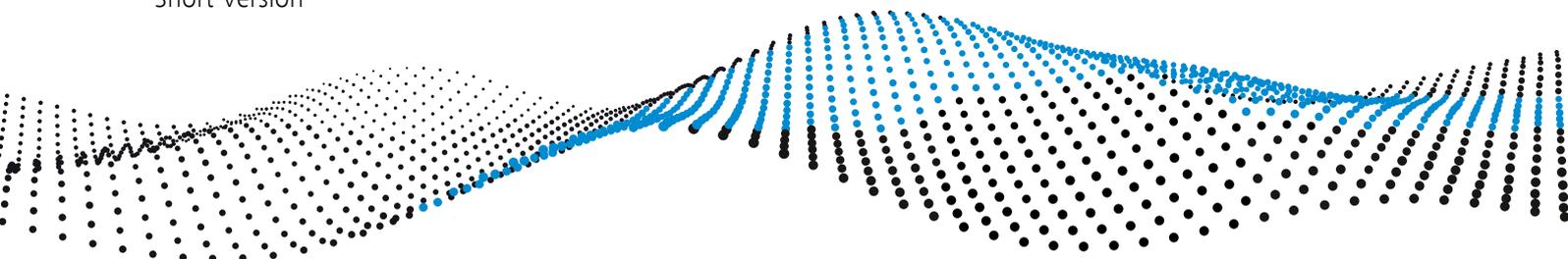


ANNUAL REPORT 2019/20

Short Version



Carl Zeiss Meditec Group



Seeing beyond

Financial highlights

(IFRS)

	2019/20		2018/19		2017/18	
	€m	%	€m	%	€m	%
Revenue	1,335.5	100.0	1,459.3	100.0	1,280.9	100.0
Research and development expenses	218.8	16.4	173.3	11.9	159.6	12.5
EBIT	177.6	13.3	264.7	18.1	197.1	15.4
Consolidated profit¹	123.4	9.2	160.6	11.0	126.2	9.9
Earnings per share² (in €)	1.37		1.79		1.41	
Dividend per share (in €)	0.50³		0.65		0.55	
Cash flows from operating activities	178.5		219.6		187.2	
Cash flows from investing activities	-71.9		-145.8		-28.9	
Cash flows from financing activities	-123.0		-58.6		-157.2	

	30 Sep 2020		30 Sep 2019		30 Sep 2018	
	€m	%	€m	%	€m	%
Total assets	2,013.3	100.0	2,022.1	100.0	1,662.1	100.0
Property, plant and equipment	135.3	6.7	116.8	5.8	62.6	3.8
Equity	1,450.6	72.0	1,417.0	70.1	1,314.6	79.1
Net cash⁴	707.2	35.1	677.8	33.5	670.0	40.3
Employees (number)	3,290		3,232		3,048	

¹ Before non-controlling interests

² Profit/(loss) per share attributable to the shareholders of the parent company in the fiscal year

³ Amount of dividend 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

Short version

This is a short version of the Annual Financial Report 2019/20.

The complete report can be downloaded from:

<https://www.zeiss.com/meditec-ag-annual-report-1920>





Justus Felix Wehmer
Management Board member

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



Dr. Ludwin Monz
Chairman of the Management Board

responsible for:
» Strategic business unit Microsurgery
» Strategic business unit Ophthalmic Devices
» Strategic business development
» Group functions Corporate Innovation,
Communications and Digitalization,
» Quality and Regulatory
» Marketing Communications

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



Jan Willem de Cler
Management Board member

responsible for:
» Group functions
Human Resources,
Global Service & Customer Care,
Cultural Development, Training

Letter to the shareholders

Dear Shareholders, Ladies and Gentlemen,

The outbreak of the pandemic caused by the novel coronavirus SARS-CoV-2 changed our whole lives in a short space of time – both personally and professionally. And it dominated fiscal year 2019/20 for Carl Zeiss Meditec. The health care system worldwide – and thus a majority of our customers – was faced with the enormous challenge of caring for a large number of patients and contain the initially unknown disease. The in some cases drastic measures taken by some countries led to an unprecedented economic collapse, which also challenged us as a company. And yet we had the opportunity to make a contribution to overcoming the crisis, by being a reliable partner for our customers in the difficult circumstances.

Challenges | COVID-19 pandemic As a medical technology company we were immediately looking for ways to help overcome the crisis right at the start of the pandemic. In a very short time we developed a video laryngoscope (ZEISS NURA) especially for treating COVID-19 patients. This is used when intubating seriously ill COVID-19 patients, to prepare for artificial ventilation, and gives medical staff more protection against infection than conventional laryngoscopes.



Dr. Ludwin Monz

The COVID-19 pandemic also posed particular challenges in the area of ophthalmology, which ZEISS has helped its customers to deal with. Back in spring 2020, our Chinese team offered a free breath shield – a plastic barrier to protect physician and patient when carrying out examinations using a slit lamp – via a special website. As coronavirus spread, however, it quickly became clear that the need for specific measures on the customer side was much broader. We therefore implemented the ZEISS Support-Now website to provide customers with targeted information on how to protect their hospital and practice staff and their patients. In addition to disinfection instructions for our equipment and virtual training programs, we also gave tips on how to increase the distance between medical personnel and patients for certain examination procedures.

Within our Company, we focused on protecting our employees to the best of our ability, while also maintaining business operations at the same time. I would like to take this opportunity to thank the management and our teams worldwide, who have consistently adhered to our hygiene strategy in their daily working life and thus ensured that Carl Zeiss Meditec always remained efficient.

Results | Fiscal year The pandemic is also reflected in our figures. After an encouraging start to fiscal year 2019/20 the measures to contain the COVID-19 pandemic began to have a significant impact on our customers from the second quarter and thus on demand for our products. Most elective surgeries, which include the majority of eye operations, were postponed; some investments in medical devices were deferred.

Some markets made a slight recovery in the fourth quarter of fiscal year 2019/20. Unfortunately, this trend did not compensate for the slump in demand for our products in the second and third quarters. Compared with the prior year, Carl Zeiss Meditec ended fiscal year with a revenue decline of 8.5 percent. In spite of this,

strict cost discipline and numerous measures to cut costs enabled us to keep the Company financially stable and we achieved a solid operating profit with a continued double-digit EBIT margin. Our activities to increase the organization's resilience, which we had already been intensively pursuing in the prior fiscal year, paid off in this respect. We were also helped by the rapid recovery of our implant and consumables business in our largest markets in the Asia/Pacific region. Our thanks goes to the teams on site – for example in China and South Korea, which were the first regions to be affected by the pandemic and were able to adapt very quickly to the new conditions.

Opportunities | Long-term and customer-focused strategy In spite of the pandemic, Carl Zeiss Meditec did not veer from its strategy, which is based on the pillars of market-shaping innovations, digital solutions & platforms, and customer services. We held fast to our key strategic development projects in order to further expand the Company's strategic position, even in the current very difficult environment. The first-ever nomination of a Carl Zeiss Meditec project for the German Future Prize (Deutscher Zukunftspreis) – one of the most prestigious science awards in Germany – proves that we are succeeding in this objective. The top-class jury ranked the robotic visualization system ZEISS KINEVO 900 among the best. Our innovative ability is also evident from the market launch of our digital biopsy tool ZEISS CONVIVO. Carl Zeiss Meditec also successfully launched a comprehensive software update for the optical biometer IOLMaster 700. Among other things, this enables physicians to access surgical planning data via their mobile devices with the help of ZEISS EQ Mobile.

Digital solutions and applications, especially, have become even more important due to the pandemic. I exchanged views on this subject in an expert discussion with Dr. Brandon Ayres, a refractive specialist from the US. You can read the interview in this annual report.

Dear Shareholders, the COVID-19 pandemic is an unprecedented crisis. It seems important to me that we as a company stand together and take on the challenges that this crisis brings. And it is important that we do this without compromising our principles. Our entire focus, also in the new fiscal year, shall therefore be on protecting our employees, continuity of supply and support for our customers, and continuing with our strategic investments, so that we can return to sustainable growth as soon as possible.

I am confident that we will emerge stronger from the crisis in the medium term.

I would like to thank you on behalf of the Management Board for your many years of trust. We are working alongside our committed and motivated team worldwide to ensure that we continue to receive this trust in future. We introduce you to some of our employees in this annual report.

Stay healthy!



Dr. Ludwin Monz, President and CEO of Carl Zeiss Meditec AG

Expert Dialog

"Nobody was really prepared for this pandemic. I remember vividly the day we had our meeting and said goodbye for everybody's safety, not being sure when we would return."

Dr. Brandon D. Ayres



"ZEISS was the first ophthalmic company reaching out to me in the pandemic,"

said Brandon D. Ayres, MD, a US-based refractive specialist, who works at Ophthalmic Partners and Wills Eye Institute in Pennsylvania. With Dr. Ludwin Monz, President and CEO of Carl Zeiss Meditec AG, he discussed the challenges arising because of the COVID-19 crisis, the role digital technologies are playing in the new normal and about hashtags inspiring team spirit. Due to the pandemic, the conversation was not conducted in person, but rather via a video conference.

Dr. Ludwin Monz: The COVID-19 crisis is an unprecedented situation. At the beginning, there was a high degree of uncertainty. There was only little known about the virus. At ZEISS, however, we quickly came to the conclusion that we needed to focus on the following aspects: what we could do to protect our employees, to support our customers, and to protect the company financially.

Dr. Brandon Ayres: *Nobody was really prepared for this pandemic. I remember vividly the day we had our office meeting and said goodbye for everybody's safety, not being sure when we would return. My practice is a specialty office. We have patients with real corneal diseases who need to be followed up with on a regular basis – weekly or some of them even daily. We had to make plans to see these patients in the office. And one of the first problems we had was getting our personal protective equipment (PPE).*



"We started thinking very early on about ways to help practitioners to deal with the challenges of the pandemic."

Dr. Ludwin Monz

Dr. Ludwin Monz: The same was true over here in Germany. We used our Chinese ZEISS organization to purchase these goods directly in China which helped a lot. We then provided PPE like gloves and masks to hospitals to support them in this critical situation.

Dr. Brandon Ayres: *After we managed to get a hold of the required PPE, we started seeing patients again on a very limited basis. We performed only emergency surgeries, vision-saving surgeries. As the quarantine continued, however, less and less surgeries were being done. Even very dangerous conditions were ignored because patients were so afraid to leave their homes. Those were very surreal days. We realized that we needed to do things differently, to make things faster and safer in the office for patients and physicians.*

"We have patients with real corneal diseases who need to be followed up with on a regular basis. We had to make plans to see these patients in the office."

Dr. Brandon D. Ayres

Dr. Ludwin Monz: As an industry partner, we heard this from many health care professionals. We therefore started thinking very early on about ways to help practitioners such as yourself in this process to deal with the challenges of the pandemic and, later on, for the so-called "new normal" in which will all be working for another one or two years. So, we developed products like breath shields for slit lamps. We were surprised by the initial demand. But then we realized that the need goes beyond this, and this is when we started a dedicated website, our "Support Now" site. It includes recommendations for remotely controlling devices to ensure physical distancing in medical practices, it features disinfection guidelines for ZEISS products, and also scientific and clinical information. It is meant to be an educational resource.

Dr. Brandon Ayres: *And we made use of every one of those things in our practice. ZEISS was the first company that reached out to me about how to support us in the pandemic. I was truly impressed.*

Dr. Ludwin Monz: For us, the MED Support-Now website is clearly a starting point to build on going forward. And I believe that there are many things that will survive the crisis in our private and professional lives. The fact that we are easily communicating via video conference right now is one example.

Dr. Brandon Ayres: *Sometimes I wish it didn't take a pandemic to think about these things. But things do grow out of a crisis. At the beginning of the pandemic, we suddenly were handed several weeks of downtime and time to rethink processes, for example. Being able to see patients more rapidly and more safely,*



“My mission is to see patients with as few physical touches as possible. To realize that, we needed a data hub. Veracity helps us there a lot.”

Dr. Brandon D. Ayres

with less contact in the office, only benefits us and the patients. A lot of the measures that we are putting in place right now, because of the quarantine and because of the pandemic, are going to stay because they are probably better and more efficient than they were before. One example is digital imaging. The ability to see and communicate with patients remotely makes sense.

Dr. Ludwin Monz: Absolutely, we are using the digital technology and opportunities which are available today, but I believe that products could be improved and further developed to specifically meet these demands. We need a bit more time for that, but digitalization is definitely an opportunity for the future of medical care.

Dr. Brandon Ayres: *My mission is to see patients with as few physical touches as possible. To have a complete and comprehensive exam in as short a time frame as possible. To realize that, we*

needed a data hub bringing the information to me so that I don't have to gather all the data from the various machines in the office. Veracity helps us there a lot. Even if I'm physically not in the office, I can now review the slit lamp exam, I can review the biometry, I can review an OCT and topography all on my tablet. And never actually physically see the patient. I have to say, though, that I still feel better when I at least see the patient once before surgery. But we can now do very meaningful remote visits, see a patient without ever physically getting together, and we have a lot of information to give them treatment or surgical recommendations – without ever overloading the office. But we now have more patients than ever to attend to because several other smaller practices in our area have closed. We are never going to get away from seeing patients in the office to some degree, but I think we can now do some meaningful visits remotely with at least a large number of patients.

“One of our drivers is efficiency, the other is outcomes. If we combine data in a meaningful way, the patient will benefit through better outcomes in the end.”

Dr. Ludwin Monz



Dr. Ludwin Monz: One of our drivers is efficiency, which is exactly what you described. The other is outcomes. We believe that if we combine data in a meaningful way, the patient will benefit through better outcomes in the end. We have been working in this direction for a long time, but now it has become even more important through the pandemic. We will continue to invest in this and accelerate the development projects.

Dr. Brandon Ayres: *Talking about digitalization – almost on a weekly basis we are doing online educational event for physicians, resident and fellows. That also works well in a digital format.*

Dr. Ludwin Monz: I agree. There is an alternative to physical meetings, and it even has advantages. I find the scientific discussion more focused in this set-up. However, there is also a limitation to it: the lack of personal contact. I believe we will see both in the future: digital and personal meetings.

Dr. Brandon Ayres: *Absolutely. My favorite parts of the scientific meetings are the informal catchups with colleagues, exchanging about each one's experiences. We are all human beings; we need some in-person contact. I think it is critically important for education and for social networking.*

Dr. Ludwin Monz: There is a lot of discussion about the so-called “new normal”. I believe going forward that we must find the right balance between digital and personal interaction.

Dr. Brandon Ayres: *Yes, it is going to be a hybrid. We need to learn from this situation. A lot is also about attitude. We have made T-shirts for our office staff to wear with the hashtag #OPPstrong. They wear it instead of their usual scrub uniform. We are putting out stories, success stories, in our practice to keep the team motivated. Now, three months later, I look back and must say: we really accomplished a lot.*

Dr. Ludwin Monz: When we were hit by the pandemic, we quickly understood that it would take a tremendous effort on the part of the entire team to manage it. And it was a remarkable experience to see how much energy the teams put into this; how creative they were in managing the situation. And I am proud, and we can be proud of all our people who helped us get through this. What will remain is that: team spirit.



Various strategies against the global pandemic

The pandemic set in motion by a form of coronavirus is changing the world dramatically. It is affecting the global economic system and is putting the health care system – and thus a considerable number of ZEISS Medical Technology's customers – under pressure.

The four objectives of the task force

Very quickly after the appearance of the novel coronavirus, Carl Zeiss Meditec Group set up task forces worldwide. These task forces focus on four priorities to cushion the effect of the crisis:



Protecting the health and safety of employees.



Continuing business operations as best possible and supporting customers worldwide.



Purposefully counteracting the economic effects on the Company.



Exploiting any market opportunities and strategic options that arise due to the new situation.

To this day, healthcare systems and medical facilities are facing major challenges. Physicians must continue to care for their patients during the pandemic and ensure their safety as well as that of medical staff. It is our commitment to **supporting customers worldwide with a wide range of measures**.

At the customer's side

With the ZEISS Support-Now website, ZEISS Medical Technology offers customers in countries affected by coronavirus up-to-date, relevant and easily accessible content.



Based on a close exchange with ZEISS in China, the breath shield donation website for ZEISS slit lamps was set up back in March 2020. Breath Shields are plastic barriers that provide additional

protection for patients and physicians. After ZEISS supplied customers in China with more than 20,000 breath shields free of charge, an additional more than 80,000 breath shields were produced and sent to customers worldwide between the end of March and the end of May.

As the COVID-19 pandemic spread, it became clear that customers worldwide were increasingly looking for solutions which help to minimize the length of time spent in practices and hospitals and to protect medical staff and patients. At the same time, there was an increase in

demand for digital solutions, which help to optimize and streamline workflows.

ZEISS Medical Technology addresses these issues with the ZEISS Support-Now website. This website provides an overview of relevant solutions that are available to support practices and hospitals during the COVID-19 pandemic. In addition to guidelines for safe and efficient workflows, customers will also find instructions on how to examine their patients remotely. The ZEISS Support-Now website also offers an extensive virtual training program.

Remote examinations

How to protect patients and medical staff during eye examinations.

During the COVID-19 pandemic it is important for eye clinics and practices to adhere to social distancing regulations and protect patients and medical staff. Efficient workflows and non-contact examinations help with this. For instance, the ZEISS Support Now website contains information on how customers can carry out an ultrafast and contact-free optical coherence tomography (OCT) examination using the CIRRUS OCT. With the

patient and the medical professional in different rooms, remote access enables ZEISS CIRRUS devices to be set up remotely to capture images. The technical requirements are already preconfigured in the devices. The only other things customers require for this is the appropriate software, an external monitor, a keyboard and a mouse.



Remote maintenance

How customer support can also be maintained during the pandemic if servicing is required.

The contact and travel restrictions put in place due to the pandemic temporarily prohibited in-person customer support. In many regions, remote service became the only option to provide customer service. The ZEISS remote maintenance service includes assisted and complete control. In assisted control, the service technician

instructs the customer via video conference on how to perform a visual inspection of the system, for example. In complete control, the customer gives ZEISS direct access to the system via a remote connection. In both cases, asking for specific information speeds up the steps that follow: The technicians can

perform repairs remotely or find out which tools and replacement parts they need to bring with them if an on-site service visit is possible and necessary.

Intubation from a distance

How to support medical staff when treating COVID-19 patients.

In the case of a severe COVID-19 infection, the affected patient will often require ventilation therapy for respiratory support. Usually, when patients are being intubated using conventional laryngoscopes, there is only a small distance between

the user and patient, which increases the potential risk of infection for the medical professional. The video laryngoscope ZEISS NURA helps users to maintain a greater distance from the patient.



Highlights in the fiscal year

Cooperation with scientists and users has always been part of the ZEISS corporate culture. Such exchange supports the development of new technologies that help physicians to improve the quality of life of their patients. And the close collaboration enables innovation such as the robotic visualization system KINEVO® 900. More than 300 highly qualified engineers, scientists and users participated in its development. The ZEISS KINEVO 900 was nominated for the German Future Prize (Deutscher Zukunftspreis) 2020 – an accolade and one of the highlights of the fiscal year.



Greater efficiency in Cataract Workflow

ZEISS Cataract Workflow offers digital solutions for documentation, reliable technologies and a simple surgery planning system. This includes equally precise and extensive measurements. The Central Topography software function enables cataract surgeons to collect additional information on the shape of the central cornea when taking normal measurements with the ZEISS IOLMaster 700, thus allowing them to visually identify relevant corneal asymmetries. “Scaling and hues of the ZEISS IOLMaster 700 with Central Topography are optimized for easy and intuitive cornea checks,” explains Dr. Douglas D. Koch, Baylor College of Medicine Houston (Texas/USA). As one of the co-developers of the Central Topography software function, he says: “I am amazed at how much information we get from Central Topography.”



Real-time feedback on in vivo fine tissue

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. „This kind of technology brings your neuropathologist much more into the operating room with you. Whether they are physically there or not is immaterial because of its capabilities. But be able to get the feedback to make decisions on the fly is something which is really captivating“, says Peter Nakaji, University of Arizona College of Medicine (USA).

A team from Carl Zeiss Meditec has been nominated along with Prof. Dr. Andreas Raabe, Head of the Department of Neurosurgery at Inselspital, Bern University Hospital, for the German Future Prize (Deutscher Zukunftspreis) 2020. The distinguished jury selected the KINEVO® 900 Robotic Visualization System from ZEISS in the “circle of excellence”. Prof. Dr. Raabe was involved in the development of this innovation for spinal and neurosurgery from its conception until its clinical evaluation.

What is important for a neurosurgical intervention nowadays?

Prof. Dr. med. Andreas Raabe: We neurosurgeons use visualization systems to surgically treat diseases and to prevent conditions such as stroke, paralysis and disorders of consciousness. However, it is imperative that we do not cause these as a result of the intervention; it is therefore essential that we know what we are operating on and what we are protecting. Small openings, small incisions, gentle surgical approaches through tissue to other structures – that is what is important. And this is also the bridge to our innovation – the ZEISS KINEVO 900. Surgeons must be able to visualize the targets of the procedure, including those that aren’t usually visible. ZEISS KINEVO 900 opens up a whole new world to us. It is an innovative leap from the light microscope, which helped us to see bigger and better, to a technology platform, a robotic assistant, that sees through tissue and makes the invisible visible. It provides us with important information at critical moments, which influences our actions and decisions. As a result, our surgeries are potentially better, and for patients this means fewer complications, faster recovery times and a longer life.

More than 100 innovations in the ZEISS KINEVO 900. How do these innovations help you, for example during a surgical intervention?

Efficiency or the possibility to reduce the operating time depends on us neurosurgeons having technical support. The KINEVO 900 is a whole package of innovations, a platform that raises neurosurgery to the next level – an enormous leap in quality, comparable with the leap from the simple mobile phone to the smartphone with its many assistance features. Before surgery, images are taken of a tumor, which are then – in a manner similar to GPS – superimposed on the head. The targets are displayed in the eyepiece during the operation. We can perform diagnostics during the procedure. We see vessels that have a blood supply and tumor tissue that we cannot see with the naked eye. This relieves the mental strain tremendously. Any added fluorescence technique always reveals a little bit of a subarea somewhere.



Also new is the visualization of critical areas of the brain with unique brain functions, via intraoperative imaging (IOI) – this involves localizing eloquent functions such as speech, reading, comprehension, writing, calculating or making music, without causing damage, so that we can protect these during the resection. The system is thus getting tighter; more and more pieces of the puzzle are being added to fill the gaps. That is the concept: The technology is a platform which can be further expanded in the future.

The ZEISS KINEVO 900 also relieves the strain on physicians due to its ease of operation and its robotics.

That’s right. In neurosurgery the patient’s head is fixed. He or she lies in a stable position, to the millimeter, and the microscope through which the surgeon looks the entire time must not be unstable under any circumstances. It must stand solid as a rock proverbially. On the other hand, it must be possible to move the microscope in the various situations, and these movements must be light as a feather. And surgeons must be able to sit as if on a long-distance flight to Chicago – hardly ever getting up – and still deliver their best manual performance. The KINEVO 900 offers me this flexibility thanks to its robotics; it is incredibly stable and yet it can be finely controlled. In addition, I as a surgeon can decide, depending on the surgical procedure, whether I want to work conventionally using the eyepiece, or whether I want to see around corners using the QEVO endoscope, or if I want to work exoscopically via the monitor.

Opportunity of global mobility



"It motivates me to work in different regions of the world and understand them. I am grateful that ZEISS supports the global exchange of ideas."

Anuj Kalra [India, USA]



"My international experiences have made me more flexible. The ability of employees to adapt is important for a company with global operations."

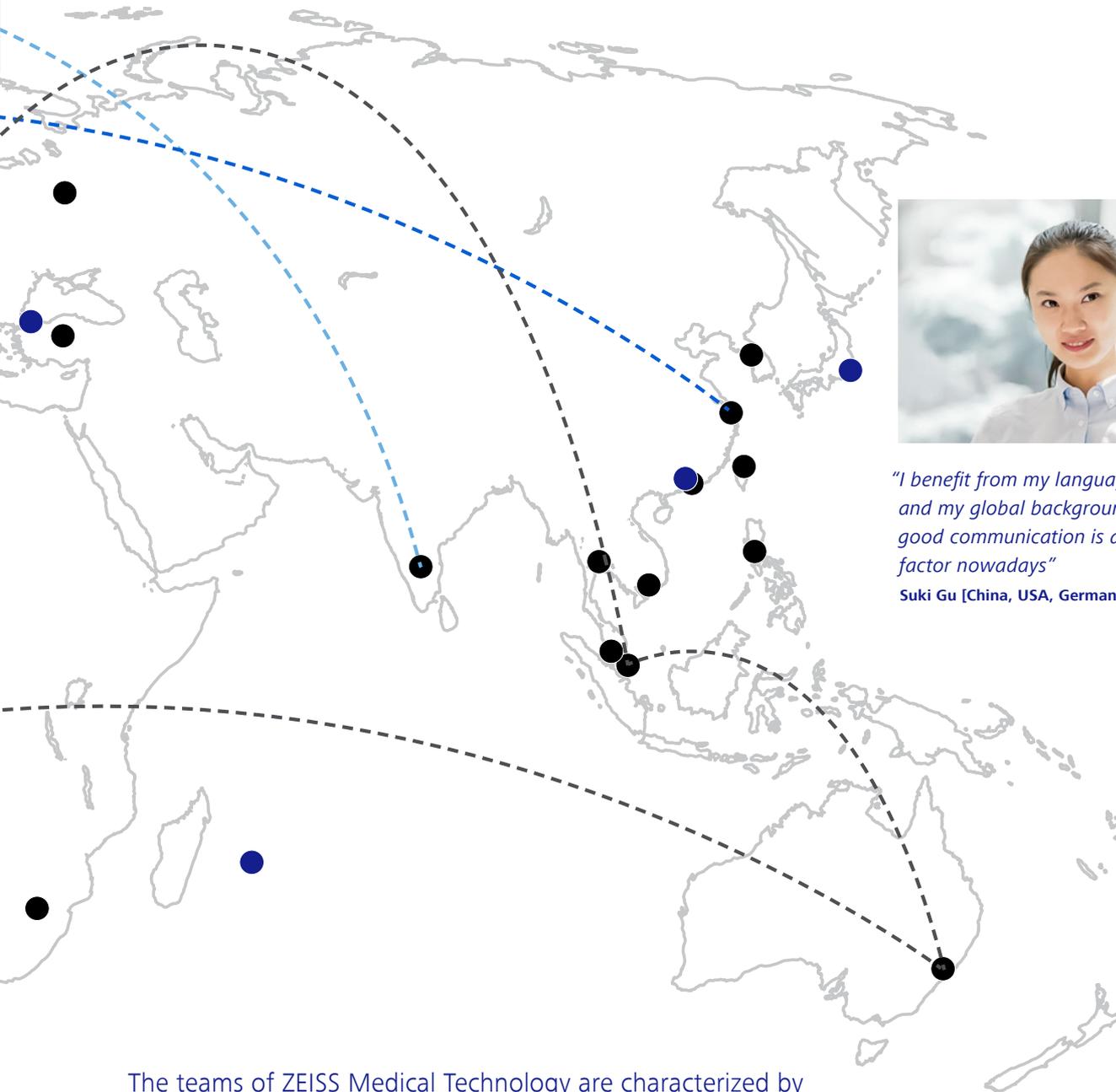
**Marisley De Almeida
[Brazil, Australia, Singapore, Germany]**

- Carl Zeiss Meditec Group locations
- ZEISS Group Sales and Service locations

Reporting date 30 September 2020

"Many of our innovations are developed by cross-location teams. So, why shouldn't I change my own perspective?"

Guillaume Gasc [France, Germany]



"I benefit from my language skills and my global background, because good communication is a success factor nowadays"

Suki Gu [China, USA, Germany]

The teams of ZEISS Medical Technology are characterized by different skills, ways of thinking and cultural backgrounds. Global mobility also contributes to this.

Diverse teams are more creative and solution-oriented. Among other things, diversity boosts companies' capacity for innovation. At the same time, diversity in its various forms at an international company like Carl Zeiss Meditec Group is also the key to global success – because employees know the markets, they

understand the different customer requirements and are able to cater for the cultural preferences of their business partners. Global mobility therefore plays a very important role in local acceptance and confidence in the Company. And it gives employees the opportunity to expand their professional and personal horizon.

Summary management report [excerpt]

for fiscal year 2019/20

BUSINESS REPORT

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

In an ad hoc announcement dated 2 April 2020, management withdrew the forecast report for fiscal year 2019/20 published on 6 December 2019, due to the uncertainty resulting from the COVID-19 pandemic.

With revenue of €1,335.5m (prior year: €1,459.3m), the Carl Zeiss Meditec Group slightly exceeded the revised forecast published on 15 July 2020 of around €1.3b for fiscal year 2019/20. Revenue thus declined by a total of -8.5% (adjusted for currency effects: -8.7%). The Covid-19 pandemic led to significant declines in revenue, particularly in the second half of fiscal year 2019/20. Business in the individual regions was also on a downward trend due to the COVID-19 pandemic, although the Asia/Pacific (APAC) region stabilized again at the end of the second half of 2019/20 and only declined by -1.8% overall (adjusted for currency effects: -2.3%).

The **Ophthalmic Devices** SBU generated revenue of €990.6m (prior year: €1,068.6m) (-7.3%; adjusted for currency effects: -7.5%). The equipment business, especially, recorded a decline in revenue. Recurring revenue, on the other hand, particularly in Refractive Lasers but also Surgical Ophthalmology, recovered again at the end of the fiscal year and was therefore relatively stable.

The **Microsurgery** SBU generated revenue of €344.8m (prior year: €390.7m), thus declining by -11.7% (adjusted for currency effects: -12.1%) compared with the prior year. Revenue declined significantly in the second half of 2019/20 in particular, due to restrictions imposed to contain the COVID-19 pandemic.

Earnings before interest and taxes (EBIT) also decreased, due to the weak revenue trend, to €177.6m (prior year: €264.7m). Relative to revenue, the Carl Zeiss Meditec Group achieved an EBIT margin of 13.3% (prior year: 18.1%).

Both strategic business units made a positive contribution to earnings. The EBIT margin was down year-on-year in both the **Ophthalmic Devices** strategic business unit and the **Microsurgery** strategic business unit. The EBIT margin in the **Microsurgery** strategic business unit, however, remained above the Group average, as expected.

Due to the weaker earnings trend, cash flows from operating activities were lower in fiscal year 2019/20 compared with the prior year, at €178.5m (prior year: €219.6m).

Free cash flow in fiscal year 2019/20 amounted to €185.8m (prior year: €236.6m). EVA® fell to €68.6m, compared with €120.5m in the prior year.

In order to maintain its innovative strength and ensure future growth, the Company has up to now invested around at least 12% of its revenue each year in research and development, as budgeted. In fiscal year 2019/20 the Company continued to invest intensively in research and development. Due, among other things, to the weaker revenue trend as a result of the COVID-19 pandemic, R&D spending amounted to 16.4% of revenue (prior year: 11.9%).

Results of operations

Presentation of results of operations

Summary of key ratios in the consolidated income statement

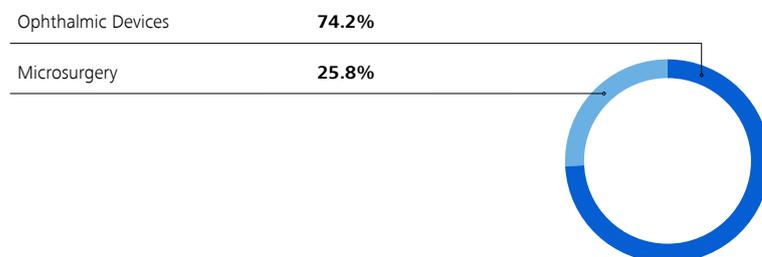
figures in €m, unless otherwise stated

	2019/20	2018/19	Change
Sales	1,335.5	1,459.3	-8.5%
Gross margin	55.8%	57.0%	-1.2% pts
EBITDA	238.0	313.0	-24.0%
EBITDA margin	17.8%	21.5%	-3.7% pts
EBIT	177.6	264.7	-32.9%
EBIT margin	13.3%	18.1%	-4.8% pts
Earnings before income taxes	178.7	229.9	-22.2%
Tax rate	30.9%	30.1%	+0.8% pts
Consolidated profit after non-controlling interests	122.4	159.8	-23.4%
Earnings per share after non-controlling interests	€1.37	€1.79	-23.4%

Sales

a) Revenue by strategic business unit

Share of strategic business units in revenue of the Carl Zeiss Meditec Group in fiscal year 2019/20



Revenue in the SBU **Ophthalmic Devices**, which was down by -7.3% (adjusted for currency effects: -7.5%), was significantly lower year-on-year, amounting to €990.6m (prior year: €1,068.6m).

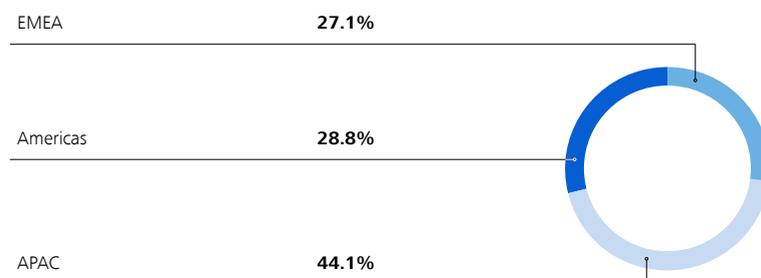
The devices business, especially, recorded a decline in revenue while recurring revenue in Refractive Lasers and Surgical Ophthalmology was relatively stable, due to the recovery towards the end of the fiscal year.

Revenue from consumables and services (recurring revenue), increased further in fiscal year 2019/20. The proportion of recurring revenue in the Carl Zeiss Meditec Group's total revenue amounted to 38.8% for fiscal year 2019/20 (prior year: 33.9%).

Revenue in the SBU **Microsurgery** amounted to €344.8m for fiscal year 2019/20, a decrease of -11.7% compared with the prior year (prior year: €390.7m). Adjusted for currency effects, revenue declined by -12.1%. The restrictions due to the COVID-19 pandemic also had a particular impact here, with a significant decline in revenue in the second half of 2019/20.

b) Revenue by region

Share of the regions in revenue of the Carl Zeiss Meditec Group in fiscal year 2019/20



Revenue in the **EMEA** region decreased by -13.1%, from €417.1m to €362.4m. After adjustment for currency effects, this decline amounted to -12.7%. The sharpest revenue declines in this region were recorded in the UK, France, the Middle East and North Africa, while Northern Europe and German-speaking countries gave a comparatively robust business performance.

Revenue in the **Americas** region decreased by -13.2%, to €384.0m (prior year: €442.5m). After adjustment for currency effects, this decline amounted to -13.8%. There was a significant downturn in the US business in the second half of 2019/20 compared with the strong prior-year figure, due to the COVID-19 pandemic.

The **APAC** region achieved an almost stable performance due to good contributions to growth from China and South Korea. With a decline of -1.8% (adjusted for currency effects: -2.3%), revenue amounted to €589.0m (prior year: €599.7m). The revenue trend in Japan and India, however, was well below the prior year.

Gross profit on sales

Gross profit in fiscal year 2019/20 amounted to €745.4m (prior year: €831.9m). The gross margin for the reporting period was 55.8% (prior year: 57.0%). An even worse slump was primarily counteracted by a more favorable product mix with a higher-proportion of case-number-dependent business, particularly in the strategic business unit Ophthalmic Devices.

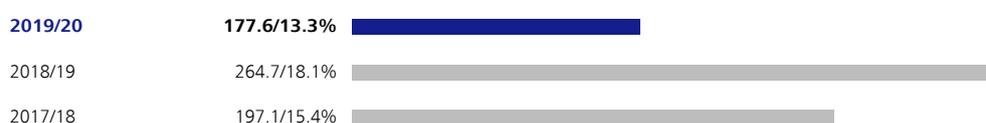
Functional costs

Strict cost discipline ensured that functional costs in the reporting year remained on roughly the same level as the prior year, at €568.0m (prior year: €567.2m). Due to the poor development of revenue compared to the prior year, the share of functional costs in revenue increased from 38.9% to 42.5%.

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 €177.6m in the reporting period (prior year: €264.7m). Due to the weaker revenue trend as a result of the COVID-19 pandemic, the EBIT margin decreased from 18.1% in the prior year to 13.3%.

EBIT in €m/EBIT margin in %



OUTLOOK

Overall assertion on future development

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 generally positive. This assumption is also based on the persistent long-term trends already described above. In the management's opinion, the main risk factor that remains is the uncertainty surrounding the COVID-19 pandemic as discussed above.

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. This forecast is subject to the condition that no new significant measures will be introduced to contain the COVID-19 pandemic - such as restrictions on elective surgery, for example. Based on the current COVID-19 infection rate in Europe and North America, however, it cannot be ruled out that the pandemic may cause further strain at the beginning of the new fiscal year.

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 39% of recurring revenue was achieved in fiscal year 2019/20. From a current perspective, we expect a further increase in fiscal year 2020/21 and in the medium term.

Carl Zeiss Meditec generally expects to see a recovery of the markets in fiscal year 2020/21 and thus a return to renewed growth of revenue and EBIT. From a current perspective, however, the Company anticipates that revenue and EBIT in first few months of the new fiscal year 2020/21 will still lag behind the year-ago figures.

In the medium term, the Company still expects to be able to sustainably increase its EBIT margin to above 18% (2019/20: 13.3%).

In terms of free cash flow for fiscal year 2020/21, 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 at least on a par with fiscal year 2019/20.

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 2019 to 30 September 2020

	Note	2019/20 1 Oct 19 to 30 Sep 20	2018/19 1 Oct 18 to 30 Sep 19
		€k	€k
Revenue	(2p) (4)	1,335,452	1,459,321
Cost of sales		(589,935)	(627,437)
Gross profit		745,517	831,884
Selling and marketing expenses		(292,841)	(336,234)
General and administrative expenses		(56,320)	(57,679)
Research and development expenses	(35)	(218,804)	(173,312)
Earnings before interest, taxes, depreciation and amortization		237,977	313,029
Depreciation and amortization		(60,425)	(48,370)
Earnings before interest and taxes		177,552	264,659
Interest income	(6)	1,456	1,801
Interest expenses	(6)	(27,265)	(7,651)
Net interest from defined benefit pension plans	(6)	(623)	(559)
Foreign currency gains/(losses), net	(2c) (2v) (6)	4,458	(28,647)
Other financial result	(6)	23,139	255
Earnings before income taxes		178,717	229,858
Income taxes	(7)	(55,296)	(69,279)
Consolidated profit		123,421	160,579
Attributable to:			
Shareholders of the parent company		122,385	159,756
Non-controlling interests		1,036	823
Profit/(loss) per share attributable to the shareholders of the parent company in the fiscal year (in €):			
- Basic/diluted	(2r) (8)	1.37	1.79

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

Consolidated statement of comprehensive income (IFRS)

from 1 October 2019 to 30 September 2020

	Note	2019/20 1 Oct 19 to 30 Sep 20	2018/19 1 Oct 18 to 30 Sep 19
		€k	€k
Consolidated profit		123,421	160,579
Gains/(losses) on foreign currency translation	(2c) (21)	(32,199)	26,659
Total of items that may subsequently be reclassified to consolidated profit		(32,199)	26,659
Remeasurement from equity instruments	(2m) (27)	(583)	-
Remeasurement from defined benefit pension plans	(2n) (22)	1,099	(31,707)
Total of items that will not subsequently be reclassified to consolidated profit		516	(31,707)
Other comprehensive income		(31,683)	(5,048)
Comprehensive income for the period		91,738	155,531
Attributable to:			
Shareholders of the parent company		91,414	152,544
Non-controlling interests		324	2,987

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

Consolidated statement of financial position (IFRS)

as of 30 September 2020

	Note	30 Sep 2020	30 Sep 2019
		€k	€k
ASSETS			
Non-current assets			
Goodwill	(2e) (10)	333,767	338,094
Other intangible assets	(2f) (11)	137,400	144,336
Property, plant and equipment	(2g) (12)	135,265	116,752
Other loans	(27)	-	165
Investments and other holdings in affiliated non-consolidated companies	(27)	4,108	5,173
Deferred taxes	(2i) (13)	94,572	96,402
Non-current trade receivables	(16)	9,225	10,796
Other non-current assets	(14)	6,197	6,082
		720,534	717,800
Current assets			
Inventories	(2j) (15)	286,360	268,322
Trade receivables	(16)	165,158	205,789
Trade receivables from related parties	(2t) (35)	93,330	116,185
Treasury receivables	(2t) (35)	703,560	655,167
Tax refund claims		2,940	4,718
Other current financial assets	(2h) (17)	14,717	10,012
Other current non-financial assets	(18)	18,240	21,497
Cash and cash equivalents	(2l) (19)	5,202	22,639
		1,289,507	1,304,329
Assets held for sale	(20)	3,245	-
		2,013,286	2,022,129
EQUITY AND LIABILITIES			
Equity			
Share capital	(21)	89,441	89,441
Capital reserve	(21)	620,137	620,137
Retained earnings	(21)	808,922	744,673
Other components of equity	(2m) (21)	(86,783)	(55,812)
Equity before non-controlling interest		1,431,717	1,398,439
Non-controlling interests	(2a) (21)	18,841	18,517
		1,450,558	1,416,956
Non-current liabilities			
Provisions for pensions and similar obligations	(2n) (22)	89,377	79,537
Other non-current provisions	(2o) (23)	8,870	7,463
Non-current financial liabilities	(2h) (24) (27)	87,543	109,009
Non-current leasing liabilities	(2k) (28)	53,093	42,828
Other non-current non-financial liabilities		10,659	8,538
Deferred taxes	(2i) (13)	15,602	18,198
		265,144	265,573
Current liabilities			
Current provisions	(2o) (23)	18,856	20,141
Current accrued liabilities	(25)	99,387	106,735
Current financial liabilities	(2h) (27)	19,513	25,534
Current portion of non-current leasing liabilities	(2k) (28)	15,512	14,661
Trade payables		55,133	83,451
Trade payables to related parties	(2t) (35)	36,546	34,669
Treasury payables	(2t) (35)	1,522	-
Current income tax payables		17,257	20,030
Other current non-financial liabilities	(26)	33,858	34,379
		297,584	339,600
		2,013,286	2,022,129

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

Consolidated statement of cash flows (IFRS)

from 1 October 2019 to 30 September 2020

	Note	2019/20 1 Oct 19 to 30 Sep 20	2018/19 1 Oct 18 to 30 Sep 19
		€k	€k
Cash flows from operating activities			
Consolidated profit		123,421	160,579
Adjustments to reconcile consolidated profit to the net change in cash provided by/(used in) operating activities			
Income taxes	(7)	55,296	69,279
Interest income/expenses	(6)	26,432	6,409
Result from other investments	(6)	-	(34)
Result from the change in fair value of contingent purchase price obligations	(6)	(23,131)	-
Depreciation and amortization	(11) (12)	60,425	48,370
Gains/losses on disposal/depreciation of fixed assets	(11) (12)	94	719
Dividends received		-	34
Interest received		1,428	1,774
Interest paid		(1,365)	(1,903)
Refunded income taxes		11,991	6,003
Income taxes paid		(70,955)	(71,073)
Changes in working capital:			
Trade receivables	(16)	54,177	(20,607)
Inventories	(15)	(28,421)	(11,349)
Other assets	(14) (17) (18)	(2,528)	6,542
Trade payables		(25,171)	14,695
Provisions and financial liabilities	(22) (23) (25)	(7,015)	14,564
Other liabilities	(26)	3,849	(4,368)
Total adjustments		55,106	59,055
Net cash provided by/ (used in) operating activities		178,527	219,634
Cash flows from investing activities:			
Investment in property, plant and equipment	(12)	(29,325)	(20,348)
Investment in other intangible assets	(11)	(15,661)	(26,363)
Proceeds from fixed assets		128	887
Proceeds from other loans		163	149
Payments for other loans		-	(177)
Purchase of investments		-	(4,857)
Investments/divestitures in securities		-	1,196
Purchase of shares in affiliated non-consolidated companies		(25)	-
Purchase of shares in affiliated consolidated companies, net of cash acquired	(3)	(27,227)	(96,333)
Net cash provided by/ (used in) investing activities		(71,947)	(145,846)
Cash flows from financing activities:			
Proceeds from/ (repayment of) current liabilities to banks	(29)	27	(103)
(Increase)/ decrease in treasury receivables	(2t) (29) (35)	(50,329)	11,619
Increase/ (decrease) in treasury payables	(2t) (29) (35)	1,554	(1,672)
Repayment of leasing liabilities	(28) (29)	(16,077)	(13,663)
Dividend payment to shareholders of Carl Zeiss Meditec AG	(9)	(58,136)	(49,192)
Dividend payments to non-controlling interests		-	(5,626)
Net cash provided by/ (used in) financing activities		(122,961)	(58,637)
Effect of exchange rate changes on cash and cash equivalents		(1,056)	810
Increase/ (decrease) in cash and cash equivalents		(17,437)	15,961
Cash and cash equivalents, beginning of reporting period	(19)	22,639	6,678
Cash and cash equivalents, end of reporting period	(19)	5,202	22,639

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

Financial calendar Imprint/Disclaimer

Financial calendar 2020/21

Publication of 3-Month Quarterly Statement and Conference Call
8 February 2021

Publication of the First-Half Financial Report and Conference Call
10 May 2021

Annual General Meeting, Jena
27 May 2021

Publication of 9-Month Quarterly Statement and Conference Call
6 August 2021

Publication of Annual Financial Statements and Analyst Conference
10 December 2021

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Design: Carl Zeiss AG

Photography: Pages 3, 4 and 14 Anna Schroll; Pages 6, 8-9 courtesy of Dr. Brandon D. Ayres; Pages 7, 9 and 15 Manfred Stich;
Page 13 © Deutscher Zukunftspreis / Ansgar Pudenz

Printed by: Gmähle-Scheel
Print-Medien GmbH, Waiblingen

This report was published on
11 December 2020.

The Annual Report 2019/20 of Carl Zeiss Meditec AG is available in German and English.

Both versions and the key figures contained in this report can be downloaded from the following address:

www.zeiss.com/ir/reports_and_publications



Disclaimer

This report contains certain forward-looking statements concerning the development of the Carl Zeiss Meditec Group. At the present time, the Carl Zeiss Meditec Group assumes that these forward-looking statements are realistic. However, such forward-looking statements are based both on assumptions and estimates that are subject to risks and uncertainties, which may lead to the actual results differing significantly from the expected results. The Carl Zeiss Meditec Group can therefore assume no liability for such a deviation. There are no plans to update the forward-looking statements for events that occur after the end of the reporting period.

Not all products are approved in all markets, the approval markings and instructions may vary from country to country. Please refer to the respective country website for more product-specific information. Subject to changes in design and scope of delivery of the products and further technical development.

Apparent addition discrepancies may arise throughout this annual report due to mathematical rounding.

This is a translation of the original German language annual financial report of the Carl Zeiss Meditec Group. Carl Zeiss Meditec shall not assume any liability for the correctness of this translation. If the texts differ, the German report shall take precedence.

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