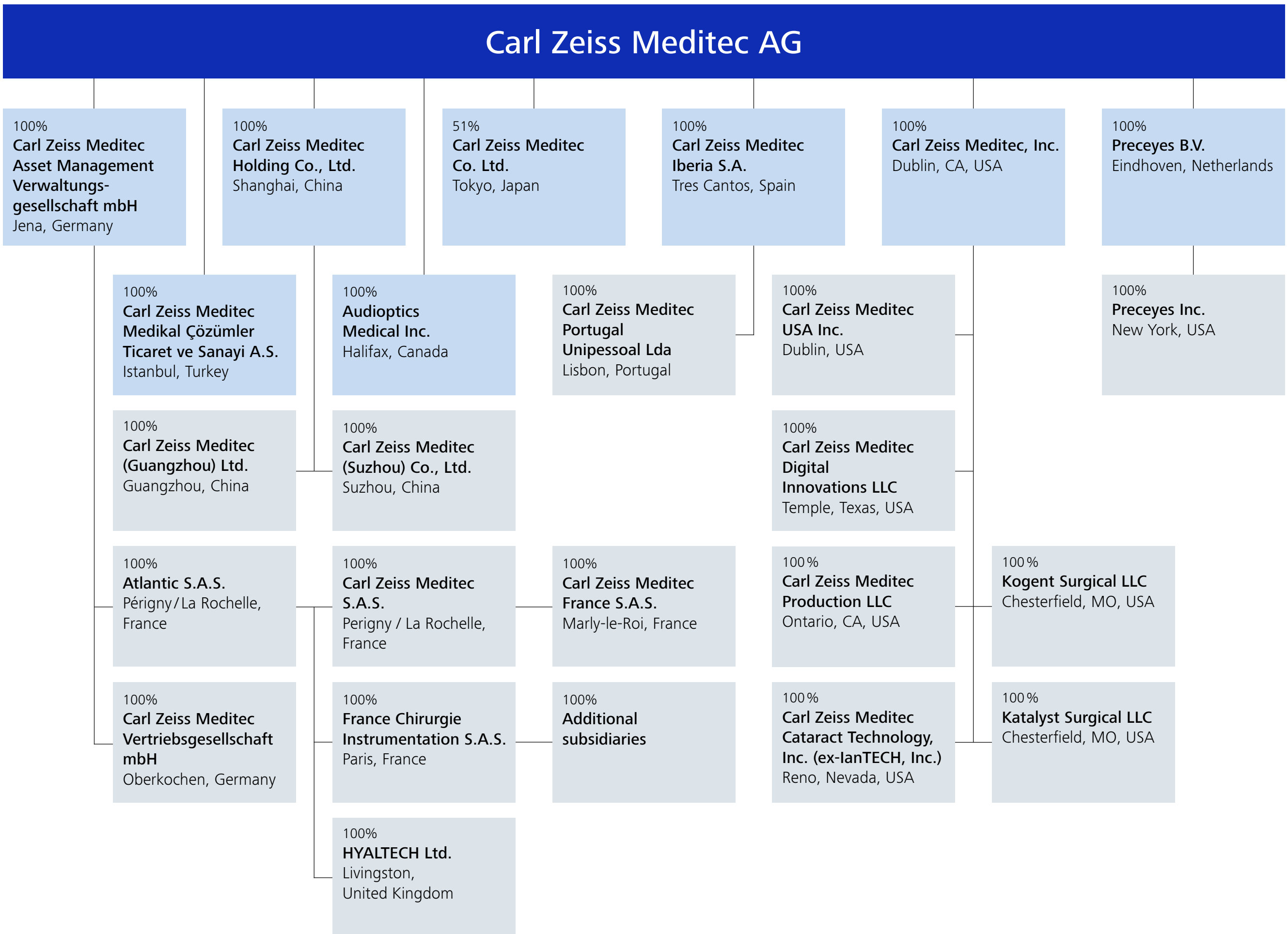
CARL ZEISS MEDITEC GROUP

Group structure

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

The results of Carl Zeiss Meditec AG are influenced to a large extent by its subsidiaries, and the development of its business is generally subject to the same opportunities and risks as the Carl Zeiss Meditec Group. The outlook for the Group also largely mirrors the expectations for Carl Zeiss Meditec AG, due to the links between Carl Zeiss Meditec AG and its subsidiaries and due to the importance of Carl Zeiss Meditec AG within the Group. Therefore, for the purposes of a more compact presentation, the business development of Carl Zeiss Meditec AG and the Carl Zeiss Meditec Group have been presented in the form of a summary management report. Major investments of the Carl Zeiss Meditec Group as of 30 September 2023 are presented in the chart below:

Investment structure of the Carl Zeiss Meditec Group as of 30 September 2023



The following changes were made to the Group's reporting entity and the structure of its consolidated financial statements in fiscal year 2022/23:

In September 2022, Carl Zeiss Meditec Holding Co. Ltd. was established in China and incorporated into the Group in fiscal year 2022/23 under review. The company Carl Zeiss Meditec Co. Ltd. in Suzhou (newly founded and added to the reporting entity for the first time), on the one hand, and Carl Zeiss Meditec Ltd. in Guangzhou, on the other hand, were subordinated to the Chinese holding company.

The investment in Audioptics Medical Inc. in July 2023 expands the Group's portfolio in the field of diagnosis and treatment of ear diseases within the Strategic Business Unit (SBU) Microsurgery.

In addition, the companies Photono Oy and Ophthalmic Laser Engines LLC were deconsolidated, as Carl Zeiss Meditec no longer meets the control requirements for consolidation of the shareholdings. The two companies mainly operate development projects in the area of diagnostic equipment. Further information can be found in the accompanying notes to the consolidated financial statements.

Markets

With its headquarters in Jena (Germany) and additional plants and subsidiaries in, among others, Germany, France, Spain, the USA, Japan and China, 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[1], with its more than 60 sales and service locations and more than 30 production sites, thus ensuring itself customer proximity in international competition. Aside from its own research and development locations, the Carl Zeiss Meditec Group also has access to the expertise of the ZEISS Group. Of the more than 30 research and development locations of the ZEISS Group worldwide, China and India, in particular, are important development centers. They offer the possibility of working with the customers on site, in order to gain a better regional understanding of the market and develop specific products that are tailored to market requirements.

Organization and business activity

The Carl Zeiss Meditec Group's field of activity is split into into two main areas or strategic business units (SBUs). The business fields are divided based on the areas of application and customer groups within Ophthalmology and Microsurgery. Therefore, a distinction is made between the SBU Ophthalmology (OPT) and the SBU Microsurgery (MCS).

Ophthalmology

Conditions treated within Ophthalmology include ametropia (refraction), cataracts, glaucoma and retinal disorders, which increase with age and can become chronic.

In order to adapt these treatments to the needs of customers and patients, various workflows have been designed according to the clinical picture. These focus on the clinical workflows in hospitals and surgical centers and provide a means for the intervention of necessary equipment and consumables. Workflow solutions therefore offer a procedure that goes beyond the individual use of the devices. The workflows within Ophthalmology comprise a total of four steps. These individual steps range from a holistic process, from diagnosis (Assess & Educate), through planning (Plan) and performance (Treat) of the procedure itself, to follow-up care (Check).

[1] Carl Zeiss AG and all subsidiaries

For the diagnosis, treatment and monitoring of chronic eye diseases, the Carl Zeiss Meditec Group offers devices for general ophthalmological examination and care. In addition to slit lamps, refractometers and tonometers, the product portfolio also includes devices for optical coherence tomography (OCT) and fundus cameras, which are used in clinics and practices for the examination of the retina. The Company also offers devices for functional diagnostics (perimeters), as well as digital products for storage, evaluation and sharing of clinical data. The range of surgical ophthalmology products includes surgical microscopes, biometers and phacoemulsification and vitrectomy equipment. For microincision surgery, the Carl Zeiss Meditec Group also offers a range of intraocular lenses (IOLs) for cataract patients. The product portfolio in the area of refractive surgery primarily includes systems and consumables for laser eye surgery. These include, among other things, lenticular extraction with SMILE®, which enables minimally invasive correction of vision defects.

Microsurgery
The Carl Zeiss Meditec Group's strategic business unit Microsurgery offers products and solutions for minimally invasive surgical treatments. Customers include clinics and practices for neuro- and spinal surgery, ENT and reconstructive surgery, and dentistry. During surgical procedures, workflow solutions from ZEISS support intraoperative diagnostics and provide information that would otherwise not be visible to the human eye, such as with fluorescence modules.

For neurosurgery, the Carl Zeiss Meditec Group offers a workflow solution that supports surgical interventions beyond visualization: The ZEISS Tumor Workflow combines ZEISS technologies for visualization, tissue analysis and intraoperative radiotherapy. In addition to the use of robotic visualization systems and the intraoperative irradiation device, multidisciplinary treatment of brain tumors is also facilitated by the possibility to consult with healthcare professionals via remote access to in vivo images to support the surgeon directly in the operating room. As a result, a digital biopsy and thus a direct interaction between neurosurgery and neuropathology can take place. The cloud-based workstation enables Pathology to view live, real-time images captured at cellular resolution during surgery.

Group strategy

The Carl Zeiss Meditec Group is an international medical technology group operating in the field of ophthalmology and microsurgery. The Group's objective is to shape and influence the health care system with new technologies such as to promote medical progress and support the digital transformation. Accordingly, the Carl Zeiss Meditec Group aims to make cutting-edge technology in medical applications accessible to doctors and patients. ZEISS workflows improve clinical performance and the patient experience throughout the entire treatment process. A key prerequisite for the long-term success of the Group is therefore a deep understanding of the challenges facing its customers and a service offering that is tailored to overcoming these challenges.

In order to make its customers' workflows more efficient while improving quality at the same time, the Carl Zeiss Meditec Group offers integrated solutions. The ZEISS Medical Ecosystem plays an important role in this. The digital ecosystem is an integrated cloud environment of devices and applications connected by data. It comprises the entire portfolio of devices, software applications, IT systems, consumables and services of the Carl Zeiss Meditec Group. In addition to working closely with customers and digital networking, continuous investment in research and development (R&D) is the key to securing the company's technology base.

Corporate governance

The central governing body within the Carl Zeiss Meditec Group is the Management Board, consisting of the President and CEO and the CFO. The Management Board is supported by an extended management committee (M1). In addition to the two members of the Management Board, this committee also includes the heads of the Ophthalmology and Microsurgery strategic business units, as well as the heads of the Operations, Human Resources and Digital functions. The management levels below M1 perform their management responsibilities in accordance with the organizational structure across regions and company locations. Cross-organizational functions, such as Finance or Communications, for example, are managed centrally. The strategies and projects are implemented locally at the country organizations, taking the respective prevailing laws, rules of procedure and bylaws, and the applicable corporate values and principles into account.

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

Corporate management

The consistent implementation of the Group strategy aims to ensure a long-term increase in value. A comprehensive system of key performance indicators serves as a tool for the financial management of the Carl Zeiss Meditec Group. The greatest importance is attached to Economic Value Added® (EVA®)[2], Free Cash Flow (FCF)[3], EBIT and 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 financial performance indicators are therefore defined as the most significant control variables. These are supplemented by strategic measures and projects in the areas of customer excellence, people/performance culture and operational excellence.

BUSINESS REPORT

Underlying conditions for business development

Macroeconomic conditions[4]

The global recovery from the effects of the COVID-19 pandemic and Russia's invasion of Ukraine continues to be slow and inconsistent. Although the economy has experienced an upswing in 2023 and inflation has fallen from last year's highs, there are many factors that continue to cloud the recovery.

Fiscal year 2022/23 was significantly less affected by the COVID-19 pandemic than the prior year, and the supply chains have largely stabilized. According to the International Monetary Fund (IMF) forecast from the

[2] Calculation: EVA® = operating result (EBIT) after taxes (Group tax rate 29.87%) plus write-downs on intangible assets arising from purchase price allocations in the amount of €10.5m less cost of capital in the amount of €120.7m for fiscal year 2022/23. (Calculation of cost of capital: average capital employed, adjusted for write-downs on intangible assets arising from purchase price allocations ("gross" asset basis) (2022/23: €1,317.3m), multiplied by the cost of capital rate (2022/23: 9.2%)).

[3] 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 (incl. additions to rights of use) and intangible assets + write-downs on intangible assets and property, plant and equipment - acquisition of investments.

[4] IMF, World economic outlook, October 2023

World Economic Outlook Update of October 2023, global economic growth will slow from 3.5% in calendar year 2022 to approximately 3.0% in calendar year 2023, thus to below the average growth of 3.8% in the first two decades of this century. The IMF also expects the growth of industrialized countries to decline significantly from 2.6% in calendar year 2022 to around 1.5% this year, while emerging markets are expected to grow by around 4.0% during this period. The Chinese economy grew by 3.0% in calendar year 2022 due to the COVID-19 pandemic. After the measures to contain the COVID-19 pandemic in China were abandoned, the Chinese economy grew significantly at the beginning of calendar year 2023. The economic recovery has slowed slightly over the course of the year, thus the IMF has forecast growth of around 5.0% for calendar year 2023.

Global inflation was 8.7% in calendar year 2022. A moderate reduction to approximately 6.9% is forecast for calendar year 2023. In order to contain inflation, the US Federal Reserve and the European Central Bank, for example, raised key interest rates several times during the course of the fiscal year. High inflation and the rise in interest charges on loans as a result of the hike in key interest rates are reducing household purchasing power and impacting borrowing and investment. The war in Ukraine caused a massive increase in the price of energy and, in particular, natural gas in Europe, which declined again in the course of calendar year 2023.

Situation in the medical technology industry[5]

The medical technology industry has grown continuously over the past number of decades. After revenue declined in 2020 due to the reduced number of routine medical treatments, the market made an impressive comeback. The industry's revenues rose to more than half a trillion US dollars in calendar year 2022. The research and development division achieved double-digit growth for the third year running. However, the first signs of more difficult conditions to come in the future have also emerged. According to the market report "Pulse of the Industry 2023", the medical technology sector is undergoing change. A year later, the looming headwind has intensified. Geopolitical unrest, a slow recovery from trade and supply chain disruptions, a changing regulatory environment, and persistent global inflation have contributed to the uncertainty that is impacting the industry as a whole.

However, the aging world population and the associated increase in the number of underserved patients with chronic diseases provide a strong foundation for long-term growth. The steady increase in patients affected by age-related diseases is also increasing the need for comprehensive, high-quality health care. An increased demand from patients and a strong willingness of self-payers to make use of premium services also play a major role from the Company’s perspective.

In addition, the acceleration of digitalization throughout the industry, with new advances in the performance of data analysis, particularly as demonstrated by the increasing importance of artificial intelligence (AI), opens up new opportunities for the future of the industry. These areas also pose major challenges at the same time. In terms of product development and licensing, increasing regulation and varying regional regulatory requirements are posing growing challenges. Equally high are the requirements for manufacturers and for products and solutions that both increase workflow efficiency for customers and offer more effective treatment methods for patients. At the same time, the cost pressure in the health care systems is leading to price-driven competition.

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

[5] EY, Pulse of the industry medical technology report 2023

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 Company estimates, the market had a global volume of around US$47.8b or around €45.1b[6] in revenue in 2022. 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$14.0b or around €13.2b[6] in 2022. On this basis, the Company estimates its market share by revenue in 2022 at approx. 11% (prior year: approx. 11%) and considers itself the second-largest supplier worldwide in this market behind ophthalmic surgery business Alcon.

The market for devices and systems, implants, consumables and instruments for ophthalmology recorded growth of around +17% in 2022 compared with the prior year, on a euro basis, and +6% in US dollars. In future, aside from annual fluctuations and subject to any global geopolitical and economic distortions, the Carl Zeiss Meditec Group expects the market for ophthalmic products to grow annually by a percentage at least in the low to mid-single-digit range, due to the intact demographic and other growth drivers.

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

b) Market for microsurgery products

Aside from ophthalmology the Company also operates in the microsurgery market. Surgical microscopes are a major subsection of this market. The acquisition of Kogent Surgical LLC in fiscal year 2021/22 enabled the Company to expand its existing portfolio of technological solutions and instruments in the field of microsurgery, offering it the opportunity to double the market it can address in the future. The production of surgical instruments will also increase the proportion of recurring revenue in the future.

Applications lie particularly in neuro- and spinal surgery, as well as other areas, such as ENT, plastic and reconstructive surgery, and dental surgery. In the ENT area, Audioptics Medical Inc. was acquired in the fiscal year under review. This acquisition will enable the Company to work on further solutions in the field of ENT in the future.

According to the Company's estimates, this product segment had a total volume of around US$0.8b (around €0.7b)[6].

With an estimated market share of over 50%, the Carl Zeiss Meditec Group is the largest supplier in this field in terms of revenue. The Carl Zeiss Meditec Group expects the market for microsurgical products to continue to grow in the medium term, irrespective of year-to-year fluctuations.

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

With revenue of €2,089.3m (prior year: €1,902.8m) and growth of 9.8% (adjusted for currency effects: 10.1%), the Carl Zeiss Meditec Group fulfilled the most recent forecast of around €2.1b for fiscal year 2022/23. Both strategic business units contributed to this positive development of revenue.

The SBU **Ophthalmology** reported revenue of €1,576.5m (prior year: €1,469.3m), which equates to growth of 7.3% (adjusted for currency effects: 7.6%), thus corresponding to market growth, which was projected to

[6] At average rate for fiscal year 2022/23 (€1 = US$1.0594)

be at least in the low to mid-single-digit percentage range. This increase was due, among other things, to an increased reduction in the existing order backlog. Due to improved delivery times and more favorable purchasing conditions, more devices were delivered in the course of the fiscal year. The intraocular lens business, in particular, also made solid contributions to revenue.

The SBU **Microsurgery** generated revenue of €512.8m (prior year: €433.6m), thus recording an increase of 18.3% (adjusted for currency effects: 18.7%) 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. Revenue in the SBU Microsurgery was also driven up during the reporting period, due in particular to strong demand and good progress in the delivery of equipment.

Earnings before interest and taxes (**EBIT**) declined to €348.1m in reporting period (prior year: €396.9mMio€). In terms of revenue, the Carl Zeiss Meditec Group achieved an EBIT margin of 16.7% (previous year: 20.9%) and fell short of the original forecast of an EBIT margin of between 19 and 21% of the original forecast in the 2021/22 annual report and between 17 and 20% in the 2022/23 half-year report. The reasons for the decline are the planned increase in strategic investments in Sales and Marketing as well as Research and Development. A less favorable product mix with a lower proportion of recurring revenue, inflation effects and negative currency effects, particularly as a result of currency fluctuations of the euro against the US Dollar and of Asian currencies, also had an impact. The impact of negative currency effects on EBIT in fiscal year 2022/23 are at a low double-digit million amount.

The EBIT margin in the strategic business unit **Ophthalmology** declined year-on-year. This decline is mainly due to a significantly less favorable product mix with a lower proportion of recurring revenue. The prior year had benefited from an increase in the inventory of surgical consumables in the Chinese distribution channel of the Carl Zeiss AG sales company as a safeguard against supply risks due to COVID-19. Other negative factors include the deconsolidation of two companies in the field of diagnostic equipment, negative currency effects, particularly as a result of currency fluctuations of the euro against the US dollar and of the Asian currencies, as well as planned increases in investments in Sales and Marketing and Research and Development.

The EBIT margin of the strategic business unit **Microsurgery** increased year-on-year. Despite the tense situation in the global supply chains, especially in the first half of the year, the SBU was able to compensate for material cost inflation significantly by adjusting prices and improve gross profit overall. The high cost increase, however, due in particular to targeted investments in Sales and Marketing and Research and Development, had a curbing effect on the development of the EBIT margin.

Cash flows from operating activities in fiscal year 2022/23 rose significantly compare with the prior year, to €250.9m (prior year: €188.2m). The higher cash inflow resulted, among other things, from lower income taxs payments and higher interest income. This was offset by the development of working capital, primarily due to the increased build-up of inventories.

Free cash flow decreased in fiscal year to €186.8m (prior year: €251.1m). EVA® decreased from €205.2m in the prior year to €134.0m.

In order to maintain its innovative strength and ensure future growth, the Company continuously invests in research and development. In fiscal year 2022/23 R&D spending amounted to 16.7% of revenue (prior year: 15.3%).

[6] At average rate for fiscal year 2022/23 (€1 = US$1.0594)

Comparison of actual business development with forecast development in the fiscal year 2022/23

	Results 2022/23	Forecast 2022/23
Revenue of Carl Zeiss Meditec Group[7]	€2,089.3m	At least in line with market growth (in mid-single-digit percentage range)
Revenue growth of Ophthalmology SBU	+7.3%	At least in line with market growth (in mid-single-digit percentage range)
Revenue growth of Microsurgery SBU	+18.3%	At least in line with market growth (in mid-single-digit percentage range)
EBIT margin[7]	16.7%	Between 19-21%
Cash flows from operating activities	€250.9m	At least low three-digit million amount
Research and development expenses (see prior year)	+19.9%	Increase by at least a low double-digit percentage amount
Free cash flow (FCF)	€186.8m	At least low three-digit million amount
Economic Value Added® (EVA®)	€134.0m	Slightly below to approximately at level of fiscal year 2021/22

Results of operations

Presentation of results of operations

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

	2022/23	2021/22	Change
Revenue	2,089.3	1,902.8	+9.8%
Gross margin	57.7%	59.3%	-1.6% pts
EBIT	348.1	396.9	-12.3%
EBIT margin	16.7%	20.9%	-4.2% pts
Earnings before income taxes	412.6	403.5	+2.3%
Tax rate	29.2%	26.7%	+2.5% pts
Consolidated profit after non-controlling interests	290.4	293.9	-1.2%
Earnings per share after non-controlling interests	€3.25	€3.29	-1.2%

Revenue
In fiscal year 2022/23, the Carl Zeiss Meditec Group increased its revenue by 9.8%, to €2,089.3m (prior year: €1,902.8m). Positive growth contributions came from both strategic business units and all reporting regions. China, in particular, as the largest single market, accounted for a large share of revenue. Currency effects had a slightly positive effect. After adjustment for currency effects, growth amounted to +10.1%.

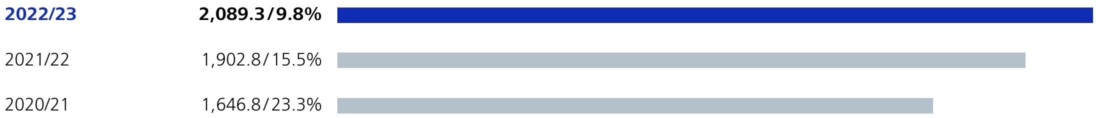
Both strategic business units were affected by global supply chain shortages. Delivery times were improved during the reporting period due to the easing of the supply chains. Orders received declined in fiscal year 2022/23 from €2,251.4m to €1,882.6m (-16.4%; adjusted for currency effects: -16.1%). The high orders received in fiscal year 2021/22 partly included advance orders for equipment due to the significantly longer delivery times.

The war in Ukraine further aggravated the existing supply situation. A joint venture of the ZEISS Group in Belarus, which manufactures opto-electronic components to order for Carl Zeiss Meditec AG, was also particularly affected by this. Production volumes remained below normal operations in fiscal year 2022/23; however,

[7] More specific forecast in 2021/22 half-year report: revenue approx. €2.1b, EBIT margin 17-20%

during the course of the fiscal year, increasing progress was made in the expansion of second-source suppliers and building up a safety stock.

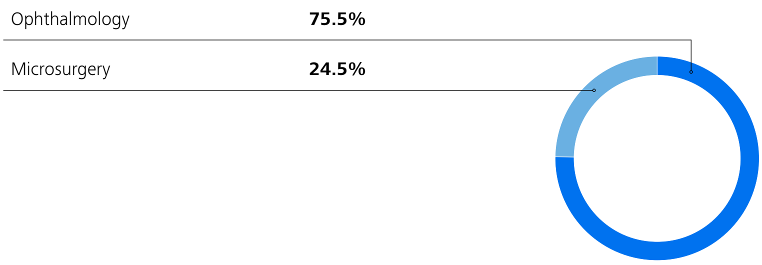
Revenue of the Carl Zeiss Meditec Group in €m/growth in %



a) Revenue by strategic business unit

The strategic business unit **Ophthalmology** accounted for more than three quarters (75.5%) of the Carl Zeiss Meditec Group's total revenue in the fiscal year under review (prior year: 77.2%). The strategic business unit **Microsurgery** generated 24.5% (prior year: 22.8%) of total revenue.

Share of strategic business units in revenue of the Carl Zeiss Meditec Group in the fiscal year 2022/23



Revenue of the SBU **Ophthalmology** was up by +7.3% (adjusted for currency effects: +7.6%) compared with the prior year to €1,576.5m (prior year: €1,469.3m). The increase was mainly due to the increased delivery of equipment in the course of the reporting period as a result of the improvement in delivery times. The intraocular lens business also made good contributions to revenue.

Orders received fell by -18.6% from €1,721.2m to €1,401.2m (adjusted for currency effects: -18.3%).

Revenue in the SBU **Microsurgery** amounted to €512.8m for fiscal year 2022/23, an increase of +18.3% compared with the prior year (prior year: €433.6m). Adjusted for currency effects, this revenue growth amounted to +18.7%. Good progress in equipment deliveries during the course of the fiscal year was a major contributor to growth.

Orders received in Microsurgery declined by -9.2% (adjusted for currency effects: -9.0%) from €530.2m to €481.4m.

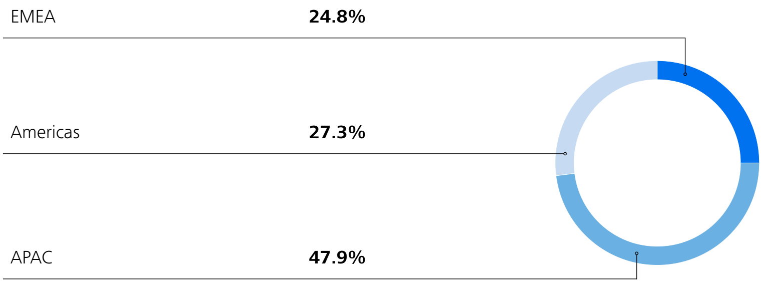
Revenue by strategic business unit

	2022/23	2021/22	Change in %	
	€m	€m		adjusted for currency effects
Ophthalmology	1,576.5	1,469.3	+7.3	+7.6
Microsurgery	512.8	433.6	+18.3	+18.7
Carl Zeiss Meditec Group	**2,089.3**	**1,902.8**	**+9.8**	**+10.1**

b) Revenue by region

In fiscal year 2022/23, 47.9% (prior year: 50.3%) of total revenue was generated in the **APAC** region. The **EMEA** region accounted for 24.8% (prior year: 24.1%) of total revenue, while the Americas region accounted for 27.3% (prior year: 25.6%).

Share of the regions in revenue of the Carl Zeiss Meditec Group in the fiscal year 2022/23



Revenue in the **EMEA** region increased by +12.7%, from €459.1m to €517.3m. After adjustment for currency effects, this Increase amounted to +13.7%. The core markets Germany, France and the countries of Southern Europe, in particular, contributed to this positive growth.

Sales in the **Americas** region increased by +17.2% from €486.8m to €570.7m, due in particular to an accelerated reduction of the existing order backlog. High growth rates were achieved by the USA and the Latin American markets. Compared with the prior year, growth rates were boosted by the accelerated reduction of the order backlog in the equipment business, due to improved production times, especially in the second half of the year.

Revenue in the **APAC** region increased due to good contributions to growth, especially from India and Southeast Asia. The markets of China and Korea, meanwhile, declined slightly. With revenue growth of +4.6% (adjusted for currency effects: 5.6%), revenue increased to €1,001.2m (prior year: €956.9m).

Revenue of the Carl Zeiss Meditec Group by region

	2022/23	2021/22	Change in %	
	€m	€m		adjusted for currency effects
EMEA	517.3	459.1	+12.7	+13.7
Americas	570.7	486.8	+17.2	+15.7
APAC	1,001.2	956.9	+4.6	+5.6
Carl Zeiss Meditec Group	**2,089.3**	**1,902.8**	**+9.8**	**+10.1**

Gross profit

Gross profit in fiscal year 2022/23 amounted to €1,205,8m (prior year: €1,127.6m). The gross margin reached 57.7% in the reporting period (prior year: 59.3%). A less favorable product mix compared to the prior year with a lower percentage of recurring revenue had an adverse effect, partly because the prior-year period benefited from an increase in the stocks of consumables in the Chinese distribution channel to safeguard against the supply risks caused by COVID-19.

Functional costs

Functional costs amounted to €853.3m in the reporting year (prior year: €729.4m), corresponding to an increase of 17.0%. High investments in sales and marketing and research and development were the main contributors to this increase. The share of functional costs in revenue increased from 38.3% in the prior-year period to 40.8% in fiscal year 2022/23.

» **Selling and marketing expenses:** Selling and marketing expenses increased from €360.2m in the prior year to €420.3m. The share expenses in relation to the Carl Zeiss Meditec Group's total revenue was 20.1% and has also increased compared with the prior year (prior year: 18.9%).

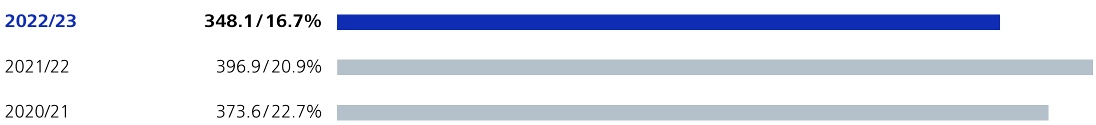
» **General and administrative expenses:** Expenses in this area amounted to €83.9m (prior year: €77.9m). Relative to revenue, the share of general administrative expenses remained largely constant at 4.0% (prior year: 4.1%).

» **Research and development expenses:** The Carl Zeiss Meditec Group continuously invests in Research & Development (R&D) to further develop its product portfolio and ensure further growth. R&D expenses increased, as planned, to €349.3m in the reporting period (prior year: €291.4m). Investments in digitalization, especially, and in the area of surgical ophthalmology played a particular role in this. The R&D ratio rose to 16.7% compared with the prior year (prior year: 15.3%).

Development of earnings

The Carl Zeiss Meditec Group generated earnings before interest and tax of €348.1m (prior year: €396.9m), thus recording a decline of -12.3% year-on-year. This corresponds to an EBIT margin of 16.7% (prior year: 20.9%). The decline is partly due to a less favorable product mix with a lower proportion of recurring revenue. High investments in sales and marketing and research and development also have a negative impact.

EBIT in €m/EBIT margin in %



EBIT in fiscal year 2022/23 includes effects from a one-time negative deconsolidation result of €4.3m as well as write-downs from purchase price allocations (PPA) of €10.5m (prior year: €8.6m).

Overview of effects of purchase price allocations and other operating result included in EBIT[8]

	2022/23	2021/22	Change
	€m	€m	in %
EBIT	348.1	396.9	-12.3
Effects of purchase price allocations	-10.5	-8.6	+22.1
Other operating result	-4.3	-1.3	>100
Total effects	**-14.8**	**-9.9**	**+49.5**

[8] There were write-downs on intangible assets arising from the purchase price allocations (PPA) mainly in connection with the acquisitions of Aaren Scientific, Inc. in fiscal year 2013/14, Carl Zeiss Meditec Cataract Technology, Inc. in fiscal year 2018/19 and Katalyst Surgical LLC and Kogent Surgical LLC in the fiscal year under review. In addition, the negative special effects in fiscal year 2022/23 were mainly due to the deconsolidation of Photono Oy and Ophthalmic Laser Engines LLC.

The EBIT margin in the strategic business unit Ophthalmology decreased significantly and, at 13.9% (prior year: 20.7%), was well below the EBIT margin for the Group as a whole. The decline was attributable to a significantly weaker product mix with a markedly lower proportion of recurring revenue as a result of the stockpiling of surgical consumables in the Chinese distribution channel to prevent delivery failures due to COVID-19 in fiscal year 2021/22. In addition, there was a one-time deconsolidation expense from the investments in Photono Oy and Ophthalmic Laser Engines LLC. The ongoing cost pressure has continued to have a negative impact, due, among other things, to extensive investments in sales and marketing and research and development. Negative currency effects due to exchange rate fluctuations, in particular of the euro against the USD and the Asian currencies, also curbed profitability. However, selective price increases in the equipment business had a positive effect.

The Microsurgery strategic business unit increased its EBIT margin from 21.5% in the prior year to 25.3%, thus clearly exceeding the EBIT margin of the Group as a whole. This increase was mainly due to good revenue growth as a result of accelerated deliveries and price adjustments in the course of the fiscal year as well as a positive gross profit trend. On the other hand, costs continued to rise sharply, due in particular to targeted investments in sales and marketing and research and development. In addition, negative currency effects due to exchange rate fluctuations, particularly of the euro against the US dollar and the Asian currencies, had a curbing effect.

Earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to €422.2m for the fiscal year under review (prior year: €466.6m). The EBITDA margin was 20.2% (prior year: 24.5%).

Net interest income and interest expenses amounted to €12.9m in the reporting period (prior year: €4.2m). The increase is mainly due to increased interest income from cash deposits in the Group treasury of Carl Zeiss AG. This was offset by the annual compounding of liabilities from contingent purchase price obligations included in the interest expense.

The financial result increased to €64.4m in fiscal year 2022/23 (prior year: €6.6m). The increase is mainly due to currency effects due to exchange rate gains from currency hedging transactions, in particular as a result of currency fluctuations of the euro against the US Dollar and the Asian currencies. High interest income from the cash deposit in the treasury of Carl Zeiss AG as well as income from the revaluation of contingent purchase price liabilities also had a positive effect.

The tax rate for the reporting period was 29.2% (prior year: 26.7%). The prior year was mainly influenced by the revaluation of the contingent purchase price obligation from the acquisition of Carl Zeiss Meditec Cataract Technology, Inc., which resulted in tax-free income. As a general rule, an average annual tax rate of around 30% is assumed.

Consolidated profit attributable to the shareholders of the parent company amounted to €290.4m for fiscal year 2022/23 (prior year: €293.9m). Non-controlling interests accounted for €1.6m (prior year: €2.0m). In fiscal year 2022/23, basic earnings per share of the parent company amount to €3.25 (prior year: €3.29).

Financial position

Objectives and principles of financial management

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

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

The Company deposits any liquidity it does not require at normal market conditions with the treasury of Carl Zeiss AG. When investing surplus liquidity, short-term availability generally takes priority over the goal of maximizing earnings, so that funds can be accessed quickly if, for example, acquisition opportunities arise. The Carl Zeiss Meditec Group has production plants in the USA, Europe and China. This allows the Group to mitigate the effect of exchange rate fluctuations. The remaining currency risk is hedged by futures trading. Details on this can be found in the notes to the consolidated financial statements under “2 Accounting and valuation principles”, Section “Financial instruments”, “27 Additional disclosures on financial instruments”, “36 Financial risk management”, and in the annual financial statements of Carl Zeiss Meditec AG under “4 Information and explanatory notes on accounting and valuation principles”, Section “Derivative financial instruments” and “8 Receivables from affiliated companies”.

Financial management

The ratio of borrowed capital to equity amounts to 39.6% as of 30 September 2023 (prior year: 39.0%).

The dynamic debt ratio[9] of the Carl Zeiss Meditec Group was -0.1 in the reporting period (previous year: -0.7).

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 Financial liabilities", "25 Current accrued liabilities" and "26 Other non-financial liabilities" in the accompanying notes to the consolidated financial statements and in the annual financial statements of Carl Zeiss Meditec AG under “8 Receivables from affiliated companies” and “14 Liabilities”.

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

Separate reporting on financial instruments

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

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

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

Value-at-risk analyses, together with scenario, sensitivity and stress test analyses, are implemented in risk control and monitoring, to quantify the currency risks. Hedging rates are specified for operative control of all relevant currencies. Risk limitations were set in the form of limits with respect to counterparties and types of business. Derivative financial instruments are exclusively used for hedging purposes.

Statement of cash flows

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

Changes in individual items in the income statement and the statement of financial position are recorded in the statement of cash flows. In contrast, the consolidated statement of financial position presents the figures as they stood at the end of the reporting period on 30 September 2023. 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 €250.9m in the fiscal year under review (prior year: €188.2m). Among other things, higher interest income and lower income tax payments had a positive effect. This was offset by a higher cash outflow, mainly from the change in working capital, in particular due to the build-up of safety stocks in inventories against the background of the tense global supply chain situation.

Cash flows from investing activities amounted to €-111,0m in fiscal year 2022/23 (prior year: €-92.9m) due in part to the cash outflow from the expansion of production capacities for surgical consumables in France, Germany and China.

Cash flows from financing activities amounted to €-135.1m in the fiscal year under review (prior year: €-94.2m). In addition to an increased dividend payment, this higher cash outflow in fiscal year 2022/23 is mainly attributable to a lower decrease in treasury receivables accompanied by a simultaneous decrease in treasury payables to the treasury of Carl Zeiss AG.

Free cash flow decreased in fiscal year 2022/23 to €186.8m (prior year: €251.1m), primarily due to the increase in net working capital compared to the previous year with a simultaneous increase in investments in property, plant and equipment and intangible assets as well as trade payables. **Net cash**[10] also declined slightly, to €863.9m (prior year: €885.6m).

[10] Includes receivables from and liabilities to the treasury of Carl Zeiss AG, as defined in the table "Key ratios relating to financial position" below.

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

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

Nevertheless, the required investment of capital in real assets is limited within the Company, which is evident from the development of the capex ratio – the ratio of total investments[11] in intangible assets and property, plant and equipment (cash) to consolidated revenue. In fiscal year 2022/23, it amounted to 5.4% (prior year: 4.3%), partly due to capacity expansions for the production of consumables.

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 Accounting and valuation princples" Section "Other intangible assets" and "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 2023	30 Sep 2022	Change
Key ratio	Definition	€m	€m	in %
Cash and cash equivalents	Cash-in-hand and bank balances	10.6	7.7	+37.7
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	863.9	885.6	-2.5
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	486.2	366.9	+32.5
Working capital	Current assets ./. current liabilities	1,350.1	1,252.5	+7.8

Key ratio	Definition	2022/23	2021/22	Change
Cash flow per share	Cash flows from operating activities	€2.80	€2.10	33.3%
	Weighted average of shares outstanding			
Capex ratio[12]	Total investment	5.4%	4.3%	+1.1 % pts
	Revenue of Carl Zeiss Meditec Group			

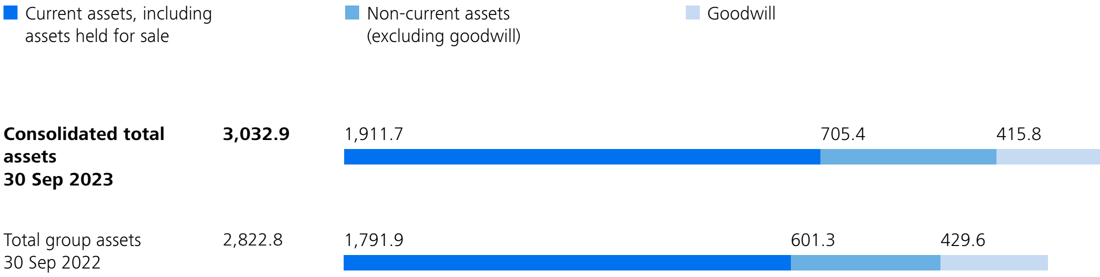
[11] In fiscal year 2022/23, investments in property, plant and equipment (cash) totaled €113.9m, compared with €42.8m in the prior year.
[12] From fiscal year 2022/23, the Capex ratio includes intangible assets and property, plant and equipment. The prior year's ratio has been adjusted accordingly.

Net assets

Presentation of net assets

Total assets increased to €3,032.9m as of 30 September 2023 (30 September 2022: €2,822.8m).

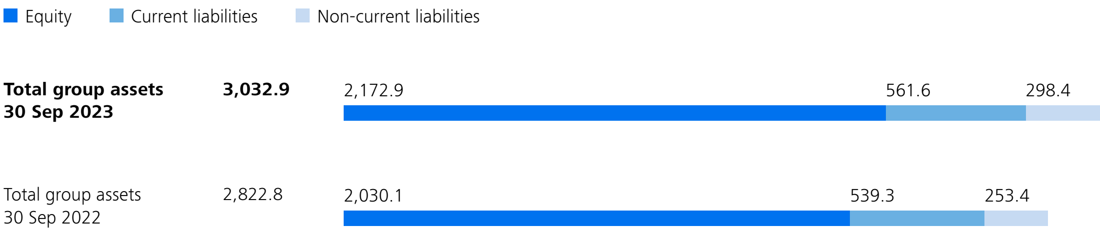
Structure of statement of financial position - Assets in €m



Non-current assets increased from €1,031.0m as of 30 September 2022 to €1,121.2m as of 30 September 2023. This increase was mainly due to increased investments in property, plant and equipment for the expansion of production capacities for surgical consumables.

Current assets amounted to €1,911.7m (30 September 2022: €1,791.9m). This increase is attributable to stockpiling of inventories.

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



The **equity** recognized in the Carl Zeiss Meditec Group's statement of financial position amounted to €2,172.9m as of 30 September 2023 (30 September 2022: €2,030.1m). The equity ratio was 71.6% (30 September 2022: 71.9%) and thus remained high.

Non-current liabilities increased to €298.4m as of 30 September 2023 (30 September 2022: €253.4m), due in particular to the increase in leasing liabilities.

As of 30 September 2023 , **current liabilities** increased to €561.6m (30 September 2022: €539.3m). This was mainly due to the increase in trade payables to third and related parties.

Key ratios relating to net assets

Key ratios relating to net assets

		30 Sep 2023	30 Sep 2022	Change
Key ratio	Definition	in %	in %	% pts
Equity ratio	Equity (including non-controlling interests) / Total assets	71.6	71.9	-0.3
Inventories in % of rolling 12-month revenue[13]	Inventories (net) / Rolling revenue	24.9	20.1	+4.8
Receivables in % of rolling 12-month revenue[13]	Trade receivables at the end of the reporting period (including non-current receivables) / Rolling revenue	20.5	22.2	-1.7

Orders on hand

The Carl Zeiss Meditec Group’s orders on hand decreased by -38.3% as of 30 September 2023 to €408.9m (30 September 2022: €662.9m). In the course of the reporting period and particularly in the second half of the year, the Company managed to reduce its existing inventory due to good progress made in the delivery of equipment. Nevertheless, orders on hand remain at a slightly higher level compared to prior years.

Events of particular significance

There were no other events of particular significance during fiscal year 2022/23.

NON-FINANCIAL PERFORMANCE INDICATORS

Sustainability

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

The key growth factors presented in the medical technology industry report are not materially impacted by climate change. The production sites are not located in places that are particularly vulnerable to the forces of nature. Nor is the Company dependent on the purchase of CO_2 certificates. Nevertheless, with its know-how and innovations, the Company aims to make an important contribution to tackling climate challenges so that we can achieve our economic goals and the associated sustained growth in line with a responsible approach to the environment and society.

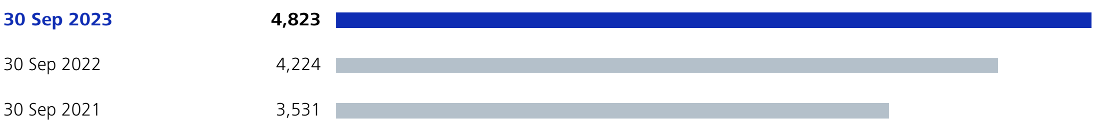
[13] Revenue of the past twelve months as of the end of the reporting period (30 September 2023)

In a separate non-financial Group report, Carl Zeiss Meditec AG provides information in accordance with sections 315 b and c in conjunction with section 289b et seq. HGB and Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 ("Taxonomy Regulation") on significant non-financial aspects for fiscal year 2022/23 of the Carl Zeiss Meditec Group. This report covers the necessary aspects for understanding the business development, results of operations and position of the Carl Zeiss Meditec Group as well as the impact of its business on the environment and society. This separate non-financial report is available in German and English at https://www.zeiss.de/meditec-ag/investor-relations/berichte-und-veroeffentlichungen.html.

Employees

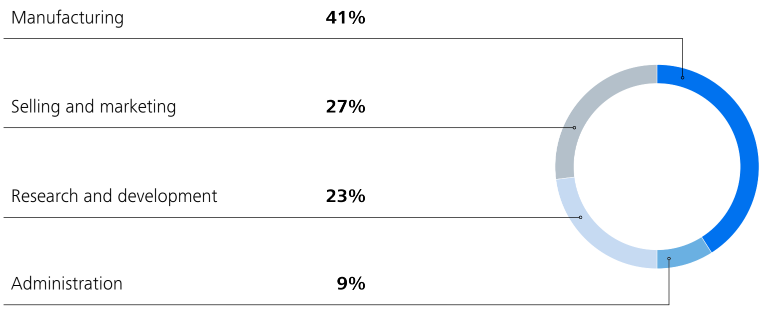
Highly qualified and motivated employees are a necessity for ensuring a company's long-term success. Responsible human resources development and attractive development opportunities play a vital role in this. As of 30 September 2023, the Carl Zeiss Meditec Group had 4,823 (prior year: 4,224) employees worldwide.

Employees



At 41% and 27%, respectively, the majority of employees were working in Production or Sales and Marketing as of 30 September 2023. This includes a total of 622 Service employees, who are spread across various areas. The percentage of employees working in Research and Development was 23% at the end of the reporting period. The percentage of employees working in administration as of 30 September 2023 was 9%.

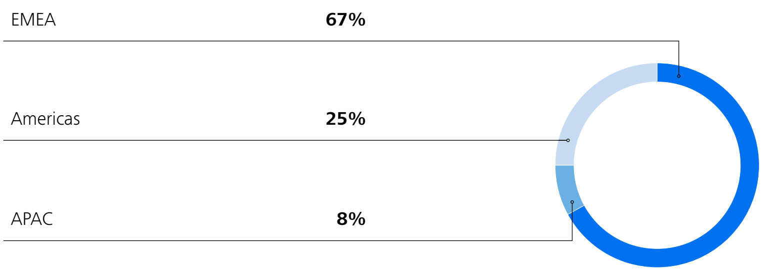
Employees by function as of 30 September 2023



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 2023. A total of 25% of the Company's employees were working in the Americas region and 8% 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 2023



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

Compliance

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

Production

Production sites

The Carl Zeiss Meditec Group manufactures its products in Jena, Oberkochen and Berlin in Germany, Dublin, Ontario and Chesterfield in the USA, Guangzhou in China, and La Rochelle in France. None of these production sites are at an increased risk from the forces of nature. The Company also has a number of smaller sites in Besançon, France, Livingston, Scotland, and Goodlands, Mauritius. Systems and devices for ophthalmology are manufactured in Jena and Dublin. The Company manufactures microsurgical visualization solutions and phacoemulsification systems in Oberkochen; intraocular lenses (IOL) are manufactured in La Rochelle, Berlin, Ontario and Guangzhou. Certain product groups are manufactured by partners, who either have more favorable cost structures or special production processes, or technologies that can realize economies of scale in purchasing.

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

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

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

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

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

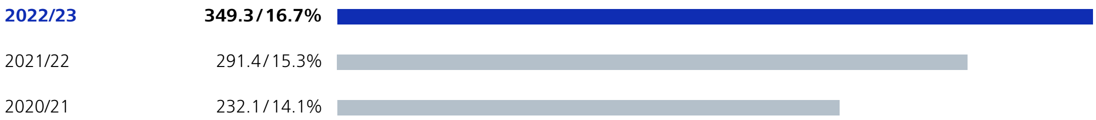
Research and development

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

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

In fiscal year 2022/23, research and development expenses increased by 19.9% to €349.3m (prior year: €291.4m). The R&D ratio rose to 16.7% compared with the prior year (prior year: 15.3%). Primary development costs of €46.1m 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, 23% (prior year: 21%) of the entire workforce of the Carl Zeiss Meditec Group were 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 2022/23 the expenses incurred for this amounted to 19.1% (prior year: 19.2%) 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 through optimized workflows.

Brands and patents

The Company invests in innovations and solutions and protects its innovations with patents. As in the prior year, the Carl Zeiss Meditec Group currently owns more than 900 patent families worldwide. An average of more than two patents a week were granted for the Carl Zeiss Meditec Group in fiscal year 2022/23. 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 194 (prior year: 193) registered brand families (as of 30 September 2023). These include, among others, product names, slogans, images, logos and other specific characteristics of the Company.

FINANCIAL STATEMENTS OF CARL ZEISS MEDITEC AG

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

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

Preparation of the financial statements

The following annual financial statements of Carl Zeiss Meditec AG have been prepared in accordance with the German Commercial Code (Handelsgesetzbuch, HGB).

In contrast to prior years, the income statement was prepared using the total cost format. This change results on the one hand from a group-uniform procedure for the preparation of the single entity annual financial statements in accordance with HGB and is also due to a change in cost accounting in accordance with HGB, which means that the cost of sales method can no longer be used.

Summary of business development

Carl Zeiss Meditec AG ended fiscal year 2022/23 with sales growth; thus, the growth trend of previous years continued again in the fiscal year under review.

Sales increased by 9.7% year-on-year and at the level of growth for the Carl Zeiss Meditec Group as a whole. Exchange rate fluctuations had no material effect overall on the development of sales. EBIT (sales plus changes in inventories, other own work capitalized, other operating income less cost of materials and personnel expenses, depreciation, amortization and write-downs and other operating expenses) rose by €4.5m compared to the prior year (€296.7m) to €301.3m. The EBIT margin thus decreased by 1.6 percentage points, from 21.9% in the prior year to 20.3%. The forecast range of 19-21% was therefore achieved.

Income statement according to HGB

	Appendix	**2022/23 1 Oct 22 to 30 Sep 23**	2021/22 1 Oct 21 to 30 Sep 22	Change
		€k	€k	in %
Sales	(17)	**1,485,204**	**1,353,273**	**9.7%**
Increase in finished goods and work in progress		39,297	11,192	251.1%
Other own work capitalized		26,014	8,309	213.1%
Other operating income	(18)	95,338	45,853	107.9%
Cost of materials		-686,647	-542,790	26.5%
a) Cost of raw materials, consumables and supplies, and of purchased merchandise		-678,570	-535,185	26.8%
b) Cost of purchased services		-8,077	-7,605	6.2%
Personnel expenses		-256,526	-199,278	28.7%
a) Wages and salaries		-203,448	-157,181	29.4%
b) Social security, post-employment and other employee benefit costs		-53,078	-42,097	26.1%
of which in respect of post-employment benefits		-22,673	-18,284	24.0%
Write-downs on intangible assets and property, plant and equipment		-27,015	-25,603	5.5%
Other operating expenses	(19)	-374,407	-354,228	5.7%
Income from long-term equity investments	(20)	2,283	3,602	-36.6%
of which from affiliated companies		2,283	3,602	-36.6%
Income from profit and loss transfer agreements	(21)	-	640	-100.0%
Expenses from loss transfers	(21)	-542	-	
Income from long-term loans		1,979	470	321.1%
of which from affiliated companies		1,562	470	232.3%
Other interest and similar income		17,318	949	1724.9%
of which from affiliated companies		17,094	387	4317.1%
Write-downs of long-term financial assets and securities classified as current assets		-4,931	-12,549	-60.7%
Interest and similar expenses	(22)	-1,615	-16,777	-90.4%
of which to affiliated companies		-	-	
Result before tax		**315,750**	**273,063**	**15.6%**
Income taxes	(23)	-95,834	-107,277	-10.7%
Result after tax		**219,916**	**165,786**	**32.7%**
Other taxes	(24)	-377	-307	22.8%
Net income for the fiscal year		**219,539**	**165,479**	**32.7%**

Results of operations

Revenue increased by 9.7% year-on-year to €1,485.2m (prior year: €1,353.3m). Overall, currency translations had no material effect on the increase in sales.

The increase in other operating income is mainly attributable to foreign currency gains. Other operating expenses increased mainly as a result of foreign currency losses.

At 26.5% and 28.7% respectively, the cost of materials and personnel expenses rose disproportionately compared to revenue. The main reason for the increase in the cost of materials was the impact of the tense situation in global supply chains and in energy supply, which was reflected in significantly higher procurement costs. In terms of personnel expenses, the wage adjustments and the increase in the number of employees had a cost-increasing effect.

Income from long-term equity investments results from the dividend payment of Carl Zeiss Meditec Co. Ltd., Tokyo, Japan. Expenses from loss transfers 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".

Write-downs of long-term financial assets mainly pertained to Photono Oy. Further details can be found in the notes to the annual financial statements of Carl Zeiss Meditec AG in the note on "Fixed assets".

The increase in interest and similar income in the financial result was mainly due to the monies invested in the treasury of Carl Zeiss AG.

As a result, earnings before taxes increased €273.1m in the prior year to €315.8m. Net income for the fiscal year under review amounts to €219.5m (prior year: €165.5m).

Balance sheet

	Note	30 Sep 2023	30 Sep 2022
		€k	€k
ASSETS			
A. Fixed assets	**(5)**	**832,599**	**747,498**
I. Intangible fixed assets		36,088	50,197
II. Tangible fixed assets		86,093	55,990
III. Long-term financial assets		710,418	641,311
B. Current assets		**1,389,240**	**1,295,473**
I. Inventories		317,497	217,194
II. Receivables and other assets	(7) - (9)	1,071,696	1,078,224
III. Cash-in-hand and bank balances	(10)	47	55
C. Prepaid expenses	**(11)**	**2,760**	**2,315**
Total ASSETS		**2,224,599**	**2,045,286**
EQUITY AND LIABILITIES			
A. Equity	**(12)**	**1,769,964**	**1,648,810**
I. Subscribed capital		89,441	89,441
II. Capital reserve		954,942	954,942
III. Revenue reserves		2,940	2,940
IV. Net retained profits		722,641	601,487
B. Special reserve for investment subsidies		**595**	**-**
C. Provisions	**(13)**	**224,067**	**215,589**
D. Liabilities	**(14)**	**228,315**	**179,201**
E. Deferred income	**(15)**	**1,658**	**1,686**
Total LIABILITIES		**2,224,599**	**2,045,286**

Net assets and financial position

Pursuant to German commercial law (HGB), the total assets of Carl Zeiss Meditec AG amounted to € as of €2,224.6m as of 30 September 2023. This corresponds to an increase of 8.8% compared with the prior year (€2,045.3m).

Long-term financial assets increased mainly as a result of the acquisition of additional shares in Audioptics Medical Inc., Halifax, Canada and the capital increase of CZ Meditec Holding Shanghai, Shanghai, China, as well as the issue of new loans to subsidiaries. Further details can be found in the notes to the annual financial statements of Carl Zeiss Meditec AG in the note on "Fixed assets".

At €317.5m, inventories were up by €100.3m year-on-year (€217.2m). The increase was mainly due to the build-up of safety stocks against the background of the tense global supply chain situation. Receivables and other assets remained at the prior year's level.

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

Net retained profits increased by the net income for the fiscal year of €219.5m, less the dividend paid of €98.4m.

Provisions increased to €224.1m (prior year: €215.6m). This was mainly due to higher provisions for pensions. Further information can be found in the notes to the annual financial statements of Carl Zeiss Meditec AG under "Provisions". Liabilities increased due to the higher purchase volumes.

The debt ratio (ratio of borrowed capital to equity) increased slightly to 25.7% as of 30 September 2023 (prior year: 23.9%).

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

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

Employees

As of 30 September 2023, Carl Zeiss Meditec AG had 2,235 employees. This number does not include Management Board members.

Appropriation of profits

Fiscal year 2022/23 closes with net income of €219,538,576.53. The Management Board proposes utilizing the net retained profits of €722,640,689.82 for fiscal year 2022/23 as follows:

» Payment of a dividend of €1.10 per no-par value share for 89,440,570 no-par value shares: €98,384,627.00.
» Carryforward of residual profit to new account €624,256,062.82.

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

The declaration on corporate governance (pursuant to Section 289a HGB and 315 (5) HGB) includes the declaration of conformity pursuant to Section 161 AktG, relevant information on corporate governance practices applied which go beyond the statutory requirements, in addition to information of where these are publicly accessible and a description of how the Management and Supervisory Boards work, as well as the composition and mode of working of their committees. This information is available on our website at www.zeiss.de/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.

In a separate non-financial Group report, the Carl Zeiss Meditec Group provides information in accordance with section 315 b and section 289b et seq. HGB and Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 ("Taxonomy Regulation") on significant non-financial aspects for fiscal year 2022/23 of the Carl Zeiss Meditec Group. This report covers the necessary aspects for understanding the business development, results of operations and position of the Group as well as the impact of its business on the environment and society. This separate non-financial report is available in German and English at https://www.zeiss.de/meditec-ag/investor-relations/berichte-und-veroeffentlichungen.html.

OPPORTUNITY AND RISK REPORT

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

Risk management

The central risk management system of the Carl Zeiss Meditec Group stipulates uniform regulations and processes for the early detection, assessment and management of risks. In the subsidiaries and at Group level, risk management coordinators are responsible for applying the policies and procedures. The management of the subsidiaries identifies and manages operating and strategic risks. Risks from non-controlling interests are also taken into account. Risks and opportunities arising from general social requirements for companies and megatrends such as digitalization, sustainability and demographic change are also regularly examined. Overall responsibility lies with the Management Board, which regularly assesses risks and their management at Group level together with the Group Risk Manager. The Management Board and Supervisory Board review the appropriateness of and monitor the risk management system.

Risk management is an integral part of corporate governance within the Carl Zeiss Meditec Group, and is based on the following key components: a **risk reporting system** (including an early detection system), an **internal control system** and a **compliance management 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. Risks arising from investee companies, including at-equity investments, are recognized by the subsidiary that holds the investment.
» The business risks are assessed and categorized according to their potential implications over the period of their existence, and according to their probability of occurrence and damage potential. The period of assessment is a maximum of five years. The risks are evaluated in respect of their effect on earnings before interest and tax.
» Regular risk reports are provided to the Management Board, the management of the subsidiaries and other decision-makers within the Company on the basis of specified thresholds. Significant risks arising at very short notice are reported to this responsible group immediately.
» On this basis, the Group takes and evaluates appropriate measures to avoid identified risks, reduce their probability of occurrence or reduce the potential economic damage they could cause. The measures to reduce risks, the early warning indicators and the residual risks derived from these are regularly updated and documented.

Internal control system

The internal control system of the Carl Zeiss Meditec Group is based on the COSO Enterprise Risk Management Model (COSO ERM model). The Group’s integrated enterprise risk management system covers strategic and operational risks, i.e., risk assessment goes beyond mere financial risks. For central processes, there are key risks and defined control mechanisms, which are evaluated annually with regard to their effectiveness.

The accounting-related part of the internal control system is a system structured within the sphere of responsibility and under the supervision of the CFO, which ensures that the preparation of the consolidated financial statements is in line with the International Financial Reporting Standards (IFRSs), and that external financial reporting is reliable.

Compliance management system

The compliance management system of the Carl Zeiss Meditec Group and the requirements for appropriate action are integrated into all major business processes. The core element of the Group's compliance management system is a code of conduct. This is a compilation of principles and guidelines for responsible conduct. The Code of Conduct applies to all employees and is available for inspection on the Company's website. In addition to conventional anti-corruption regulations to ensure fair competition, prevent the granting and acceptance of advantages and avoid conflicts of interest, a variety of other principles of action are regulated, for example to ensure fair treatment of employees and business partners, the handling of business secrets and private data, insider regulations, handling of company property, occupational health and safety and protection of the environment, etc.

Compliance managers at the subsidiaries and at Group level are responsible for applying the guidelines and directives and for communicating violations or suspected violations to the management.

The effectiveness of the system is ensured by regular evaluations and inspections. It is also subject to monitoring by Internal Auditing.

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.

Monitoring system
The Management Board is responsible for ensuring an appropriate and effective internal control system and for continuously improving it. The Audit Committee of the Supervisory Board monitors the effectiveness of risk management, the internal control system, including the accounting process and the compliance management system. It also uses the Internal Auditing system for this purpose, whose tasks it also monitors and controls at the same time.

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

Significant risks

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

Quantitative data is based on a net perspective after application of measures, and relates to the risk assessment period. The measures implemented are outlined in the sections on the individual risks.

Ukraine war
The war in Ukraine continued to have material effects on the risk situation of the Carl Zeiss Meditec Group in the past fiscal year, but with a decreasing level of risk.

On the one hand, and with the most direct impact, this concerns the procurement side. Carl Zeiss Meditec AG obtains certain materials and components for its production activities from the ZEISS Group, which has them manufactured by a supplier in Minsk, Belarus, in which the ZEISS Group has a long-standing stake. Further 0tightening of international sanctions against Belarus, for example due to further military support of Russia by Belarus or direct involvement in the war, could result in a severe delay or complete interruption of material and goods flows. This would have an adverse effect on the Carl Zeiss Meditec Group's production and thus revenue. In order to mitigate this risk, the Carl Zeiss Meditec Group continues to work intensively on establishing a second procurement source, in particular for the main prioritized materials and components, but hereinafter also for all other affected parts, or to manufacture these itself. Prioritized materials include those necessary for the production of products that make significant contributions to earnings, materials for products of crucial strategic importance for the Carl Zeiss Meditec Group and, of course, materials for products that ensure the continuous care of patients. The development of alternative procurement sources continues to progress as planned, but will extend over part of the next fiscal year until the target is fully achieved.

The war is also having an impact on sales, especially on sales and services in Russia itself. However, the distribution of the Carl Zeiss Meditec Group’s products in Russia is currently only partially affected by existing sanctions. This could change, however, if sanctions are tightened in future. In order to continue to provide patients and the population in Russia high-quality ophthalmological treatment, the Carl Zeiss Meditec Group has decided not to break off its business relations with Russia.

In the context of the Ukraine war and the resulting conflicts between Germany and the European Union and Russia, shortages or disruptions to the electricity, gas and oil supply may also arise. which may lead to interruptions in the energy supply of the European sites of the Carl Zeiss Meditec Group or its suppliers in this region. This could result in supply, production and sales losses, which could have an adverse effect on net assets, financial position and results of operations. Overall, the production of the products of the Carl Zeiss Meditec Group is not very energy-intensive. The Carl Zeiss Meditec Group is trying to reduce these risks by providing individual replacement supply options or backup energy supply solutions at the individual locations. In addition, there is currently a partial energy supply via prioritized district heating systems.

Finally, it should be mentioned that the influences in the supply chain at the named Belarusian supplier and in the energy supply in particular have a significant impact on the price level of the energy media, materials and components to be procured. A further hike in procurement prices could have an adverse effect on the net assets, financial position and results of operations of the Carl Zeiss Meditec Group. Similarly, prices on the procurement market for materials and preliminary products from other suppliers, who themselves are negatively affected by the war, may also continue to rise.

Overall, the risks posed by the war in Ukraine are estimated to be in the low double-digit million euro range. However, this information is only intended to classify the effects and is not supplementary to the risks described in the paragraphs below. The following paragraphs likewise include the monetary effects of the Ukraine War, but differentiated by topic.

Economic and political environment

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

The global economic environment, which had already become more volatile over the last number of years, resulting in greater overall economic risks, has once again deteriorated further due to the COVID-19 pandemic and most recently the was in Ukraine and the conflict in Israel. 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. The Carl Zeiss Meditec Group’s business was only very moderately affected by the adverse effects of the Ukraine war in the fiscal year under review, and thus significantly less than expected.

Apart from the aforementioned influences, economic development may also be curbed by reduced stability of the EU, as well as a general economic downturn. Furthermore, an increasingly protectionist economic policy is being observed in key markets in which the Carl Zeiss Meditec Group operates, such as the USA and China, the future direction of which is difficult to predict. Escalating trade tensions and conflicts between China and the USA may impact global growth in general and the growth of the Carl Zeiss Meditec Group, especially in these countries. There are also local risks and instabilities in emerging markets, such as Turkey or South America, for example, which may cause global chain reactions.

Rising inflation means that the costs of production factors, production and sales of the Carl Zeiss Meditec Group's products are rising. It may not be possible to pass all of these higher costs on to customers or to cushion them with efficiency measures.

In addition, the interest rate continued to rise sharply in the past fiscal year, starting in the prior fiscal year. As a result, the interest burden on customers who purchase the Group's products with external financing is increasing. In markets where such borrowing is more common, such as the USA, this rise in interest rates may lead to a reluctance to buy and thus to lower revenues for the Group in those markets.

In China, the Volume-Based Procurement Directive is increasingly being applied to tenders from public hospitals. According to this approach, high purchasing volumes in terms of quantities are put out to tender, but with lower prices per unit. This may lead to a reduction in the Group’s sales per product in the context of a winning tender. On the other hand, due to higher volumes there is an opportunity to achieve a more positive result overall through greater fixed cost degression. This can also earn the Group the reputation of being a reliable partner to public hospitals in China.

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 and the monitoring of overall economic developments enables these risks to be identified in good time to allow countermeasures to be initiated. In addition, the international presence of the Carl Zeiss Meditec Group, which is to be further expanded, means it is less affected by regional crises, and the highly differentiated product and customer structure of the Company, which is also to be strengthened, limits its sales risks. The Group is also working on a more efficient cost base and is trying to pass on price increases to the market. According to current estimates, and in particular due to the pandemic and the Ukraine war, there are currently risks in the macroeconomic environment in the mid-double-digit million euro range.

Market and competition

The Carl Zeiss Meditec Group is exposed to intense and growing 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 the Carl Zeiss

Meditec Group’s products. In the case of new products for which reimbursement cannot yet be predicted with certainty, demand may be considerably dampened by the financial situation of consumers. Refractive surgery is generally an elective procedure, which patients pay for themselves. Demand therefore depends on general economic development. In addition, on the customer side, and particularly in the private health care sector, there is a noticeable increase in the formation of regional and national purchasing alliances, as well as clinic chains. Such a trend may lead to a fall in selling prices in this customer segment.

Collectively, these market and competition-related risks may impact the Group's earnings by an amount in the low 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. In addition, the Carl Zeiss Meditec Group has spent many years on research and development, which, for several years now, has been increasingly extending to digital applications in order to increase organic growth opportunities and profit from market share. In addition, the Group is seeking to expand its product portfolio through internal research and development activities as well as external acquisitions in order to stay ahead of other competitors and to be an efficient partner for its customers by strengthening its key account approach.

Sales market Russia

The distribution of the products of the Carl Zeiss Meditec Group in Russia is currently only partially affected by existing sanctions, as explained above in the section "Ukraine War". Please refer to our statements in the section "Ukraine War". The risks for this sales market are in the lower single-digit million euro range. The Group is attempting to compensate for possible losses in the Russian and Ukrainian markets by strengthening other markets.

Sales market China

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

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

The risks for this sales market are currently in the lower double-digit million euro range. Further risks regarding this sales market are also listed under "Economic and political environment".

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.

The war in Ukraine has also further increased the procurement risk to the Carl Zeiss Meditec Group. The aforementioned procurement risk at a Belarusian supplier, in particular, comes into play here. We refer here to the explanations in the paragraph "Ukraine war".

In previous years, lockdowns were observed in China, especially in larger ports and cities, which put a strain on the supply chain situation. There was also a risk that suppliers could fail to deliver due to the transport and delivery bottlenecks observed in various areas. This situation eased significantly in the fiscal year under review, almost returning to normal. As a result the Group has almost completely cleared its order backlogs, and delivery times for customers are back to normal.

The Group continues to work on stabilizing supply chains and reducing the dependence on individual suppliers in order to minimize the associated economic impact, among other things. Opportunities arising from the bundling of procurement activities are also being exploited. Furthermore, the Carl Zeiss Meditec Group selects its suppliers according to specific processes and criteria. By implementing consistent supply chain measures, such as qualifying its suppliers, identifying secondary suppliers and preparing a strategic stockpiling plan, the Carl Zeiss Meditec Group protects itself against supplier dependencies and changes on the commodities market.

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

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

Sustainability risks
For the Carl Zeiss Meditec Group, sustainability and business success are inextricably linked. Sustainable value creation is an integral part of business activities, which aim to provide innovative solutions, contribute to the positive development of society and enable long-term profitable growth.

The Group regularly reviews the various sustainability and human rights’ guidelines and directives adopted for the European Union and specific countries to check for potential violations and risks in the Group's subsidiaries.

The ban on the use of per- and polyfluorinated substances (PFAS) planned by the European Union has been identified as a significant risk. These substances are contained in many of the Group's products and in manufacturing processes and a replacement is currently only available or technically feasible for a small number of these substances. Although the regulations provide for long transition periods, these no longer seem as feasible when substitute substances have to be developed in this time and then be implemented in the Group's products and processes and renewed long-term approval of these products has to be obtained in various markets.

If this ban is adopted, this could have material adverse effects on the net assets, financial position and results of operations of the Carl Zeiss Meditec Group, and likewise for the Group’s competitors, due to the fact that the products concerned would no longer be able to be sold or their conversion may be significantly delayed. The impact of these effects is currently in the mid-double-digit million euro range. If the ban is actually implemented, the Group will work on measures such as building up safety stocks and evaluating, analyzing and implementing alternative substances.

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

In order to exploit opportunities in this area in good time and keep the probability of occurrence and the economic impact of this risk low in all segments, the Carl Zeiss Meditec Group invests in research and development and upstream areas of products with a technological edge and unique selling points and in the expansion of its strategy as a solutions provider.

Personnel risks
Demographic change and the shortage of skilled staff for technical jobs as well as the differing training and qualifications standards around the globe are creating new challenges when it comes to filling job vacancies. Unfilled positions could limit the technological advancement and sale of the products and services it offers in all segments. The Carl Zeiss Meditec Group is countering this with its recruitment strategy and employee development and successor planning, thus keeping the probability of occurrence low. In order to retain skilled employees in the long term, the Carl Zeiss Meditec Group offers various social benefits depending on the location – these include, for example, health promotion and child care services. The management currently expects these risks to have very minor effects on the net assets, financial position and results of operations of the Carl Zeiss Meditec Group 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 a considerable increase in the threat from cybercrime. Depending on the nature and scope of potential successful cyber attacks, these could have material adverse effects on the Carl Zeiss Meditec Group's net assets, financial position and results of operations. Some of the Group's IT systems are operated by external partners. The Group has defined standards for these service providers with regard to the hardware and software used, as well as data security. The Carl Zeiss Meditec Group monitors the implementation of and compliance with these standards.

Risks in this area are in the low single-digit million euro range.

Product approval
As the Carl Zeiss Meditec Group sells its products worldwide, statutory regulations have to be taken into consideration when manufacturing and launching products in the market, especially where explicit regulatory approvals and certifications are required. Although these requirements are incorporated into all stages of development, production and distribution, there is no guarantee that such approvals will be granted at all or

in time for the planned launch in the market or that the Group's numerous registrations will still exist or be renewed in the future. This may lead to sales losses and, in the case of delayed product launches, to competitive disadvantages. In addition, registration requirements could become more stringent in future, also due in particular to increasing protectionist tendencies in various countries.

In order to be able to identify such developments in good time and respond appropriately, the Company monitors developments and approval procedures in this area very closely as part of its quality management system. This is especially the case right now with regard to the new EU medical devices directive, which entered into force 2017. When problems arise in approval procedures, the Group relies on close communication with the regulatory authorities and works on the outstanding issues in a focused manner. Any residual risks that remain move within the single-digit million euro range.

Quality and product liability risk

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

The Company covers itself against potential product liability claims by taking out product liability insurance. The possibility cannot be completely excluded that the Carl Zeiss Meditec Group's existing insurance coverage may not be sufficient to cover potential claims. In addition, the Company is focused on resolving any quality problems that arise in a customer-friendly manner and as quickly as possible. Any residual risks that remain are in the mid-single-digit million euro range.

Infrastructure risks

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

The Company's headquarters, with major research and development departments and other key Group functions, are located in Germany, a region with a comparatively low risk of natural disasters. A second major site is located in the Greater San Francisco area in the USA, a region with an increased risk of earthquakes. In order to minimize potential damage, the Carl Zeiss Meditec Group has set up a crisis management system, and has also developed local and central plans for maintaining the functionality of critical business processes (business continuity plans).

Risks from interruption of production may, in addition to the reasons already mentioned, also result from the failure of production facilities due to technical defects. The Carl Zeiss Meditec Group is trying to minimize the risk of such outages through regular maintenance, replacement of technically obsolete equipment and appropriate emergency management.

The Ukraine war and the resulting conflicts of Germany and the European Union with Russia may give rise to shortages or outages in the area of electricity, gas and oil supply, which could lead to disruptions in energy supply to the European locations of the Carl Zeiss Meditec Group or its suppliers in this region. For further information please refer to the section "Ukraine War". The Group is working on counteracting potential outages of this kind through alternative energy and heat generation measures and by building up safety stocks of important consumables for customers.

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

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

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

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

As a listed medical technology company with global operations, the Carl Zeiss Meditec Group is subject, in the countries in which the Group operates, to a large number of laws, regulations and guidelines. In order to ensure compliance with these regulations, these are regularly analyzed for any changes and internal processes and guidelines are adapted, if necessary. The Company has set out the basic principles of correct conduct in business activities in a Code of Conduct, which applies to all employees. In order to avoid breaches of compliance and minimize risks to the Group’s reputation, the Group has established a corporate-wide compliance organization. Regular training measures are also in place to familiarize the employees with internal guidelines and make them aware of the negative effects breaches could have.

The management expects effects in the lower million euro range on the net assets, financial position and results of operations of the Carl Zeiss Meditec Group.

Risks from acquisitions
Acquisitions or investments are made to give the Carl Zeiss Meditec Group the opportunity to expand its portfolio of expertise and technology, or to increase its access to regional markets. In the area of cataract surgery, the

acquisition of Carl Zeiss Meditec Cataract Technology, Inc. in December 2018 will help to further improve the quality of treatment results and workflows in cataract surgery through novel treatment options. Another acquisition was made in the area of cataract surgery in March 2022. The acquisition of Preceyes B.V. will enable the Carl Zeiss Meditec Group to strengthen its technological position and product portfolio, particularly in the area of retinal surgery, by means of robotic technologies and implants. Surgical instrument manufacturers Catalyst Surgical LLC and Kogent Surgical LLC were then acquired in April 2002. It is hoped that this acquisition will further expand the Group's position as a solution provider and generate additional recurring sales in the medium term. The investment in Vibrosonic GmbH in January 2023 and the acquisition of Audioptics Medical Inc. In July 2023, expands the Group’s portfolio in the new area of diagnosis and treatment of ear diseases.

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

The consolidated statement of financial position shows goodwill from acquisitions totaling €415.8m, which is tested annually for impairment in accordance with IAS 36. A total of €383.8m of this goodwill is attributable to the Ophthalmology SBU, and €32.0m 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 and changes in business models, impairment losses on goodwill recognized cannot be ruled out.

Financial risks
As a result of the European debt crisis there is a latent credit risk concerning business banks at which the Carl Zeiss Meditec Group holds deposits. However, the Company has taken various measures to mitigate risks. For example, it has introduced a monitoring procedure to monitor the current situation in the capital markets. The Company has categorized its financial risks as moderate. The basis for this categorization is the sound financing structure with an equity ratio of 71.6%, 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 "(36) Financial risk management" in the accompanying notes to the consolidated financial statements. There are no further significant risks beyond the risks already taken into account in the statement of financial position.

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

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

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

Additional disclosures pursuant to Section 289 (2) No. 1 HGB, Section 315 (2) No. 1 HGB

In principle, price fluctuation risks cannot be ruled out. However, the Carl Zeiss Meditec Group counters these risks by focusing on product innovations and optimizing its production costs through cost-cutting and efficiency-enhancing measures. Potential risks of default on trade receivables – particularly given the worsening global debt situation and a potential risk of bad debt losses as a result – are minimized by means of an active credit control system. The Carl Zeiss Meditec Group also regularly sets up adequate provisions to cover such risks. On the whole, however, we consider this to be a limited risk. The ratio of valuation allowances on trade receivables to consolidated revenue was 0.4% in the fiscal year under review (prior year: 0.5%)

The Carl Zeiss Meditec Group's financial situation can be considered sound. Cash and cash equivalents amounted to €10.6m as of the end of the reporting period on 30 September 2023. Added to this are credit balances recognized as receivables from the treasury of Carl Zeiss AG, in the amount of €870.0m. The Group also generated cash flows from operating activities of €250.9m in the fiscal year under review. From a current perspective there are therefore no significant liquidity risks.

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

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

Overall assessment of the Company's risk situation

At the time of preparation of this report, there were no discernible risks that could jeopardize the continued existence of the Carl Zeiss Meditec Group. Risk-bearing capacity is not at risk. Compared with the prior year, the overall assessment shows a higher risk situation in terms of amount, which is mainly due to the increased uncertainties in the macroeconomic environment, including the development of inflation, and the matter of the possible ban on perpetual chemicals (PFAS). However, it should also be stressed that the Carl Zeiss Meditec Group was less affected than expected by the Ukraine war. 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. The risk management system, with its risk reporting and early detection components, internal control system and compliance management system, was assessed as appropriate and effective in the past fiscal year.

DISCLOSURES PURSUANT TO SECTION 289 A AND 315 A HGB

Carl Zeiss Meditec AG's subscribed capital amounts to €89,440,570.00 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., White Plains, USA.

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

Pursuant to Section 179 and Section 133 AktG, an amendment to the Articles of Association requires a resolution by the Annual General Meeting which, in turn, requires a simple majority of the votes cast and a majority comprising at least three quarters of the share capital represented at the time the resolution is passed. The Articles of Association may specify a different capital majority; in the case of an amendment to the purpose of the Company, however, only a larger capital majority may be specified. Art. 25 of Carl Zeiss Meditec AG’s Articles of Association states that in cases for which the law requires a majority of the share capital represented at the time of resolution, a simple majority of the share capital represented is sufficient, provided that a greater majority is not mandatory by law. Pursuant to Art. 28 of the Articles of Association of Carl Zeiss Meditec AG, the Supervisory Board is authorized to resolve amendments to the Articles of Association that only affect the version. This complies with Section 179 (1) Sentence 2 AktG.

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

Pursuant to Art. 4 (5) of the Articles of Association of Carl Zeiss Meditec AG, the Company has an Authorized Capital. Subject to the approval of the Supervisory Board, the Management Board is accordingly authorized to increase the share capital, on one or several occasions in the period until 29 March 2027, by up to a total of € 26,500,000.00. New no-par value bearer shares may be issued against cash and/or contributions in kind for this. The Management Board is authorized, subject to the approval of the Supervisory Board, to exclude the statutory subscription rights of shareholders in the following cases:

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

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

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

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

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

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

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

SUPPLEMENTARY REPORT

No events of material significant for the Group’s net assets, financial position and results of operations occurred after the end of fiscal year 2022/23.

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

Please refer here to the information in the notes to the financial statements under “38 Events after the end of the reporting period”.

OUTLOOK

Future conditions for business development

Macroeconomic conditions[14 15]
According to the International Monetary Fund (IMF) forecast from the Word Economic Outlook Update of October 2023, global growth will fall further to 2.9% in 2024, thus remaining below the historical average (2000-2019) of 3.8%. For the advanced economies, the IMF forecasts a slowdown of 0.1 percentage points to 1.4% for the coming calendar year. In the growth markets, growth is expected to remain stable at around 4.0%. The momentum of growth in the Chinese economy is expected to slow slightly to around 4.2% in calendar year 2024.

Global inflation will steadily decline, according to the IMF's forecasts. The inflation rate in the calendar year is expected to be around 5.8%. In most cases, the target is not expected to be achieved until 2025. According to the Economist forecast from the September 2023 Global Outlook, key interest rates of the US Federal Reserve and the European Central Bank are expected to stop rising in calendar year 2024 and may be able to be gradually lowered again in the second half of the year. A return to a low interest rate phase in the short and medium term is not expected within the next five years, according to the Economist's forecast.

The IMF believes that the rise in interest rates compared with previous years, combined with inflation, may lead to increased payment defaults and to restraint in consumption and investment. Overall, this could impair economic growth.

Future situation in the medical technology industry
The medical technology market is an integral part of the health care sector. In principle, further market growth can be expected, as the factors responsible for this are of a long-term nature. A key driver of the stable growth of the medical technology market is the aging population, which entails a continued flow of capital into research and development, the expansion of health care services and the implementation of current technological changes.[16]

In addition, the acceleration of digitalization in the medical technology sector, with new advances in data analysis, opens up further opportunities for the future of the industry. The convergence of these technological advances with the increased demand for personalized, flexible care approaches forms the basis for a new vision of the future of health care, which can also be termed the intelligent health ecosystem.[17] This presents a major opportunity for the Company to help design digital products and solutions in health care and to thus contribute to better treatment outcomes. In the Company’s view, the integration of medical technology and information technology shall continue at a fast pace.

This is in contrast to the geopolitical upheavals, a slow recovery of trade and the supply chains, a changing regulatory environment, and persistent global inflation. These factors have contributed to uncertainties in the medical technology industry. Rapidly evolving technologies, the increasingly more sophisticated demands of consumers for more personalized and more convenient health care, the pressure to change payment models due to the aging population and the increase in chronic diseases are all long-term trends that will have an inevitable and significant impact on the industry and will ultimately lead health care leaders to rethink how health care will be delivered in the future.

[14] IMF, World Economic Outlook, October 2023
[15] Economist, Global Outlook - October 2023, September 2023
[16] Statista Markets Insights, June 2023
[17] EY, Pulse of the industry medical technology report 2023

A promising model for health care will be based on an ecosystem-wide cooperation and smooth data exchange between stakeholders. This data exchange is to take place via seamless integration of virtual and digital supply channels, enabled by convergence of new technologies and data. The rise of these new technologies in the medical technology industry is well known. In a generally weak year for the industry, the pace of innovation for these cutting-edge technologies has accelerated further. In order to adapt to the changing environment, visionary strategies and new approaches to care are needed to create an intelligent health care infrastructure at any time, anywhere, that goes beyond traditional institutional care channels.[18]

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

Ophthalmology strategic business unit

The Ophthalmology SBU recorded strong revenue growth in fiscal year 2022/23 compared with the prior year. Renewed growth is expected in fiscal year 2023/24, at least to the same extent as the underlying market. From a current perspective, and excluding currency effects, this corresponds to growth at least in the low to mid-single-digit percentage range. One uncertainty that remains, among others, is the situation regarding the global supply chains. Due to difficulties in materials procurement, lead times in the equipment business were significantly longer than the long-term averages in the fiscal year under review. Increased delivery of equipment over the reporting period meant that the order backlog could be reduced to an extent. Nevertheless, the orders on hand remain at a relatively slightly elevated level. At the same time, if the global supply chain situation improves, there is potential for cost relief in purchasing and manufacturing. Furthermore, price increases in some product categories are likely to have a stabilizing effect on the development of earnings. The planned reduction of large stocks of surgical consumables in the Chinese distribution channel of the Carl Zeiss AG sales company is expected to have an adverse effect on sales and earnings. In addition, due to the introduction of new state procurement systems for intraocular lenses in the Chinese market, price and earnings declines are to be expected in the affected product categories. Overall, the above effects are expected to move EBIT somewhat sideways in fiscal year 2023/24. The EBIT margin, on the other hand, is expected to decline slightly.

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

In the area of cataract surgery, the acquisition of Carl Zeiss Meditec Cataract Technology, Inc. in December 2018 should help to further improve the quality of treatment results and the efficiency of workflows through innovative, novel treatment options. The aim of product development is the safe removal of the natural lens before implantation of an intraocular lens. This procedure has already become one of the most frequently performed surgical procedures worldwide today. In the fiscal year 2022/23, the purchase price liabilities from the acquisition were revalued due to postponements in planning. The measurement of purchase price liabilities will continue to be reviewed on an ongoing basis in fiscal year 2023/24. This may result in further effects that may have a positive or negative impact on the Company's earnings position.

Microsurgery strategic business unit

In the past fiscal year 2022/23, the strategic business unit Microsurgery achieved significant revenue growth, thereby further expanding its market position, despite supply chain shortages.

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

[18] EY, Pulse of the industry medical technology report 2023

the coming fiscal year. From a current perspective, and excluding currency effects, the growth anticipated in fiscal year 2023/24 will be at least in the mid-single-digit percentage range. One uncertainty that remains is the situation regarding the global supply chains. Due to difficulties in materials procurement, lead times in the equipment business were significantly longer than the long-term averages. Increased delivery of equipment over the reporting period cleared some of the order backlog. Nevertheless, the orders on hand remain at a relatively slightly elevated level. EBIT is expected be at roughly the same level as in the prior year in fiscal year 2023/24. On the other hand, the EBIT margin is expected to decline slightly. At the same time, if the global supply chain situation improves, there is potential for cost relief in purchasing and manufacturing. Further-more, price increases are likely to have a stabilizing effect on the development of earnings.

The acquisition of Audioptics Medical Inc. in July 2023 further expands ZEISS’s portfolio in the new area of diagnosis and treatment of ear diseases. Audioptics Medical Inc. Develops diagnostic devices that enable better characterization of the pathology of the middle ear.

Future selling markets

The Company sees particularly promising business prospects for the long term in the APAC region, due to the rapid economic growth there. In the medium term, Carl Zeiss Meditec AG also sees opportunities for further growth in the North American market, due to the targeted expansion of market shares in the surgical consumables business.

Future research and development

The Carl Zeiss Meditec Group invests continuously in research and development projects, in which efficient and targeted development processes play a key role. The Company searches for new technologies and market trends, in order to subsequently become established on the market with new solutions. To achieve this, regional market conditions and the needs of the customers are involved in the development process from the outset. Investments in digitalization play an important role in this. R&D expenditure is expected to increase further in fiscal year 2023/24, by at least a high single-digit percentage amount (2022/23: €349.3m).

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 6 to 8% of its revenue in property, plant and equipment and in intangible assets in fiscal year 2023/24.

Future dividend policy

Carl Zeiss Meditec AG pursues a long-term and earnings-oriented dividend policy. The Company's management plans to propose to the Annual General Meeting the distribution of a dividend of €1.10 per share for the past fiscal year. The dividend ratio would therefore be 33.9% (prior year: 33.4%).

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 2023, current cash and cash equivalents of around €863.9m are available for financing. Based on this and the continued expectation of positive business development and a positive free cash flow 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. Based on active working capital management, the aim is to achieve free cash flow in fiscal year 2023/24 that is at least on the same level as in fiscal year 2022/23.

Future opportunities

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

Overall assertion on future development

At the time of publication of this management report, the management of the Carl Zeiss Meditec Group considers the outlook for the coming fiscal year to be generally positive. This assumption is also based on the persistent long-term trends already described above. In the Company’s estimation, the remaining uncertainties are, among others, the global supply chain situation, high inflation, consumer behavior characterized by fears of recession, geopolitical conflicts, trade sanctions and currency fluctuations.

A crucial advantage for even greater stability of our overall business is a higher proportion of revenue with case-number-dependent products and services, since there is generally less fluctuation in these areas than in the capital goods business, for example. A share of around 43% was achieved in fiscal year 2022/23. The slight decline in fiscal year 2022/23 is partly due to the gradual recovery of the equipment business, which had previously developed cautiously due to the global supply chain situation. The planned reduction of surgical consumables stocks in the Chinese distribution channel of the Carl Zeiss AG sales company could lead to another slight decline in fiscal year 2023/24. In the medium term, a further increase in the proportion of recurring revenue is expected.

Assuming that the above insecurities are not exacerbated further, the Carl Zeiss Meditec Group anticipates further revenue growth in fiscal year 2023/24 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 the mid-single-digit percentage range.

Due to the aforementioned planned reduction of surgical consumables in the Chinese sales channel of the Carl Zeiss AG sales company in Ophthalmology and the introduction of new state procurement systems in the intraocular lens market in China, the growth rate is expected to temporarily slow compared with the prior year. The product mix is also expected to have a lower proportion of consumables, particularly in the first half of fiscal year 2023/24, due to the factors mentioned. The Company currently anticipates a mid-double-digit million euro reduction in revenue and EBIT due to the planned inventory reductions in the Chinese distribution channel and a low double-digit million euro reduction due to the new state procurement systems in the intraocular lens market in China. Carl Zeiss Meditec is also making significant investments in future growth opportunities, especially in research and development and sales and marketing. EBIT is expected to be at least comparable with the prior year in fiscal year 2023/24. As a result of the above, the EBIT margin is expected to decline.

In the medium term, the Company expects to be able to sustainably stabilize its EBIT margin at a level above 20% (2022/23: 16.7%). 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 2023/24, 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 somewhere between slightly below to around the same level as fiscal year 2022/23.

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

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

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

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

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

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

Jena, 29 November 2023

Dr. Markus Weber
President and CEO

Justus Felix Wehmer
Member of the Management Board

Remuneration report

Remuneration report

In accordance with the requirements of the Act Implementing the Second Shareholders' Rights Directive (ARUG II) pursuant to Section 162 AktG (version dated 22 December 2020), the Management Board and Supervisory Board of Carl Zeiss Meditec AG report on the remuneration granted and owed to the members of the Management Board and Supervisory Board for fiscal year 2022/23. The remuneration is considered granted if it has actually accrued to the member of the executive body and has thus been transferred to their assets (accrual principle). The contents of the remuneration report summarize the key elements of the remuneration system that was adopted by the Annual General Meeting on 22 March 2023. Furthermore, the contents of the report conform to the regulatory requirements of the German Stock Corporation Act and are also guided by the recommendations of the German Corporate Governance Code (DCGC) in its version dated 22 April 2022.

The Management Board and Supervisory Board have resolved, in addition to the legally required formal audit, to also engage PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft to perform an audit of the content of the disclosures.

The Company's success is directly linked to the performance of the Management Board and is thus also reflected in the variable remuneration in line with the "Pay for Performance" principle.

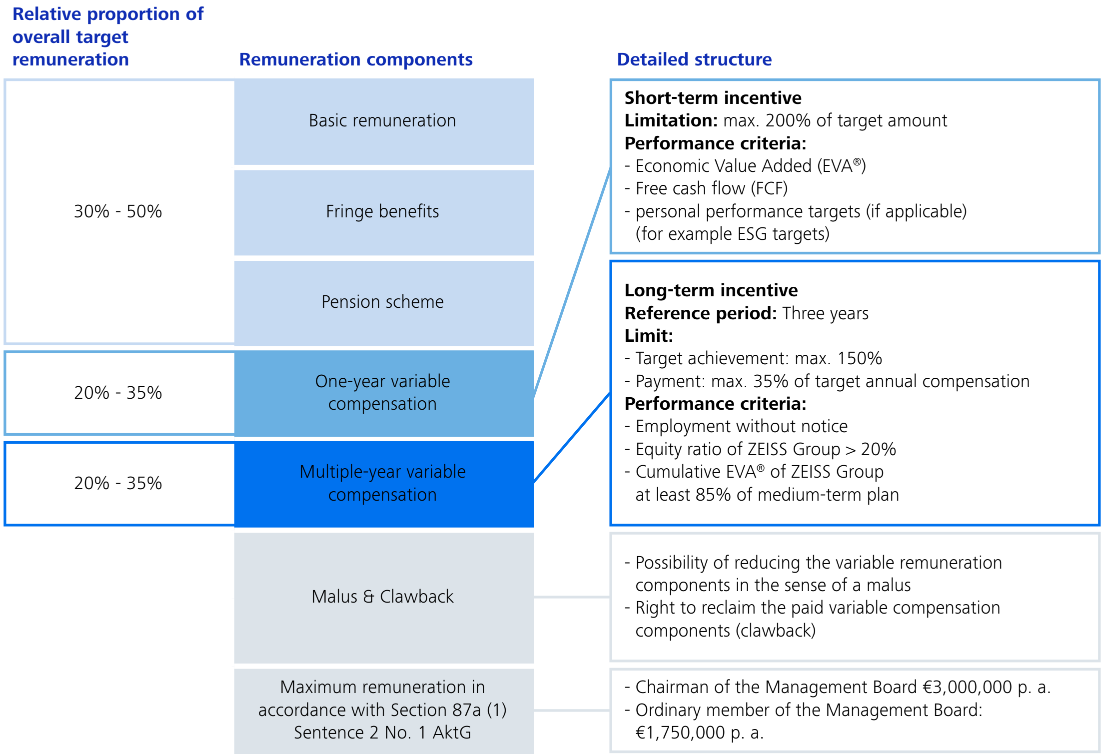
REMUNERATION OF THE MANAGEMENT BOARD

I. Main principles of the Management Board remuneration system

The members of the Management Board are remunerated based on Section 87 AktG in conjunction with Section 87a AktG, as well as the remuneration system adopted by the Annual General Meeting. 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 current remuneration system for the members of the Management Board of Carl Zeiss Meditec AG was adopted by the Annual General Meeting on 22 March 2023 with a majority of 74.52% of the share capital represented, and has since applied for all new Management Board service contracts.

The new remuneration system can be found on Carl Zeiss Meditec AG's website at https://www.zeiss.de/content/dam/meditec-ag/financial-communication/hauptversammlung-2023/7_afx_hv-to_2023.pdf.



The structure of the remuneration of the Management Board of Carl Zeiss Meditec AG is designed to contribute to the implementation of corporate governance aimed at increasing value in the long term. The remuneration system is intended to set incentives for the implementation of the corporate strategy by simultaneously ensuring a long-term commitment of the members of the Management Board. Similarly, the remuneration system is geared to the long-term successful development of the Company as a whole and is also aimed at the short to medium-term objectives of the Group. The objectives that have been set are in line with the envisaged development of the Company and aim to make the achievement of these objectives measurable. The granting of a multi-year variable remuneration component is intended to give consideration to the objective of long-term and sustainable development. The sustainable development of the Company can also be linked in particular to targets agreed personally for the members of the Management Board, which may also include non-financial targets. However, no personal or non-financial targets were agreed in fiscal year 2022/23.

At the Annual General Meeting in March 2023, modifications were resolved with regard to the STI cap and the calculation of the LTI in the remuneration system. This was reflected in the relative share of the remuneration components. The relative share of single-year variable compensation fell to 20 - 35% (previously: 20 - 40%) in favor of the relative share of multi-year variable remuneration, which rose to 20 - 35% (previously: 10 - 30%). Further details on the composition and calculation can be found in the respective sections.

II. Maximum remuneration

The new remuneration system provides for an upper limit on the total annual remuneration for each member of the Management Board (maximum remuneration) as an absolute value. The maximum remuneration limits the payments to be made to a member of the Management Board from the contractually agreed remuneration. The maximum remuneration comprises the basic remuneration and the short-term and long-term variable remuneration, plus any other fringe benefits. The pension commitment included in the fixed remuneration components is also included in the calculation of the maximum remuneration together with the service cost incurred in the fiscal year .

The maximum remuneration (including pension contributions and fringe benefits) stipulated by the Annual General Meeting 2023 for the members of the Management Board amounts to €3,000k per fiscal year for the Chairman of the Management Board and €1,750k for ordinary members of the Management Board.

Compliance with the maximum remuneration is reviewed annually. Compliance with the maximum remuneration can only be finally determined once all contractually agreed remuneration components for a financial year under the remuneration system applicable at that time have been paid out. The Supervisory Board of Carl Zeiss Meditec AG will therefore review the final amount to be paid in light of the maximum remuneration for the first time in fiscal year 2024/25 after the end of the first assessment period of the long-term variable remuneration of the remuneration system approved in 2021.

III. Appropriateness & conventionality

The appropriateness of the remuneration paid to the Management Board is based on the responsibilities of the individual members of the Management Board and the financial situation and market environment of the Company, as well as performance shown and expected in the future.

The appropriateness is reviewed based on an external comparison of the conventionality of the remuneration with similar companies. The comparison group is essentially composed of the companies listed in the MDAX of the German stock exchange with a comparable free float market capitalization and in a similar industry. Other factors such as the size of the workforce may also be included in the comparison. A vertical comparison with the remuneration of a defined comparison group (e.g. workforce) in the Company was omitted. Due to the global structure of the Company, the Supervisory Board does not consider such a comparison expedient.

IV. Remuneration components in detail

The Supervisory Board has set the target remuneration for the members of the Management Board for fiscal year 2022/23 as follows. The remuneration of the Chairman of the Management Board is based on the remuneration system approved by the 2021 Annual General Meeting. With the renewal of his contract, Justus Felix Wehmer’s remuneration is also based on the new remuneration system from the beginning of fiscal year 2022/23.

Target remuneration for fiscal year 2022/23 in k€

	Dr. Markus Weber President and CEO				Justus Felix Wehmer Member of the Management Board		
	Target remuneration	Minimum	Maximum		Target remuneration	Minimum	Maximum
Remuneration not related to performance							
Fixed remuneration	425.6	425.6	425.6		333.0	333.0	333.0
Fringe benefits	9.2	9.2	9.2		15.1	15.1	15.1
Pension cost	186.8	186.8	186.8		39.3	39.3	39.3
Total	**621.6**	**621.6**	**621.6**		**387.4**	**387.4**	**387.4**
Performance-related remuneration							
Short-term incentive	283.8	-	567.5		222.0	-	444.0
Long-term incentive	145.0	-	290.0		189.9	-	370.3
Total	**428.8**	**-**	**857.5**		**411.9**	**-**	**814.3**
Total remuneration	**1,050.4**	**621.6**	**1,479.1**		**799.3**	**387.4**	**1,201.7**

1. Remuneration not related to performance

Fixed remuneration

The fixed remuneration comprises a fixed basic remuneration not related to performance and is not contingent upon the achievement of specific targets. It is paid monthly on a pro rata basis as a salary.

In fiscal year 2022/23, this amounted to a total of €425.6k (prior year: €298.1k pro rata for nine months) for Dr. Markus Weber and to €333.0k (prior year. €316.5k) for Justus Felix Wehmer.

Fringe benefits

There are fringe benefits for the members of the Management Board, such as the provision of a company vehicle (including a driver for the President and CEO), a company pension, contributions to an individual private pension scheme, medical and nursing insurance and the assumption of costs for other insurance policies, as well as accommodation and moving costs, including brokers' fees.

Fringe benefits amount to €24.3k in the fiscal year under review. This amount does not include any costs for the driver service, as this was not used in the fiscal year.

In addition, Carl Zeiss Meditec AG has taken out financial loss liability insurance (Directors and Officers insurance, D&O) for the members of the Management Board. This provides for an excess of 10 percent of the damages up to a maximum of one-and-a-half times the annual fixed remuneration.

Pension commitments (IFRS)

The members of the Management Board receive a commitment to a purely employer-financed pension scheme, i.e., the defined benefits applicable within the ZEISS Group apply. For each fiscal year, depending on the success of the ZEISS Group, a contribution of between 1% and 5% of the basic income is converted into a pension module based on interest and age-related annuity factors. The monthly pension is determined from the sum of all pension modules acquired during the period of service. The service cost for Justus Felix Wehmer for the past fiscal year amounts to €39.3k.

The Chairman of the Management Board is entitled to a defined benefit plan from Carl Zeiss AG dependent on final salary, which is subject to annual interest. Carl Zeiss Meditec AG is charged 75% of the service cost on a pro rata basis by Carl Zeiss AG. In fiscal year 2022/23, the service cost for Dr. Markus Weber amounted to €186.8k.

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 are presented in the following overview. [1]

Individualized 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. Markus Weber[1]	**2022/23**	186.8	-
	2021/22	581.0	-
Justus Felix Wehmer	**2022/23**	39.3	251.1
	2021/22	43.2	216.9

2. Performance-related variable remuneration

The variable remuneration of the Management Board is tied to the Company's success and is based on target agreements agreed individually with each member of the Management Board. Some of the amounts granted in the target agreement for the fiscal year 2022/23 do not yet correspond to the new remuneration system. Deviations from this will be explained in more detail in the individual remuneration components.

The sustainable and successful corporate development of Carl Zeiss Meditec AG is promoted by granting a multi-year variable remuneration component and by considering personal performance targets in the one-year variable remuneration. Personal performance targets in this context may also include non-financial targets, such as sustainability criteria (Environmental, Social, Governance – ESG criteria).

The variable remuneration consists of two components – a short-term-oriented variable remuneration (short-term incentive) and a long-term-oriented variable remuneration (long-term incentive). The amount of both of these components depends on the achievement of agreed performance targets, which are based on the key performance indicators Economic Value Added (EVA®) and Free Cash Flow (FCF).

The (single-year) short-term incentive (STI) is based on the achievement of quantitative targets within one fiscal year and is paid out after the end of that year.

The second component of the variable remuneration, the long-term incentive (LTI), focuses on profitable and sustainable Company growth. The LTI is therefore based on a multi-year term. For each tranche granted, the achievement of targets is determined at the end of a three-year period and the amount resulting from a predefined calculation method is paid out.

For the respective maximum amount, 200% of the targets for the one-year variable remuneration and 150% of the targets for the multi-year variable remuneration must be achieved for the ordinary member of the Management Board and 200% for the Chairman of the Management Board.

In the current fiscal year 2022/23, the variable remuneration components paid out amounted to €345.7k for Dr. Markus Weber and €518.2k for Justus Felix Wehmer.

[1] The pension cost for Dr. Markus Weber includes a one-time past service cost in fiscal year 2021/22.

Short-term incentive

Short-term incentive

*There was a payment limit of 150% in fiscal year 2021/22.

The STI is primarily determined based on the successes achieved in the fiscal year and is granted entirely in cash. Prior to the start of a fiscal year, the Supervisory Board sets targets for the respective fiscal year. The target amount of the STI for 100% target achievement is determined based on the fixed remuneration, i.e., the value corresponds to two thirds of the fixed remuneration For fiscal year 2022/23, the target remuneration ranges from €222.0k to €283.3k and should not exceed €400.0k as a general rule.

In the first Supervisory Board meeting after the end of the fiscal year, the Supervisory Board shall determine the actual achievement of the STI target by the respective Management Board member. In addition, personal targets may be weighted on a proportionate basis in the STI – these may also include non-financial targets (e.g. ESG targets), which serve to promote sustainable corporate development. However, no personal or non-financial targets were agreed in fiscal year 2022/23. The achievement of the STI target is measured against the key performance indicators EVA® and FCF as well as any relevant personal targets.

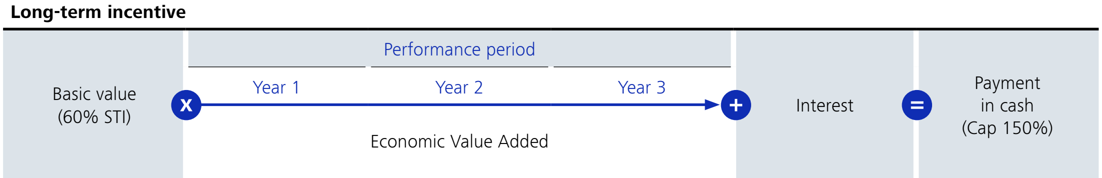
Corresponding targets are also applied to employees in upper management in order to achieve consistency of the target system in the Company. Achievement of the STI target may exceed 100%. The maximum (cap) is contractually agreed on an individual basis and should not exceed 200%. The STI is generally paid out in cash several weeks after the calculation in December.

The overall target achievement for Justus Felix Wehmer was determined using the EVA® and FCF (Carl Zeiss Meditec) indicators, each with a weighting of 30%, and the EVA® indicator (Carl Zeiss Group) with a weighting of 40%. The target achievement for the fiscal year 2021/22 was 150% for all three key figures, resulting in an overall target achievement of 150%, which corresponds to the maximum value (cap) of the remuneration system in force at the time (2021).

The calculation of the overall target achievement for Dr. Markus Weber is based on the EVA® and FCF (Carl Zeiss Meditec) indicators, each with a weighting of 50%. Target achievement for the fiscal year amounted to around 184% for EVA® and around 164% for FCF, resulting in an overall achievement of approx. 174%.

Long-term incentive

Long-term incentive



To calculate the LTI, firstly a base value is determined. This amounts to 60% of the individual short-term variable remuneration for the fiscal year that precedes the beginning of the term of an LTI tranche in accordance with the remuneration system valid since 2023. This is followed by a three-year interest phase. The interest rate is calculated per fiscal year on the basis of the consolidated profit margin (IFRS; Carl Zeiss Group) as a percentage of revenue (adjusted for non-recurring effects). From fiscal year 2022/23, this can amount to a maximum of 10% p.a. (previously up to 16%).

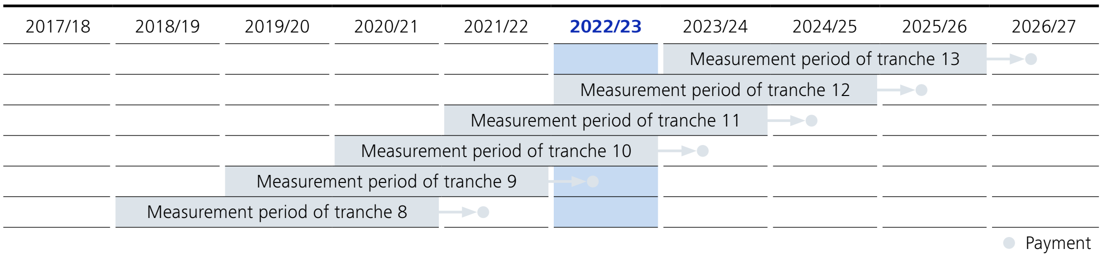
At the end of the performance period, a performance factor is determined which is based on the EVA® (Carl Zeiss Group) indicator. The final amount paid out is based on the level of achievement of the previously agreed financial targets. The medium-term financial planning for the first performance year defines the target. In order to calculate the total payout, the respective LTI base value, including accrued interest, is multiplied by the level of target achievement (performance factor). Overachievement of the target up to 150% is possible. A minimum fulfillment of 85% is required for each payout.

Tranche 9 was paid out in fiscal year 2022/23 (fiscal year 2019/20 – 2021/22). In accordance with the remuneration system applicable in fiscal year 2019/20, a base value of €100.8k was calculated for Justus Felix Wehmer. This was determined as a percentage (40%) of the STI amount paid out in fiscal year 2018/19. The interest and the performance factor were calculated at the end of the respective fiscal year. For Tranche 9, the interest was between 14% and 16% and the performance factor was around 137%.

Contrary to the LTI calculation above, a different rule applies for the President and CEO. The base value for the President and CEO is 50% of the assessment basis (two thirds of the respective fixed salary). At the end of the performance period, target achievement is calculated based on the previously agreed financial targets for the performance indicator EVA® for the entire assessment period, derived from the medium-term financial planning. Contrary to ordinary members of the Management Board, no interest is paid on the base amount. The currently agreed target amount for 100% target achievement is €145.0k for tranche 12. Overachievement up to 200% is possible. In principle, the multi-year variable remuneration should not exceed the amount of fixed salary.

In fiscal year 2022/23, no LTI tranche was paid out to Dr. Markus Weber as the assessment periods have not yet elapsed since his appointment.

Scheduling profile of agreed LTIP tranches



3. Shareholding regulation

The members of the Management Board do not hold any Carl Zeiss Meditec AG shares and do not receive any share-based compensation. The Supervisory Board is satisfied that the present structure of the remuneration, in particular the long-term incentive, due to the focus on the key performance indicators EVA® and FCF, on the one hand, and the structure of the LTI, on the other, has proven successful and is in line with the Company's interests.

4. Remuneration-related legal transactions

Benefit commitments from third parties
In the past fiscal year, no commitments from third parties were granted or promised to any members of the Management Board in respect of their activities as a member of the Management Board.

Termination benefits
The service contracts of the members of the Management Board are limited to a maximum term of five years in accordance with Section 84 (1) AktG. In the event of termination of a Management Board contract, any outstanding variable remuneration components are generally paid out in a lump sum as soon as target achievement in the fiscal year has been determined.

If a Management Board contract is terminated during the course of a fiscal year, the STI will be paid on a pro rata basis based on the period of time served. A pro rata LTI entitlement only exists upon retirement. The variable remuneration shall not be awarded if the service contract is terminated without notice for good cause attributable to the member of the Management Board.

In the event of early termination due to the dismissal of the Management Board member pursuant to Section 84 (3), a severance payment will be paid. This will amount to a maximum of two years' remuneration or the remuneration owed for the remainder of the service contract, whichever is lower ("severance cap"). A retroactive non-competition clause may be agreed. In this case, the severance payment shall be offset against a compensation payment.

If the termination is effected by way of a mutually agreed termination agreement, then the total value of the remuneration expected to be owed under the benefit commitments for the original remaining term of the employment contract will be paid out, but only up to a maximum of two years' remuneration.

Benefits in excess of this severance payment are excluded. Benefits in the event of change of control are not provided for in the remuneration of the Management Board.

Benefit commitments for Management Board members who left office during fiscal year 2022/23
No member of the Management Board left the Company in fiscal year 2022/23.

V. Individualized disclosure

The table below contains the individual disclosure of the remuneration components awarded to the members of the Management Board for fiscal year 2022/23. Remuneration granted is defined as remuneration paid out in fiscal year 2022/23.

[2] Remuneration in kind and other remuneration shall be understood as fringe benefits as explained in the section "Remuneration not related to performance".
[3] The overall STI target achievement for ordinary Management Board members can be between 0% (minimum) and 150% (maximum) and for the Management Board Chairman between 0% (minimum) and 200% (maximum) for fiscal year 2021/22.
[4] The overall LTI target achievement for ordinary Management Board members can be between 0% (minimum) and 150% (maximum) and for the Management Board Chairman between 0% (minimum) and 200% (maximum) for fiscal year 2021/22.
[5] The pension cost for Dr. Markus Weber includes a one-time past service cost in fiscal year 2021/22.

Individualized disclosure of the remuneration paid to the members of the Management Board of Carl Zeiss Meditec AG

			Remuneration of the Management Board									
	Fiscal year		Fixed remuneration	Remuneration in kind and other remuneration[2]	Variable remuneration	Overall target-achievement[3]	LTIP	Overall target-achievement[4]	One-time special payment	**Total remuneration acc. to Section 162 AktG**	Pension cost	**Total remuneration acc. to Section 162 AktG, plus pension cost**
			€k	€k	€k		€k		€k	**€k**	€k	**€k**
Dr. Markus Weber[5]	**2022/23**	absolute	425.6	9.2	345.7	174%	-	-	-	**780.5**	186.8	**967.3**
(since 1 Jan 2022)		relative	55%	1%	44%	-	0%	-	0%	**100%**	-	-
	2021/22	absolute	298.1	12.2	-	-	-	-	0.3	**310.6**	581.0	**891.6**
		relative	96%	4%	-	-	-	-	0%	**100%**	-	**-**
Justus Felix Wehmer	**2022/23**	absolute	333.0	15.1	316.5	150%	201.7	137%	-	**866.3**	39.3	**905.6**
		relative	38%	2%	37%	-	23%	-	-	**100%**	-	**-**
	2021/22	absolute	316.5	14.9	280.0	140%	112.1	131%	0.3	**723.8**	43.2	**767.0**
		relative	44%	2%	39%	-	15%	-	0%	**100%**	-	-
Jan Willem de Cler	**2022/23**	absolute	1,753.4	116.3	-	0%	-	-	-	**1,869.7**	-	**1,869.7**
		relative	94%	6%	0%	-	0%	-	0%	**100%**	-	**-**
	2021/22	absolute	316.5	11.6	280.0	140%	154.7	131%	0.3	**763.1**	42.4	**805.5**
		relative	41%	2%	37%	-	20%	-	0%	**100%**	-	**-**

VI. Comparative presentation of the development of remuneration

The development of the remuneration awarded to the members of the Management Board and the Supervisory Board, the development of earnings and the development of the average employee remuneration are presented in the following table for comparison purposes, for a four-year period from 2019/20 to 2022/23. Remuneration awarded is defined as remuneration paid out in fiscal year 2022/23. For this reason, there is a time lag between the results of operations and the development of remuneration, as the variable remuneration components are not paid out until the following fiscal year. Due to members joining or leaving the respective executive bodies during the fiscal year, the comparison with the corresponding year has limited significance.[6]

[6] The amounts received in fiscal year 2022/23 are severance payments, which also include a waiting allowance.

	2019/20 vs. 2018/19	2020/21 vs. 2019/20	2021/22 vs. 2020/21	2022/23 vs. 2021/22
Officiating members of the Management Board in 2022/23				
Dr. Markus Weber (from 1 Jan 2022)	-	-	-	151%
Justus Felix Wehmer (from 1 Oct 2018)	49%	-16%	6%	20%
Management Board members who left office during fiscal year 2022/23				
Jan Willem de Cler[6] (until 30 Sep 2022)	33%	-15%	8%	145%
Officiating members of the Supervisory Board in 2022/23				
Dr. Karl Lamprecht[7] (from 25 Jun 2020)	-	-	-	-
Renè Denner (from 1 Oct 2019)	-	-	-3%	13%
Peter Kameritsch (from 27 May 2021)	-	-	-	166%
Dr. Christian Müller[7] (from 19 Mar 2019)	-	-	-	-
Isabel De Paoli (from 25 Jun 2020)	-	-	-7%	-5%
Torsten Reitze[7] (from 27 May 2021)	-	-	-	-
Tania von der Goltz (from 10 Apr 2018)	6%	13%	-4%	0%
Jeffrey Marx (from 6 Mar 2020)	-	-	-7%	0%
Brigitte Koblizek (from 30 Mar 2022)	-	-	-	-
Heike Madan (from 23 Mar 2023)	-	-	-	-
Dr. Christian Münster (from 23 Mar 2023)	-	-	-	-
Falk Binheim (from 23 Mar 2023)	-	-	-	-
Development of earnings/key performance indicators				
EVA®	-43%	213%	-4%	-35%
FCF	-21%	105%	-34%	-26%
Net income of Carl Zeiss Meditec AG (HBG)	-23%	92%	-16%	33%
Average employee remuneration on full-time-equivalent basis				
Workforce Meditec Group (German locations)	-7%	12%	0%	5%

VII. Remuneration of former members of the Management Board

There are projected unit credits for pensions for six former members of the Management Board in accordance with IAS 19, in the amount of €1,042.3k for fiscal year 2022/23.

In the current fiscal year 2022/23 under review, pension payments in the amount of €20.7k were paid to a former member of the Management Board.

Jan Willem de Cler left on 30 September 2022. In accordance with his exit agreement, he received a severance payment of €1,869.7k in fiscal year 2022/23, which also includes a waiting allowance.

VIII. Clawback & malus

For contracts concluded in accordance with the new remuneration system, the Company has the right, in the case of major infringements of internal guidelines or statutory and contractual obligations and in the case of

[7] The members of the Management Board of Carl Zeiss AG, Dr. Karl Lamprecht, Dr. Christian Müller and the Managing Director of Carl Zeiss SMT GmbH, Torsten Reitze, have waived remuneration for their work on the Supervisory Board of Carl Zeiss Meditec AG.

erroneous consolidated financial statements, to withhold (malus) or reclaim (clawback) variable remuneration components. No variable remuneration components were withheld or reclaimed in fiscal year 2022/23.

REMUNERATION OF THE SUPERVISORY BOARD

The Supervisory Board of Carl Zeiss Meditec AG (the "Supervisory Board") advises and monitors the management activities of the members of the Management Board and performs the duties incumbent upon it by law and under the Articles of Association. It is involved in strategy and planning and all matters of fundamental importance for the Company. In light of these responsible tasks, the members of the Supervisory Board shall receive appropriate remuneration, which shall also take adequate account of the time required to fulfill Supervisory Board duties. In addition, remuneration of the Supervisory Board that is also appropriate in terms of the market environment ensures that the Company will continue to have a stream of qualified candidates for the Supervisory Board at its disposal in future. The appropriate remuneration of the members of the Supervisory Board thus also contributes to the promotion of the business strategy and the long-term development of Carl Zeiss Meditec AG.

The remuneration set forth in Article 19 of the Articles of Association is in line with this objective. Carl Zeiss Meditec AG estimates that the amount and structure of the remuneration paid to the members of the Supervisory Board are normal for the market in a comparison with the remuneration paid to Supervisory Board members of other MDAX companies (peer group comparison).

Basic remuneration of Supervisory Board		
Chairman €60,000	Deputy Chairman €45,000	Member €30,000

Additional remuneration for committee participation			
in €	Audit Committee	General and Personnel Committee	Nominating Committee
Chairman	45,000	-	-
Deputy Chairman	5,000	-	-
Member	5,000	5,000	-
Meeting attendance fee €1,000			

The members of the Supervisory Board are remunerated based on Art. 19 of the Articles of Association. The members of the Supervisory Board receive a fixed remuneration, fringe benefits (consisting of reimbursement of expenses and insurance cover) and, insofar as they perform an activity on committees of the Supervisory Board, remuneration for this committee activity, as well as a meeting attendance fee.

The basic remuneration for each member of the Supervisory Board amounts to €30.0k. The Chairperson of the Supervisory Board receives double this amount and the Deputy Chairperson receives one-and-a-half times this amount. Members of committees receive an additional fixed remuneration of €5.0k. Members of the Nominating Committee and the Chairman of the General and Personnel Committee are exempt from this rule. The Chairman of the Audit Committee also receives one-and-a-half times the basic remuneration. In addition, each Supervisory Board member attending a Supervisory Board or committee meeting receives an attendance fee of €1.0k.

This exclusively fixed remuneration of the Supervisory Board is appropriate, in the Company's opinion, to take account of the independent advisory and supervisory function of the Supervisory Board; it strengthens the independence of the Supervisory Board members and meets the expectations of numerous investors and voting proxies.

The Company considers this fixed remuneration with no variable performance-related component to be appropriate, not least due to the fact that the workload and risk profile of the Supervisory Board tasks increase in challenging business situations and no false incentives are to be set in such a situation by a remuneration which would then decrease.

This also avoids giving the impression that the Supervisory Board is acting independently in fulfilling its supervisory function, which could be the case with parallel structures for the performance-related remuneration of the Management Board and Supervisory Board. For this reason, the members of the Supervisory Board are not intended to hold shares of the Company.

The following overview provides an individualized breakdown of the total remuneration paid to each Supervisory Board member in fiscal year 2022/23:[8]

Individualized 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 and committees	Attendance fee	Total remuneration
		€k	€k	€k
Dr. Karl Lamprecht[8]	**2022/23**	-	-	-
(Chairman)	2021/22	-	-	-
Renè Denner	**2022/23**	32.5	8.0	40.5
(Deputy Chairwoman)	2021/22	30.0	6.0	36.0
Peter Kameritsch	**2022/23**	45.0	10.0	55.0
	2021/22	15.7	5.0	20.7
Dr. Christian Müller[8]	**2022/23**	-	-	-
	2021/22	-	-	-
Isabel De Paoli	**2022/23**	30.0	6.0	36.0
	2021/22	30.0	8.0	38.0
Torsten Reitze[8]	**2022/23**	-	-	-
	2021/22	-	-	-
Tania von der Goltz	**2022/23**	45.0	7.0	52.0
	2021/22	45.0	7.0	52.0
Jeffrey Marx	**2022/23**	30.0	6.0	36.0
	2021/22	30.0	6.0	36.0
Cornelia Grandy	2022/23	17.3	-	17.3
(until 29 Mar 2022)	2021/22	35.0	9.0	44.0
Brigitte Koblizek	**2022/23**	15.2	4.0	19.2
(from 30 Mar 2022)	2021/22	-	-	-
Prof. Dr. Michael Kaschke	2022/23	-	-	-
(until 26 May 2021)	2021/22	39.1	4.0	43.1
Dr. Markus Guthoff	2022/23	-	-	-
(until 26 May 2021)	2021/22	29.3	5.0	34.3
Heike Madan	**2022/23**	-	-	-
(since 23 Mar 2023)	2021/22	-	-	-
Dr. Christian Münster	**2022/23**	-	-	-
(since 23 Mar 2023)	2021/22	-	-	-
Falk Bindheim	**2022/23**	-	-	-
(since 23 Mar 2023)	2021/22	-	-	-

[8] The members of the Management Board of Carl Zeiss AG, Dr. Karl Lamprecht, Dr. Christian Müller and the Managing Director of Carl Zeiss SMT GmbH, Torsten Reitze, have waived remuneration for their work on the Supervisory Board of Carl Zeiss Meditec AG.

Remuneration-related legal transactions in the sense of Section 87a (1) sentence 2 No. 8 AktG were not concluded with the members of the Supervisory Board. As the members of the Supervisory Board are remunerated based on the regulation in the Articles of Association resolved by the Annual General Meeting, the terms and conditions of remuneration and employment of the employees were not taken into consideration when determining the remuneration of the members of the Supervisory Board.

The Company did not pay members of the Supervisory Board any additional remunerations or benefits for personally rendered services (in particular advisory and agency services) in fiscal year 2022/23.

Auditor's Report

To Carl Zeiss Meditec AG, Jena

We have audited the remuneration report of Carl Zeiss Meditec AG, Jena, for the financial year from October 1, 2022 to September 30, 2023, including the related disclosures, which was prepared to comply with § [Article] 162 AktG [Aktiengesetz: German Stock Corporation Act].

Responsibilities of the Executive Directors and the Supervisory Board
The executive directors and the supervisory board of Carl Zeiss Meditec AG are responsible for the preparation of the remuneration report, including the related disclosures, that complies with the requirements of § 162 AktG. The executive directors and the supervisory board are also responsible for such internal control as they determine is necessary to enable the preparation of a remuneration report, including the related disclosures, that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on this remuneration report, including the related disclosures, based on our audit. We conducted our audit in accordance with German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report, including the related disclosures, is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts including the related disclosures stated in the remuneration report. The procedures selected depend on the auditor's judgment. This includes the assessment of the risks of material misstatement of the remuneration report including the related disclosures, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation of the remuneration report including the related disclosures. The objective of this is to plan and perform audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the executive directors and the supervisory board, as well as evaluating the overall presentation of the remuneration report including the related disclosures.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion
In our opinion, based on the findings of our audit, the remuneration report for the financial year from October 1, 2022 to September 30, 2023, including the related disclosures, complies in all material respects with the accounting provisions of § 162 AktG.

Reference to an Other Matter – Formal Audit of the Remuneration Report according to § 162 AktG
The audit of the content of the remuneration report described in this auditor's report includes the formal audit of the remuneration report required by § 162 Abs. [paragraph] 3 AktG, including the issuance of a report on this audit. As we express an unqualified audit opinion on the audit of the content of the remuneration report, this audit opinion includes that the information required by § 162 Abs. 1 and 2 AktG has been disclosed in all material respects in the remuneration report.

Restriction on use

We issue this auditor's report on the basis of the engagement agreed with Carl Zeiss Meditec AG. The audit has been performed only for purposes of the company and the auditor's report is solely intended to inform the company as to the results of the audit. Our responsibility for the audit and for our auditor's report is only towards the company in accordance with this engagement. The auditor's report is not intended for any third parties to base any (financial) decisions thereon. We therefore do not assume any responsibility, duty of care or liability towards third parties; in particular, no third parties are included in the scope of protection of the underlying engagement. § 334 BGB [Bürgerliches Gesetzbuch: German Civil Code], according to which objections arising from a contract may also be raised against third parties, is not waived.

Leipzig, November 29, 2023

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

(sgd. Marcus Nickel)
Wirtschaftsprüfer
(German Public Auditor)

(sgd. Carl Erik Daum)
Wirtschaftsprüfer
(German Public Auditor)

Consolidated financial statements

Consolidated income statement (IFRS)
from 1 October 2022 to 30 September 2023

	Note	2022/23	2021/22
		€k	€k
Revenue	**5**	**2,089,300**	**1,902,836**
Cost of sales		-883,535	-775,238
Gross profit		**1,205,765**	**1,127,598**
Selling and marketing expenses		-420,279	-360,179
General and administrative expenses		-83,778	-77,881
Research and development expenses	34	-349,278	-291,365
Other operating result	6	-4,306	-1,294
Earnings before interest and taxes (EBIT)		**348,124**	**396,879**
Earnings of investments carried at equity	8	-893	0
Interest income	8	28,111	13,250
Interest expenses	8	-15,250	-9,099
Net interest from defined benefit pension plans	8	936	-494
Foreign currency gains/(losses), net	8	38,202	-48,630
Other financial result	8	13,334	51,583
Earnings before income taxes (EBT)		**412,564**	**403,489**
Income taxes	9	-120,555	-107,578
Consolidated profit		**292,009**	**295,911**
» of which attributable to shareholders of the parent company		290,396	293,909
» of which profit/loss attributable to non-controlling interests		1,613	2,002
Earnings per share attributable to the shareholders of the parent company in the fiscal year (in €):			
– Basic/diluted	**10**	**3.25**	**3.29**

Consolidated statement of comprehensive income (IFRS)
from 1 October 2022 to 30 September 2023

	Note	2022/23	2021/22
		€k	€k
Consolidated profit		**292,009**	**295,911**
Other comprehensive income that may be reclassified to the income statement in subsequent periods:			
Gains/losses on foreign currency translation		-54,160	90,809
Other comprehensive income not reclassified to the income statement in subsequent periods:			
Remeasurement from equity instruments	27	4,249	-2,253
Deferred taxes from the remeasurement from equity instruments	15	-387	954
Remeasurement from defined benefit pension plans	22	3,411	76,003
Deferred taxes from the remeasurement from defined benefit pension plans	15	-1,816	-24,758
Other income (after tax)		**-48,703**	**140,755**
Comprehensive income for the period		**243,306**	**436,666**
» of which attributable to shareholders of the parent company		243,243	436,270
» of which attributable to non-controlling interests		63	396

Consolidated statement of financial position (IFRS)
as of 30 September 2023

	Note	30 Sep 2023	30 Sep 2022
		€k	€k
Assets			
Non-current assets			
Goodwill	11	415,783	429,648
Other intangible assets	12	259,489	240,427
Property, plant and equipment	13	315,773	236,145
At-equity investments	14	12,871	0
Investments and other holdings in affiliated non-consolidated companies	27	8,584	10,828
Loans	27, 36	6,117	152
Deferred taxes	15	63,704	71,749
Trade receivables	17	7,021	8,474
Other assets	18, 19	31,855	33,541
		1,121,197	**1,030,964**
Current assets			
Inventories	16	520,228	382,745
Trade receivables	17, 36	196,916	197,801
Trade receivables from related parties	34, 36	224,535	216,480
Treasury receivables	34	869,990	907,534
Tax refund claims		5,711	4,645
Other financial assets	18	28,168	25,185
Other non-financial assets	19	55,578	49,734
Cash and cash equivalents	20	10,601	7,729
		1,911,727	**1,791,853**
		3,032,924	**2,822,817**
Equity and liabilities			
Equity			
Share capital	21	89,441	89,441
Capital reserve	21	620,137	620,137
Retained earnings	21	1,405,901	1,213,890
Other components of equity	21	43,974	91,632
Non-controlling interests	21	13,450	14,991
		2,172,903	**2,030,091**
Non-current liabilities			
Provisions for pensions and similar obligations	22	7,663	8,480
Other provisions	23	7,948	7,018
Financial liabilities	24, 27	96,030	91,772
Leasing liabilities	28	133,880	106,316
Other non-financial liabilities	26	17,815	17,445
Deferred taxes	15	35,039	22,379
		298,375	**253,410**
Current liabilities			
Other provisions	23	21,033	22,290
Accrued liabilities	25	155,237	141,979
Financial liabilities	24, 27	24,182	66,879
Leasing liabilities	28	21,816	21,587
Trade payables	36	157,829	124,388
Trade payables to related parties	34, 36	81,963	64,797
Treasury payables	34	16,736	29,675
Income tax payables		18,883	16,439
Other non-financial liabilities	26	63,967	51,282
		561,646	**539,316**
		3,032,924	**2,822,817**

Consolidated statement of changes in equity (IFRS)
from 1 October 2022 to 30 September 2023

	Share capital	Capital reserve	Retained earnings	Other components of equity			Equity before non-controlling interests	Non-controlling interests	Equity
				Gains/losses on foreign currency translation	Remeasurement from defined benefit pension plans	Remeasurement from financial assets measured at fair value through profit or loss			
	€k	€k	€k	€k	€k	€k	€k	€k	€k
As of 1 Oct 2021	**89,441**	**620,137**	**1,000,478**	**2,593**	**-52,490**	**-832**	**1,659,327**	**18,056**	**1,677,383**
Consolidated profit	0	0	293,909	0	0	0	293,909	2,002	295,911
Other income	0	0	0	92,478	51,182	-1,299	142,361	-1,606	140,755
Comprehensive income for the period	**0**	**0**	**293,909**	**92,478**	**51,182**	**-1,299**	**436,270**	**396**	**436,666**
Dividend payment	0	0	-80,497	0	0	0	-80,497	-3,461	-83,958
As of 30 Sep 2022	**89,441**	**620,137**	**1,213,890**	**95,071**	**-1,308**	**-2,131**	**2,015,100**	**14,991**	**2,030,091**
As of 1 Oct 2022	**89,441**	**620,137**	**1,213,890**	**95,071**	**-1,308**	**-2,131**	**2,015,100**	**14,991**	**2,030,091**
Consolidated profit	0	0	290,396	0	0	0	290,396	1,613	292,009
Other income	0	0	0	-52,561	1,546	3,862	-47,153	-1,550	-48,703
Comprehensive income for the period	**0**	**0**	**290,396**	**-52,561**	**1,546**	**3,862**	**243,243**	**63**	**243,306**
Changes in the basis of consolidation	0	0	0	-505	0	0	-505	590	85
Dividend payment	0	0	-98,385	0	0	0	-98,385	-2,194	-100,579
As of 30 Sep 2023	**89,441**	**620,137**	**1,405,901**	**42,005**	**238**	**1,731**	**2,159,453**	**13,450**	**2,172,903**

Consolidated statement of cash flows (IFRS)

from 1 October 2022 to 30 September 2023

	Note	2022/23	2021/22
		€k	€k
Consolidated profit		292,009	295,911
Income taxes	9	120,555	107,578
Interest income/expenses	8	-13,797	-3,657
Income from at-equity investments and other investments	8	893	-87
Result from the change in fair value of contingent purchase price obligations	8, 24	-15,187	-53,746
Depreciation and amortization	12, 13	74,063	69,769
Proceeds from the disposal of intangible assets and property, plant and equipment		662	259
Other non-cash income/expenses		5,303	1,913
Interest and dividends received		23,296	1,733
Interest paid		-3,951	-1,520
Income tax payments		-107,106	-120,444
Change in inventories	16	-152,604	-74,631
Change in trade receivables	17	-21,178	-74,370
Change in other assets	18, 19	-9,699	-38,273
Change in trade payables		47,098	33,729
Changes in provisions and financial liabilities	22, 23, 24, 25	-6,734	39,273
Change in other liabilities	26	17,238	4,762
Cash flows from operating activities		**250,861**	**188,199**
Cash outflow for investments in property, plant and equipment	13	-65,651	-42,804
Cash outflow for investment in other intangible assets	12	-48,210	-39,167
Proceeds from the disposal of intangible assets and property, plant and equipment		355	218
Proceeds from disposal of financial assets		2,423	0
Cash outflow for investment in financial assets		-21,594	-5,851
Change in treasury receivables	29*	32,361	56,008
Acquisition of consolidated subsidiaries less cash received	3	-10,664	-61,290
Cash flows from investing activities		**-110,980**	**-92,886**
Change in current loans	29	-8	-597
Payments from the repayment of loans	29	0	-1,456
Change in treasury payables	29	-11,517	11,671
Repayment of leasing liabilities	28, 29	-22,990	-19,904
Dividend payment to shareholders of Carl Zeiss Meditec AG	21	-98,385	-80,497
Dividend payment to non-controlling interests	21	-2,194	-3,461
Cash flows from financing activities		**-135,094**	**-94,244**
Effect of exchange rate fluctuation on cash and cash equivalents		-1,915	-779
Change in cash and cash equivalents		**2,872**	**290**
Cash and cash equivalents as of 1 October	20	7,729	7,439
Cash and cash equivalents as of 30 September	**20**	**10,601**	**7,729**

The following notes are an integral part of the audited consolidated financial statements.
*Please refer to note 29 "Notes to the statement of cash flows".

Consolidated notes
for fiscal year 2022/23 (IFRS)

GENERAL INFORMATION, ACCOUNTING AND VALUATION PRINCIPLES

1 General information

Carl Zeiss Meditec AG is a publicly listed stock corporation incorporated under German law and parent company of the Carl Zeiss Meditec Group ("Carl Zeiss Meditec", the "Company", the "Group") with its registered office at Göschwitzer Straße 51-52, 07745 Jena (Germany) and entered in the commercial register of Jena District Court (HRB 205623).

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.

These consolidated financial statements of Carl Zeiss Meditec AG, consisting of the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements, are based on the going concern assumption. They have been prepared in accordance with the International Financial Reporting Standards ("IFRSs") and the interpretations of the IFRS Interpretations Committee, as adopted by the EU, and the additional requirements of German Commercial law in accordance with Section 315e (1) of the German Commercial Code (Handelsgesetzbuch, HGB). All pronouncements of the International Accounting Standards Board (IASB) whose adoption is mandatory have been considered.

In order to improve clarity and transparency, individual items have been combined in the consolidated statement of financial position and the consolidated income statement and broken down and explained separately in these notes.

The fiscal year of Carl Zeiss Meditec Group starts on 1 October and ends on 30 September.

The consolidated financial statements and group management report prepared as of 30 September 2023 were authorized for publication by the Management Board on 29 November 2023. The consolidated financial statements are published on the internet and in the electronic version of 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 electronic version of the Federal Gazette.

2 Accounting and valuation policies

The annual financial statements of the entities included in the consolidated financial statements are prepared in accordance with the accounting and valuation policies of the Carl Zeiss Meditec Group. Adjustments are made as necessary where the local GAAP financial statements of individual entities diverge from these policies. Interim financial statements are used for subsidiaries with a balance sheet date (end of reporting period) different from the balance sheet date of the consolidated financial statements.

New and revised reporting standards

The following financial reporting standards were to be adopted for the first time in the reporting period:

Date of issue	Standard/interpretation	Amendment/new standard or interpretation
14 May 2020	Improvements to IFRSs (2018 - 2020)	Amendment to standards IAS 41, IFRS 1, 9 an d the illustrative examples for IFRS 16
14 May 2020	Amendment to IFRS 3 *Business Combinations*	Adaptation of a reference to the framework concept
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
14 May 2020	Amendment to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*	Clarification of which costs are to be taken into consideration for onerous contracts

Application of the new and revised reporting standards (including Agenda Decisions) had no material effects on the presentation of the net assets, financial position and results of operations.

The other accounting and valuation policies used were the same as in the prior year.

The IASB and the IFRS Interpretations Committee have issued a number of revised and new standards or interpretations, which did not come into effect in the reporting period. The new or revised standards presented in the table below have not been applied early in the present consolidated financial statements of Carl Zeiss Meditec AG and, according to current estimates, have no material effects on the net assets, financial position and results of operations of the Carl Zeiss Meditec Group. These standards shall be applied when they become mandatory.

Date of issue	Standard/interpretation	Amendment/new standard or interpretation	Effective date	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	Yes
23 Jan 2020/15 Jul 2020	Amendment to IAS 1 *Presentation of Financial Statements*	Clarification of when debt is to be classified as non-current; postponement of first-time application	Fiscal years beginning on or after 1 January 2024	No
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	Yes
12 Feb 2021	Amendment to IAS 1 *Presentation of Financial Statements*	Assistance in deciding which accounting and evaluation policies must be disclosed in the financial statements	Fiscal years beginning on or after 1 Jan 2023	Yes
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	Yes
7 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	Yes
9 Dec 2021	Amendment to IFRS 17 *Insurance Contracts* and IFRS 9 *Financial Instruments*	Transitional solution for initial application of IFRS 17 via presentation of comparative information	Fiscal years beginning on or after 1 January 2023	Yes
22 Sep 2022	Amendment to IFRS 16 *Leases*	Specifications for the remeasurement of leases within the scope of sales-and-lease-back for seller-lessee	Fiscal years beginning on or after 1 January 2024	No
23 May 2023	Amendment to IFRS 12 *Income Taxes*	Temporary exception to the disclosure requirements of deferred taxes within the scope of the implementation of global minimum exation (OECD Pilllar Two Model Rules)	Fiscal years beginning on or after 1 January 2023	Yes
25 May 2023	Amendment to IAS 7 *Insurance Contracts* and IFRS 7 *Financial Instruments Disclosures*	Amendment and expansion of regulations in connection with supplier finance arrangements	Fiscal year beginning on or after 1 Jan 2024	no
15 Aug 2023	Amendment to IAS 21 *The Effects of Changes in Foreign Exchange Rates*	Guidelines in the event of a lack of exchange-ability	Fiscal years beginning on or after 1 Jan 2025	no

Principles of consolidation

The consolidated financial statements are based on the annual financial statements as of 30 September 2023 of the subsidiaries included in the consolidated financial statements, which are prepared in accordance with uniform accounting and valuation principles.

Capital consolidation is effected using the purchase method in accordance with IFRS 3 *Business Combinations*. The identifiable assets acquired and liabilities assumed in a business combination are measured at their fair values as of the acquisition date. Non-controlling interests are measured at their proportionate share of the fair value of the assets acquired and liabilities assumed.

The cost of the interests acquired is offset against the Group's proportionate share in the subsidiary's equity measured at fair value. Any incidental acquisition costs incurred are immediately expensed. Any asset-side difference remaining after this offsetting 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 acquisition date (possibility to be controlled).

A subsidiary is deconsolidated on the date on which Carl Zeiss Meditec loses control over the entity.

Third-party equity interests are recorded in the consolidated financial statements as part of consolidated equity under the item "Non-controlling interests".

If reciprocal put and call options with the same terms and conditions are agreed in a business combination for the remaining non-controlling interests, an anticipated purchase of these shares is assumed. The same applies to call options that can be exercised at any time if their exercise would be advantageous at the current time. As such, no non-controlling interests are recognized. Instead, the contingent purchase price for these shares is reported as a financial liability at fair value.

Intercompany receivables and liabilities between consolidated entities are netted.

Intercompany profits from intercompany trade are eliminated.

The income tax implications are considered in the course of consolidation by recognizing deferred taxes.

Internal revenue and other intercompany income are offset against the corresponding expenses in the consolidated income statement.

Significant entities where the Group is able, directly or indirectly, to significantly influence financial and operating policy decisions (associates), or directly or indirectly shares control (joint ventures), are accounted for using the equity method. Associates and joint ventures that are immaterial are generally carried at cost.

When using the equity method in accordance with IAS 28 *Investments in Associates and Joint Ventures*, the shares are initially recognized at cost in the statement of financial position and subsequently measured at amortized cost to reflect changes in the Group’s share of the equity (net assets) after the acquisition date and impairment losses.

Currency translation

The consolidated financial statements are 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.

In the annual financial statements of those entities included in consolidation, transactions in foreign currencies are translated at the relevant exchange rate prevailing on the date of the transaction. Monetary items in foreign currencies are revalued at the mean closing rate, with exchange rate gains and losses being recognized through profit or loss in the consolidated income statement under financial result.

The financial statements of the consolidated subsidiaries prepared in foreign currency are translated based on the functional currency concept pursuant to IAS 21 *The Effects of Changes in Foreign Exchange Rates*. 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. Any exchange differences arising are recognized through other comprehensive income within other reserves from currency translation. In hyperinflationary economies, currency translation is always at the respective closing rate.

The functional currency of Carl Zeiss Meditec Medikal Cözümler Tic. ve San. A.S., Ankara, Turkey, which is included in the consolidated financial statements, is considered to be hyperinflationary in accordance with IAS 29 *Financial Reporting in Hyperinflationary Economies* and accounting is prepared according to IAS 29. The price indices published by the Turkish Statistical Institute were used for the indexation of the non-monetary assets and liabilities and the items in the income statement. As of 30 September 2022, the CPI price index was at 1,047 points and increased in the fiscal year under review by 62% to 1,691 points as of 30 September 2023.

The following key exchange rates for the consolidated financial statements as of 30 September 2023 were used for currency translation:

		Closing rate		Average rate	
	€1 =	**30 Sep 2023**	30 Sep 2022	**2022/23**	2021/22
China	CNY	7.74	6.94	7.53	7.10
UK	GBP	0.86	0.88	0.87	0.85
Japan	JPY	158.10	141.01	148.19	134.45
South Korea	KRW	1,425.26	1,400.69	1,404.26	1,349.99
Turkey	TRY	29.05	18.08	22.80	15.82
USA	USD	1.06	0.97	1.07	1.09

Use of estimates

The preparation of financial statements in accordance with IFRSs requires management to make certain estimates, assumptions and discretionary decisions. These can affect the measurement of assets and liabilities, the nature and scope of contingencies, and the reported amounts of income and expenses during the reporting period. The assumptions, estimates and discretionary decisions primarily relate to the following matters:

» The Group-wide determination of uniform useful lives is subject to estimates by management.
» The measurement parameters for impairment testing, in particular regarding goodwill (see note 11 “Goodwill”).
» The actuarial parameters on which the calculation of the defined benefit obligations is based (see note 22 “Provisions for pensions and similar obligations”);
» The recoverability of the future tax relief.
» The timing of the capitalization of intangible assets in accordance with IAS 38 *Intangible Assets*.
» The assessment of the expected probability of default when assessing trade receivables and other financial assets.
» The measurement of lease liabilities in accordance with IFRS 16 *Leases*. In determining the lease term, in particular, all facts and circumstances that create an economic incentive to exercise options to extend the lease or not exercise termination options are taken into account.
» The share of revenue comprising contractual fees that are in part variable or contingent on future events.
» The adjustment of the carrying amounts and the determination of the price index from hyperinflation.

In addition, estimates are required when assessing the recoverability of inventories as well as recognizing and measuring provisions and contingent purchase price obligations within the scope of company acquisitions. Actual results may differ from estimates. The estimates and the underlying assumptions are based on empirical values and are reviewed on an ongoing basis. Changes are recognized through profit or loss as and when better information is available.

Revenue recognition
Carl Zeiss Meditec recognizes revenue when control over the distinct goods and services is transferred to the customer, i.e. as soon as the customer has the ability to direct the use of, and obtain substantially all of the remaining benefits from the goods or services transferred. The recognition of revenue requires a contractual agreement that creates legally enforceable rights and obligations. The amount of revenue recognized is the expected consideration to which the Company is contractually entitled. Where required, revenue is adjusted for variable price components such as cash discounts, price reductions, customer bonuses and rebates. At Carl Zeiss Meditec AG, these are mainly volume-based bonuses 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 when control is transferred to the customer, which is normally when the goods are delivered. Depending on the business unit, these are mainly 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, for example under maintenance agreements, is recognized over time since the customer simultaneously receives and consumes the benefits evenly throughout the performance period. It is recognized on either a straight-line basis or, where the performance obligation is not satisfied on a straight line basis, in line with the provision of the services in proportion to the total services to be provided. Revenue from royalties that the Group collects as a usage fee (fee for an access right) over the period of use are recognized on an accrual basis according to the economic substance of the underlying contract. In all cases described, revenue is recognized in accordance with the output method, since customers normally use both the services and the licenses 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 offers several performance obligations under multiple component arrangements. This can be, for example, the sale of a product combined with a warranty extension, and/or an additional sale of consumables. If a single contract with a customer comprises several performance obligations (multi-component arrangement) and the timing of satisfaction of the performance obligations differs, the agreed transaction price is allocated to the separate performance obligations in accordance with the relative stand-alone selling prices. The relative stand-alone selling prices generally correspond to the contractually agreed prices for product delivery and service performance, as the prices have generally already been allocated according to the value added and therefore no accounting reallocation is necessary.

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 warranties are also granted. The expected warranty claims are reflected by the recognition of provisions.

Revenue from the sale of extended warranties that can be purchased separately (*service type warranties*) is 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 revenue recognition over time (e.g. revenue from services).

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 dilution effects in the reporting year.

Current versus non-current classification
In the statement of financial position, assets and liabilities are classified as current or non-current depending on their maturity.

Other intangible assets
In accordance with IAS 38 *Intangible Assets*, internally generated intangible assets are recognized only if it is probable that future economic benefits will flow to the entity and the cost of the asset can be measured reliably.

Acquired and internally generated intangible assets are initially measured at cost. Intangible assets with finite useful lives are subsequently measured at cost less any accumulated amortization and any accumulated impairment losses. Amortization is charged over the useful life using the straight-line method. The major part of amortization is contained in cost of sales.

The fair values of trademark, patent and technology rights or similar assets, which were acquired within the scope of a business combination, are determined according to the relief from royalty method or the multi-period exceess earnings method (MEEM). In the relief from royalty 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. In the MEEM method, hypothetical lease payments for so-called supporting assets are deducted from the EBITDA attributable to the asset over its term. These residual cash flows are then condensed to present value, taking taxes into account.

Goodwill is not amortized and are therefore recognized at cost less any impairment losses.

Development costs are capitalized if all of the criteria set forth in IAS 38.57 are satisfied. 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. Generally, no specific milestones can be used as criteria in this context; rather, the criteria are reviewed continuously according to IAS 38.57. If an internally generated 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.

Carl Zeiss Meditec AG performs development work and sets new technological standards. That is why only a small portion of development costs is capitalized in the Carl Zeiss Meditec Group, as the criteria for recognition as part of the cost of an intangible asset are not all satisfied until a relatively late stage.

The costs directly attributable to development, including appropriate development-related overheads, are recognized as part of the cost of an asset. Amortization of capitalized development costs begins when the asset is available for use and is charged using the straight-line method over the expected product life cycle or based on unit numbers defined in business plans. Research costs and development costs that cannot be capitalized are expensed in the period in which they are incurred.

Depreciation is based on the following ranges of useful lives:

	Useful life
Trademark rights	2 to 15 years
Software	1 to 10 years
Licenses, royalties	1 to 10 years
Patents and industrial rights	2 to 19 years
Development costs	3 to 15 years
Miscellaneous other intangible assets	3 to 10 years

Property, plant and equipment

Property, plant and equipment except for right-of-use assets are measured at cost less any accumulated depreciation and any accumulated impairment losses in accordance with IAS 16 *Property, Plant and Equipment*. 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. The cost of self-constructed assets includes direct costs and a portion of materials and production overheads. Depreciation is charged on a straight-line basis over the asset's useful life.

Depreciation is based on the following ranges of useful lives:

	Useful life
Buildings and leasehold improvements	2 to 40 years
Technical equipment and machinery	2 to 21 years
Other equipment, furniture and fixtures	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*. 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.

Impairment of intangible assets and property, plant and equipment
IAS 36 *Impairment of assets* requires assessing at the end of each reporting period whether there is any indication that the assets reported in the statement of financial position may be impaired. In addition, annual impairment testing is required for intangible assets with indefinite useful lives and goodwill. In addition, intangible assets not yet available for use are examined at least once a year for impairment. The Group performs impairment testing if any indication of impairment exists or if this is required. This involves estimating the recoverable amount of the asset or cash-generating unit (CGU) in order to determine any need to record an impairment loss. Goodwill is monitored at Carl Zeiss Meditec for internal management purposes at the level of the Strategic Business Units (SBUs). The impairment test is therefore performed at SBU level and thus in accordance with IAS 36.80 for a group of CGUs. The recoverable amount is the higher of the fair value less costs to sell and the value in use – determined for the individual asset or cash-generating unit in each case.

In assessing value in use, the estimated future cash flows are discounted to their present value using an after-tax risk-adjusted discount rate based on the discounted cash flow method. The discount rates are calculated using the parameters risk-free base interest rate, risk premium (market risk premium, country risk and beta factor), borrowing costs and tax effect, and reflect the capital structure of the cash-generating unit. The detailed planning period for the future cash flows generally covers three fiscal years and is based on the financial plans approved by Company management or management forecasts on the development of sales, costs and earnings. These 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. For the following fiscal years, the cash flows of the third detailed planning year are rolled forward taking into account appropriate growth. An impairment exists when the carrying amount of the asset or cash-generating unit exceeds the recoverable amount. Such impairment loss is recognized in the income statement immediately.

With the exception of goodwill, impairment losses recognized in prior years are reversed if the reasons for recognizing the impairment no longer exist. The reversal is limited to ensure that the carrying amount is not exceeded that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. The reversal of impairment losses recognized on goodwill is not permissible.

Government grants
In accordance with IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*, government grants are only recorded if it is reasonably certain that the conditions attached to the grants will be fulfilled and the grants actually awarded. 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 met 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.

Leases
IFRS 16 *Leases* requires lessees to recognize all leases in the form of a right-of-use asset and corresponding lease liability. The value of the right of use is corrected for any initial direct costs incurred as well as reimbursements received. The lease liability is measured at the present value of the outstanding lease payments. They are presented in the income statement as financing activities so that the right-of-use asset is amortized on a straight-line basis and the lease liability is rolled forward using the effective interest method. Renewal, termination and purchase terms are taken into account during initial measurement of the lease liability if their exercise has become reasonably certain (especially property leases).

Sale-and-leaseback agreements are presented using the same principles.

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).

Lessors must assess as of the commencement date whether a lease is a finance lease or an operating lease. The lease is a finance lease if all significant risks and rewards are transferred. In this case, a receivable is recognized in the amount of the net investment in the lease. The corresponding interest income is presented in the financial result. Lease payments under operating leases are recognized in income on a straight-line basis over the lease term.

Financial instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets and financial liabilities are recognized in the consolidated statement of financial position as of 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. As of the date of initial recognition, financial assets and financial liabilities are measured at fair value and classified in accordance with the provisions of IFRS 9 *Financial Instruments*.

Trade receivables that do not contain any significant financing component or for which the Group has applied the practical expedient, are measured at the transaction price determined in accordance with IFRS 15. For more details, please refer to the accounting methods in the “Revenue recognition” section.

Fair value generally corresponds to the market or quoted value. If no active market exists, fair value is calculated using generally accepted valuation techniques (for example, using the present value method or option pricing models). Amortized cost corresponds to the cost of the financial liabilities adjusted for repayments, impairment and the amortization of any discounts or premiums.

IFRS 9 divides financial assets into the following measurement categories:

» At amortized cost (AC)
» At fair value through profit or loss (FVPL)
» At fair value through other comprehensive income (FVOCI)

The classification and measurement of financial assets is based 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. Classification therefore depends on

» whether the underlying business model is aimed at holding financial assets to collect contractual cash flows ("hold" business model) and
» and whether the contractual cash flows are solely payment of principal and interest (SPPI).

The business model is determined based on the corporate management of Carl Zeiss Meditec AG. To this end, the financial instruments are combined into groups, each of which has a consistent underlying 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 instruments.

Financial assets whose contractual cash flows are solely payments of principal and interest on the principal amount and that are held under a "hold" business model are measured at amortized cost (AC). This generally includes all debt instruments held by the Group, for example trade receivables, receivables from related parties, treasury receivables, loans, cash and cash equivalents, and sundry financial assets. The assets are subsequently measured using the effective interest method. Gains and losses from impairment or derecognition are recognized in the income statement.

Financial assets for which the cash flow condition is not fulfilled are measured at fair value through profit or loss (FVPL). Gains and losses from a change in fair value are recognized immediately 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 to recognize these financial instruments at fair value through other comprehensive income in individual cases. Currently this option is exercised for all major investments, as the current intention for all these investments is to hold them long term. Measurement at fair value is carried out using the discounted cash flow method.

Subsidiaries, associates and joint ventures, which are not consolidated for reasons of materiality, do not fall within the scope of IFRS 9 and IFRS 7.

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 loss. Specific allowances and portfolio-based allowances based on the expected credit loss model are recognized to cover the default risk. The extent of expected losses is categorized according to a 3-stage model (general approach), depending on whether the default risk of a financial instrument has increased significantly since initial recognition. Stage 1 comprises financial assets that have not deteriorated significantly in credit quality since initial recognition. In these cases credit losses are to be recognized based on the probability of default over the next twelve months. If there is a significant increase in the risk of default by the debtor, the financial instrument is allocated to stage 2 and an allowance is recognized in the amount of the expected losses over the entire term or life of the asset. 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. If there is further objective evidence of impairment, the financial assets are allocated to stage 3. Objective evidence includes delay of payment by more than 90 days, information about financial difficulties of the debtor or insolvency proceedings filed against the debtor. The general approach is used to determine the expected credit losses for all assets except trade receivables.

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. In exceptional cases, however, longer terms may be used to secure intragroup loans. The sole purpose of the derivative financial instruments is currency hedging. The rules of hedge accounting are not applied and the change in the fair values are accordingly recognized through profit or loss.

Depending on the term, derivative financial instruments with a positive fair value are recognized under other financial assets and derivative financial instruments with a negative fair value are recognized under non-current and current financial liabilities. 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 +12.6% (prior year: -0.2% to +11.9%).

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.

Offsetting of financial instruments

In the Group, derivative financial transactions are concluded in accordance with the German master agreement for financial futures contracts. They do not meet the offsetting criteria in accordance with IAS 32 *Financial Instruments: Presentation* since offsetting is enforceable only in the event of insolvency.

Financial assets and liabilities are generally carried at their gross amounts. Offsetting only occurs if Carl Zeiss Meditec currently has a legally enforceable right to offset the amounts and offsetting is actually intended. In addition, credit notes received are offset against corresponding trade payables, and trade receivables are offset against corresponding credit notes if these fulfill the offsetting criteria in accordance with IAS 32.

Inventories

Materials and supplies as well as merchandise are measured at costs of purchase, which are generally determined using the average cost method. Work in progress and finished goods are measured at costs of conversion. In addition to direct materials as well as direct labor, costs of conversion include an appropriate portion of materials and production overheads as well as production-related depreciation and production- related administrative expenses. 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.

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). If the reasons for a write-down no longer apply, it is reversed to the lower of cost or estimated net realizable value.

Trade receivables

Trade receivables are accounted for at nominal value or amortized cost. Trade receivables are recognized when an unconditional right to consideration from the customer exists.

The simplified approach is applied to determine allowances for trade receivables and receivables under financial leases. According to this, expected credit losses are always calculated over the entire lifetime of financial instruments. As a practical expedient, the Carl Zeiss Meditec Group applies a provision matrix for non-credit-impaired receivables which determines the expected losses as a percentage based on the number of days overdue. The calculation is based on historical loss experience and is supplemented by relevant forward-looking parameters. If information about financial difficulties of the debtor is available, the receivables are assessed on a case-by-case basis and an allowance is recognized for credit-impaired receivables. An allowance account is used to post changes to allowances.

A financial instrument is derecognized if the rights to cash flows have expired, due to the conclusion of insolvency proceedings, a court ruling or depending on other circumstances in the local law. A financial asset is also derecognized if the significant risks and rewards are transferred.

The fair value of current trade receivables receivables basically corresponds to their nominal value, due to their short-term nature. Non-current, non-interest-bearing receivables and loans are discounted according to normal market conditions. Interest amounts are recognized using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and at banks as well as all investments with an original term of less than 3months, which are only subject to minor risks of valuation changes. The carrying amounts of cash and cash equivalents essentially correspond to their fair values due to their short-term maturity.

Provisions for pensions and other post-employment benefits

The companies within the Group have various pension plans. In addition, some foreign subsidiaries have agreed to provide post-employment healthcare benefits on a certain scale.

Payments for defined contribution plans including contributions to statutory pension funds are recognized as an expense for the period.

Defined benefit obligations are measured in accordance with IAS 19 *Employee Benefits* using the projected unit credit method allowing for expected future adjustments to salaries and pensions.

The provisions for pensions and similar obligations at German Group entities are determined based on actuarial principles and using the 2018 G mortality tables published by Prof. Dr. Klaus Heubeck. The provisions for pensions and similar obligations at entities outside Germany are determined using the relevant local basis for calculation and local parameters.

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.

External funds invested to cover defined benefit obligations are measured at fair value and offset against the corresponding obligations.

Changes in the portfolio and variances in actual trends compared to the assumptions used for calculation purposes, as well as changes in the assumptions for the measurement of defined benefit obligations, result in actuarial gains and losses, which are recognized directly in other reserves within equity and thus directly affect the consolidated statement of financial position and the consolidated statement of comprehensive income.

The balance of the defined benefit obligation and plan assets (net defined benefit obligation or net plan assets) is discounted using the interest rate on which the measurement of the defined benefit obligation is based. The resulting net interest cost or income is recognized in the interest expenses or interest income in the consolidated income statement. Service cost is disclosed in the earnings before interest and taxes (EBIT).

The Meditec Group offers employees with unlimited employment contracts the option of using untaxed compensation to make provision for old age. Depending on the terms of their contract, the employees may convert up to three monthly salaries each year. The amounts converted are paid into an employer's pension liability insurance policy and the associated benefits are pledged to the employees. The amount and timing of the receivables from the employer's pension liability insurance matches those of the benefits payable to employees. As the receivables are pledged, they generally satisfy the requirements for plan assets and are presented on a net basis. If the future benefits under the employer's pension liability insurance are higher than the benefit obligation to the employee, the employee receives the higher amount.

The amount is dependent on the age of the employees at the time of conversion of their compensation and the employees' decision on whether to have the deferred compensation paid out as a one-off payment or as a pension. In addition to the conversion of compensation, the deferred compensation system may include invalidity and surviving dependants' benefits, depending on the model chosen.

Other provisions

In accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, present (legal or constructive) obligations to third parties arising from past events are disclosed within other provisions if it is probable that an outflow of resources will be required and can be measured reliably. 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 sufficiently 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.

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

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 concerning the income tax treatment to be applied in accordance with IFRIC 23.

Deferred taxes are recognized using the liability method in accordance with IAS 12 *Income Taxes*.

Deferred tax assets and liabilities are recognized on all temporary differences between the IFRS carrying amounts and the tax accounts of consolidated entities and on consolidation measures.

Further, deferred tax assets for future economic benefits from unused tax losses and unused tax credits are taken into account if it is probable that they will be used within a defined period. As a capital-market-oriented company, the Group is pursuing a long-term business strategy that has a direct impact on the tax strategy and the forecast period.

The carrying amount of deferred tax assets is reviewed at every reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the deferred tax asset to be utilized. A previously unrecognized deferred tax asset is reassessed and recognized to the extent that it has become probable that future economic benefits will be recovered.

Deferred tax liabilities are recognized for the expected income tax and withholding tax on expected dividend payments by subsidiaries. No deferred tax liabilities are recognized for the retained earnings of subsidiaries, unless corresponding dividend distributions are intended in the foreseeable future.

Deferred taxes relating to items recognized in other comprehensive income are likewise recognized in other comprehensive income and not through profit or loss.

Deferred tax assets and deferred tax liabilities are offset if a Group entity has a legally enforceable right to offset current tax assets and current tax liabilities and these relate to income taxes levied by the same taxation authority on the same taxable entity. Consequently, deferred tax assets and liabilities are netted within consolidated tax groups.

Liabilities

Financial liabilities and the outstanding invoices reported in accruals are normally measured at amortized cost using the effective interest method. Financial liabilities comprise liabilities to banks, loans and other financial liabilities. Non-interest-bearing loans and loans bearing off-market interest rates are recognized at present value and increased due to the passage of time over their term to maturity.

The fair value option offered by IFRS 9 is not applied.

Contract liabilities are recorded when the customer pays consideration before the corresponding goods or services are transferred to the customer. Contract liabilities are recognized as revenue when the contractual obligations are fulfilled.

3 Basis 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. The consolidated companies are shown in the list of shareholdings and can be found in note 39 "Other mandatory disclosures pursuant to Section 315e HGB".

Additions to the basis of consolidation
The following entities were included in the consolidated financial statements for the first time:
» Audioptics Medical Inc., Halifax (Canada) (from 25 July 2023)
» Carl Zeiss Meditec (Suzhou) Co., Ltd., Suzhou (China) (from 19 January 2023)
Apart from the acquisitions presented separately below, the additions to the basis of consolidation had no material impact on the net assets, financial position and results of operations of the Carl Zeiss Meditec Group.

Disposals from the basis of consolidation
The following entities were no longer included in the basis of consolidation in the reporting period:
» Ophthalmic Laser Engines LLC, Lafayette (USA)
» Photono Oy, Helsinki (Finland)

Apart from the disposal of Photono Oy, the disposals from the basis of consolidation had no material impact on the net assets, financial position and results of operations of the Group. In the case of Photono Oy, the option to purchase the remaining 51% of the shares expired in the fiscal year under review and was not exercised. Carl Zeiss Meditec AG has therefore lost control over this company and thus also the basis for its consolidation. The existing assets and liabilities have been derecognized. Due to the current development status, the fair value of the remaining investment, which is accounted for using the equity method, is recognized in the amount of €490k Further information can be found in note 14 “Investments carried at equity”. In total, the deconsolidations of Ophthalmic Laser Engines, LLC and Photono Oy led to other expenses of €4.3m

Additions to the basis of consolidation from acquisitions in fiscal year 2022/23

Audioptics Medical Inc., Halifax (Canada)
Effective 25 July 2023, Carl Zeiss Meditec AG, Jena, acquired 79.54% of the shares in Audioptics Medical Inc., Halifax (Canada), (hereinafter: Audioptics), thus acquiring in full the investment previously measured at fair value through other comprehensive income (FVOCI).

Audioptics is developing a diagnostic device for non-invasive visualization of the middle ear This acquisition further expands the Group’s portfolio in the new field of diagnosis and treatment of ear diseases.

The purchase price allocation was carried out in the reporting year in compliance with IFRS 3 *Business Combinations*. In this connection, the previous investment of 20.46% of the shares was remeasured at fair value, due to the successive acquisition of shares, and thus income in the amount of €3.8m was recognized in other comprehensive income (OCI).

The acquisition costs, including previous shares remeasured, amounted to €23.2m. These are composed of a fixed component (including escrow amount) in the amount of €9.1m, discounted contingent purchase price components of €9.6m, as well as the remeasured shares already acquired in previous years, in the amount of €4.5m. The contingent purchase price components are dependent upon the achievement of contractually defined financial and non-financial targets. If these targets are achieved in full, a maximum sum of €12.4m will be due for these components. Delays or non-achievement of these targets shall result in a reduction of the maximum payable contingent purchase price components. As a lower limit for non-achievement of the targets, the contingent purchase price components may reach a value of zero. As of 30 September 2023, the Group assumes a fair value of €9.8m for the contingent purchase price components (due to exchange rate changes with otherwise unchanged assumptions), and has recognized this amount under its non-current financial liabilities.

The goodwill from the acquisition primarily results from the anticipated synergy effects from the integration of the company into the existing “Microsurgery” business. As expected, goodwill shall not be deductible for tax purposes.

The fair values of the identified assets and liabilities as of the acquisition date are as follows:

	€k
Identifiable intangible assets	18,917
Property, plant and equipment	9
Deferred taxes	782
Inventories	72
Other current non-financial assets	469
Cash and cash equivalents	238
Total assets	**20,487**
Deferred taxes	5,475
Current accrued liabilities	199
Current financial liabilities	153
Trade payables	50
Total liabilities	**5,877**
Identifiable net assets	**14,610**
Goodwill from acquisition	8,552
Acquisition costs including remeasured previous shares	**23,162**
Cash received	238
Cash outflow due to acquisition	9,075
Actual cash outflow from acquisition	**8,837**

The other intangible assets mainly include the technology acquired and intellectual property.

Incidental acquisition costs of €0.3m were incurred in fiscal year 2022/23. These were recognized under general administrative expenses.

Audioptics contributed €0.0m to the revenue recognized in the consolidated income statement and €0.0m to consolidated profit.

Assuming that the acquisitions during the year had already taken place on the first day of the fiscal year, pro forma consolidated revenue and pro forma consolidated profit are not presented, due, among other things, to their immateriality, the impossibility to precisely determine them due to different fiscal years and varying accounting and valuation methods.

4 Summarized financial information of material subsidiaries with non-controlling interests

Major subsidiaries with non-controlling interests in the Carl Zeiss Meditec Group were 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 still held at the start of the year amounts to 48%. Due to the loss of control, OLE was deconsolidated in the fiscal year under review, which is why only the proportionate result is included in the income statement and the statement of cash flows The carrying amounts were fully derecognized as of 30 September 2023 due to the deconsolidation.

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:

	2022/23		2021/22	
	Carl Zeiss Meditec Co. Ltd.	**Ophthalmic Laser Engines LLC**	Carl Zeiss Meditec Co. Ltd.	Ophthalmic Laser Engines LLC
	€k	€k	€k	€k
Revenue	99,686	0	102,751	0
Net income	3,346	-40	4,130	-68
» of which profit/loss attributable to non-controlling interests	1,640	-19	2,024	-33
Other result (recognized in other comprehensive income)	-3,294	133	-2,973	-175
Total comprehensive income	52	93	1,157	-243
» thereof comprehensive income attributable to non-controlling interests	25	45	567	-117

Condensed statement of financial position:

	30 Sep 2023		30 Sep 2022	
	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	5,361	0	5,854	10
Current assets	40,569	0	47,202	0
Non-current liabilities	4,694	0	5,502	333
Current liabilities	15,807	0	17,700	812
Equity	25,429	0	29,854	-1,135
» thereof comprehensive income attributable to non-controlling interests	13,453	0	15,622	-545

Condensed statement of cash flows:

	2022/23		2021/22	
	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	-133	98	5,493	100
Cash flows from investing activities	-40	0	-17	0
Cash flows from financing activities	1,100	-98	-6,934	-100
Effect of exchange rate fluctuation on cash and cash equivalents	-293	0	-244	0
Change in cash and cash equivalents	**634**	**0**	**-1,702**	**0**

NOTES TO THE CONSOLIDATED INCOME STATEMENT

5 Revenue

	2022/23	2021/22
	€k	€k
Income from the sale of merchandise	1,905,496	1,739,843
Income from the provision of services (incl. sale of replacement parts)	177,270	157,799
Income from royalties/licenses	1,354	1,291
Revenue from contracts with customers	**2,084,120**	**1,898,933**
Income from operating leases (rent)	1,496	2,210
Income from finance leases	3,684	1,693
	2,089,300	**1,902,836**

Recognized revenue in the amount of €39,908k (prior year: €31,537k) 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 €43,044k (prior year: €39,908k), 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 €7,698k in fiscal year 2023/24 (prior year for fiscal year 2023/24: €8,605k) and €6,675k in subsequent fiscal years (prior year: €7,542k). In addition, there are performance obligations as order backlog in the amount of €408,897k (prior year: €662,904k).

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.

6 Other operating result

The item "Other operating result" in the prior year mainly includes expenses in connection with the Company's commitment to supporting humanitarian and scientific causes in the Ukraine war. These were distributed among both SBUs.

In the fiscal year under review, this item mainly includes the income from the deconsolidation of Photono Oy, Helsinki, Finland and Ophthalmic Laser Engines, LLC, Lafayette, USA. Both effects are exclusively included in the SBU Ophthalmology.

7 Personnel expenses

	2022/23	2021/22
	€k	€k
Wages and salaries	437,329	358,280
Social security contributions	71,906	60,978
Pension costs	18,399	18,345
	527,634	**437,603**

The employer's statutory pension contribution is included under social security contributions. Total expenses from all additional defined contribution plans in the current fiscal year amounted to €7,300k (prior year: €6,447k).

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

	30 Sep 2023	30 Sep 2022	**Average 2022/23**	Average 2021/22
Production	1,981	1,761	1,914	1,685
Sales & Marketing	1,297	1,202	1,272	1,126
Research & Development	1,130	903	1,041	816
Administration	415	358	399	334
Total	**4,823**	**4,224**	**4,626**	**3,961**
Trainees	8	20	11	22

8 Financial result

	2022/23	2021/22
	€k	€k
Earnings of investments carried at equity	**-893**	**0**
Interest income	28,111	13,250
Interest expenses	-15,250	-9,099
Net interest from defined benefit pension plans	936	-494
Net interest income/loss	**13,797**	**3,657**
Currency gains	107,549	66,416
Currency losses	-69,347	-115,046
Foreign currency gains/(losses), net	**38,202**	**-48,630**
Other financial result	**13,334**	**51,583**
Total financial result	**64,440**	**6,610**

The change in interest income mainly results from the funds invested at Carl Zeiss Financial Services GmbH as part of the Group treasury. Interest income also includes adjustments to the cost of capital for the measurement of conditional purchase price obligations. Interest expenses mainly relate to the annual compounding of the liabilities arising from these contingent purchase price obligations.

The foreign currency gains/losses are influenced in particular by the currency effects from the recognition and measurement of the currency forward contracts as well as the measurement of the primary financial instruments.

The other financial result was mainly influenced by the revaluation of the purchase price obligation from the acquisition of Carl Zeiss Meditec Cataract Technology, Inc., Kogent Surgical LLC and the effect from the deconsolidation of Photono Oy.

Further information on this can be found in note 24 “Financial liabilities”.

9 Income taxes

	2022/23	2021/22
	€k	€k
Current taxes	108,155	114,912
Deferred taxes	12,400	-7,334
	120,555	**107,578**

In accordance with the tax law applicable in fiscal year 2022/23, 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: 19.00% and 34.59%).

The tax rate applied for the tax reconciliation account 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: 19.00% 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:

	2022/23	2021/22
	€k	€k
Earnings before income taxes	**412,564**	**403,489**
Expected income tax expense	123,233	120,522
Differences from differing tax rates	-913	-1,355
Effect of changes in tax rates	824	81
Effects from non-deductible expenses	1,374	1,522
Effects from tax-free income	-1,511	-13,971
Prior-period effects	-158	-1,475
Net retained earnings of subsidiaries intended for disbursement	209	87
Recognition and measurement of deferred tax assets	-1,411	-1,719
Permanent effects	-628	5,438
Other	-464	-1,552
Actual income tax expense	**120,555**	**107,578**
Effective tax rate	29.2%	26.7%

10 Earnings per share

	2022/23	2021/22
Consolidated profit attributable to shareholders of the parent company (€k)	290,396	293,909
Weighted average of issued shares	89,440,570	89,440,570
Earnings per share basic/diluted (in €)	**3.25**	**3.29**

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 2022/23 and 2021/22:

	Ophthalmology SBU	Microsurgery SBU	Total
	€k	€k	€k
As of 30 Sep 2021	**327,801**	**913**	**328,714**
Additions	34,716	20,399	55,115
Translation differences	42,627	3,192	45,819
As of 30 Sep 2022	**405,144**	**24,504**	**429,648**
Additions	0	9,166	9,166
Translation differences	-21,380	-1,651	-23,031
As of 30 Sep 2023	**383,764**	**32,019**	**415,783**

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 additions to the goodwill of the cash-generating unit SBU Microsurgery resulted from the acquisition of Audioptics and from the acquisition of the assets and liabilities of Carl Zeiss Vision GmbH, Aalen (Germany) in j2022/23 connection with the acquisition of the business with head loupes. The translation differences are mainly due to exchange rate effects of goodwill in USD. It also includes the effects of the inflation adjustment of the carrying amounts of goodwill in TRY.

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.

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 underlying long-term trends: In the Company’s estimation, remaining uncertainties include the global supply chain situation, high inflation, consumer behavior characterized by fears of recession, geopolitical conflicts, trade sanctions and currency fluctuations. More details can be found in the risk report within the management report.

Assuming that the above insecurities are not exacerbated further, the Carl Zeiss Meditec Group anticipates further revenue growth in fiscal year 2023/24 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 the mid-single-digit percentage range. Cost planning also considers strategic aspects as well as price trends in the procurement markets.

Due to the planned reduction of surgical consumables in the Chinese sales channel of sales companies of Carl Zeiss AG in Ophthalmology and the introduction of new state procurement systems in the intraocular lens market in China, the growth rate is expected to temporarily decrease compared with the prior year. The product mix is also expected to have a lower proportion of consumables, particularly in the first half of fiscal year 2023/24, due to the factors mentioned. The Company currently anticipates a mid-double-digit million euro reduction in revenue and EBIT due to the planned inventory reductions in the Chinese distribution channel and a low double-digit million euro reduction due to the new state procurement systems in the intraocular lens market in China. Carl Zeiss Meditec is also making significant investments in future growth opportunities, especially in research and development and sales and marketing. EBIT is expected to be at least comparable with the prior year in fiscal year 2023/24. The EBIT margin, on the other hand, is expected to decline.

In the medium term, the Company expects to be able to sustainably stabilize its EBIT margin at a level above 20% (2022/23: 16.7%). 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.

The Company is confident that its Ophthalmology SBU will grow at least to the same extent as the underlying market in the new fiscal year 2023/24. From a current perspective, and excluding currency effects, this corresponds to growth at least in the low to mid-single-digit percentage range. One remaining uncertainty is the global supply chain situation. Due to difficulties in materials procurement, lead times in the equipment business were significantly longer than the long-term averages in the fiscal year under review. Increased delivery of equipment over the reporting period meant that the order backlog could be reduced to an extent. Nevertheless, the orders on hand remain at a slightly elevated level. At the same time, if the global supply chain situation improves, there is potential for cost relief in purchasing and manufacturing. Furthermore, price increases in some product categories are likely to have a stabilizing effect on the development of earnings. The planned reduction of large stocks of surgical consumables in the Chinese distribution channel of the sales companies of Carl Zeiss AG is expected to have an adverse effect on sales and earnings. In addition, due to the introduction of new state procurement systems for intraocular lenses in the Chinese market, price and earnings declines are to be expected in the affected product categories. Overall, the above effects are expected to move EBIT somewhat sideways in fiscal year 2023/24. The EBIT margin, on the other hand, is expected to decline slightly.

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 2023/24 will be at least in the mid-single-digit percentage range. One uncertainty that remains is the situation regarding the global supply chains. Due to difficulties in materials procurement, lead times in the equipment business were significantly longer than the long-term averages. Increased delivery of equipment over the reporting period cleared some of the order backlog. Nevertheless, the orders on hand remain at a slightly elevated level. EBIT is expected be at roughly the same level as in the prior year in fiscal year 2023/24. On the other hand, the EBIT margin is expected to decline slightly. At the same time, if the global supply chain situation improves, there is potential for cost relief in purchasing and manufacturing. Furthermore, price increases are likely to have a stabilizing effect on the development of earnings.

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 the impairment test, a growth rate of 1.0% (prior year: 1.0%) is applied for the cash flows, for the perpetuity period. The pre-tax discount rate applied for cash flow forecasts is 13% (prior year: around 9%). 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 completed its annual scheduled impairment testing of goodwill on 30 June 2023. This testing did not indicate any need for impairment 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 this assessment as of the end of June.

The sensitivity analyses for the individual impairement tests carried out by the Company for the two SBUs Microsurgery and Ophthalmology 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 after taxes by one percentage point and a reduction in the long-term growth rate for the perpetuity period by half a percentage point, as well as a decrease of EBIT or EBIT margin by ten percent in the last detailed planning year were assumed for these analyses. Neither of these sensitivity analyses results in a need for impairment.

12 Other intangible assets

	Trademark rights	Software	Licenses, royalties	Patent- and technology rights	Development costs	Miscellaneous other intangible assets	Total
	€k	€k	€k	€k	€k	€k	€k
Acquisition and production costs as of 1 Oct 2022	**9,061**	**47,259**	**10,118**	**43,890**	**331,850**	**36,595**	**478,773**
Change in the basis of consolidation	0	0	0	-1,476	10,633	-1,678	7,479
Additions	0	569	25	103	46,127	1,530	48,354
Disposals	0	0	0	-74	0	0	-74
Reclassifications	0	252	0	24	0	-276	0
Translation differences	-150	-1,741	-114	-732	-14,967	-1,628	-19,332
As of 30 Sep 2023	**8,911**	**46,339**	**10,029**	**41,735**	**373,643**	**34,543**	**515,200**
Amortization as of 1 Oct 2022	**8,910**	**42,005**	**8,208**	**39,932**	**107,018**	**32,273**	**238,346**
Change in the basis of consolidation	0	0	0	-1,004	-391	-1,678	-3,073
Additions	26	2,412	581	452	26,530	165	30,166
Disposals	0	0	0	-22	0	0	-22
Reclassifications	0	6	0	0	0	-6	0
Translation differences	-138	-1,680	-112	-498	-5,697	-1,581	-9,706
As of 30 Sep 2023	**8,798**	**42,743**	**8,677**	**38,860**	**127,460**	**29,173**	**255,711**
Net carrying amount as of 30 Sep 2023	**113**	**3,596**	**1,352**	**2,875**	**246,183**	**5,370**	**259,489**

	Trademark rights	Software	Licenses, royalties	Patents and industrial rights	Development costs	Miscellaneous other intangible assets	Total
	€k	€k	€k	€k	€k	€k	€k
Acquisition and production costs as of 1 Oct 2021	**8,765**	**41,916**	**9,869**	**41,492**	**207,893**	**34,441**	**344,376**
Change in the basis of consolidation	0	0	0	911	58,427	92	59,430
Additions	0	1,055	0	126	37,364	668	39,213
Disposals	0	0	0	-23	0	-609	-632
Reclassifications	0	743	12	0	0	-755	0
Translation differences	296	3,545	237	1,384	28,166	2,758	36,386
As of 30 Sep 2022	**9,061**	**47,259**	**10,118**	**43,890**	**331,850**	**36,595**	**478,773**
Amortization as of 1 Oct 2021	**8,613**	**34,976**	**7,402**	**38,763**	**70,773**	**30,151**	**190,678**
Additions	26	3,800	576	181	25,661	64	30,308
Disposals	0	0	0	0	0	-609	-609
Translation differences	271	3,229	230	988	10,584	2,667	17,969
As of 30 Sep 2022	**8,910**	**42,005**	**8,208**	**39,932**	**107,018**	**32,273**	**238,346**
Net carrying amount as of 30 Sep 2022	**151**	**5,254**	**1,910**	**3,958**	**224,832**	**4,322**	**240,427**

The net carrying amount of the capitalized development costs relates to internally developed technologies and procedures that have not yet been completed in the amount of €152,236k (prior year: €131,283k). The Carl Zeiss Meditec Group completed its annual scheduled impairment testing of intangible assets not yet ready for use. This testing did not indicate any need for impairment based on the values in use.

13 Property, plant and equipment

Property, plant and equipment, including rights of use

	Land, buildings and leasehold improvements	Technical equipment and machinery	Other equipment, furniture and fixtures	Payments on account and assets under construction	Total
	€k	€k	€k	€k	€k
Acquisition and production costs as of 1 Oct 2022	**181,882**	**82,477**	**159,566**	**34,846**	**458,771**
Change in the basis of consolidation	-730	0	-164	0	-894
Additions	56,741	9,254	24,506	42,702	133,203
Disposals	-23,353	-764	-4,027	-214	-28,358
Reclassifications	128	9,091	2,494	-11,713	0
Translation differences	-6,281	-2,659	-5,114	-511	-14,565
As of 30 Sep 2023	**208,387**	**97,399**	**177,261**	**65,110**	**548,157**
Amortization as of 1 Oct 2022	**64,801**	**49,043**	**108,782**	**0**	**222,626**
Change in the basis of consolidation	-730	0	-160	0	-890
Additions	20,914	6,366	16,617	0	43,897
Disposals	-23,144	-566	-3,424	0	-27,134
Reclassifications	0	-59	59	0	0
Translation differences	-1,424	-1,565	-3,126	0	-6,115
As of 30 Sep 2023	**60,417**	**53,219**	**118,748**	**0**	**232,384**
Net carrying amount as of 30 Sep 2023	**147,970**	**44,180**	**58,513**	**65,110**	**315,773**
thereof owned property, plant and equipment	13,489	44,180	43,728	65,110	166,507
thereof leased property, plant and equipment (rights of use)	134,481	0	14,785	0	149,266

	Land, buildings and leasehold improvements	Technical equipment and machinery	Other equipment, furniture and fixtures	Payments on account and assets under construction	Total
	€k	€k	€k	€k	€k
Acquisition and production costs as of 1 Oct 2021	**161,131**	**60,935**	**135,645**	**22,169**	**379,880**
Change in the basis of consolidation	1,198	234	45	0	1,477
Additions	8,771	8,130	20,372	24,901	62,174
Disposals	-1,717	-534	-6,698	-55	-9,004
Reclassifications	457	9,476	2,757	-12,690	0
Translation differences	12,042	4,236	7,445	521	24,244
As of 30 Sep 2022	**181,882**	**82,477**	**159,566**	**34,846**	**458,771**
Amortization as of 1 Oct 2021	**45,953**	**40,805**	**93,567**	**0**	**180,325**
Additions	17,687	5,295	16,479	0	39,461
Disposals	-1,617	-78	-6,433	0	-8,128
Reclassifications	81	24	-105	0	0
Translation differences	2,697	2,997	5,274	0	10,968
As of 30 Sep 2022	**64,801**	**49,043**	**108,782**	**0**	**222,626**
Net carrying amount as of 30 Sep 2022	**117,081**	**33,434**	**50,784**	**34,846**	**236,145**
thereof owned property, plant and equipment	10,620	33,434	36,035	34,846	114,935
thereof leased property, plant and equipment (rights of use)	106,461	0	14,749	0	121,210

As in the prior year, no items of property, plant and equipment were pledged as collateral for liabilities as of 30 September 2023.

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 equipment and machinery	Other equipment, furniture and fixtures	Total
	€k	€k	€k	€k
Net carrying amount as of 1 Oct 2022	**106,461**	**0**	**14,749**	**121,210**
Additions	51,872	0	5,733	57,605
Depreciation and amortization	-19,155	0	-4,318	-23,473
Other changes incl. translation differences	-4,697	0	-1,379	-6,076
As of 30 Sep 2023	**134,481**	**0**	**14,785**	**149,266**
Net carrying amount as of 1 Oct 2021	**103,882**	**0**	**10,989**	**114,871**
Change in the basis of consolidation	1,146	0	0	1,146
Additions	8,725	0	6,283	15,008
Depreciation and amortization	-16,146	0	-3,548	-19,694
Other changes incl. translation differences	8,854	0	1,025	9,879
As of 30 Sep 2022	**106,461**	**0**	**14,749**	**121,210**

In the property segment, the Group rents primarily administrative and production buildings. The rights of use to other equipment, furniture and fixtures mainly relate to rented vehicles. The terms of the lease agreement are negotiated individually and contain a multitude of different conditions. The other changes presented are mainly the result of currency effects.

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

14 At-equity investments

On January 23, 2023, the Group signed an agreement to acquire 18.8% of the shares in Vibrosonic GmbH, headquartered in Mannheim, Germany. The purpose of the acquisition is the participation in a development project. Due to various exclusive approval rights to a comprehensive catalog of decisions, the Group has a significant influence over Vibrosonic, in spite of only holding a stake of less than 20%, which is why the company is accounted for using the equity method and is an associate in accordance with IAS 28.

The Group has also held 50% of the shares in Wuxi Carl Zeiss Vision Pro Medical Technology Co., Ltd., based in Wuxi, China since the fiscal year under review. This is a joint venture established on 25 November 2022 in accordance with IFRS 11 for development purposes. As of 30 September 2023 the stake was still 50.0%, which is why the company is accounted for using the equity method in accordance with the terms of the contract. In the fiscal year under review it had an average of 16 employees.

In addition, the Group still holds 49% of the shares in Photono Oy, which was deconsolidated in July 2023. Further information on this can be found in note 3 "Basis of consolidation".

The table below provides a summary of financial data relating to the investments carried at equity based on a 100% holding:

	Photono Oy	**Vibrosonic GmbH**	**Wuxi Carl Zeiss Vision Pro Medical Technology Co., Ltd.**
Condensed statement of financial position:	€k	€k	€k
Non-current assets	1,626	8,442	5,546
Current assets	160	3,786	6,976
of which cash and cash equivalents	139	3,217	919
Non-current liabilities	1,592	7,832	0
of which financial debt	1,592	7,832	0
Current liabilities	90	543	27
of which financial debt	6	0	0
Net assets	**104**	**3,853**	**12,495**
Group share in %	49.0	18.8	50.0
Carrying amount	403	6,224	6,244

	Photono Oy	**Vibrosonic GmbH**	**Wuxi Carl Zeiss Vision Pro Medical Technology Co., Ltd.**
Summary statement of comprehensive income:	€k	€k	€k
Revenue	0	0	0
Scheduled depreciation and amortization	-1	-136	-331
Interest income	0	19	14
Interest expenses	0	-484	0
Income taxes	0	-5	0
Other comprehensive income after tax	**-87**	**-2,307**	**-790**
Other income	0	-3	0
Total comprehensive income	**-87**	**-2,310**	**-790**

15 Deferred taxes

Deferred tax assets and liabilities as of 30 September 2023 are allocated to the individual balance sheet items as follows:

	30 Sep 2023		30 Sep 2022	
	Deferred tax assets	**Deferred tax liabilities**	Deferred tax assets	Deferred tax liabilities
	€k	€k	€k	€k
Intangible assets	9,116	53,359	68	43,773
Property, plant and equipment	2,906	5,922	2,116	2,548
Long-term financial assets	1,629	118	1,178	0
Inventories	24,232	1,902	22,286	795
Trade receivables	1,103	1,218	2,173	433
Other assets	2,279	6,087	850	4,158
Provisions	28,385	1,572	25,720	1,591
Trade payables	71	24	0	164
Other liabilities	24,535	338	46,732	2,423
Retained earnings	0	297	0	88
Loss carryforwards	5,246	0	4,220	0
Total deferred taxes	**99,502**	**70,837**	**105,343**	**55,973**
Offsetting	35,798	35,798	33,594	33,594
Deferred taxes (net)	**63,704**	**35,039**	**71,749**	**22,379**

Deferred tax liabilities were carried in the amount of €8,205k in the fiscal year under review (prior year: €10,235k) for net retained earnings of subsidiaries intended for disbursement in the amount of €297k (prior year: €87k). The Group did not carry as liabilities deferred tax liabilities of €12,510k (prior year: €11,944k) on retained earnings of subsidiaries of €827,841k (prior year: €788,332k), because, from today’s perspective, these earnings are to remain permanently invested.

The loss carryforwards mainly result from the US subsidiaries and can be used indefinitely. Loss carryforwards of a subsidiary in the USA amounting to €4,632k were written off in full, as it cannot be assumed that they will be used in the future. For the Chinese subsidiary in Guangzhou, which is loss-making in the current fiscal year, deferred taxes on loss carryforwards amounting to €857k are estimated to be recoverable, as they can be offset against planned positive earnings contributions in the foreseeable future. With regard to deferred tax assets on loss carryforwards of Audioptics, which was consolidated for the first time in the fiscal year, please refer to note 3 "Basis of consolidation". No deferred tax assets on loss carryforwards amounting to €3,297k were formed, as it cannot be assumed that they will be used in the future.

In accordance with IAS 12.4A, no deferred taxes are recognized for effects arising from current or announced tax regulations to implement the Pillar Two Model Rules published by the Organization for Economic Cooperation and Development (OECD).

16 Inventories

	30 Sep 2023	30 Sep 2022
	€k	€k
Raw materials, consumables and supplies	229,104	179,604
Unfinished goods	57,620	53,834
Finished goods	282,441	198,008
Advances paid	613	0
Total inventories, gross	**569,778**	**431,446**
Valuation allowances	-49,550	-48,701
Total inventories, net	**520,228**	**382,745**

The carrying amount of inventories carried at their net realizable value totaled €251,877k as of 30 September 2023 (prior year: €204,787k). Impairment losses amounting €25,726k (prior year: €20,112k) were recognized through profit or loss. Reversals in the amount of €4,960k (prior year: €7,561k) were recognized through profit or loss. The reversals are mainly due to the adjustment of depreciation routines. The cost of materials amounted to €626,477k and €538,551k, respectively, for fiscal years 2022/23 and 2021/22. 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 €7,979k (prior year: €7,729k), comprise the following:

	30 Sep 2023	30 Sep 2022
	€k	€k
Current trade receivables	204,223	206,619
Non-current trade receivables	7,033	8,486
Trade receivables, gross	**211,256**	**215,105**
Effects of foreign currency valuation	1,484	1,593
Valuation allowances	-8,803	-10,423
Trade receivables, net	**203,937**	**206,275**

The schedule of valuation allowances and the ranges of default rates are presented in note 36 “Financial risk management”.

18 Other financial assets

	30 Sep 2023	30 Sep 2022
	€k	€k
Credit card receivables	1,092	1,853
Plan assets for pension commitments	23,273	27,754
Plan assets for accrued flexitime	7,619	4,598
Derivative financial instruments	23,806	21,085
Receivables from the ZEISS Group	191	389
Debit balances of accounts payable	944	1,168
Commission receivable	148	223
Other receivables	2,359	1,021
	59,432	**58,091**

Of the total other financial assets, €31,264k (prior year: €32,906k) have a remaining term of more than one year.

For further details on plan assets for pension obligations, please refer to note 22 "Provisions for pensions and similar obligations".

19 Other non-financial assets

	30 Sep 2023	30 Sep 2022
	€k	€k
Prepaid expenses	10,126	12,992
Receivables from tax office/other tax receivables	39,493	34,885
Advances paid	5,975	1,799
Other receivables	575	693
	56,169	**50,369**

The receivables from the tax office mainly include advance VAT payments. Of the total other non-financial assets, €591k (prior year: €635k) have a remaining term of more than one year.

20 Cash and cash equivalents

	30 Sep 2023	30 Sep 2022
	€k	€k
Cash	10	15
Bank balances	10,591	7,714
	10,601	**7,729**

21 Equity

Share capital
As in the prior fiscal year, 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
By way of a resolution of the Annual General Meeting on 30 March 2022 and entry in the commercial register on 6 April 2022, the Management Board is authorized, subject to the consent of the Supervisory Board, to increase the share capital of the Company, on one or several occasions until 29 March 2027, by a total of up to €26,500k by issuing new, no-par value bearer shares against cash and/or contributions in kind (Authorized Capital 2022). The Management Board is authorized, with the consent of the Supervisory Board, to exclude shareholders' statutory subscription rights in certain cases.

Capital reserve
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 2023, the annual financial statements of Carl Zeiss Meditec AG showed a net profit of €722,641k (prior year: €601,487k). A dividend of €1.10 per no-par value share was paid out from consolidated net profit for fiscal year 2021/22. The proposed dividend for fiscal year 2022/23 is €1.10 per no-par share, which, for the current number of shares, corresponds to a distribution volume of €98,385k. The proposed dividend is subject to shareholder approval at the Annual General Meeting and is therefore not recognized as a liability in the consolidated financial statements.

Other reserves
The other reserves mainly comprise the differences arising from the currency translation of the annual financial statements of foreign subsidiaries recognized in other comprehensive income. This item also contains the measurement effects recognized in equity from the revaluation resulting from defined benefit pension plans and financial assets in the category “at fair value through other comprehensive income”.

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). 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 €2,194k (prior year €3,461k) and due to the consolidated profit and translation differences. The shares held by non-controlling interests of Ophthalmic Laser Engines, LLC, Lafayette (USA) have not been included in this item since the fiscal year under review due to their deconsolidation, which has also affected the development of this item.

22 Provisions for pensions and similar obligations

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 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, the 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 benefit 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.

Two plans 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 that prescribes a minimum level of funding in the amount of the administrative costs and any other anticipated costs, in order to avoid benefit restrictions.

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 interest rate risk, longevity risk, as well as the risk associated with pay increases.

The reconciliation of the funding status to the amounts reported in the consolidated statement of financial position is as follows:

	30 Sep 2023	30 Sep 2022
	€k	€k
Present value of obligations funded by plan assets	152,965	149,740
Plan assets	176,238	177,494
Funding status	**-23,273**	**-27,754**
Present value of obligations not funded by plan assets	7,663	8,480
Carrying amount	**-15,610**	**-19,274**
thereof in: Other assets	23,273	27,754
thereof in: Provisions for pensions and similar obligations	7,663	8,480

The defined benefit obligation and the fair value of plan assets are composed of the following:

	30 Sep 2023			30 Sep 2022		
	Defined benefit obligation (DBO)	Fair value of plan assets	Net asset value/liability	Defined benefit obligation (DBO)	Fair value of plan assets	Net asset value/ liability
	€k	€k	€k	€k	€k	€k
Germany	140,941	158,029	-17,088	135,223	157,078	-21,855
USA	13,067	18,209	-5,142	15,480	20,416	-4,936
Japan	4,330	0	4,330	5,128	0	5,128
Other	2,290	0	2,290	2,389	0	2,389
Carrying amount	**160,628**	**176,238**	**-15,610**	**158,220**	**177,494**	**-19,274**
thereof in: Other assets			23,273			27,754
thereof in: Provisions for pensions and similar obligations			7,663			8,480

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

	2022/23	2021/22
	€k	€k
Service cost	11,099	11,898
Net interest result	-936	494
Net expenditure in the fiscal year recognized in the income statement	**10,163**	**12,392**
Remeasurements (income (-)/expense (+) from plan assets, excluding amounts already included in interest)	5,453	13,502
Actuarial gains (-)/losses (+)	-8,864	-89,505
Result recognized in other comprehensive income	**-3,411**	**-76,003**
Actual income (-)/expense (+) on plan assets	-1,249	10,732

The current service cost of €11,099k (prior year: €11,898k) is carried under both cost of goods sold and functional costs, depending on the allocation of personnel expenses to the functional areas.

During the reporting period, the present value of defined benefit pension obligations changed as follows:

	2022/23	2021/22
	€k	€k
As of 1 Oct	**158,220**	**234,800**
Service cost	11,099	11,898
Interest expense	5,766	3,264
Benefit payments	-4,356	-4,549
Actuarial gains (-)/losses (+) based on demographic assumptions	-153	55
Actuarial gains (-)/losses (+) based on financial assumptions	-10,150	-92,707
Actuarial gains (-)/losses (+) based on empirical assumptions	1,439	3,147
Additions/Disposals	546	-20
Translation differences	-1,783	2,332
As of 30 Sep	**160,628**	**158,220**

The table below shows a detailed reconciliation of the change in the fair value of plan assets:

	2022/23	2021/22
	€k	€k
As of 1 Oct	**177,494**	**186,275**
Interest income	6,702	2,770
Remeasurements (income (+)/ expense (-) from plan assets, excluding amounts already included in interest)	-5,453	-13,502
Employer contributions	2,471	2,288
Employee contributions	516	238
Withdrawals for pension payments	-3,857	-4,254
Translation differences	-1,635	3,679
As of 30 Sep	**176,238**	**177,494**

For the coming fiscal year the Group intends to pay a contribution of €292k (prior year: €315k) 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 portfolio of plan assets comprises the following:

	30 Sep 2023	30 Sep 2022
	€k	€k
Developed markets	34,850	42,652
Growth markets	11,024	13,204
Equity instruments (shares)	**45,874**	**55,856**
Government bonds	3,218	6,155
Corporate bonds	42,327	40,183
Other	12,368	13,919
Debt instruments (bonds, notes)	**57,913**	**60,257**
Real estate and real estate funds	**25,064**	**29,227**
Alternative investments	**30,799**	**21,132**
Cash and cash equivalents	**16,588**	**11,022**
Total plan assets	**176,238**	**177,494**

Price quotations for the stocks and stock funds as well as pensions and pension funds, are almost exclusively in an active market; for the other investments, there are no market quotations.

The plan assets (real estate and real estate funds) include properties used by the Company in the amount of €20,330k (prior year: €22,409k).

Actuarial assumptions are necessary for all defined benefit pension schemes. In addition to life expectancy – which is determined in Germany using the 2018 G mortality tables published by Prof. Dr. Klaus Heubeck and, in other countries, based on comparable country-specific mortality tables – the following approaches were selected for the actuarial calculations:

	Germany		USA		Japan	
	30 Sep 2023	30 Sep 2022	**30 Sep 2023**	30 Sep 2022	**30 Sep 2023**	30 Sep 2022
	%	%	%	%	%	%
Actuarial interest	4.10	3.75	5.60	5.10	1.13	0.68
Salary trend	3.00	3.00	0.00	0.00	2.97	2.97
Rate of pension progression	2.25	2.25	0.00	0.00	0.00	0.00

The assumptions underlying the calculation of the defined benefit obligation (DBO) regarding actuarial interest rates, salary and pension progression trends and mortality rates vary depending on the economic and other conditions in the country in which the plans exist. The actuarial interest rates were determined on a company-specific basis at the end of the respective reporting period, in accordance with the average weighted term (duration) of the pension obligations using matching maturities and currencies. The calculation of pensions is linked to employee turnover. Depending on the respective plan, the pensionable age was set at 62 to 65.

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

Change in present value of defined benefit obligations (DBO)	€k
Actuarial interest	
» Change by +0,5%	-13,695
» Change by -0,5%	15,831
Salary trend	
» Change by +0,5%	861
» Change by -0,5%	-812
Rate of pension progression	
» Change by +0,5%	3,777
» Change by -0,5%	-3,465

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 defined benefit obligation 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 defined benefit obligation as of 30 September 2023 would therefore have been €4,241k higher.

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:

	30 Sep 2023	30 Sep 2022
	€k	€k
In the next fiscal year	4,243	4,223
In the second fiscal year	4,585	4,625
In the third fiscal year	5,125	4,822
In the fourth fiscal year	5,247	5,412
In the fifth fiscal year	5,853	5,403
In the sixth to tenth fiscal year	35,107	34,330

The weighted duration of the pension obligations (Macaulay duration) was 19.6 years as of 30 September 2023 (prior year: 19.5 years). The duration is an expression of the commitment period of the invested capital for the pension obligations and is dependent on the payment profile and the interest rate level.

23 Other provisions

	Personnel and social	Ongoing operations	Other	Total
	€k	€k	€k	€k
As of 1 Oct 2022	**5,012**	**13,374**	**10,922**	**29,308**
Additions	2,058	14,983	2,157	19,198
Interest yield	15	0	-45	-30
Reversals	-200	-1,280	-1,180	-2,660
Utilization	-792	-11,648	-2,800	-15,240
Translation differences	-392	-607	-596	-1,595
As of 30 Sep 2023	**5,701**	**14,822**	**8,458**	**28,981**
thereof current provisions	2,012	14,201	4,820	21,033
thereof non-current provisions	3,689	621	3,638	7,948
As of 30 Sep 2022	**5,012**	**13,374**	**10,922**	**29,308**
thereof current provisions	1,880	13,051	7,359	22,290
thereof non-current provisions	3,132	323	3,563	7,018

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 2023	30 Sep 2022
	€k	€k
Present value of partial retirement obligations	1,339	1,096
Fair value of plan assets	732	673
Reported net liability for partial retirement obligations	**607**	**423**

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. for 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 and government clawbacks. 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.

24 Financial liabilities

	30 Sep 2023	30 Sep 2022
	€k	€k
Liabilities from contingent purchase price components	96,030	91,179
Currency forward contracts	12,609	37,584
Other purchase price liabilities	0	8,840
Credit accounts receivable	10,048	9,541
Other financial liabilities	1,525	11.507
	120.212	**158,651**

Of the total other financial liabilities, €96,030k (prior year: €91,772k) have a remaining term of more than one year.

The liabilities from contingent purchase price components shown in the table include the fair value of the performance-related components of the purchase price and result, on the one hand, from the acquisition of Audioptics Medical Inc. in the fiscal year under review, and, on the other hand, from acquisitions in recent years. These relate to the obligations arising from the acquisitions of Carl Zeiss Meditec Cataract Technology, Inc., Preceyes B.V., Katalyst Surgical LLC and Kogent Surgical LLC, as well as the assets of InfiniteVision Optics S.A.S.

The change in liabilities from contingent purchase price components resulted, on the one hand, from Audioptics Medical Inc., which was fully acquired in the fiscal year under review, in the amount of €9,561k and the payment of a purchase price component from the acquisition of Kogent Surgical LLC, in the amount of €755k. In addition, the purchase price components were revalued for all companies due to a change in capital costs, in the amount of €-1,120k. Furthermore, Carl Zeiss Meditec Cataract Technology, Inc. and Kogent Surgical LLC were revalued due to a reduced expectation of future earnings contributions from the acquired business compared with the prior year, due in particular to time delays, in the amount of €-6,187k. Due to the current state of development, the last option for the full acquisition of Photono Oy was not exercised and the liability was reversed accordingly through profit or loss.

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 Accrued liabilities

	30 Sep 2023	30 Sep 2022
	€k	€k
Outstanding invoices	50,731	48,377
Christmas bonus, special payments, and other personnel-related liabilities	94,441	82,624
Commissions/bonuses	6,814	7,252
Year-end costs	1,010	889
Other accrued liabilities	2,241	2,837
	155,237	**141,979**

26 Other non-financial liabilities

	30 Sep 2023	30 Sep 2022
	€k	€k
Contract liabilities	57,417	56,055
Liabilities from taxes not related to income	12.801	3,787
Liabilities from social security	3,143	2,496
Wage withholding tax	3,913	3,488
Government grants	2,086	193
Miscellaneous other non-financial liabilities	2,422	2,708
	81.782	**68,727**

Of the total other non-financial assets, €17,815k (prior year: €17,445k) have a remaining term of more than one year. The contract liabilities presented in the table relate to advance payments received on orders in the amount of €8,939k (prior year: €11,564k) as well as deferred revenue due to period-related revenue recognition, in the amount of €48,478k (prior year: €44,491k).

27 Additional disclosures on financial instruments

The following table shows the carrying amounts by valuation category of the financial instruments as of 30 September 2023 and 30 September 2022. In all items presented, the carrying amounts correspond to the fair values.

		Carrying amount	
	Valuation category IFRS 9	30 Sep 2023	30 Sep 2022
		€k	€k
Primary financial instruments			
Assets			
Trade receivables	AC	203,937	206,275
Receivables from related parties	AC	224,535	216,480
Treasury receivables	AC	869,990	907,534
Investments	FVOCI	8,584	10,803
Loans	AC	6,117	383
Other financial assets	AC	4,734	4,256
Cash	AC	10,601	7,729
Equity and liabilities			
Trade payables	AC	157,829	124,388
Liabilities to related parties	AC	81,963	64,797
Treasury payables	AC	16,736	29,675
Outstanding invoices	AC	50,731	48,377
Other financial accrued liabilities	AC	7,824	8,141
Liabilities to banks	AC	83	98
Contingent purchase price obligations	FVPL	96,030	91,179
Other financial liabilities	AC	11,490	29,790
Derivative financial instruments			
Assets			
Currency hedging contracts	FVPL	23,806	21,085
Equity and liabilities			
Currency hedging contracts	FVPL	12,609	37,584
Thereof aggregated by valuation category pursuant to IFRS 9			
Amortized cost (AC)		1,646,570	1,647,923
Fair value through other comprehensive income (FVOCI)		8,584	10,803
Fair value through profit or loss (FVPL)		132,445	149,848

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	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
Loans	AC	Loans
Other financial assets	AC	Other assets Other financial assets
Asset-side currency hedging contracts	FVPL	Other assets Other 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 financial accrued liabilities	AC	Accrued liabilities
Other financial liabilities	AC	Financial liabilities
Liabilities to banks	AC	Financial liabilities
Contingent purchase price obligation	FVPL	Financial liabilities
Liabilities-side currency hedging contracts	FVPL	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 2023		30 Sep 2022	
	Nominal value	**Market value**	Nominal value	Market value
	€k	€k	€k	€k
Derivatives excluding hedge accounting				
» Derivatives with a positive market value	644,251	23,806	445,749	21,085
» Derivatives with a negative market value	466,418	12,609	723,108	37,584

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 accordance with IFRS 9, and how the respective net result is calculated.

		Interest effects	From subsequent valuation			Amortiza-tion	Net income
			at fair value	Currency translation	Valuation allowance		
		€k	€k	€k	€k	€k	€k
From financial assets measured at amortized cost	30 Sep 2023	22,751	n.a.	-20,871	1,053	-20	2,913
	30 Sep 2022	1,071	n.a.	14,491	-1,994	-1	13,567
From financial assets measured at fair value through other comprehensive income	30 Sep 2023	0	4,249	0	0	0	4,249
	30 Sep 2022	0	-2,253	0	0	0	-2,253
From financial assets and liabilities measured at fair value through profit or loss	30 Sep 2023	-6,938	26,223	45,702	0	0	64,987
	30 Sep 2022	5,019	36,163	-41,151	0	0	31
From financial liabilities measured at amortized cost	30 Sep 2023	-1,493	n.a.	2,275	n.a.	n.a.	782
	30 Sep 2022	-1,299	n.a.	-4,681	n.a.	n.a.	-5,980
Other	30 Sep 2023	-523	-1,350	0	29	0	-1,844
	30 Sep 2022	-1,134	64	0	261	0	-809
Total	**30 Sep 2023**	**13,797**	**29,122**	**27,106**	**1,082**	**-20**	**71,087**
	30 Sep 2022	**3,657**	**33,974**	**-31,341**	**-1,733**	**-1**	**4,556**
thereof through profit or loss	30 Sep 2023	13,797	24,873	27,106	1,082	-20	66,838
	30 Sep 2022	3,657	36,227	-31,341	-1,733	-1	6,809
thereof selling and marketing expenses	30 Sep 2023	0	0	0	1,525	0	1,525
	30 Sep 2022	0	0	0	201	-1	200

The interest from financial instruments is recognized under interest income. The effects of currency translation are recognized together with the fair value measurement of the currency forward contracts under the item foreign currency gains/ (losses), net in the income statement. The Carl Zeiss Meditec Group carries the other components of the net result recognized through profit or loss under "Other financial result", with the exception of the valuation allowances on trade receivables and receivables from related parties, which are allocated to the valuation category financial assets measured at amortized cost and are reported under selling costs.

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 exclusively based on observable market data (e.g. discounted cash flow method).

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 2023	0	0	8,584	**8,584**
	30 Sep 2022	0	0	10,803	**10,803**
Financial assets measured at fair value through profit or loss	30 Sep 2023	0	23,806	0	**23,806**
	30 Sep 2022	0	21,085	0	**21,085**
Financial liabilities measured at fair value through profit or loss	30 Sep 2023	0	12,609	96,030	**108,639**
	30 Sep 2022	0	37,584	91,179	**128,763**

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

	Financial assets measured at fair value through other comprehensive income	Financial liabilities measured at fair value through profit or loss
	€k	€k
As of 1 Oct 2022	**10,803**	**91,179**
Additions and disposals	-6,263	9,561
Changes in fair value recognized through profit or loss	0	751
Changes in fair value recognized through other comprehensive income	4,249	0
Payment of contingent purchase price obligations	0	-755
Translation differences	-205	-4,706
As of 30 Sep 2023	**8,584**	**96,030**

	Financial assets measured at fair value through other comprehensive income	Financial liabilities measured at fair value through profit or loss
	€k	€k
As of 1 Oct 2021	**6,688**	**88,399**
Additions	5,715	50,010
Changes in fair value recognized through profit or loss	0	-58,766
Changes in fair value recognized through other comprehensive income	-2,253	0
Payment of contingent purchase price obligations	0	0
Translation differences	653	11,536
As of 30 Sep 2022	**10,803**	**91,179**

The financial assets assigned to Category 3 are distributed across the individual investments as follows: Audioptics Medical, Inc. (€0k; prior year: €619k), OcuTerra Therapeutics, Inc. (€2,360k; prior year: €2,565k), PolymehrExpert S.A. (€0K; carrying amount at disposal date: €658k, prior year: €1,904k), MicroOptx, Inc. (€0k, carrying amount at disposal date: €1,590k; prior year: €0k), Ophthalmic Laser Engignes, LLC (€0k; prior year: €0k), and Precise Bio, Inc. (€6,224k; prior year: €5,715k). Changes in fair value recognized through other comprehensive income included profit from the disposal of investments in the amount of €344k. The valuation of the investments is based on assumptions regarding the development of earnings and on standard market, risk-adjusted interest rates. An upward or downward fluctuation of profit forecast by 10% or of the interest rate by 1.0% point would reduce or increase the investment book value , respectively, in the low single-digit-million range.

The financial liabilities allocated to category 3 are contingent purchase price obligations arising from the acquisitions of Carl Zeiss Meditec Cataract Technology, Inc., InfiniteVision Optics S.A.S. acquired as part of an asset deal, Preceyes B.V. Kogent Surgical LLC and Katalyst Surgical LLC acquired in the last fiscal year, and Audioptics Medical Inc., which was fully acquired in the fiscal year. The change in fair value recognized through profit or loss includes, on the one hand, the annual compounding of these liabilities and, on the other hand, the adjustment of the cost of capital for the measurement of liabilities. Both effects are recognized in the interest expense. The other financial result also includes the income from the remeasurement of the contingent purchase price obligation in relation to Carl Zeiss Meditec Cataract Technology, Inc. and Kogent Surgical LLC., 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 1.0% point would reduce or increase the contingent considerations, respectively, in the single-digit-million range. A delay in the achievement of targets linked to milestones, accompanied by a simultaneous reduction in the planned revenue targets by 15%, would reduce the obligations by approx. €20m.

28 Leasing liabilities and further disclosures on leases

In fiscal year 2022/23, liabilities from leases were paid in the amount of €22,990k (prior year: €19,904k). The interest expenses from the compounding of lease liabilities are recognized in the financial result and amount to €2,536k (prior year: €1,191k). Total payments for leasing liabilities, including payments for short-term and low-value leases not recognized in financing cash flow, amounted to €25,099k in the current financial year (prior year: €21,536k). At the end of the reporting period there were future cash outflows amounting to €155,696k; please refer to note 36 “Financial risk management” for the maturity analysis of the undiscounted lease payments.

Further disclosures on leases:

	2022/23	2021/22
	€k	€k
Expense for short-term leases	760	610
Expense for leases for a low-value asset	1,349	1,022
Income from sub-leasing rights of use	1,218	417

Cancellation and extension options in the amount of €4,694k, which have been deemed unlikely, relate to the leasing of the Group’s administration building in Jena Göschwitz. In fiscal year 2022/2023, leases valued at €10,503k were entered into, whose term has not yet.

OTHER DISCLOSURES

29 Notes to the statement of cash flows

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 consolidated profit or loss for the year. Cash flows 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 are taken into account as part of this indirect calculation are adjusted for currency translation effects, the effects of changes in the basis of consolidation 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 the consolidated statement of financial position.

Changes in liabilities from financing activities are presented in the table below. In contrast to the prior year, treasury receivables are no longer reported in this item, as the cash flows from the change in treasury receivables in the amount of €32,361k (prior year: €56,008k) were allocated to cash flow from investing activities, in contrast to the previous presentation, which no longer complies with IAS 7.17. The prior year disclosure has been adjusted accordingly.

The other non-cash changes relate to new contracts and/or contract amendments from leasing and the interest portion of treasury payables in previous year.

	As of 1 Oct 2022	Cash changes	Non-cash changes			**As of 30 Sep 2023**
			Translation effects	Changes in the basis of consolidation	Other changes	
	€k	€k	€k	€k	€k	**€k**
Liabilities to banks	98	-8	-7	0	0	**83**
Leasing liabilities	127,903	-22,990	-6,235	-313	57,331	**155,696**
Treasury payables	29,675	-11,517	-1,422	0	0	**16,736**

	As of 1 Oct 2021	Cash changes	Non-cash changes			**As of 30 Sep 2022**
			Translation effects	Changes in the basis of consolidation	Other changes	
	€k	€k	€k	€k	€k	**€k**
Liabilities to banks	645	-597	50	0	0	**98**
Leasing liabilities	121,270	-19,904	10,572	1,146	14,819	**127,903**
Treasury payables	16,835	11,671	831	0	338	**29,675**
Other loans	0	-1,456	0	1,456	0	0

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 €1,578k. 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:

	30 Sep 2023
Term to maturity	€k
Due in year 1	1,384
Due in year 2	863
Due in year 3	350
Due in year 4	272
Due in year 5	129
Due after more than 5 years	128
Total minimum lease and rental payments	**3,126**

The carrying amount of the property, plant and equipment underlying the operating leases amounts to €597k at the end of the reporting period, with €552k relating to technical plant and machinery and €45k 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 €1,476k (prior year: €894k).

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

	30 Sep 2023	30 Sep 2022
Term to maturity	€k	€k
Due in year 1	2,461	2,805
Due in year 2	2,256	2,083
Due in year 3	1,655	1,717
Due in year 4	1,217	1,019
Due in year 5	486	480
Due after more than 5 years	53	131
Future undiscounted cash inflows	**8,128**	**8,235**
Unrealized financial income	-518	-450
Present value of future lease payments (corresponds to receivables from finance leases)	**7,610**	**7,785**

The change in the carrying amount of the net investment in finance leases in the fiscal year under review is due, as in the prior 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 €31,567k (prior year: €45,342k) and for intangible assets in the amount of €514k (prior year: €454k).

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 Segment reporting

Pursuant to IFRS 8 *Operating Segments*, 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 pursuant to IFRS 8. The Carl Zeiss Meditec Group has two operating segments, which are simultaneously the Company's Strategic Business Units ("SBUs"). All business activities relating to ophthalmology, such as the intraocular lens business, surgical visualization solutions and medical laser and diagnostic systems are allocated to the "Ophthalmology" SBU (previously "Ophthalmic Devices"). The "Microsurgery" SBU encompasses the activities in 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.

The Management Board regularly evaluates internal management reports for each of the strategic business units in relation to 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.

	Ophthalmology SBU		Microsurgery SBU		Total	
	2022/23	2021/22	**2022/23**	2021/22	**2022/23**	2021/22
	€k	€k	€k	€k	€k	€k
External revenue	**1,576,493**	**1,469,266**	**512,807**	**433,570**	**2,089,300**	**1,902,836**
Gross profit	886,746	867,821	319,019	259,777	1,205,765	1,127,598
Selling and marketing expenses	-307,337	-258,683	-112,942	-101,496	-420,279	-360,179
General and administrative expenses	-67,930	-62,555	-15,848	-15,326	-83,778	-77,881
Research and development expenses	-288,538	-241,525	-60,740	-49,840	-349,278	-291,365
Other operating result	-4,306	-1,200	0	-94	-4,306	-1,294
Earnings before interest and taxes (EBIT)	**218,635**	**303,858**	**129,489**	**93,021**	**348,124**	**396,879**
Depreciation and amortization	62,705	58,135	11,358	11,634	74,063	69,769
Appropriation to provisions	14,940	15,293	4,258	3,005	19,198	18,298
Reconciliation of segments' comprehensive income to the Group's period-end result						
Comprehensive income of the segments					**348,124**	**396,879**
Earnings before interest and taxes (EBIT)					**348,124**	**396,879**
Financial result					64,440	6,610
Earnings before income taxes (EBIT)					**412,564**	**403,489**
Income taxes					-120,555	-107,578
Consolidated profit					**292,009**	**295,911**
» of which attributable to shareholders of the parent company					290,396	293,909
» of which profit/loss attributable to non-controlling interests					1,613	2,002

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.

	2022/23		2021/22	
	Revenue	**Non-current assets**	Revenue	Non-current assets
	€k	€k	€k	€k
Germany	1,265,457	304,094	1,155,749	218,200
North America	568,430	490,266	512,767	502,343
Asia	99,684	31,000	102,728	31,894
Europe (excluding Germany)	155,729	196,698	131,592	186,369
Other	0	842	0	955
Total	**2,089,300**	**1,022,900**	**1,902,836**	**939,761**

The segment assets comprise non-current assets less deferred income taxes of €63,704k (prior year: €71,749), investments carried at equity of €12,871k (prior year: €0k), investments and other holdings in affiliated non-consolidated companies of €8,584k (prior year: €10,828k), loans of €6,117k (prior year: €152k) and non-current trade receivables of €7,021k (prior year: €8,474k).

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 55% (prior year: 57%) 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: 36%) in the SBU Microsurgery and 61% (prior year: 62%) in the SBU Ophthalmology.

33 Government grants

	2022/23	2021/22
	€k	€k
Grants for assets/investment subsidies	2,035	1,165
Research and development cost subsidies	113	62
Other expense-related subsidies	1,077	2,969
	3,225	**4,196**

The grants for assets/investment subsidies relate to grants for new buildings, machinery and equipment at the locations in Berlin, Germany and La Rochelle, France. The other expense-related subsidies relate in particular to receivables in the USA due to the COVID-19 pandemic.

The Group has not identified any risks of repayment for which provisions have not been set up.

34 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.

The Carl Zeiss Meditec Group sells some of its products to 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 mainly cooperates 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 carried under liabilities to or receivables from treasury, and are usually due or available daily.

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. All related party transactions were conducted under the same conditions as those with independent business partners.

The members of Management Board and Supervisory Board of Carl Zeiss Meditec AG (management in key positions), and their next of kin, are considered to be related parties. Further information can be found in note 39 "Other mandatory disclosures pursuant to Section 315e HGB".

The following tables show related party transactions and outstanding balances:

	Transaction amount			
	2022/23		2021/22	
	Related parties	**thereof Carl Zeiss AG**	Related parties	thereof Carl Zeiss AG
	€k	€k	€k	€k
Sale of merchandise	1,154,970	29	1,073,962	2
Purchase of merchandise	79,275	0	68,630	0
Services rendered excluding financial income	4,711	940	3,032	798
Services procured excluding financial expenses	200,644	107,573	168,745	91,905
Financial income	108,974	0	32,223	0
Financial expense	32,813	0	91,810	0
including:				
Lease and rental costs	2,789	2,625	2,641	2,051
Research and development expenses	66,880	13,316	55,932	9,350

The financial income and expenses presented above mainly include effects from the recognition and valuation of forward exchange contracts.

	Outstanding balance			
	30 Sep 2023		30 Sep 2022	
	Related parties	**thereof Carl Zeiss AG**	Related parties	thereof Carl Zeiss AG
	€k	€k	€k	€k
Receivables	1,124,639	227	1,145,488	324
Liabilities	114,971	32,495	137,764	28,422

The amounts presented above include treasury receivables of €869,990k (prior year: €907,534k) and treasury payables of €16,736k (prior year: €29,675k), mainly to Carl Zeiss Financial Services GmbH. They also include loans to associated companies amounting to €6,117k.

In accordance with the expected loss model of IFRS 9, impairment losses were also recognized on balances due from related parties for a technically expected loss based on rating information. As of 30 September 2023, these impairment losses totaled €3,913k (prior year: €4,242k), of which €3,001k is attributable to loans. This had an effect on earnings of €331k (prior year: €-3,041k) in the fiscal year under review. A deterioration in creditworthiness or a default was not identified in any case. For more details on the impairment losses recognized, please refer to note 36 "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.

There were no transactions with the Carl Zeiss Foundation in the past fiscal year; there were no outstanding items at the end of the reporting period.

The remuneration paid to the Group's management in key positions (Management Board and Supervisory Board) comprises the following:

	2022/23	2021/22
	€k	€k
Short-term payments due	2,370	2,624
Benefits resulting from termination of employment	0	1,366
Appropriation to defined benefit plans	226	888
Other long-term payments due	237	540
Total remuneration paid to key personalities within the Group	**2,833**	**5,418**

In addition to their fixed remuneration, members of management in key positions receive a short-term and a long-term variable remuneration component. This variable remuneration component is based on key earnings figures. Pension entitlements are also earned.

35 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 0.1% of all shares issued.

36 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 possible concentration is also taken into account when considering individual risks. 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 rate risk

The Group holds interest-bearing financial instruments mainly via its short-term cash and cash equivalents, loans and treasury receivables - primarily 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 fluctuation 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, 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 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 2023	30 Sep 2022
	€k	€k
Variable-interest financial assets	0	0
Fixed-interest financial assets	6,117	0
Total interest-bearing assets	**6,117**	**0**
Variable-interest financial liabilities	0	593
Fixed-interest financial liabilities	251,726	227,923
Total interest-bearing liabilities	**251,726**	**228,516**

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 at the rate fixed.

The average exchange rates of the currency forward contracts concluded for the major currencies are as follows:

	€1 =	30 Sep 2023	30 Sep 2022
China	CNY	7.2365	7.8365
UK	GBP	0.8624	0.8629
Japan	JPY	134.6242	129.4501
South Korea	KRW	1,372.2754	1,370.7319
Taiwan	TWD	31.0872	32.2381
USA	USD	1.0810	1.1879

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 fair values are calculated exclusively using recognized actuarial methods and based on publicly accessible market information.

The tables below provide an overview of the Company's foreign currency financial instruments.

		Total	Thereof: in the following currencies – translated to € -								
		€	€	USD	JPY	GBP	KRW	CNY	TWD	BRL	Other
Assets		€k	€k	€k	€k	€k	€k	€k	€k	€k	€k
Loans	30 Sep 2023	6,117	6,117	0	0	0	0	0	0	0	0
	30 Sep 2022	383	231	152	0	0	0	0	0	0	0
Trade receivables	30 Sep 2023	203,937	202,661	1,276	0	0	0	0	0	0	0
	30 Sep 2022	206,275	204,035	2,240	0	0	0	0	0	0	0
Receivables from related parties	30 Sep 2023	224,535	29,488	15,091	0	6,221	12,365	115,023	8,412	2,045	35,890
	30 Sep 2022	216,480	20,036	12,922	0	6,876	11,543	132,054	5,303	3,398	24,348
Asset-side currency hedges	30 Sep 2023	23,806	0	490	5,269	138	1,390	13,632	969	0	1,918
	30 Sep 2022	21,085	0	2,811	5,780	2,626	3,043	1,866	248	0	4,711
Total assets	**30 Sep 2023**	**458,395**	**238,266**	**16,857**	**5,269**	**6,359**	**13,755**	**128,655**	**9,381**	**2,045**	**37,808**
	30 Sep 2022	**444,223**	**224,302**	**18,125**	**5,780**	**9,502**	**14,586**	**133,920**	**5,551**	**3,398**	**29,059**
Equity and liabilities											
Trade payables	30 Sep 2023	157,829	140,616	14,968	1,736	434	0	61	0	0	14
	30 Sep 2022	124,388	110,466	12,871	915	82	0	8	0	0	46
Liabilities to related parties	30 Sep 2023	81,963	74,493	1,091	0	273	589	3,970	38	89	1,420
	30 Sep 2022	64,797	57,770	1,198	0	328	30	4,679	18	81	693
Liabilities-side currency hedges	30 Sep 2023	12,609	0	1,792	317	270	198	7,092	349	0	2,591
	30 Sep 2022	37,584	0	9,136	130	155	196	18,891	334	0	8,742
Total liabilities	**30 Sep 2023**	**252,401**	**215,109**	**17,851**	**2,053**	**977**	**787**	**11,123**	**387**	**89**	**4,025**
	30 Sep 2022	**226,769**	**168,236**	**23,205**	**1,045**	**565**	**226**	**23,578**	**352**	**81**	**9,481**

The upper table does not contain any intragroup assets or liabilities. These were merely taken into consideration for sensitivity analysis purposes. 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:

		Carrying amount	Effects of currency risks on net income	
		€	+10%	-10%
Assets		€k	€k	€k
Loans	30 Sep 2023	6,117	0	0
	30 Sep 2022	383	-15	15
Trade receivables	30 Sep 2023	203,937	127	-127
	30 Sep 2022	206,275	144	-144
Receivables from related parties	30 Sep 2023	224,535	-22,034	22,034
	30 Sep 2022	216,480	-23,225	23,225
Asset-side currency hedges	30 Sep 2023	23,806	52,429	-52,429
	30 Sep 2022	21,085	29,015	-29,015
Total assets	**30 Sep 2023**	**458,395**	**30,522**	**-30,522**
	30 Sep 2022	**444,223**	**5,919**	**-5,919**
Equity and liabilities				
Trade payables	30 Sep 2023	157,829	1,675	-1,675
	30 Sep 2022	124,388	1,340	-1,340
Liabilities to related parties	30 Sep 2023	81,963	2,962	-2,962
	30 Sep 2022	64,797	2,890	-2,890
Liabilities-side currency hedges	30 Sep 2023	12,609	43,045	-43,045
	30 Sep 2022	37,584	64,660	-64,660
Total liabilities	**30 Sep 2023**	**252,401**	**47,682**	**-47,682**
	30 Sep 2022	**226,769**	**68,890**	**-68,890**

The most significant effect of currency risks resulted, as of 30 September 2023, from the asset-side and liabilities-side currency hedges in CNY, KRW, JPY and USD. The effects of currency risks shown in the items receivables from and liabilities to affiliated companies are also 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. In addition, fluctuations in the GBP by +10% or -10% would have affected the earnings on intragroup loans by €-1.9m and +€1.9m, respectively.

Credit risk

The Group is exposed to a credit 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 credit risk. To the extent that credit 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 credit 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 credit risks arising from business relationships with individual debtors or groups of debtors. The maximum credit risk is reflected by the carrying amounts of the financial assets recognized in the statement of financial position. 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 forward-looking statements into account. The resulting valuation allowances developed as follows:

	Valuation allowances on			
	Trade receivables	Receivables from related parties	Treasury receivables	Total
	€k	€k	€k	€k
As of 1 Oct 2022	**10,423**	**1,564**	**2,678**	**14,665**
Appropriation	1,518	789	121	2,428
Utilization	-428	0	0	-428
Reversal	-2,268	-1,564	-2,678	-6,510
Currency effects	-442	2	0	-440
As of 30 Sep 2023	**8,803**	**791**	**121**	**9,715**

The valuation allowances on trade receivables include an amount of €7,860k 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. In the prior year, this item also included the effects of foreign currency valuation, which have been presented separately since this fiscal year in line with the presentation in note 17 "Trade receivables", and are therefore no longer included in this schedule of valuation allowances.

The table below shows the gross carrying amounts and the average default rates for trade receivables according to the expected credit loss model:

	Default rates 30 Sep 2023	Default rates 30 Sep 2022	**Gross receivables 30 Sep 2023**	Gross receivables 30 Sep 2022
	%	%	€k	€k
Not past due	0.2	0.5	162,578	166,549
Up to 30 days past due	0.8	0.6	25,729	22,084
31 to 60 days past due	1.4	1.0	9,825	8,709
61 to 90 days past due	2.0	1.4	4,949	5,808
More than 90 days past due	2.6	1.9	8,175	11,955

From 365 days overdue, we generally assume a default in full. Various macroeconomic scenarios were taken into account when calculating expected losses in order to reflect the deviation in the credit risk expected by the market compared with previous years. Adjustment of the forward-looking statements to the current environment had no material effect on the average default rates. An increase in this factor in the context of the credit risk by two percentage points would result in an increase in the valuation allowances in the low 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 71,6%, 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 inflows	30 Sep 2023	464,408	40,420	47,651	57,092	319,245
	30 Sep 2022	722,352	64,550	112,713	175,970	369,119
Cash outflows	30 Sep 2023	474,868	41,457	49,123	58,543	325,745
	30 Sep 2022	763,923	68,983	122,052	188,873	384,015

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 2023	174,294	25,456	81,725	67,113
	30 Sep 2022	134,128	22,690	61,472	49,966
Liabilities to banks	30 Sep 2023	83	83	0	0
	30 Sep 2022	98	98	0	0
Other financial liabilities	30 Sep 2023	158.057	11.490	68,531	78,036
	30 Sep 2022	173,661	29,197	60,395	84,069

37 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. In the fiscal year under review the equity ratio was 71.6% (prior year: 71.9%). Net debt was €-20,750k (prior year: €-122,537k). 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 2023	30 Sep 2022
	€k	€k
Equity (incl. non-controlling interests)	2,172,903	2,030,091
Borrowed capital	860,021	792,726
Total assets	**3,032,924**	**2,822,817**
Cash and cash equivalents	10,601	7,729
Treasury receivables	869,990	907,534
Equity ratio in percent	71.6%	71.9%
Net debt	**-20,570**	**-122,537**

The Group’s dynamic debt ratio, i.e., the ratio of net debt to operative cash flow, amounted to -0.1 years in the course of fiscal year 2022/23 (prior year: -0.7 years). As in the prior year, therefore, existing debts could be settled immediately using cash flows from operating activities.

The Company's overall strategy with regard to capital management remained the same as the prior year.

38 Events after the end of the reporting period

There were no transactions of particular importance after the end of the fiscal year.

39 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 2022/23 and entered in the commercial register:

Member of Management 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**
Dr. Markus Weber President and CEO of Carl Zeiss Meditec AG Area of responsibility: Ophthalmology SBU, Microsurgery SBU, Operations, Group functions Human Resources, Communications, Strategy & Ventures, Digital Transformation First appointed 2022 In addition: Member of the Executive Board of Carl Zeiss AG, Oberkochen, Germany	» 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;	» Member of the University Council of Universität Ulm, Ulm, Germany » Member of the Administrative Board of the Deutsches Museum München, Munich, Germany
Justus Felix Wehmer Area of responsibility: Corporate functions Finance & Controlling, Investor Relations, IT, Quality, Regulatory & Clinical Affairs, Sustainability, Compliance, Legal First appointed 2018	» Member of the Board of Directors of Carl Zeiss Meditec, Inc., Dublin, USA » 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, Inc., Dublin, USA » Chairman of the Board of Directors of Carl Zeiss Iberia S.L., Tres Cantos, Spain » Chairman 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 » Chairman of the Board of Directors of Carl Zeiss Meditec (Shanghai) Ltd., Shanghai, China » Member of the Supervisory Board of Carl Zeiss Microscopy GmbH, Jena, Germany » Supervisor of the Management Board of Carl Zeiss Meditec (Suzhou) Co. Ltd., Suzhou, China (since 19 Jan 2023)	» Member of the Executive Board of Spectaris e.V., Berlin, Germany » Member of the Executive Board of Ernst-Abbe-Stiftung, Jena, Germany

The total remuneration paid to the active members of the Management Board pursuant to Section 314 (1) No. 6a HGB amounted to €3,516 in fiscal year 2022/23 (prior year: €3,645k). Projected unit credits for pensions for active members of the Management Board amount to €251k (prior year: €332k). The service cost of active Management Board members was €226k (prior year: €888k). Furthermore, projected unit credits for pensions for former members of the Management Board of Carl Zeiss Meditec amount to €1,042k (prior year: €902k).

Supervisory Board

The Supervisory Board of Carl Zeiss Meditec AG had the following members in fiscal year 2022/23:

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
Dr. Karl Lamprecht Chairman, 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 Holding Co. Ltd. China, Shanghai, China » 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 Board of Directors of tooz technologies, Inc., White Plains, USA (until 3 Aug 2023)	» Member of the Supervisory Board of Körber AG, Hamburg, Germany
Dr. Christian Müller Member of the Supervisory Board until 30 Sep 2023 Member of the Executive Board (CFO) of Carl Zeiss AG, Oberkochen, Germany (until 30 Sep 2023)	» Member of the Management Board of Carl Zeiss Pensions-Treuhand e.V., Oberkochen, Germany (until 30 Sep 2023) » Chairman of the Board of Directors of Carl Zeiss Inc., White Plains, USA (until 1 Dec 2022) » Member of the Management Board of Carl Zeiss Pensions Trust Properties, White Plains, USA (until 30 Sep 2023)	none
Torsten Reitze Member of the Supervisory Board since 2021 Member of the Management Board (CFO) of Carl Zeiss SMT GmbH, Oberkochen, Germany	» Member of the Executive Board of Carl Zeiss IMT 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
Tania von der Goltz Deputy Chairwoman until 22 Mar 2023 Member of the Supervisory Board since 2018 Member of the Management Board (CFO) of Heidelberger Druckmaschinen AG, Heidelberg, Germany	none	» Member of the Advisory Board of Veonet Vision GmbH, Munich, Germany
Isabel De Paoli Member of the Supervisory Board since 2020 Partner Private Equity - Healthcare Sector, EQT Partners GmbH, Munich, Germany	none	none
Peter Kameritsch Member of the Supervisory Board since 2021 Member of the Management Board (CFO) of MTU Aero Engines AG, Munich, Germany	none	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
Renè Denner* Member of the Supervisory Board since 2019 Chairman of the Works Council of Carl Zeiss Meditec AG, Jena, Germany, Chairman of the General Works Council of Carl Zeiss Meditec AG, Jena, Germany, and 3rd Deputy Chairman of the Works Council of the Carl Zeiss Group, 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
Brigitte Koblizek* Member of the Supervisory Board since 2022 Industrial engineer, Deputy Chairwoman of the Works Council of Carl Zeiss Meditec AG, Oberkochen, Germany	none	none
Falk Bindheim* Member of the Supervisory Board since 22 Mar 2023 Trade Union Secretary at IG Metall Jena-Saalfeld and Gera, Jena, Germany	none	none
Heike Madan Member of the Supervisory Board since 30 Mar 2022 2nd Representative and Managing Director of IG Metall Aalen	none	» Member of the Supervisory Board of ZF Automotive GmbH, Stuttgart, Germany » Member of the Supervisory Board of Siltronic AG, Munich, Germany (until 11 May 2023) » Member of the Supervisory Board of KONE GmbH, Hanover, Germany (until 24 Feb 2023)
Dr. Christian Münster* Member of the Supervisory Board since 22 Mar 2023 Head of Regulatory and Clinical Affairs at Carl Zeiss Meditec AG, Jena, Germany	» Member of the Supervisory Board of Carl Zeiss Jena GmbH, Jena, Germany (until 20 Jun 2023)	none

*elected employee representatives

Committees of the Supervisory Board

	Members
General and Personnel Committee	Dr. Karl Lamprecht, Chairman Renè Denner (since 22 Mar 2023) Dr. Christian Müller (until 30 Sep 2023) Dr. Christian Münster (since 22 Mar 2023) Tania von der Goltz (until 22 Mar 2023)
Audit Committee	Peter Kameritsch, Chairman Renè Denner Heike Madan (since 22 Mar 2023) Torsten Reitze
Nominating Committee	Dr. Christian Müller, Chairman (until 30 Sep 2023) Isabel De Paoli Dr. Karl Lamprecht
Mediation Committee (new since 22 Mar 2023)	Dr. Karl Lamprecht, Chairman (since 22 Mar 2023) Renè Denner (since 22 Mar 2023) Jeffrey Marx Torsten Reitze

The remuneration of the active members of the Supervisory Board amounted to €488k for fiscal year 2022/23 (prior year: €410k).

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

For the services provided by the Group auditor PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (prior year: Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft), the following fees have been recorded as expenses:

	2022/23	2021/22
	€k	€k
Auditing of financial statements	401	421
Other auditing services, other countries	8	402
Other audit expenses	0	25
Other services	0	2
Total	**409**	**850**

Information on shareholdings (consolidated companies)

Name and registered office of the company	in local currency	Share of voting capital (in %)	Equity 30 Sep 2023		of which profit/loss for fiscal year 2022/23	
			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 Asset Management Verwaltungsgesellschaft mbH, Jena, Germany*	EUR	100	68,394	68,394	0	0
Atlantic S.A.S., Périgny/ La Rochelle, France	EUR	100	61,447	61,447	2,256	2,256
Carl Zeiss Meditec S.A.S., Périgny/La Rochelle, France	EUR	100	31,909	31,909	1,349	1,349
Carl Zeiss Meditec Vertriebsgesellschaft mbH, Oberkochen, Germany*	EUR	100	23,428	23,428	0	0
Carl Zeiss Meditec France S.A.S., Marly-le-Roi, France	EUR	100	14,092	14,092	1,854	1,854
France Chirurgie Instrumentation S.A.S., Paris, France	EUR	100	9,005	9,005	3,763	3,763
Carl Zeiss Meditec Iberia S.A., Tres Cantos, Spain	EUR	100	6,749	6,749	738	738
France Chirurgie Instrumentation SUD Ltd., Quatre Bornes, Mauritius	EUR	100	3,253	3,253	202	202
Carl Zeiss Meditec Portugal Unipessoal Lda., Lisbon, Portugal	EUR	100	2,735	2,735	45	45
Preceyes B.V., Eindhoven, Netherlands	EUR	100	403	403	-74	-74
HYALTECH Ltd., Livingston, United Kingdom	GBP	100	-349	-404	-5,106	-5,863
Carl Zeiss Meditec Medikal Çözümler Ticaret ve Sanay A.Ş, Istanbul, Turkey	TRY	100	91,424	3,147	37,576	1,648
Audioptics Medical, Inc., Halifax, Canada	CAD	100	19,772	13,897	0	0
Carl Zeiss Meditec Inc., Dublin, USA	USD	100	601,338	567,621	13,936	13,054
Carl Zeiss Meditec USA Inc., Dublin, USA	USD	100	83,383	78,708	32,030	30,002
Carl Zeiss Meditec Production LLC, Ontario, USA	USD	100	21,149	19,963	379	355
Kogent Surgical LLC, Chesterfield, USA	USD	100	8,331	7,864	-950	-890
Katalyst Surgical LLC, Chesterfield, USA	USD	100	6,532	6,166	-2,339	-2,191
France Chirurgie Instrumentation Ophthalmics Inc., Pembroke, USA	USD	100	4,936	4,659	2,497	2,339
Carl Zeiss Meditec Digital Innovation risks LLC, Temple, USA	USD	100	915	864	0	0
Carl Zeiss Meditec Cataract Technology, Inc., Reno, USA	USD	100	-28,223	-26,641	-11,791	-11,044
Carl Zeiss Meditec (Shanghai) Holding Co. Ltd., Shanghai, China	CNY	100	69,608	8,999	-776	-103
Carl Zeiss Meditec Guangzhou Ltd., Guangzhou, China	CNY	100	47,814	6,181	-4,837	-642
Carl Zeiss Meditec (Suzhou) Co., Ltd., Suzhou, China	CNY	100	3,056	395	-611	-81
Carl Zeiss Meditec Co. Ltd. Tokyo, Japan	JPY	51	4,010,864	25,369	493,783	3,332

* In accordance with Sec. 264 (3) HGB, these entities are exempted from the duty to publish their financial statements.

The figures shown in the table above represent the values determined in accordance with country-specific accounting regulations.

Information on shareholdings (unconsolidated companies)

Name and registered office of the company	Currency	Share of voting capital (in %)
InfiniteVision Optics S.A.S., Strasbourg, France	EUR	100
Emmetropia, Inc., Princeton, USA	USD	100
Preceyes, Inc., New York, USA	USD	100

Information on shareholdings (companies carried at-equity)

Name and registered office of the company	Currency	Share of voting capital (in %)
Photono Oy, Helsinki, Finland	EUR	49.0
Vibrosonic GmbH, Mannheim, Germany	EUR	18.8
Wuxi Carl Zeiss Vision Pro Medical Technology Co., Ltd., Wuxi, China	CNY	50.0

Information on shareholdings (investments)

Name and registered office of the company	Currency	Share of voting capital (in %)
Hydrex S.A., Amplepuis, France	EUR	13.8
Ophthalmic Laser Engines LLC, Lafayette, USA	USD	52.0
Precise Bio, Inc., Winston-Salem, USA	USD	9.3
OcuTerra Therapeutics, Inc., Boston, USA	USD	4.4

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.

40 Clearance for publication

The Management Board of Carl Zeiss Meditec AG cleared these IFRS consolidated financial statements for submission to the Supervisory Board on 29 November 2023. The Supervisory Board's task is to review the consolidated financial statements and declare whether it approves the consolidated financial statements.

Jena, 29 November 2023
Carl Zeiss Meditec AG

Dr. Markus Weber
President and CEO

Justus Felix Wehmer
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, 29 November 2023
Carl Zeiss Meditec AG

Dr. Markus Weber
President and CEO

Justus Felix Wehmer
Member of the Management Board

Independent Auditor's Report

To Carl Zeiss Meditec AG, Jena

Report on the Audit of the Consolidated Financial Statements and of the Group Management Report

Audit 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 September 30, 2023, the consolidated statement of comprehensive income, consolidated statement of profit or loss, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from October 1, 2022 to September 30, 2023, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Carl Zeiss Meditec AG, which is combined with the Company's management report, for the financial year October 1, 2022 to September 30, 2023.

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 § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at September 30, 2023, and of its financial performance for the financial year from October 1, 2022 to September 30, 2023, and

» the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to Section 322 (3) Clause 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 group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") 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 Group Management Report" 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 Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 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 audit opinions on the consolidated financial statements and on the group management report.

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 financial year from October 1, 2022 to September 30, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matter of most significance in our audit was as follows:

1 Recoverability of goodwill

Our presentation of these key audit matters has been structured in each case as follows:

1 Matter and issue

2 Audit approach and findings

3 Reference to further information

Hereinafter we present the key audit matter:

1 Recoverability of goodwill

1 In the Company's consolidated financial statements goodwill amounting in total to EUR 415,783 thousand (14% of total assets or 19% of equity) is reported under the "Goodwill" balance sheet item. Goodwill is tested for impairment by the Company once a year or when there are indications of impairment to determine any possible need for write-downs. The impairment test is carried out at the level of the groups of cash-generating units to which the relevant goodwill is allocated. The carrying amount of the relevant groups of cash-generating units, including goodwill, is compared with the corresponding recoverable amount in the context of the impairment test. The recoverable amount is generally determined using the value in use. The present value of the future cash flows from the respective group of cash-generating units normally serves as the basis of valuation. Present values are calculated using discounted cash flow models. For this purpose, the adopted medium-term business plan of the Group forms the starting point which is extrapolated based on assumptions about long-term rates of growth. Expectations relating to future market developments and assumptions about the development of macroeconomic factors are also taken into account. The discount rate used is the weighted average cost of capital for the respective group of cash-generating units. The impairment test determined that no write-downs were necessary.

The outcome of this valuation is dependent to a large extent on the estimates made by the executive directors with respect to the future cash flows from the respective group of cash-generating units, the discount rate used, the rate of growth and other assumptions, and is therefore subject to considerable uncertainty. Against this background and due to the complex nature of the valuation, this matter was of particular significance in the context of our audit.

2 As part of our audit, we assessed the methodology used for the purposes of performing the impairment test, among other things. After matching the future cash flows used for the calculation against the adopted medium-term business plan of the Group, we assessed the appropriateness of the calculation, in particular by reconciling it with general and sector-specific market expectations. In addition, we assessed the appropriate consideration of the costs of Group functions. In the knowledge that even relatively small changes in the discount rate applied can have a material impact on the value of the entity calculated in this way, we focused our testing on the parameters used to determine the discount rate applied, and assessed the calculation model. In order to reflect the uncertainty inherent in the projections, we evaluated the sensitivity analyses performed by the Company. Taking into account the information available, we determined that the carrying amounts of the cash-generating units, including the allocated goodwill, were adequately covered by the discounted future cash flows.

Overall, the valuation parameters and assumptions used by the executive directors are in line with our expectations and are also within the ranges considered by us to be reasonable.

3 The Company's disclosures on impairment testing of goodwill are contained in the summary of key accounting policies in the section "Impairment of intangible assets and items of property, plant and equipment" and in section 11 "Goodwill" of the notes to the consolidated financial statements.

Other Information

The executive directors are responsible for the other information.

The other information comprises

» The statement on corporate governance pursuant to § 289f HGB and § 315d HGB

» the separate non-financial report to comply with §§ 289b to 289e HGB and with §§ 315b to 315c HGB

» the remuneration report pursuant to § 162 AktG [Aktiengesetz: German Stock Corporation Act], for which the supervisory board is also responsible,

» all remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor’s report.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information mentioned above and, in so doing, to consider whether the other information

» is materially inconsistent with the consolidated financial statements, with the group management report disclosures audited in terms of content or with 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 Group Management Report

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 § 315e Abs. 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 in accordance with the German principles of proper accounting to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) 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 group management report 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 group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

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 group management report 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 audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 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 group management report.

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 group management report, 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 audit 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 controls.

» 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 group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit 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 group management report or, if such disclosures are inadequate, to modify our respective audit 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 § 315e Abs. 1 HGB.

» Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

» Evaluate the consistency of the group management report 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 group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit 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, actions taken to eliminate threats to independence or safeguards applied.

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 Group Management Report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB

Assurance Opinion
We have performed assurance work in accordance with § 317 Abs. 3a HGB to obtain reasonable assurance as to whether the rendering of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the electronic file "ZEISS_2023_KA_ZLB.zip" and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 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 group management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the electronic file identified above.

In our opinion, the rendering of the consolidated financial statements and the group management report contained in the electronic file identified above and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from October 1, 2022 to September 30, 2023 contained in the "Report on the Audit of the Consolidated Financial Statements and of the Group Management Report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the electronic file identified above.

Basis for the Assurance Opinion
We conducted our assurance work on the rendering of the consolidated financial statements and the group management report contained in the electronic file identified above in accordance with § 317 Abs. 3a HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering, of Financial Statements and Management Reports, Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB (IDW AsS 410 (06.2022)) and the International Standard on Assurance Engagements 3000 (Revised). 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 has applied the IDW Standard on Quality Management: Requirements for Quality Management in the Audit Firm (IDW QMS 1(09.2022)).

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 renderings of the consolidated financial statements and the group management report in accordance with § 328 Abs. 1 Satz 4 Nr. [number] 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 Abs. 1 Satz 4 Nr. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of § 328 Abs. 1 HGB for the electronic reporting format, whether due to fraud or error.

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 non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also:

» Identify and assess the risks of material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error, 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 work 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 electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version in force at the date of the consolidated financial statements on the technical specification for this electronic file.

» Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited consolidated financial statements and to the audited group management report.

» Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, in the version in force at the date of the consolidated financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further Information pursuant to Article 10 of the EU Audit Regulation
We were elected as group auditor by the meeting on March 22, 2023. We were engaged by the Supervisory Board on September 26, 2023. We have been the group auditor of Carl Zeiss Meditec AG, Jena, without interruption since the financial year 2022/2023.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

REFERENCE TO AN 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 group management report as well as the assured ESEF documents. The consolidated financial statements and the group management report converted to the ESEF format – including the versions to be published in the Federal Gazette – are merely electronic renderings of the audited consolidated financial statements and the audited group management report and do not take their place. In particular, the “Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB” 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 Carl Erik Daum.

Leipzig, November 29, 2023

(sgd. Marcus Nickel) Wirtschaftsprüfer (German Public Auditor)	(sgd. Carl Erik Daum) Wirtschaftsprüfer (German Public Auditor)

Other disclosures

Financial calendar

Financial calendar FY 2023/24

Publication of 3-month report and
Telephone Conference
9 February 2024

Annual General Meeting Jena, virtual
21 March 2024

Publication of 6-month report and
Telephone Conference
8 May 2024

Publication of 9-month report and
Telephone Conference
6 August 2024

Publication of annual report and
Analyst Conference
11 December 2024

Imprint/Disclaimer

Carl Zeiss Meditec AG
Investor relations
Sebastian Frericks
Phone: +49 3641 220 116
Fax: +49 3641 220 117
investors.meditec@zeiss.com

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https://www.zeiss.com/meditec-ag/investor-relations/reports-publications.html

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 productspecific information. Subject to change in design and scope of delivery of the products due to 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.

Carl Zeiss Meditec AG
Göschwitzer Straße 51–52
07745 Jena
Germany

Phone: +49 3641 220 115
Fax: +49 3641 220 117
investors.meditec@zeiss.com
www.zeiss.com/meditec-ag/ir

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