

175
years



Seeing beyond

Challenge the limits of imagination

Annual report 2020/21
Carl Zeiss Meditec Group
Short Version

Financial highlights¹

(IFRS)

	2020/21		2019/20		2018/19	
	€m	%	€m	%	€m	%
Revenue	1,646.8	100.0	1,335.5	100.0	1,459.3	100.0
Research and development expenses	232.1	14.1	218.8	16.4	173.3	11.9
EBIT	373.6	22.7	177.6	13.3	264.7	18.1
Consolidated profit²	237.5	14.4	123.4	9.2	160.6	11.0
Earnings per share³ (in €)	2.64		1.37		1.79	
Dividend per share (in €)	0.90⁴		0.50		0.65	
Cash flows from operating activities	362.7		178.5		219.6	
Cash flows from investing activities	-71.2		-70.9		-145.8	
Cash flows from financing activities	-289.9		-123.0		-58.6	

	30 Sep 2021		30 Sep 2020		30 Sep 2019	
	€m	%	€m	%	€m	%
Total assets	2,396.0	100.0	2,014.9	100.0	2,022.1	100.0
Property, plant and equipment	199.6	8.3	135.3	6.7	116.8	5.8
Equity	1,677.4	70.0	1,450.6	72.0	1,417.0	70.1
Net cash⁵	939.9	39.2	708.2	35.0	677.8	33.5

Employees (number)	3,531	3,290	3,232
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¹ Due to the finalization of the purchase price allocation for the acquisition of Photono Oy, individual prior-year figures as of 30 September 2020 have been adjusted. For further information, please refer to section 3 "Purchase and sale of business operations" of the notes to the consolidated financial statements.

² Before non-controlling interests

³ Profit/(loss) per share attributable to the shareholders of the parent company in the fiscal year

⁴ Amount of dividend proposed by the Supervisory Board and the Management Board of Carl Zeiss Meditec AG

⁵ Cash and cash equivalents plus treasury receivables from/payables to the treasury of Carl Zeiss AG

Short version

This is a short version of the Annual Financial Report 2020/21.

The complete report can be downloaded from:

<https://www.zeiss.com/meditec-ag-annual-report-2021>



Management Board



Jan Willem de Cler
Management Board Member

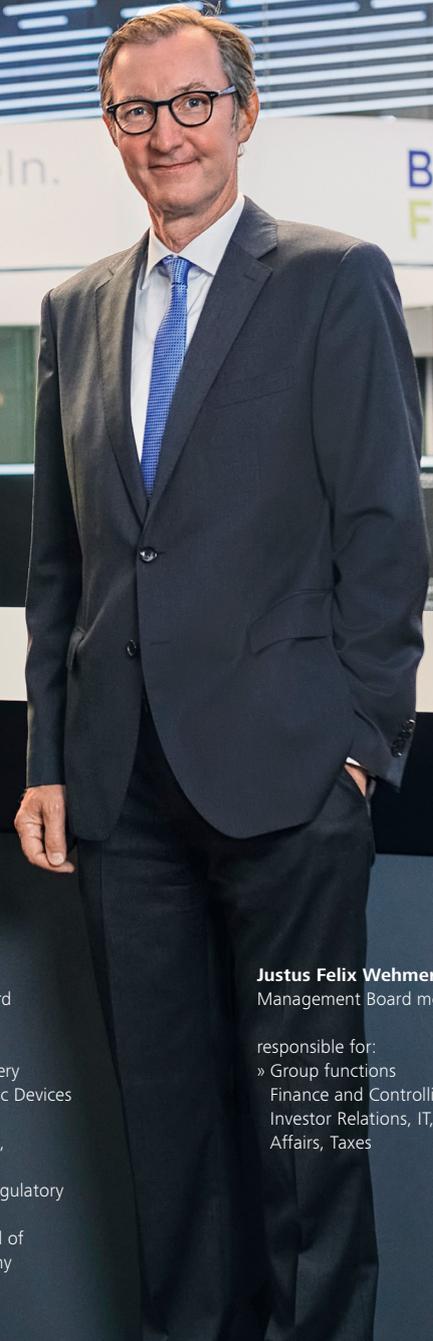
responsible for:
» Group function
Human Resources, Diversity & Inclusion, Global Operations, Global Service and Customer Care, Cultural Development, Training



Dr. Ludwin Monz
Chairman of the Management Board

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

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



Justus Felix Wehmer
Management Board member

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



Letter to the shareholders

Dear Shareholders, Ladies and Gentlemen,

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



Dr. Ludwin Monz

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

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

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

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

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

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

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

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

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

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

Yours sincerely, Ludwin Monz



Dr. Ludwin Monz

President and CEO Carl Zeiss Meditec AG

Expert Dialog



“Innovation often occurs at interfaces between disciplines”

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

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

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



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

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

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

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

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

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

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

Dr. Ludwin Monz

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

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

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

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





“The technology seeks application approach is still the one often pursued by the industry. Ultimately, it is the communication between engineers and users that results in the best solution.”

Prof. Dr. Stephanie E. Combs



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

Dr. Jens Gempt

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

Combs: *The Swiss physician Dr. Roger Stupp published a paper on radiochemotherapy in 2005. It was “practice changing”, as we say in the business; it changed the therapy. Since then there has been no clinically proven procedure that would have improved the treatment in principle. In terms of systemic therapy and radiotherapy, a lot has been evaluated, a lot of work*

has been invested. Unfortunately with no major benefits for patients. Why is that? One reason is that we are not hitting the tumor properly, or at least the tumor area, because the resection cavity changes postoperatively. With intraoperative radiation, we are now right at the site where the tumor has been surgically removed and have a high chance of targeting the (residual) tumor.

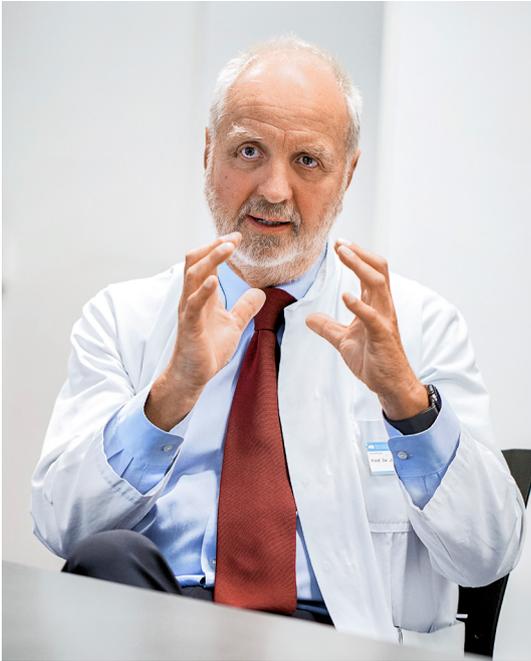
Monz: If this prolongs survival, that would be an important contribution for patients.

Combs: *In that regard, I also consider personalized concepts going forward, meaning that cancer patients are*

examined specifically. Molecular tumor board is the catchphrase here.

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

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



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

Prof. Dr. Jürgen Schlegel

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

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

to each other in the OR for diagnostic purposes.

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

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

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

Highlights in the fiscal year

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

ZEISS Medical Ecosystem – a concept for the future

The core of ZEISS Medical Technology’s business strategy is to shape the health care system with the help of new technologies in such a way as to promote medical progress and support the digital transformation. The ZEISS Medical Ecosystem will be an integrated environment that gives customers the opportunity to network ZEISS products and solutions and use digital technologies with a wide range of new applications. The underlying futur platform, which will

be based on cloud technology, creates a basis to manage health data securely and efficiently and to better automate workflows and use intelligent algorithms such as machine learning or artificial intelligence.

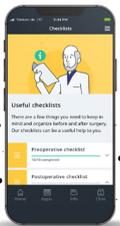
“In our clinical environment, data management and efficient workflows can be a challenge,” says Ranya Habash, MD, distinguished surgeon and assistant professor of ophthalmology at the Bascom Palmer Eye Institute in the USA, where she also serves as medical director

of technology innovation. “So combining new ZEISS technologies with our existing equipment, even from other providers, allows for more accessible data and helps me provide better care to my patients.”

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

ZEISS Cataract Workflow

Assess & educate



ZEISS EYEGUIDE



ZEISS IOLMaster 700

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

Plan



ZEISS EQ Workplace

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

ZEISS Cataract Workflow – addressing future challenges efficiently

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

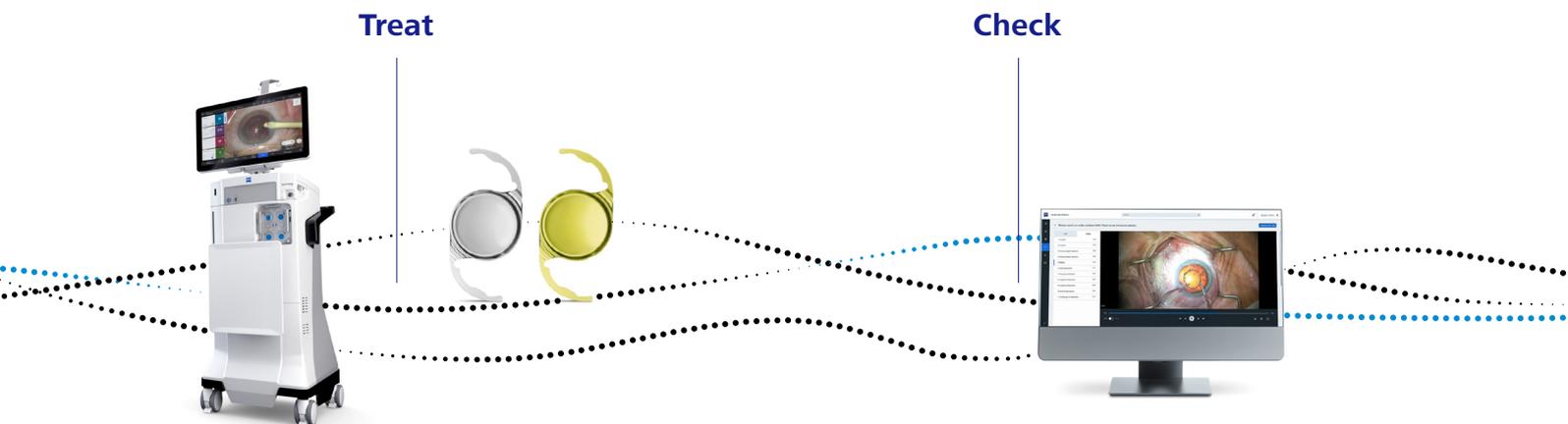
Building on the concept of the ZEISS Medical Ecosystem, the latest software solutions from ZEISS combine the different steps of cataract treatment and make all relevant data available throughout. The **QUATERA® 700** – the latest phaco

technology from ZEISS – becomes a OR cockpit, which brings together all elements of the ZEISS Cataract Workflow to support an integrated digital surgical workflow – for a more effective and more efficient procedure.

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

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

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



ZEISS QUATERA 700

ZEISS CT LUCIA

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

ZEISS Surgery Optimizer

Not all products, services or offers are approved or offered in every market and approved labeling and instructions may vary from one country to another. For country-specific product information, see the appropriate country website. Product specifications are subject to change in design and scope of delivery as a result of ongoing technical development.

Highlights in the fiscal year

ZEISS Corneal Refractive Workflow – from the science to the market

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

Recently, ZEISS launched the new VISUMAX® 800 and has presented the concept of the ZEISS Corneal Refractive Workflow, which combines and connects several medical devices with the goal to optimize customer’s workflow. As part of the ZEISS Medical Ecosystems, the ZEISS Corneal Refractive Workflow enables the digital integration of devices, data,

applications and services at every step of a refractive eye treatment. The concept of the Refractive Workplace® with a connection to the ZEISS data management system FORUM® assists health care professionals with the planning of surgical procedures for laser vision correction and digitizes the transfer of the treatment planning data between the devices in the hospital.

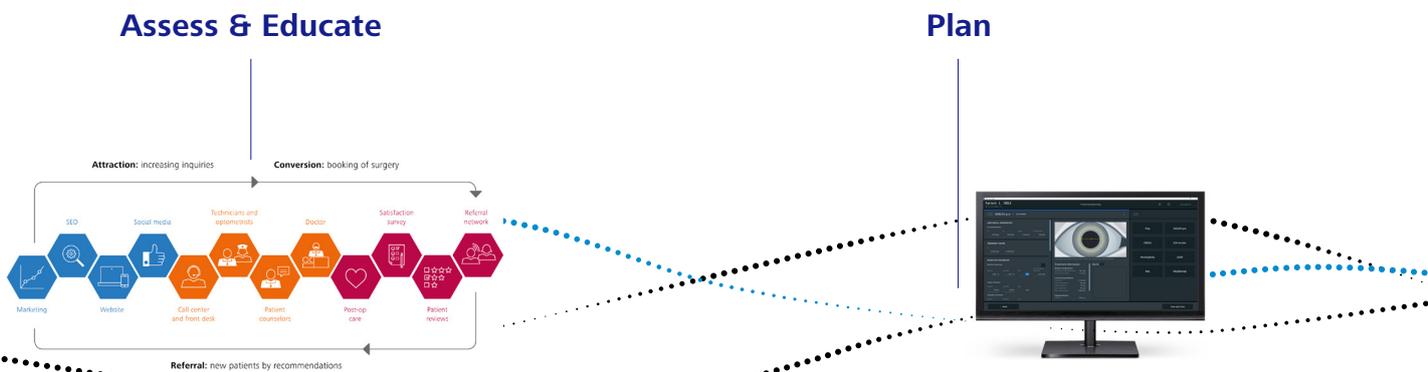
Fully integrated in the ZEISS Corneal Refractive Workflow is the VISUMAX® 800 – a new generation of the femtosecond laser from ZEISS. With a laser pulse rate of 2 MHz, the laser is able to create a lenticule with SMILE® pro in under 10 seconds. Intelligent robotic assistance systems of the ZEISS VISUMAX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

“I am sure that every surgeon appreciates the advantages of digital connectivity, such as the elimination of transcription

errors and the possibility to plan outside the OR. However, the biggest step forward is without a doubt the incredible speed of the laser in the VISUMAX 800, which significantly shortens the suction time of the contact glass on the eye,” says Professor Walter Sekundo, Head of the Eye Clinic at Phillips University in Marburg/Germany.

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

ZEISS Corneal Refractive Workflow



ZEISS Practice Development Consulting

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

ZEISS Refractive Workplace

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

There are 537 million adults worldwide living with diabetes.¹ Statistics show that in the USA alone one in three people with diabetes will suffer from diabetic retinopathy at some point, yet only 50 percent of diabetes patients have had their eyes examined in the past year.² The risk of vision loss due to diabetic

eye disease can, however, be reduced by 95 percent if it is detected early.³ Check-ups and regular screenings are therefore all the more important.

ZEISS Medical Technology’s aim is to improve the quality of primary ophthalmic care for people with diabetes. In the USA the Company has now launched a telemedical solution that provides a new avenue beyond the standard ophthalmic practice and into a state-of-the-art primary care environment: The **ZEISS VELARA Teleretinal Screening System** enables yearly retinal examinations to be carried out during diabetes patients’ routine visits to their general practitioner. A cloud-based platform and a centralized management system optimize the uploading of images, which are then examined by an ophthalmic practice or

clinic. This ZEISS solution can be seamlessly integrated into leading patient electronic medical record (EMR) and closes gaps in medical care through the exchange of data between the general practitioner, ophthalmologist and medical insurance companies.

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



¹ <https://diabetesatlas.org/>

² <https://www.niddk.nih.gov/health-information/diabetes/overview/preventing-problems/diabetic-eye-disease> and <https://www.cdc.gov/mmwr/preview/mmwrhtml/00019889.htm>

³ National Institute of Diabetes and Digestive and Kidney Diseases

Treat

Check



ZEISS VISUMAX 800 and ZEISS MEL 90

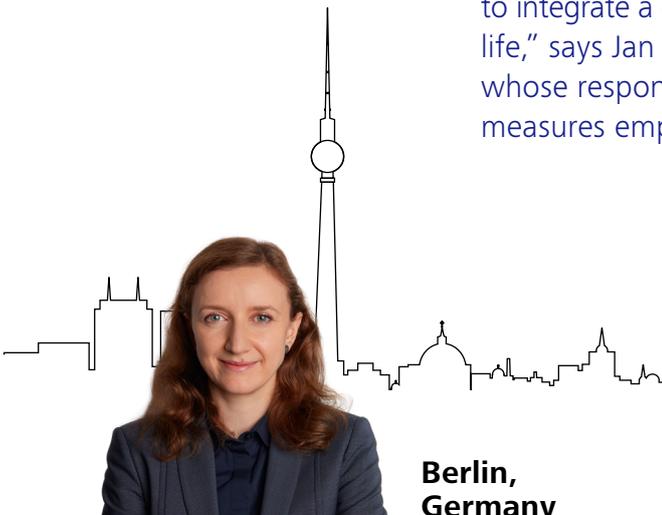
The combination allows to perform a broad range of laser vision corrections: Lenticule Extraction with SMILE® pro, Femto-LASIK, PRK/LASEK and LASIK correction for presbyopic patients with PRESBYOND®.

ZEISS VISULYZE

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Future factor diversity

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



**Berlin,
Germany**

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

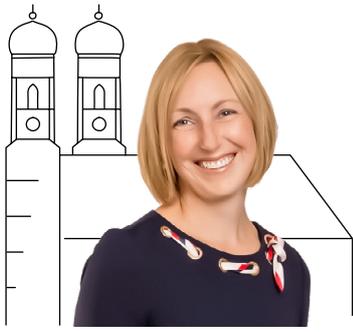
"Brainstorming is meant to be fun and the best ideas often come when we give the child in us room to play. Crafts and games can help to find solutions, even for complex problems."



**Goodlands,
Mauritius**

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

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



Munich, Germany

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

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



Dublin, USA

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

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



Shanghai, China

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

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



Oberkochen, Germany

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

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

Summary management report [excerpt]

for fiscal year 2020/21

BUSINESS REPORT

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

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

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

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

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

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

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

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

Results of operations

Presentation of results of operations

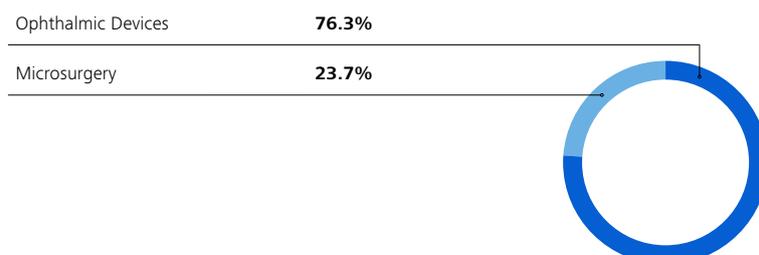
Summary of key ratios in the consolidated income statement figures in €m, unless otherwise stated

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

Revenue

a) Revenue by strategic business unit

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



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

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

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

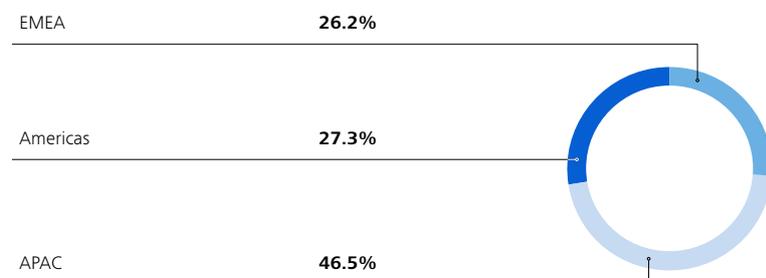
Orders received increased from €996.3m to €1,318.8m, also to a greater extent than revenue (+32.4%; adjusted for currency effects: +35.7%). This was attributable, among other things, to a strong recovery of demand as well as the increase in production and lead times for a number of key products due to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

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

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

b) Revenue by region

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



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

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

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

Gross profit

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

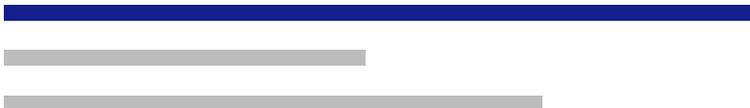
Functional costs

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

Development of earnings

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

EBIT in €m/EBIT margin in %

2020/21	373.6/22.7	
2019/20	177.6/13.3	
2018/19	264.7/18.1	

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

OUTLOOK

Overall assertion on future development

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

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

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

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

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

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

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

Consolidated income statement (IFRS)

from 1 October 2020 to 30 September 2021

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

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

Consolidated statement of comprehensive income (IFRS)

from 1 October 2020 to 30 September 2021

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

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

Consolidated statement of financial position (IFRS)

as of 30 September 2021

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

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

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

Consolidated statement of cash flows (IFRS)

from 1 October 2020 to 30 September 2021

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

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

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

Financial calendar Imprint/Disclaimer

Financial calendar 2021/22

Publication of 3-Month Quarterly Statement and Conference Call
11 February 2022

Annual General Meeting Jena, virtual
30 March 2022

Publication of 6-Month Report and Conference Call
13 May 2022

Publication of 9-Month Quarterly Statement and Conference Call
5 August 2022

Publication of Annual Report and Analyst Conference
9 December 2022

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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Janine Luge-Winter

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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.

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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