ANNUAL REPORT
2019/20

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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 profit[1]	**123.4**	**9.2**	160.6	11.0	126.2	9.9
Earnings per share[2] **(in €)**	**1.37**		1.79		1.41	
Dividend per share (in €)	**0.50**[3]		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 cash[4]	**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

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

Contents

Management Board

Justus Felix Wehmer
Management Board member

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

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

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.

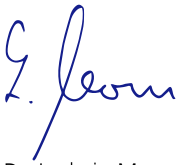
Digital solutions and applications, especially, have become even more important due to the pandemic. I exchanged views on this subject in an expert discussion with Dr. Brandon Ayres, a refractive specialist from the US. You can read the interview in this annual report.

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.

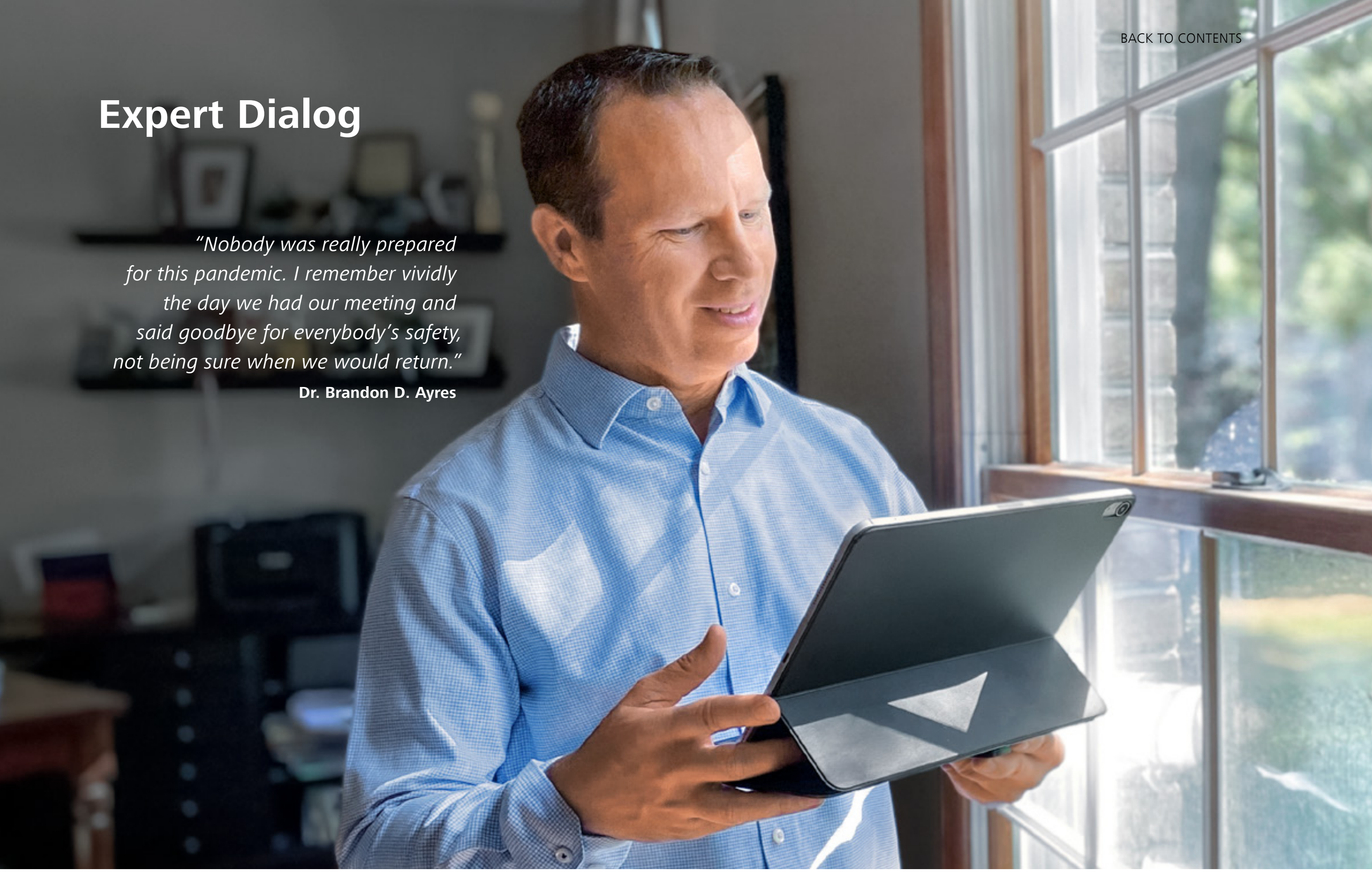
I would like to thank you on behalf of the Management Board for your many years of trust. We are working alongside our committed and motivated team worldwide to ensure that we continue to receive this trust in future. We introduce you to some of our employees in this annual report.

Stay healthy!



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

Expert Dialog

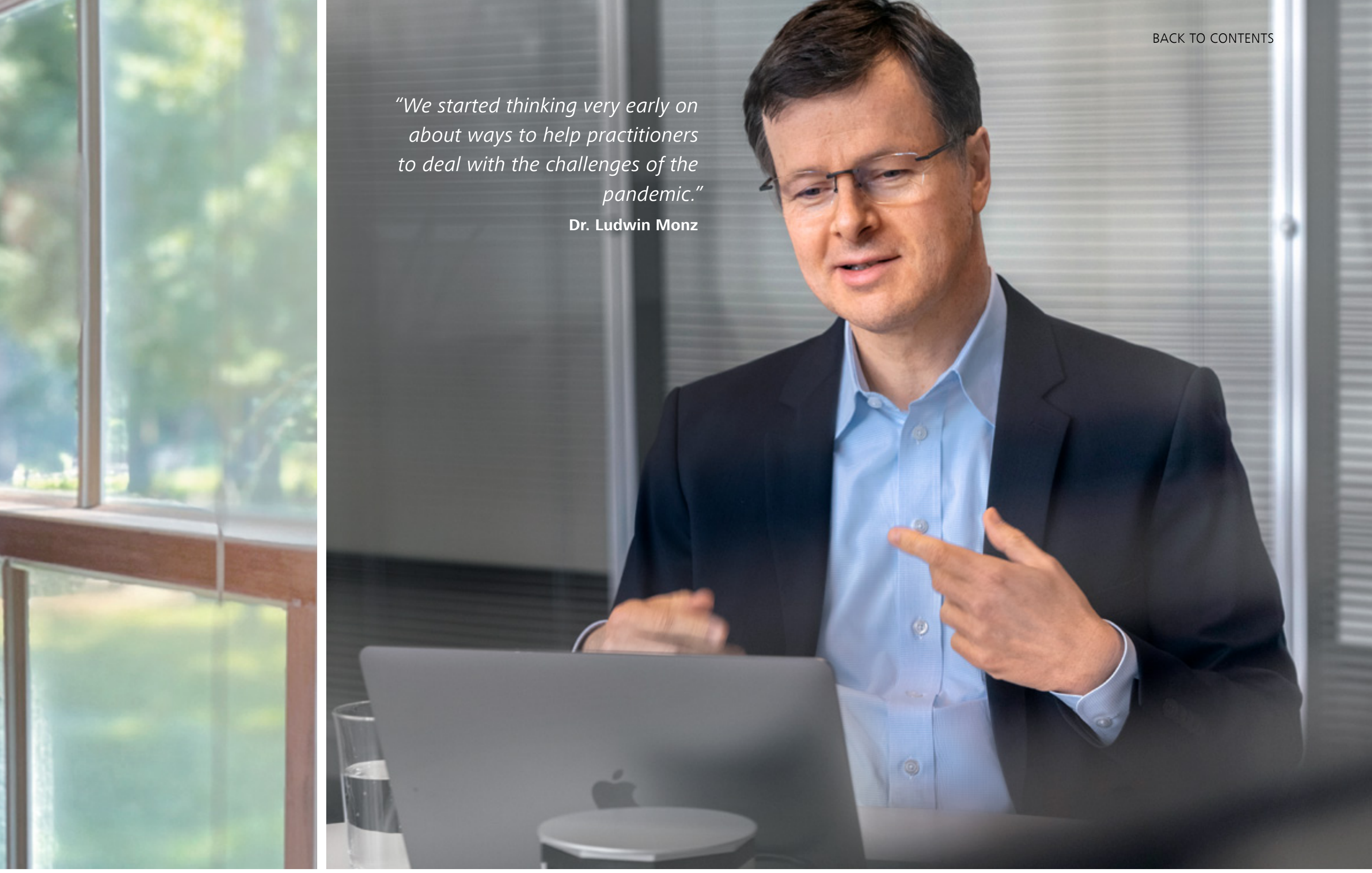


"Nobody was really prepared for this pandemic. I remember vividly the day we had our meeting and said goodbye for everybody's safety, not being sure when we would return."
Dr. Brandon D. Ayres

"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,*

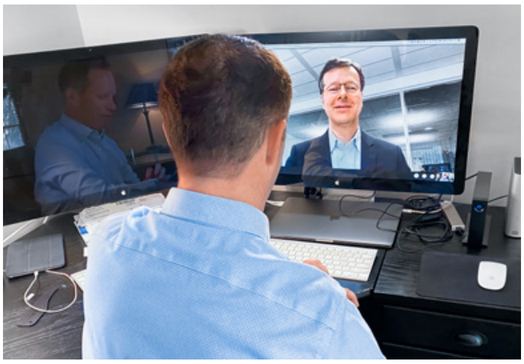
"My mission is to see patients with as few physical touches as possible. To realize that, we needed a data hub. Veracity helps us there a lot."
Dr. Brandon D. Ayres

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.*

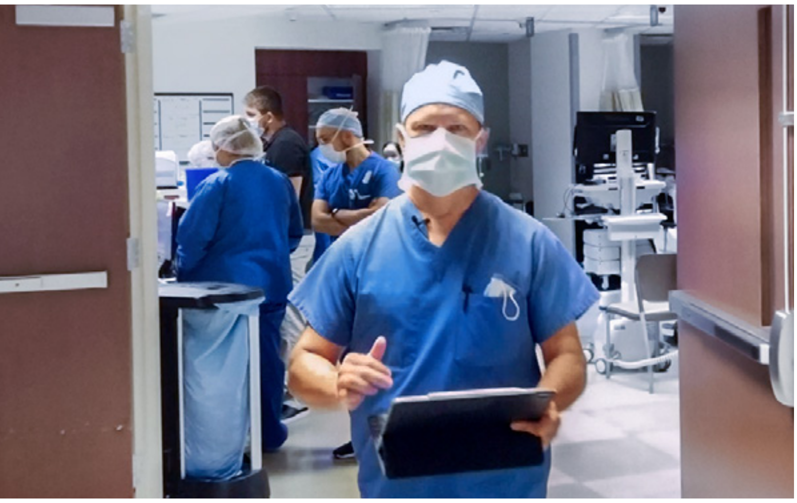
Dr. Ludwin Monz: I agree. There is an alternative to physical meetings, and it even has advantages. I find the scientific discussion more focused in this set-up. However, there is also a limitation to it: the lack of personal contact. I believe we will see both in the future: digital and personal meetings.

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.



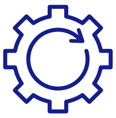
Various strategies against the global pandemic

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.

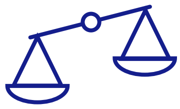
The four objectives of the task force

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:

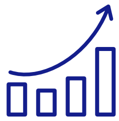
Protecting the health and safety of employees.



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 committment 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?

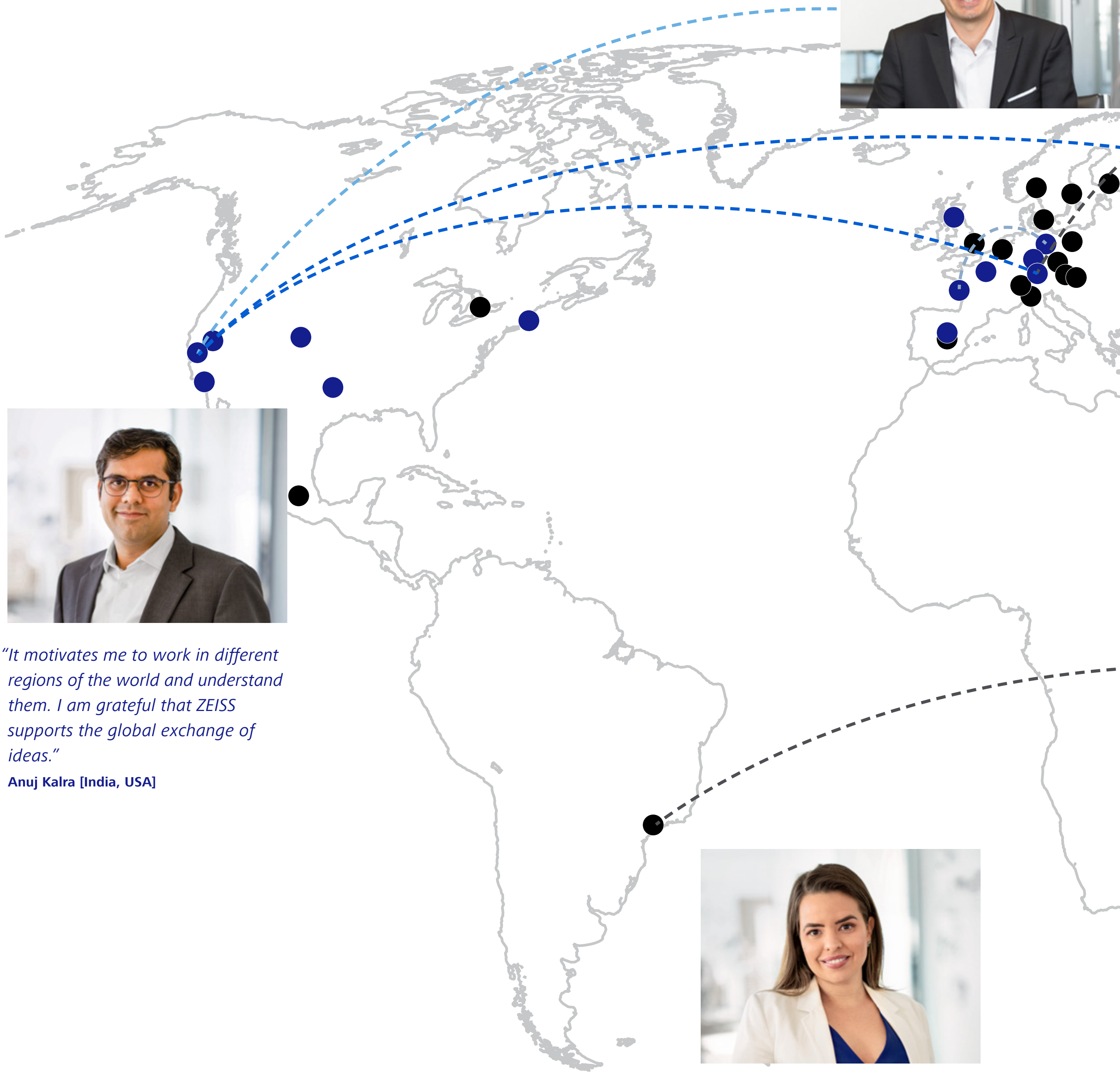
Efficiency or the possibility to reduce the operating time depends on us neurosurgeons having technical support. The KINEVO 900 is a whole package of innovations, a platform that raises neurosurgery to the next level – an enormous leap in quality, comparable with the leap from the simple mobile phone 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]

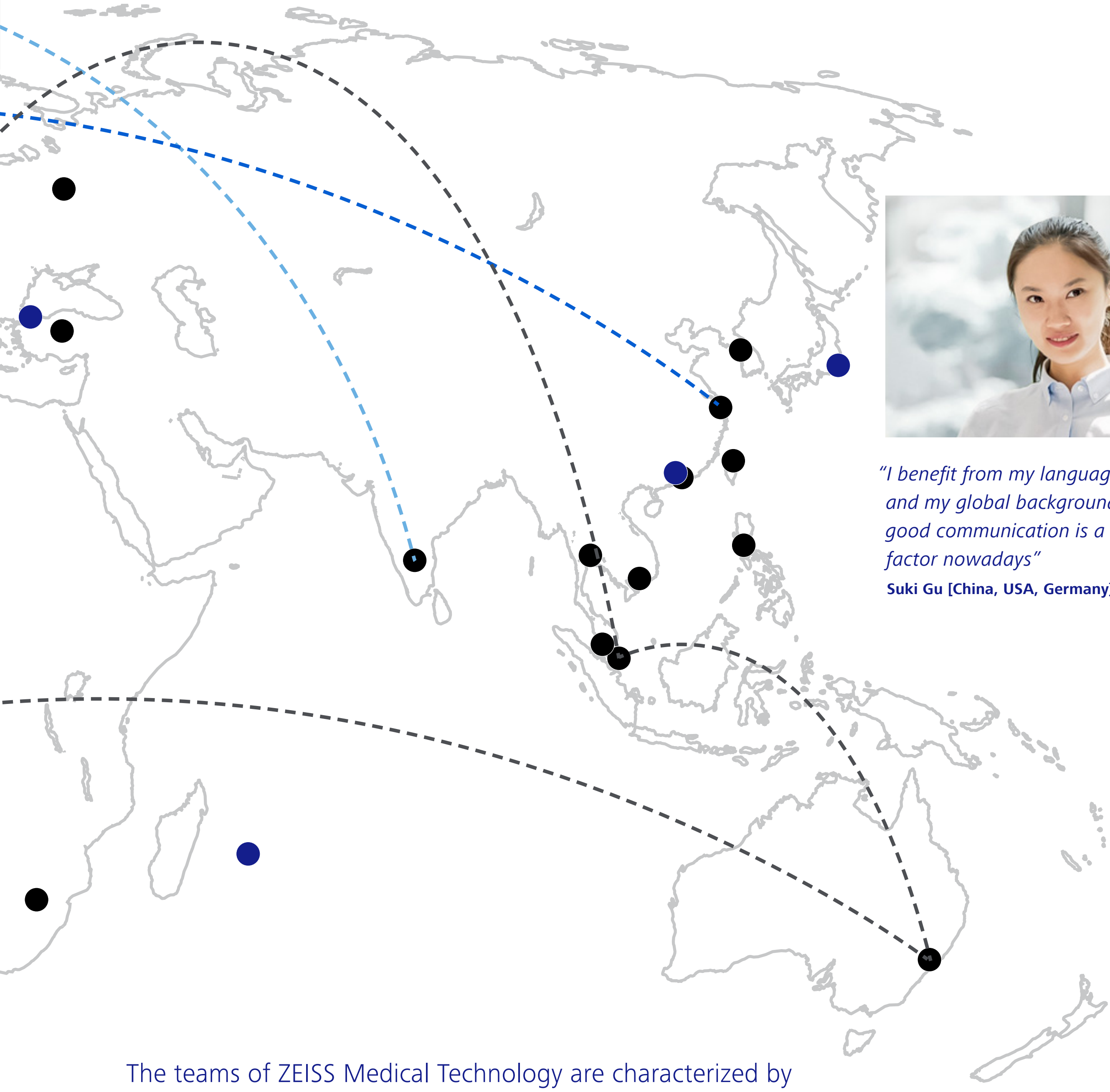
● **Carl Zeiss Meditec Group locations**

● **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.

Report of the Supervisory Board

Dear Shareholders and Friends of the Company,
Fiscal year 2019/20 was an unexpectedly difficult year for ZEISS Medical Technology, entirely dominated by the effects of the COVID-19 pandemic. I am therefore all the more delighted to report that the Company proved its outstanding resilience in this endurance test and, in spite of the massive restrictions in many markets, still managed to generate a satisfactory result overall. I would like to express my thanks and appreciation to our customers – also on behalf of the entire Supervisory Board – for their trusting cooperation during this turbulent phase. We would also like to thank our employees and members of the Management Board for their commitment and motivation under difficult circumstances.

Prof. Dr. Michael Kaschke
Chairman of the Supervisory Board

Thanks to our innovative strength, a focus on growth markets as well as quick and effective crisis management right at the start of the pandemic, we managed to curb adverse commercial effects and even returned to growth in a number of key regions in the last few months of the fiscal year. I am particularly pleased that Carl Zeiss Meditec remained focused on the success of its customers throughout and was at their side as a solution-oriented partner in overcoming these unprecedented challenges. At the same time, the Company continued to invest in the future and in innovation and therefore laid the best foundations for being able to grow faster than the competition in a market recovery. The outlook remains positive.

The Supervisory Board supported the Management Board in managing business operations through intensive communication and consultation. The main focal points in the fiscal year under review were both the unfamiliar challenges of the pandemic and, at the same time, the continued discussion about the long-term strategic orientation of the Carl Zeiss Meditec Group with the Management Board.

In fiscal year 2019/20, the Supervisory Board conscientiously fulfilled the duties incumbent upon it according to the law, the Company's Articles of Association and rules of procedure. The Supervisory Board therefore kept itself regularly and comprehensively up to date about all events and business transactions of relevance for the Company, and monitored and supported the work of the Management Board in an advisory capacity. The subject of the written and verbal reports from the Management Board was the economic situation and the development of the Company's business, as well as its individual strategic business units, including their further strategic development. The Supervisory Board also addressed the Company’s position with regard to the risk situation, risk management, as well as the internal control system and compliance. The Supervisory Board was involved in all important decision-making. In the case of transactions requiring approval, the Supervisory Board cast its vote after thorough examination of the reports and draft resolutions submitted.

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

Conflicts of interest among the members of the Supervisory Board did not arise in fiscal year 2019/20.

Focus of the deliberations and audits of the Supervisory Board
During the past fiscal year, the Supervisory Board convened at seven ordinary meetings which the members of the Management Board also attended. The meetings on 6 February 2020, 24 March 2020 and 22 June 2020 were held as conference calls.

The overall attendance rate was 100%.

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

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

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

During the meeting on 2 December 2019 to adopt the consolidated and annual financial statements for fiscal year 2018/19, the declaration of conformity to the recommendations of the German Corporate Governance Code in its version dated 7 February 2017 was also resolved. The proposal to the Annual General Meeting on the utilization of profit was discussed in detail and adopted. The meeting of the Supervisory Board also passed a resolution to determine the performance-related remuneration of the Management Board in accordance with the proposal of the General Committee. The Supervisory Board discussed and passed a resolution to adjust the distribution of responsibilities of the Management Board and, at the recommendation of the Audit Committee, resolved to propose Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft (EY), Stuttgart, for election by the Annual General Meeting on 24 March 2020 as auditor of the annual and consolidated financial statements for fiscal year 2019/20.

During the telephone meeting of the Supervisory Board on 6 February 2020, the plenary Supervisory Board resolved, at the Nominating Committee's proposal, to propose Ms. De Paoli and Dr. Lamprecht for ordinary election to the Supervisory Board by the Annual General Meeting on 24 March 2020 and Ms. von der Goltz for re-election to the Supervisory Board. During this meeting the Supervisory Board also passed the agenda for the Annual General Meeting on 24 March 2020.

In the telephone Supervisory Board meeting on 24 March 2020, it was resolved in the course of adopting the law to mitigate the effects of the COVID-19 pandemic in civil, insolvency and criminal proceedings law, to postpone the Annual General Meeting to 6 August 2020.

During the telephone Supervisory Board meeting on 22 June 2020, the resolution of the Management Board to hold the Annual General Meeting on 6 August 2020 as a virtual general meeting was passed, and the updated agenda was adopted. In addition, it was resolved that the Chairman of the Management Board, the Chairman of the Supervisory Board and the Deputy Chairwoman of the Supervisory Board, must attend this Annual General Meeting.

The Supervisory Board Chairman, Deputy Chairman and members of the committees were elected at the constituent meeting of the Supervisory Board on 6 August 2020.

During the ordinary Supervisory Board meeting on 6 August 2020, the resolution was passed to accept Brainloop AG's offer for additional protection of data distribution and storage of Supervisory Board documents. Furthermore, the Management Board provided information about the development of business, including the COVID-19 pandemic, and the committees reported on their work.

The Supervisory Board meeting on 21 September 2020 passed the budget for fiscal year 2020/21, among other things. It was also resolved to include liability claims from securities trading in D&O insurance.

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

Committees of the Supervisory Board

General and Personnel Committee

- » Prof. Dr. Michael Kaschke (Chairman)
- » Tania von der Goltz
- » Dr. Markus Guthoff (until 6 August 2020)
- » Dr. Karl Lamprecht (from 6 August 2020)

Audit Committee

- » Dr. Markus Guthoff (Chairman)
- » Cornelia Grandy
- » Dr. Christian Müller

Nominating Committee

- » Dr. Christian Müller (Chairman)
- » Prof. Dr. Michael Kaschke
- » Dr. Markus Guthoff (until 6 August 2020)
- » Isabel De Paoli (from 6 August 2020)

The General and Personnel Committee advises the Management Board on matters of Company strategy. It is jointly responsible for coordinating and preparing for the Supervisory Board meetings. In addition, this committee prepares the Supervisory Board's personnel decisions and, in certain cases, passes resolutions on the transactions requiring approval submitted by the Management Board. The General and Personnel Committee convened at two meetings during the past fiscal year. The meeting on 2 December 2019 reviewed, among other things, the remuneration of the Management Board and assessed the target agreements for fiscal year 2018/19. The target agreements for the Management Board for fiscal year 2020/21 were discussed at the meeting on 21 September 2020. A recommendation on the remuneration of the Management Board was also drafted based on the new legal legal framework in the German Stock Corporation Act (AktG) and the German Corporate Governance Code 2020. The Management Board remuneration is to be presented to the Annual General Meeting on 27 May 2021 for approval.

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

In the event of the appointment of new Supervisory Board members, the Nominating Committee proposes suitable candidates to the Supervisory Board for its candidate proposals to the Annual General Meeting. The Nominating Committee convened at two meetings during the reporting period. The meeting on 2 December 2019 discussed the expansion of the Supervisory Board from six to nine members and gave an update on the status of the selection of two additional shareholder representatives. The meeting on 6 February 2020 resolved to recommend to the Supervisory Board to propose Ms. De Paoli and Dr. Lamprecht as candidates for the Supervisory Board to the Annual General Meeting. In addition, it was resolved to recommend to the Supervisory Board to propose to the Annual General Meeting to continue the appointment of Ms. von der Goltz.

Individualized disclosure of meeting attendance

Supervisory Board member	Committees	Meeting attendance	Attendance in %
Prof. Dr. Michael Kaschke	Plenary Supervisory Board	7/7	100%
(Chairman)	General and Personnel Committee	2/2	100%
	Nominating Committee	2/2	100%
	Total	**11/11**	**100%**
Tania von der Goltz	Plenary Supervisory Board	7/7	100%
(Deputy Chairwoman)	General and Personnel Committee	2/2	100%
	Total	**9/9**	**100%**
Dr. Markus Guthoff	Plenary Supervisory Board	7/7	100%
	General and Personnel Committee (until 6 August 2020)	1/1	100%
	Audit Committee	6/6	100%
	Nominating Committee (until 6 August 2020)	2/2	100%
	Total	**16/16**	**100%**
Cornelia Grandy	Plenary Supervisory Board	7/7	100%
	Audit Committee (since 1 October 2019)	6/6	100%
	Total	**13/13**	**100%**
Dr. Christian Müller	Plenary Supervisory Board	7/7	100%
	Audit Committee	6/6	100%
	Nominating Committee	2/2	100%
	Total	**15/15**	**100%**
René Denner	Plenary Supervisory Board (since 1 October 2019)	7/7	100%
(since 1 October 2019)	**Total**	**7/7**	**100%**
Jeffrey Marx	Plenary Supervisory Board (since 6 March 2020)	5/5	100%
(since 6 March 2020)	**Total**	**5/5**	**100%**
Isabel De Paoli	Plenary Supervisory Board (since 25 June 2020)	3/3	100%
(since 25 June 2020)	Nominating Committee (since 6 August 2020)	n/a as no meetings	n/a as no meetings
	Total	**3/3**	**100%**
Dr. Karl Lamprecht	Plenary Supervisory Board (since 25 June 2020)	3/3	100%
(since 25 June 2020)	General and Personnel Committee (since 6 August 2020)	1/1	100%
	Total	**4/4**	**100%**

Corporate governance and declaration of conformity

During the Supervisory Board Meeting on 2 December 2019, the Supervisory Board resolved upon the declaration of conformity pursuant to the German Corporate Governance Code, in its version dated 7 February 2017.

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

Audit of the annual and consolidated financial statements 2019/20

The Annual General Meeting on 6 August 2020 appointed Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft (EY), Stuttgart, as auditor for the annual and consolidated financial statements.

Before making its candidate proposal to the Annual General Meeting, the Supervisory Board obtained a declaration of independence from the auditor. In this declaration EY confirms that there are no private, professional, business, financial or other relationships between the auditor and its executive bodies or audit managers, on the one hand, or between the Company and its executive body members, on the other. On 21 July 2020, the Supervisory Board engaged EY, subject to the postponed election of EY by the Annual General Meeting, to audit all financial statements and management reports for fiscal year 2019/20, including the dependent company report on relationships with associated companies of Carl Zeiss Meditec AG, pursuant to Section 312 AktG. The focal points of the audit in fiscal year 2019/20 were approved on 4 August 2020.

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

EY audited the annual financial statements and consolidated financial statements, as well as the associated management reports for fiscal year 2019/20, including the accounting, and issued all the financial statements with an unqualified audit certificate.

The annual financial statements and consolidated financial statements prepared by the Management Board to 30 September 2020, and the associated management reports, as well as the audit reports prepared by the appointed auditor, were submitted in good time for inspection by all members of the Supervisory Board and discussed in detail and audited in advance at the meeting of the Supervisory Board’s Audit Committee in the presence of the auditor on 3 December 2020, and subsequently at the plenary Supervisory Board meeting. The Supervisory Board approves the results of the audit. No objections were raised following the Supervisory Board's conclusive review of the audit. The Supervisory Board approved the annual financial statements prepared by the Management Board and the consolidated financial statements at its meeting on 3 December 2020. The annual financial statements are thus adopted. After a detailed examination and taking the development of earnings and the financial position into consideration, the Supervisory Board approved the Management Board's proposal on the utilization of profit at its meeting on 3 December 2020.

Dependent company report

Given that Carl Zeiss Meditec AG is a subsidiary of Carl Zeiss AG, the Management Board of Carl Zeiss Meditec AG prepared a report, pursuant to Section 312 AktG, on relations with associated companies in fiscal year 2019/20, which states that – under the circumstances known to the Management Board at the time the legal transactions were concluded – Carl Zeiss Meditec AG received an appropriate consideration for each of the transactions listed and that reportable measures were neither implemented nor omitted in the fiscal year. After conducting its audit EY issued the report with the following audit certificate pertaining to the correctness of the actual disclosures and the appropriateness of the Company's compensation with respect to the legal transactions listed:

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

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

At the meeting on 3 December 2020 the auditor reported on the key results of the audit and responded to questions. After conducting its own audit of the dependent company report and inspecting the audit report prepared by the auditor, the Supervisory Board concluded that it agrees with the statements and conclusions in the dependent company report and the audit report. On completion of its own audit the Supervisory Board has no objections to raise against the declaration of the Management Board at the end of the dependent company report.

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

Composition of the Management Board and Supervisory Board

There were some changes to the composition of the Supervisory Board during the course of the fiscal year under review. During the Annual General Meeting on 19 March 2019 it was resolved to increase the number of Supervisory Board members from six to nine. During the election of employee representatives on 27 February 2020, Mr. Jeffrey Marx was appointed as a member of the Supervisory Board. He joined the Supervisory Board on 6 March 2020, effective from the entry of the amendment to the Articles of Association to increase the size of the Supervisory Board. Both Ms. De Paoli and Dr. Lamprecht were appointed as shareholder representatives on 25 June 2020 by Jena Local Court, in accordance with the amendment to the Articles of Association resolved by the Annual General Meeting 2017/18 to increase the size of the Supervisory Board. The court appointment was limited to the duration of the virtual (ordinary) Annual General Meeting on 6 August 2020. Ms. Isabel De Paoli and Dr. Karl Lamprecht were elected to the Supervisory Board as shareholder representatives effective from the end of the virtual Annual General Meeting on 6 August 2020 until the end of the Annual General Meeting that resolves upon their discharge for the fiscal year from 1 October 2023 to 30 September 2024. Furthermore, Ms. Tania von der Goltz was re-elected to the Supervisory Board, effective from the end of the virtual Annual General Meeting on 6 August 2020 until the end of the Annual General Meeting that resolves upon the discharge for the fiscal year from 1 October 2023 to 30 September 2024.

During the Supervisory Board meeting on 6 August 2020, Ms. De Paoli was also elected as a member of the Nominating Committee and Dr. Lamprecht was elected as a member of the General and Personnel Committee.

There were no changes to the members of the Management Board of Carl Zeiss Meditec AG in fiscal year 2019/20.

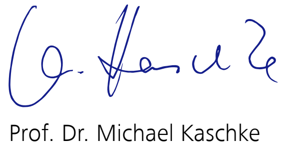
Members of the Supervisory Board took personal responsibility for undertaking the training and further development measures necessary to fulfill their duties. The new members joining the Supervisory Board in fiscal year 2019/20 were given an individually tailored induction. The members were also kept regularly informed about new regulatory developments, legislative changes and new accounting and auditing standards, as well as corporate governance issues. In addition, members of the respective committees took part in further training courses for the respective committees, and members of the Supervisory Board took part in external training programs.

Final remarks

In spite of the still subdued short-term economic outlook due to the COVID-19 pandemic, the medical technology market continues to benefit from underlying trends. These are based, on the one hand, on demographic trends and the related aging of the population, as well as an increasing number of people with age-related diseases as a result. On the other hand, patients’ expectations of medical treatments and, consequently, the demands put on medical equipment by physicians, are increasing. At the same time, digitalization is presenting new opportunities and challenges for the industry. Carl Zeiss Meditec AG is in a good position, in the Supervisory Board’s opinion, with its innovation-driven and diversified product portfolio, and as a competent partner to physicians, to continue to participate in the growth of medical technology and to keep steadily improving its strong market position in future, too.

I would like to thank the Management Board and all members of the Supervisory Board for their consistently good and constructive collaboration. I would like to wish all employees and the members of the Management Board every success, a huge amount of motivation and enthusiasm for the new fiscal year that is already underway, and look forward to continuing to work closely with you on a basis of trust.

Jena, 3 December 2020
On behalf of the Supervisory Board



Prof. Dr. Michael Kaschke
(Chairman)

The Carl Zeiss Meditec AG share
Fiscal year 2019/20

General development of the capital market

There was a mildly positive trend on the global stock markets during fiscal year 2019/20. The spread of the COVID-19 pandemic led to a sharp correction on the capital markets in February/March 2020. During the recovery that ensued technology stocks in particular exhibited a positive trend compared with the market as a whole.

The German benchmark index, the DAX, increased slightly in fiscal year 2019/20, rising by 2.3%, to 12,761 points. The U.S. Benchmark index, S&P 500, increased by around 14%, to 3,381 points.

The TecDAX, whose 30 stocks also include the Carl Zeiss Meditec AG share, was up by around 9%, to 3,070 points, on 30 September 2020, compared with the start of the fiscal year.

In December 2018, Carl Zeiss Meditec AG was also admitted to the MDAX of the German stock exchange, which increased by 4% to 27,007 points on 30 September 2020, compared with the start of the fiscal year. The SDAX rose by 13% to 12,488 points as of 30 September 2020, compared with the start of the fiscal year.

The Carl Zeiss Meditec share price was once again on an upward trend. The Carl Zeiss Meditec AG share finished trading at a closing price[1] of €108.00 on 30 September. The increase in the share's value since the beginning of fiscal year 2019/20 amounted to 2.6%.

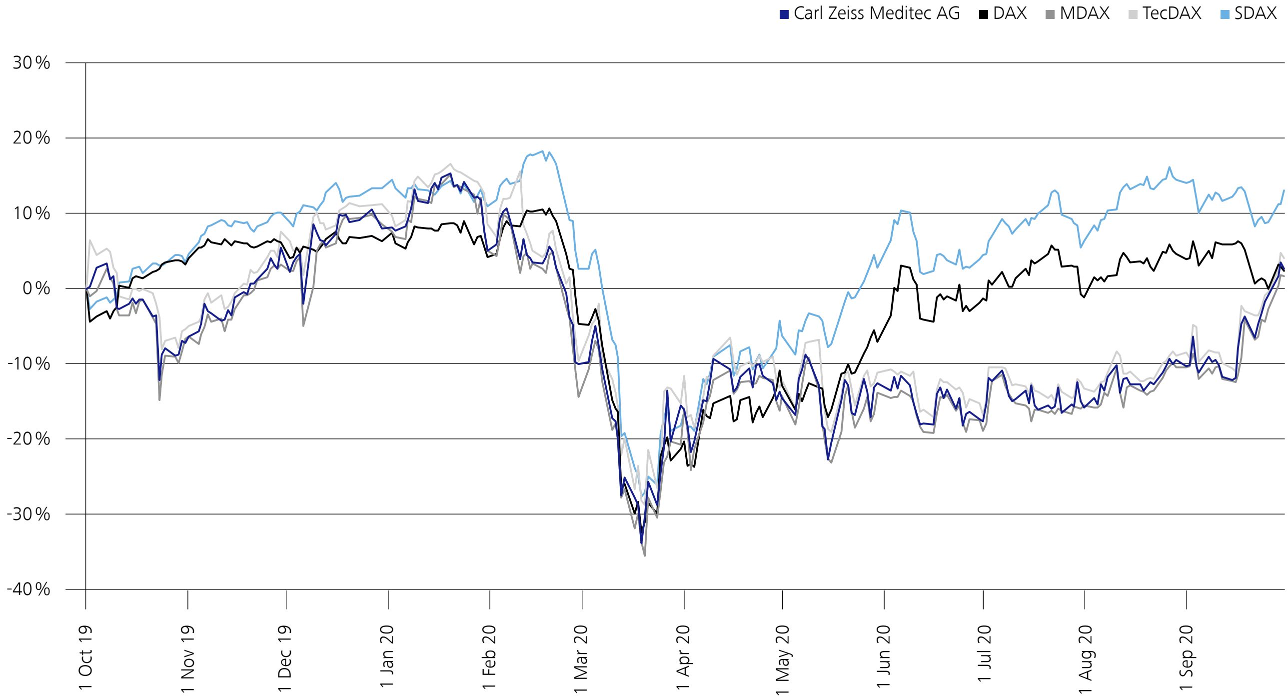
Performance of the Carl Zeiss Meditec share

The share's performance during fiscal year 2019/20 was positive. On the first day of trading of the new fiscal year, the Carl Zeiss Meditec AG share opened at a price of €105.30.

The share reached a new all-time high of €121.40 at the beginning of the second quarter of 2019/20 on 20 January 2020. At the end of the fiscal year, the Carl Zeiss Meditec AG share was being traded at a closing rate of €108.00.

[1] Share price based on XETRA closing rates (30 September 2020)

Relative performance of the Carl Zeiss Meditec share compared with the DAX, MDAX, SDAX and TecDAX indices
in the period from 1 October 2019 to 30 September 2020



Performance of Carl Zeiss Meditec share
in the period from 1 October 2019 to 30 September 2020

Market capitalization and trading volume

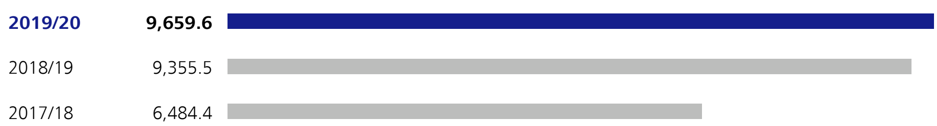
Carl Zeiss Meditec AG's market capitalization (product of shares issued multiplied by share price at the end of the reporting period) increased year-on-year from €9,355.5m as of 30 September 2019 to €9,659.6m. The trading volume (number of shares traded on XETRA multiplied by the respective closing rate on the date on which they were traded) was €4,054.7m in fiscal year 2019/20 (prior year: €3,330.9m).

During the reporting period, an average of around 167,107 shares (prior year: 162,154 shares) of Carl Zeiss Meditec AG were traded each trading day.

The German MDAX share index is composed of 60 company stocks that rank below the shares listed on the DAX in terms of market capitalization and trading volume. All company stocks are listed on a quarterly basis. Carl Zeiss Meditec AG was in 56th place in the ranking for market capitalization as of 30 September 2020 (prior year: 54th place). In terms of trading volume, Carl Zeiss Meditec AG was in 57th place (prior year: 61th place).

The German TecDAX share index brings together 30 of the largest technology stocks in terms of market capitalization and trading volume on the Frankfurt Stock Exchange. All technology stocks are listed on a quarterly basis. Carl Zeiss Meditec AG was in 11th place in the ranking for market capitalization as of 30 September 2020 (prior year: 9th place). In terms of trading volume, Carl Zeiss Meditec AG was in 12th place (prior year: 12th place).

Market capitalization of Carl Zeiss Meditec AG as of 30 September 2020, in €m



The Carl Zeiss Meditec share from the capital market perspective

A large number of German and international financial analysts monitor the movements of the Carl Zeiss Meditec AG share. At present, we are in contact with 17 analyst firms. Based on the assessments of the past six months, the analysts have put the current average price target at €104.75 (as of: 30 September 2020).

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

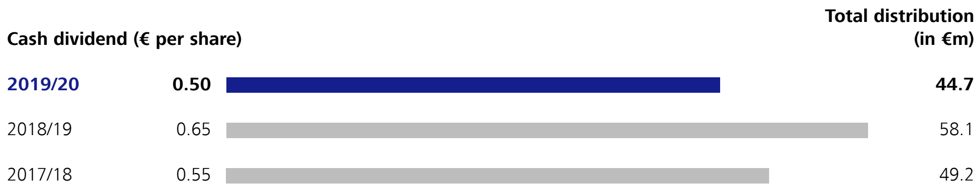
Dividend policy

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

Our reference for the regular dividend is a dividend ratio that generally equates to around one third of consolidated net income after non-controlling interests for the fiscal year just ended. On 27 May 2021, therefore, the Management Board and Supervisory Board of Carl Zeiss Meditec AG shall propose to the

Annual General Meeting the distribution to shareholders of a regular dividend of €0.50 per share for fiscal year 2019/20 (prior year: €0.65). This would equate to a total distribution of €44.7m (prior year: €58.1m) and a dividend ratio of 36.5% (prior year: 36.4%). The dividend return (ratio of dividend per share to closing rate on 30 September) would be 0.5% (prior year: 0.7%).

Development of the dividend for the Carl Zeiss Meditec share[2]



Shareholder structure

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

Investor relations

The comprehensive, transparent and up-to-the-minute information provided to our investors was once again the focus of our investor relations work in fiscal year 2019/20, with the aim of boosting confidence in our sustainable corporate governance. This includes the commentary on Carl Zeiss Meditec AG's strategy, its operative business development, as well as the Company's prospects vis-à-vis existing and potential investors and other market participants, such as analysts and journalists.

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

In addition, our Annual General Meeting gives our shareholders the opportunity to exert influence and ask Carl Zeiss Meditec AG's Management Board questions. The Annual General Meeting in the fiscal year under review was held as a virtual meeting on 6 August 2020. Around 88.82% of the voting share capital was represented at this meeting.

[2] Amount of dividend for 2019/20 proposed by the Supervisory Board and the Management Board of Carl Zeiss Meditec AG

Listing and trading on the MDAX and TecDAX

Carl Zeiss Meditec AG share	
Index	MDAX, TecDAX
Segment	Prime Standard
ISIN	DE 0005313704
Trading volume	Average 167,107 shares/trading day
Total shares placed	89,440,570 shares
Price performance	
Share price at beginning of fiscal year 2019/20 (1 Oct 2019)	€105.30
Share price at end of fiscal year 2019/20 (30 Sep 2020)	€108.00
Share price on 23 November 2020	€115.80
Highest price in fiscal year 2019/20	€121.40
Lowest price in fiscal year 2019/20	€69.70
Shareholder structure	
Free float	40.9%
Carl Zeiss AG	59.1%
Valuation	
Market capitalization of share capital as of 23 November 2020	€10,357.2m
Market capitalization of free float as of 23 November 2020	€4,232.2m
Designated Sponsor	HSBC Trinkaus & Burkhardt AG (until 31 Oct 2020) ODDO Seydler Bank AG (since 1 Nov 2020)

Summary management report
for fiscal year 2019/20

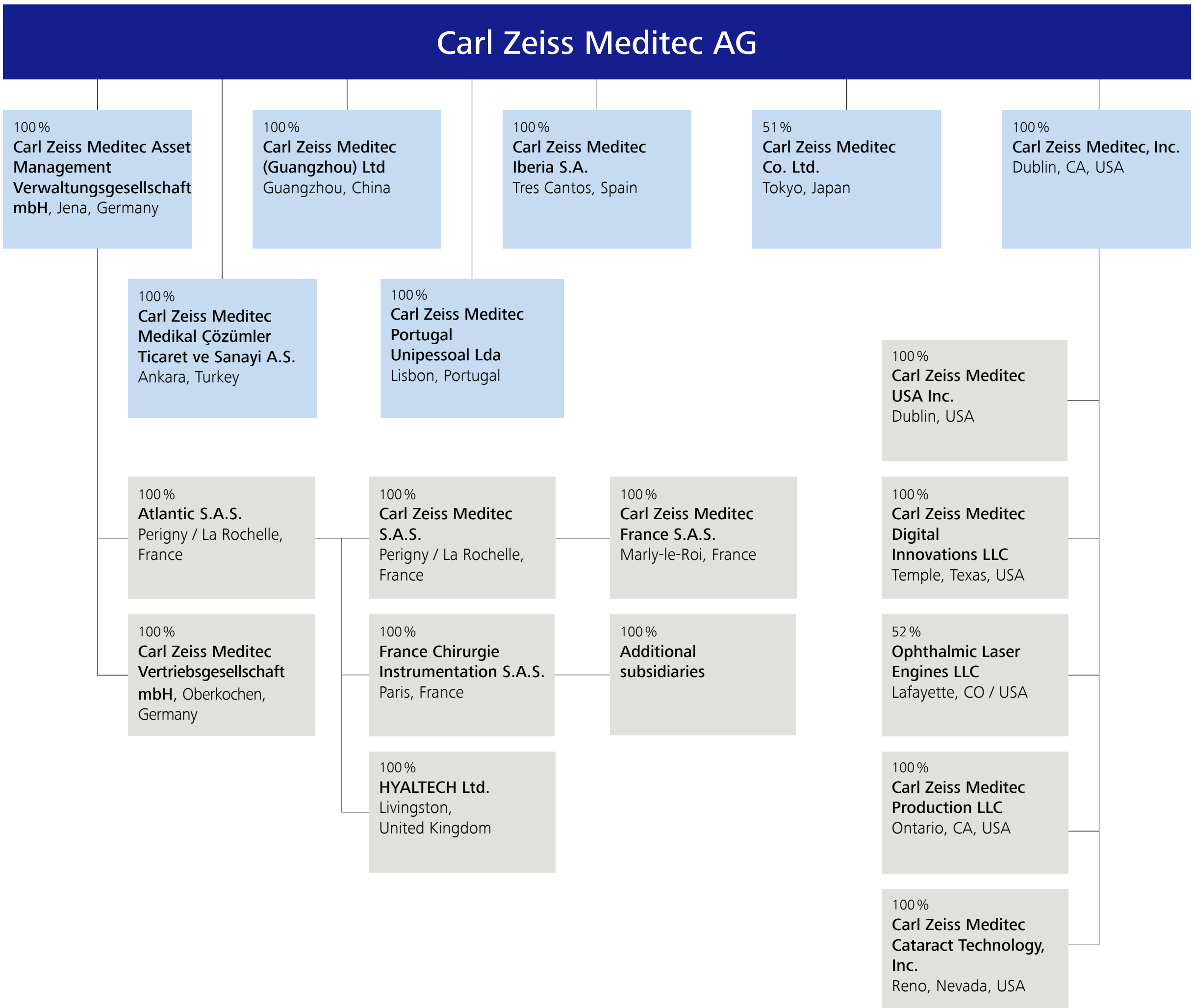
CARL ZEISS MEDITEC GROUP

Group structure

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

The results of Carl Zeiss Meditec AG are influenced to a large extent by its subsidiaries, and the development of its business is generally subject to the same opportunities and risks as the Carl Zeiss Meditec Group. The outlook for the Group also largely mirrors the expectations for Carl Zeiss Meditec AG, due to the links between Carl Zeiss Meditec AG and its subsidiaries and due to the importance of Carl Zeiss Meditec AG within the Group. Therefore, for the purposes of a more compact presentation, the business development of Carl Zeiss Meditec AG and the Carl Zeiss Meditec Group are presented as a summary management report. Major investments of the Carl Zeiss Meditec Group as of 30 September 2020 are presented in the chart below:

Investment structure of the Carl Zeiss Meditec Group as of 30 September 2020



There were no significant changes to the Group's reporting entity or the structure of its consolidated financial statements in fiscal year 2019/20.

Markets

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

Organization and business activity

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

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

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

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

The product portfolio in the area of refractive surgery primarily includes systems and consumables for refractive surgery. This includes ReLEx® SMILE solution, which can correct vision defects using a minimally invasive procedure.

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

Group strategy

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

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

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

Integrated solutions
The logical networking of devices and systems in the practice or clinic plays an important role, giving customers the opportunity to make their workflows more efficient, and to improve clinical outcomes through integrated availability and evaluation of the data. Comprehensive system integration, including IT-assisted analysis functions, is a key prerequisite for this.

Corporate governance

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

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

Corporate management

The consistent implementation of the Group strategy aims to ensure a long-term increase in value. A comprehensive system of key performance indicators serves as a tool for the financial management of the Carl Zeiss Meditec Group. The greatest importance is attached to Economic Value Added® ("EVA®")[3], free cash flow (FCF)[4], the EBIT margin and revenue growth. These control ratios define the balance between growth, profitability and financial power, upon which sustainable growth of the Company is built. These key performance indicators are therefore defined as control variables. These are supplemented by strategic measures and projects in the areas of customer excellence, people/performance culture and operational excellence. Since fiscal year 2018/19, the Company has also worked to improve its ability to economically balance out short-term market fluctuations in a Group-wide "Resilience" project, for example through cost flexibility.

BUSINESS REPORT

Underlying conditions for business development

Macroeconomic environment[5]
In the reporting period fiscal year 2019/20 the global economy suffered an unforeseeable recession due COVID-19. The effects of the COVID-19 pandemic have led to an abrupt decline in production and demand in large parts of the world, followed by a subsequent gradual recovery. The respective countries, and in particular the affected sectors, are recovering to varying degrees, however, and at varying rates. Both the industrialized countries and the emerging economies have been significantly impacted financially by the effects of the pandemic. China is the only major economy that is expected to achieve positive economic growth in 2020.

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

[3] Calculation: EVA® = operating result (EBIT) after taxes including write-downs on intangible assets from the purchase price allocations (PPA) (not included in 2018/19) less cost of capital of €62.1m for fiscal year 2019/20. (calculation of cost of capital: average capital tied up adjusted for write-downs on intangible assets arising from purchase price allocations ("gross" asset basis) (2019/20: €839.2m), multiplied by weighted average cost of capital (2019/20: 7.4%)).
[4] Calculation: Free cash flow (FCF) = EBIT ± changes in trade receivables ± changes in inventories, including advance payments ± changes in provisions (excluding provisions for pensions and taxes) ± changes in current accrued liabilities ± changes in trade payables ± changes in advance payments received ± changes in leasing liabilities ± changes in other assets and liabilities - increases in investments in intangible assets and property, plant and equipment + write-downs on intangible assets and property, plant and equipment - acquisition of investments.
[5] OECD Economic Outlook, June 2020, Paris.

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

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

a) Market for ophthalmic products[6]

The market for ophthalmic products in the broader sense includes devices and systems for the diagnosis, treatment and post-treatment of eye diseases, implants for ophthalmic surgery and ophthalmic pharmaceuticals, contact lenses, contact lens care products, consumables – with the exception of glasses and glasses frames. According to the Company's estimates, the market had a global volume of around US$44.6b (about €39.5b[7]) in 2019. The Company's product range includes devices and systems, implants, consumables and instruments for ophthalmology and ophthalmic surgery. According to the Company's estimates, these sub-markets had a volume of around US$11.9b (around €10.5b[7]) in 2019. Based on this, the Company estimates its market share in 2019 in revenue to be around 10% and therefore sees itself as the third-largest supplier worldwide in this market behind the ophthalmic surgery businesses of Alcon and Johnson & Johnson Vision.

Due to the global COVID-19 pandemic, the market for devices and systems, implants, consumables and instruments for ophthalmology also recorded a significant decline, particularly in spring 2020, which, according to the Company's estimates, amounted to around -40% in the worst affected quarter (April-June). The effects for calendar year 2020 as a whole cannot be quantified with certainty at the current time; however, the Company does expect a weaker market than in 2019. In the long term, and aside from annual fluctuations, the Carl Zeiss Meditec Group still expects the market for products for ophthalmology to continue growing, due to the unchanged demographic and other growth drivers.

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

b) Market for microsurgery products[6]

Besides ophthalmology, the Company also operates in the market for microsurgery, particularly in the field of neuro/ENT surgery. The overall neuro/ENT surgery market is divided into three product segments: "Implants", "Surgical instruments" and "Visualization". In the "Visualization" product segment served by the Company, a distinction can be made between the sub-segments "Surgical Microscopes" and "Other Visualization". According to the Company's estimates, this product segment had a total volume of around US$2.1b in 2019 (around €1.9b[7]).With an estimated market share of over 20%, the Carl Zeiss Meditec Group is one of the largest suppliers in this field and the clear market leader with a specialization in surgical microscopes.

The Carl Zeiss Meditec Group expects the market for microsurgical products to continue to grow in the medium term, irrespective of year-to-year fluctuations.

[6] The contents of this section are voluntary information and therefore not audited.
[7] At average rate for fiscal year 2019/20 (€1 = US$1.1197)

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

In an ad hoc 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%).

Comparison of actual business development with forecast development in fiscal year 2019/20[8]

	Results 2019/20	Forecast 2019/20
Revenue of Carl Zeiss Meditec Group	€1,335.5m	Growth at least in low to mid-single-digit percentage range
Ophthalmic Devices Revenue growth	-7.3%	Growth at least in low to mid-single-digit percentage range
Microsurgery Revenue growth	-11.7%	Growth at least in low to mid-single-digit percentage range
EBIT margin	13.3%	Between 17.0% and 19.0%
Cash flows from operating activities	€178.5m	At least low three-digit million amount
Research and development expenses/revenue	16.4%	12% – 13%
Free cash flow (FCF)	€185.8m	At least low three-digit million amount
Economic Value Added® (EVA®)	€68.6m	At least on similar level to fiscal year 2018/19

Results of operations

Presentation of results of operations

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

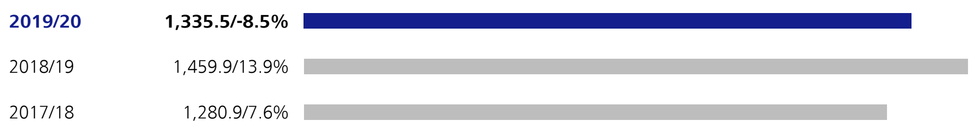
	2019/20	2018/19	Change
Sales	1,335.5	1,459.3	-8.5%
Gross margin	55.8%	57.0%	-1.2% pts
EBITDA	238.0	313.0	-24.0%
EBITDA margin	17.8%	21.5%	-3.7% pts
EBIT	177.6	264.7	-32.9%
EBIT margin	13.3%	18.1%	-4.8% pts
Earnings before income taxes	178.7	229.9	-22.2%
Tax rate	30.9%	30.1%	+0.8% pts
Consolidated profit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

Sales

In fiscal year 2019/20, the Carl Zeiss Meditec Group's revenue was down by -8.5% (adjusted for currency effects: -8.7%) year-on-year, to €1,335.5m, due to the restrictions imposed as a result of the COVID-19 pandemic (prior year: €1.459.3m). The forecast, which was recently adjusted to around €1.3b when the 9-month results were published, was thus exceeded slightly. Business in both strategic business units and all regions exhibited a downwards trend, although business in the APAC region almost stable, with just a slight decline, due to the good contributions to growth from China and South Korea.

[8] 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.

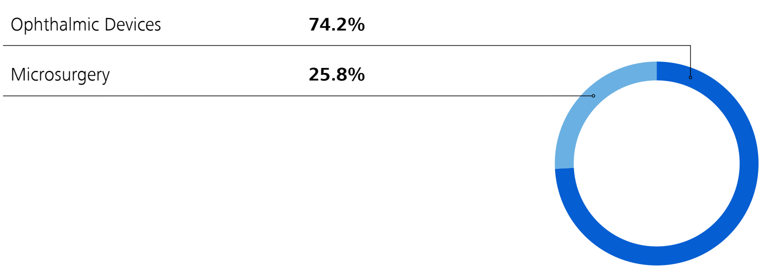
Revenue of Carl Zeiss Meditec Group in €m/growth in %



a) Revenue by strategic business unit

The strategic business unit **Ophthalmic Devices** accounted for almost three quarters (74.2%) of the Carl Zeiss Meditec Group's total revenue in the fiscal year under review (prior year: 73.2%). The strategic business unit Microsurgery generated 25.8% (prior year: 26.8%) of total revenue.

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



Revenue in the SBU **Opthalmic 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.

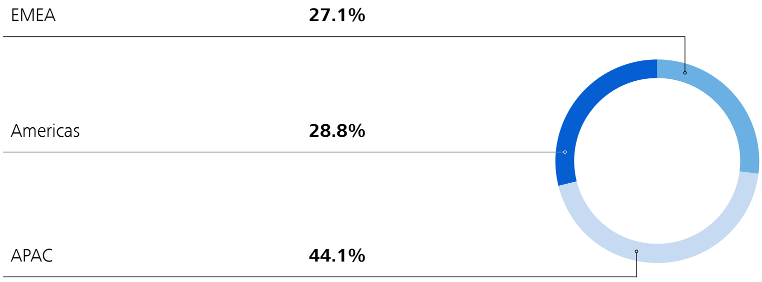
Revenue by strategic business unit

	2019/20	2018/19	Change in %	
	€m	€m		Adjusted for currency effects
Ophthalmic Devices	990.6	1,068.6	-7.3	-7.5
Microsurgery	344.8	390.7	-11.7	-12.1
Carl Zeiss Meditec Group	**1,335.5**	**1,459.3**	**-8.5**	**-8.7**

b) Revenue by region

In fiscal year 2019/20, 44.1% (prior year: 41.1%) of total revenue was attributable to the **APAC** region. The **EMEA** region accounted for 27.1% (prior year: 28.6%) of total revenue, while the **Americas** region accounted for 28.8% (prior year: 30.3%) of total revenue.

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.

Revenue of the Carl Zeiss Meditec Group by region

	2019/20	2018/19	Change in %	
	€m	€m		Adjusted for currency effects
EMEA	362.4	417.1	-13.1	-12.7
Americas	384.0	442.5	-13.2	-13.8
APAC	589.0	599.7	-1.8	-2.3
Carl Zeiss Meditec Group	**1,335.5**	**1,459.3**	**-8.5**	**-8.7**

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%.

» **Selling and marketing expenses:** In the fiscal year under review, selling and marketing expenses decreased from €336.2m to €292.8m. Relative to revenue, selling and marketing expenses were below the previous year's level, at 21.9% (prior year: 23.0%). As a result of the COVID-19 pandemic, lower variable revenue-related costs such as trade show and sales travel expenses were recorded.

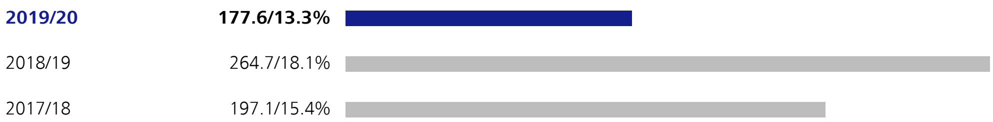
» **General administrative expenses:** Expenses in this area amounted to €56.3m (prior year: €57.7m). In relation to revenue, the share of general administrative expenses remained largely stable compared with the prior year, at 4.2% (prior year: 4.0%).

» **Research and development expenses:** The Carl Zeiss Meditec Group invests continuously in R&D, in order to further develop its product portfolio and ensure further growth. R&D expenses increased to €281.8m in the reporting period (prior year: €173.3m). In line with the weaker revenue trend due to the COVID-19 pandemic, the R&D ratio was significantly higher year-on-year, at 16.4% (prior year: 11.9%).

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 %



EBIT in fiscal year 2019/20 included negative effects due to write-downs from purchase price allocations (PPA), in the amount of €6.2m.

Overview of effects of purchase price allocations included in EBIT[9]

	2019/20	2018/19	Change
	€m	€m	in %
EBIT	177.6	264.7	-32.9
Effects of purchase price allocations	-6.2	-5.1	+22.1
Total effects	**-6.2**	**-5.1**	**+22.1**

In the strategic business unit Ophthalmic Devices, a steeper decline in revenue was counteracted in particular by a more favorable product mix with a higher proportion of case-number-dependent revenue. At 9.7% (prior year: 15.4%), the EBIT margin this was in the upper single-digit percentage range and thus still below the

[9] Write-downs on intangible assets arose from the purchase price allocations (PPA), mainly in connection with the acquisitions of IanTECH, Inc. in fiscal year 2018/19 and Aaren Scientific Inc. in fiscal year 2013/14.

EBIT margin for the Company as a whole. The EBIT margin in the strategic business unit Microsurgery also declined but, at 23.7% (prior year: 25.6%), was still above the EBIT margin for the Company as a whole. This was primarily attributable to the good contributions to earnings by the Neurosurgery segment.

Earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to €238.0m for the fiscal year under review (prior year: €313.0m At 17.8%, the EBITDA margin was down year-on-year (prior year: 21.5%).

Net interest income and interest expenses amounted to €-25.8m in the reporting period (prior year: €-5.9m). This includes unscheduled charges in connection with the acquisition of IanTECH, Inc. Interest expenses mainly include the annual interest cost of the liability arising from the contingent purchase price obligation for IanTECH Inc. as well as the adjustment of capital costs for the measurement of this liability.

Currency effects amounting to €4.5m arose within the financial result in fiscal year 2019/20 as a result of foreign currency gains on hedges (prior year: foreign currency gains on hedges to the amount of €-28.6m). The other financial result in fiscal year 2019/20 is mainly influenced by the remeasurement of the contingent purchase price obligations arising from the acquisition IanTECH Inc.

The tax rate for the reporting period was 30.9% (prior year: 30.1%). As a general rule, an average annual tax rate of slightly above 30% is assumed.

Consolidated profit attributable to the shareholders of the parent company amounted to €122.4m for fiscal year 2019/20 (prior year: €159.8m). Non-controlling interests accounted for €1.0m (prior year: €0.8m). In fiscal year 2019/20, basic earnings per share of the parent company amount to €1.37 (prior year: €1.79).

Financial position

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

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

The Company deposits any liquidity it does not require at normal market conditions with the treasury of ZEISS Group. When investing surplus liquidity, short-term availability generally comes before the goal of maximizing earnings, so that funds can be accessed quickly if, for example, acquisition opportunities arise. The Carl Zeiss Meditec Group has production plants in the USA and Europe. This means that the influence of exchange rate fluctuations can be reduced. The remaining currency risk is hedged by simple futures trading. Details on this can be found in the notes to the consolidated financial statements under "(2) (h) Financial instruments", "(27) Additional disclosures on financial instruments", "(37) Financial risk management", "(2) (t)" and "(35) Related party disclosures" and in the annual financial statements of Carl Zeiss Meditec AG under 5 "Information and explanatory notes on accounting and valuation principles", paragraph "Derivative financial instruments" and 9 "Receivables from affiliated companies".

Financial management
The ratio of borrowed capital to equity amounts to 38.8% as of 30 September 2020 (prior year: 42.7%).

The Company's dynamic gearing ratio was -0.8 years for fiscal year 2019/20 (prior year: -0.3 years).[10]

The interest coverage ratio, i.e., the coverage of interest income by the operating result before depreciation and amortization (EBITDA), amounted to 9.0 (prior year: 48.8).

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

For further information on the financial liabilities of the Carl Zeiss Meditec Group please refer to note "(24) Non-current financial liabilities", "(25) Current accrued liabilities" and "(26) Other current non-financial liabilities" in the accompanying notes to the consolidated financial statements and in the annual financial statements of Carl Zeiss Meditec AG under 9 “Receivables from affiliated companies” and 17 “Liabilities”.

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

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

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

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

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

Changes in individual items in the income statement and the statement of financial position are recorded in the statement of cash flows. In contrast, the consolidated statement of financial position presents the figures as they stood at the end of the reporting period on 30 September 2020. As a result, the statements in the analysis of the financial position may differ from the presentation of net assets based on the consolidated statement of financial position.

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

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

Cash flows from operating activities amounted to €178.5m in the fiscal year under review, mainly due to the downward earnings trend (prior year: €219.6m). An adverse effect was also had by higher stockpiling of certain products and components to ensure deliveries during the COVID-19 pandemic, and by the reduction in trade payables. The decrease in trade receivables had a counteracting effect.

Cash flows from investing activities amounted to €-71.9m in fiscal year 2019/20 (prior year: €-145.8m). The higher cash outflow in fiscal year 2018/19 was mainly due to the acquisition of IanTECH, Inc.

Cash flow from financing activities amounted to €-123.0m in the fiscal year under review (prior year: €-58.6m). The higher cash outflow in fiscal year 2019/20 is mainly attributable to an increase in treasury receivables from the treasury of Carl Zeiss Financial Services GmbH.

Free cash flow decreased to €185.8m in fiscal year 2019/20 (prior year: €236.6m). **Net cash**[11] amounted to €707.2m (prior year: €677.8m).

Investment and depreciation policy

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

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

Nevertheless, the required investment of capital in real assets is limited within the Company, which is evident from the development of the capex ratio – the ratio of total investments[12] in property, plant and equipment (cash) to consolidated revenue. In fiscal year 2019/20, it was 2.2% (prior year: 1.4%).

At Carl Zeiss Meditec AG and its subsidiaries intangible assets and property, plant and equipment are subject to scheduled, straight-line amortization and depreciation, respectively, over their estimated useful lives. Further details on this can be found in note "(2) (f) Other intangible assets" and "(2) (g) Property, plant and equipment" in the accompanying notes to the consolidated financial statements and in note 6 "Fixed assets" in the annual financial statements of Carl Zeiss Meditec AG.

[11] Includes receivables from and liabilities to the treasury of the ZEISS Group, as defined on page 43 in table "Key ratios relating to financial position"
[12] In fiscal year 2019/20, investments in property, plant and equipment (cash) totaled €29.3m, compared with €20.3m the prior year.

Key ratios relating to financial position

Key ratios relating to financial position

		30 Sep 2020	30 Sep 2019	Change
Key ratio	Definition	€m	€m	in %
Cash and cash equivalents	Cash-in-hand and bank balances	5.2	22.6	-77.0
Net cash and cash equivalents	Cash-in-hand and bank balances + treasury receivables from the treasury of Carl Zeiss AG ./. treasury payables to Group treasury of Carl Zeiss AG	707.2	677.8	+4.3
Net working capital	Current assets including financial investments ./. cash and cash equivalents ./. treasury receivables from treasury of Carl Zeiss AG ./. current liabilities excl. treasury payables to Group treasury of Carl Zeiss AG	284.7	286.9	-0.8
Working capital	Current assets ./. current liabilities	991.9	964.7	+2.8

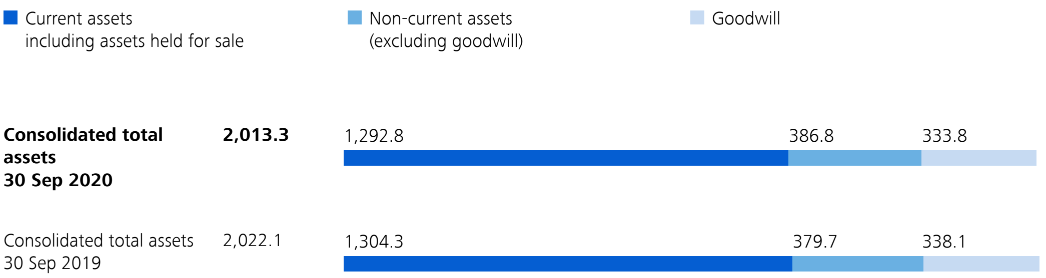
Key ratio	Definition	2019/20	2018/19	Change
Cash flow per share	Cash flows from operating activities / Weighted average of shares outstanding	€2.00	€2.46	-18.7%
Capex ratio	Investment (cash) in property, plant and equipment / Revenue of Carl Zeiss Meditec Group	2.2%	1.4%	+0.8% pts

Net assets

Presentation of net assets

Total assets decreased to €2,013.3m as of 30 September 2020 (prior year: €2,022.1m).

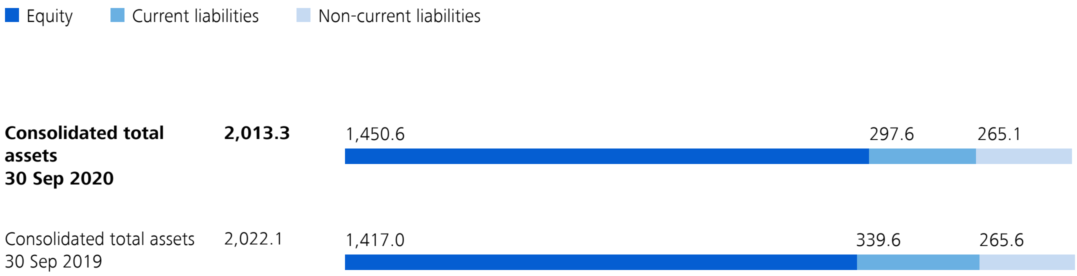
Structure of statement of financial position - assets in €m



Non-current assets increased slightly from €717.8m as of 30 September 2019 to €720.5m as of 30 September 2020.

Current assets including assets held for sale amounted to €1,292.8m (30 September 2019: €1,304.3m). Inventories increased due to stockpiling of certain products and components to ensure deliveries during the COVID-19 pandemic. Due to the weaker sales trend and strict receivables management, trade receivables decreased year-on-year.

Structure of statement of financial position - liabilities in €m



The **equity** recognized in the Carl Zeiss Meditec Group's statement of financial position amounted to €1,450.6m as of 30 September 2020 (prior year: €1,417.0m). The equity ratio was 72.0% (prior year: 70.1%) and thus remained high.

Non-current liabilities decreased slightly to €265.1m as of 30 September 2020 (prior year: €265.6m).

As of 30 September 2020 **current liabilities** amounted to €297.6m (prior year: €339.6m).

Key ratios relating to net assets

Key ratios relating to net assets

		30 Sep 2020	30 Sep 2019	Change
Key ratio	Definition	in %	in %	% pts
Equity ratio	Equity (including non-controlling interests) / Total assets	72.0	70.1	+1.9
Inventories in % of rolling 12-month revenue[13]	Inventories (net) / Rolling revenue	21.4	18.4	+3.0
Receivables in % of rolling 12-month revenue[13]	Trade receivables at the end of the reporting period (including non-current receivables) / Rolling revenue	20.0	22.8	-2.8

Orders on hand

The Carl Zeiss Meditec Group's orders on hand amounted to €186.2m as of 30 September 2020, an increase of 22.5% (prior year: €151.9m).

Events of particular significance

There were no other events of particular significance during fiscal year 2019/20.

[13] Revenue of the past twelve months as of the end of the reporting period (30 September 2020)

NON-FINANCIAL PERFORMANCE INDICATORS

Sustainability

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

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

Carl Zeiss Meditec AG therefore makes use of the option under Section 289b (2) HGB and Section 315b (2) HGB to exempt itself from issuing a non-financial statement and the non-financial consolidated statement, and refers to the separate summary non-financial report of the parent company, Carl Zeiss AG, into which Carl Zeiss Meditec AG has been incorporated. This separate, non-financial report, which applies for the entire ZEISS Group, shall be available for inspection, in German and English, from 29 January 2021 at www.zeiss.de/verantwortung.

Responsibility[14]

Taking social responsibility plays an important role for the management of the Carl Zeiss Meditec Group, for example by supporting local initiatives for society and commitment to scientific and technological research. Special importance is attached to the worldwide commitment to good vision. ZEISS supports the work of the Christoffel-Blindenmission (CBM), for example by promoting education and training centers for ophthalmologists. CBM's mission is to improve the lives of people with visual impairments, to prevent visual impairment, to break down barriers for people with visual impairments and to provide medical care for people in disadvantaged regions.

In line with the motto "Helping people to help themselves", ZEISS also supports the ICO Fellowship Program as a partner of the foundation of the international umbrella organization for ophthalmology (International Council of Ophthalmology, ICO). Since 2001, the foundation has enabled young doctors from disadvantaged regions to do internships in European hospitals. ZEISS supports two scholarships per year as part of the ICO Fellowship Program and values it as an effective initiative for the continuing education of young doctors who return to their home countries to use their newly acquired skills there.

Using various business models, ZEISS Medical Technology aims to help provide eye care to remote regions, such as rural areas of India, for example, thus giving more people access to state-of-the art eye examinations.

With its VisuHealth remote health solution, ZEISS networks three eye clinics with more than forty screening centers in India using digital technologies. This enables the early detection of diseases such as diabetic retinopathy for people in remote regions. A total of more than 435,000 people have already been examined in this way since fiscal year 2015/16.

With the outbreak of the COVID-19 pandemic, the Medical Technology segment of ZEISS focused on helping address a growing need for safety measures for medical personnel. During intubation, an often-necessary treatment path in severe COVID-19 cases, medical staff are especially prone to exposure. With the video laryngoscope ZEISS NURA, the company offers protection by enabling an increased distance between the user

[14] The contents of this section are voluntary information and therefore not audited.

and the patient. First deliveries of ZEISS NURA to European COVID-19 treatment centers have been made in fiscal year 2019/20. In November 2020, another 5000 units were prepared for shipment to hospitals around the world.

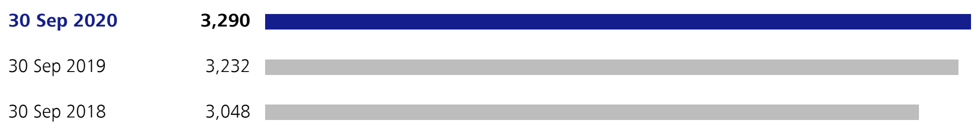
Like social engagement, responsible and appropriate handling of natural resources also plays an important role for ZEISS.

Once again, ZEISS participated in CDP (previously Carbon Disclosure Project) in fiscal year 2019/20. CDP awarded ZEISS a "B"rating for its reporting in fiscal year 2018/19, on a scale from A to D (2017/18: "B"). The aim is to maintain this high standard in future. The results are publicly accessible at www.cdp.net.

Employees

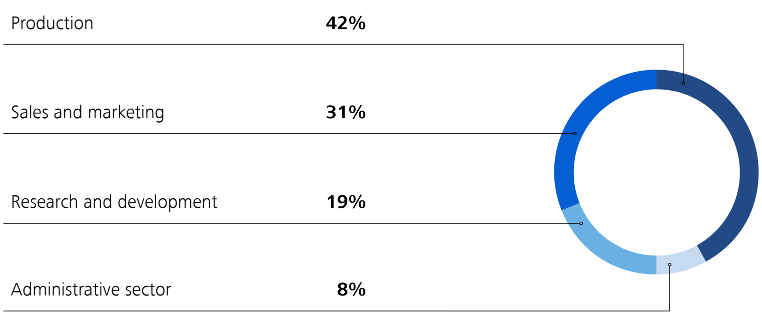
Highly qualified and motivated employees are a necessity for ensuring a company's long-term success. Responsible human resources development and promotion prospects play a crucial role in this. As of 30 September 2020, the Carl Zeiss Meditec Group had 3,290 employees worldwide (prior year: 3,232).

Employees



At 42% and 31%, respectively, the majority of employees were working in Production or Sales and Marketing as of 30 September 2020. This includes a total of 551 Service employees, who are spread across various areas. The percentage of employees working in Research and Development was 19% at the end of the reporting period. The percentage of employees working in the administrative segment as of 30 September 2020 was 8%.

Employees by function 30 September 2020



A total of 67% and thus the majority of the Carl Zeiss Meditec Group's employees were working in the EMEA region as of 30 September 2020. A total of 28% of all employees of the Group were working in the Americas region and 5% in the APAC region.

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

Employees by region 30 September 2020

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

Compliance

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

Production

Production plants

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

Production concept

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

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

Production planning

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

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

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

Research and development

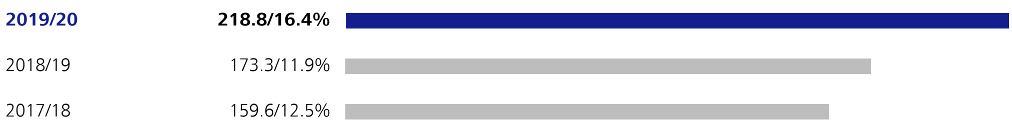
Objectives and focus of research and development

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

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

In fiscal year, research and development expenses increased by 26.2%, to €218.8m (prior year: €173.3m). In line with the weaker revenue trend due to the COVID-19 pandemic, the R&D ratio was significantly higher year-on-year, at 16.4% (prior year: 11.9%). Primary development costs in the amount of €8.2m were capitalized. Further information can be found in the accompanying notes to the consolidated financial statements.

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



In the reporting period, 19% (prior year: 17%) of the Carl Zeiss Meditec Group's entire workforce was working in Research and Development. To a limited extent, research and development services are procured from Carl Zeiss AG, Oberkochen and its subsidiaries. In fiscal year 2019/20, the expenses incurred for this amounted to around 14.7% of total research and development expenses.

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

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

Customer service[15]

Maximum reliability and trusting cooperation at all times are the foundation of sustainable customer relationships, and especially in Service.

Carl Zeiss Meditec AG strives to create added value for customers and patients with innovative products and solutions in the medical technology field, combined with smooth and reliable customer service.

Professional customer service requires fast and easy accessibility, short response times, efficient and competent execution of service assignments, consistently demand-driven supply of replacement parts and, not least, professional follow-up.

Technical service ensures reliable availability of ZEISS devices at the customer, so that the medical workflow is not disrupted and optimum use can be made of resources. Digitalization offers tremendous opportunities to improve service quality and efficiency, for example via remote connectivity. This is the basis for ZEISS Smart Services. ZEISS Smart Services include the remote transmission and preventive monitoring of important device parameters. In the event of a malfunction, technical assistance can be provided quickly via an online connection.

Particularly in the context of remote monitoring and remote intervention, cyber security plays a vital role in ensuring both the functional safety of the medical device and the protection of patient data at all times.

Carl Zeiss Meditec AG works continuously on further developing its customer services, in order to provide customers with the best possible support and according to their individual requirements. Customer satisfaction and the operative performance of the Service organization are continuously measured and optimized for this purpose.

[15] The contents of this section are voluntary information and therefore not audited.

Customer focus[16]

Innovative and differentiated solutions in ophthalmology and microsurgery are made possible by the global positioning of the Company, as well as its capacity for innovation and customer proximity.

Customer solutions in ophthalmology[16]
While business with devices and systems for diagnosis and therapy declined in fiscal year 2019/20, recurring sales proved to be relatively stable at the end of the fiscal year.

In the diagnostic area, the CLARUS™ 700 fundus camera enables ultra-widefield imaging and records highly detailed, precise images of the retina, from the macula to the periphery. This enables ophthalmologists to identify early signs of eye diseases faster and more reliably.

In the field of optical coherence tomography, ZEISS CIRRUS 6000 enables significant increases in efficiency for ophthalmologists. Compared to the predecessor model, it offers higher speeds and throughputs, enabling even more patients to be examined more quickly with improved imaging and image quality.

The SL 800 slit lamp enables precise imaging in terms of contrast and resolution. It delivers true-color images that allow diagnostic details to be identified, and its illumination options cater for clinical requirements. The ZEISS SL 800 can be operated with one hand due to an integrated tower concept, thus simplifying the workflow.

The demand for software solutions increased again significantly in fiscal year 2019/20. One example of this is FORUM®, a scalable and flexible data management system, which can be used to centrally manage the relevant examination data. This enables fast and reliable access to clinically relevant patient data, which simplifies the daily work of physicians and significantly increases the efficiency of ophthalmic practices. The new addition to the ZEISS Cataract Suite, the EQ-Workplace, provides surgeons with a digital solution for networking and streamlining the workflow in refractive cataract surgery. By allowing continuous and location-independent access to data, the EQ-Workplace enables surgeons to increase efficiency, even before surgery.

In surgical ophthalmology, ZEISS offers ARTEVO® 800, a digital microscope which, with a drastically reduced level of illumination, offers a depth of field that gives visual impressions in true color and thus greater certainty.

In fiscal year 2019/20, ZEISS presented the IOLMaster® 700 with Central Topography (CT) to simplify the cataract procedure and improve its performance and cost efficiency. Cataract surgeons require relevant data to improve workflow efficiency. 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. With more relevant data at the start of the cataract workflow, the working methods of cataract surgeons can be optimized. The update also includes cloud connectivity of ZEISS EQ Mobile, allowing physicians to access IOL calculation reports on their mobile device and transfer surgical planning data to the operating room via the cloud.

As an additional workflow enhancement, the CT LUCIA® 621P/PY from ZEISS was added to the the hydrophobic ZEISS portfolio. It is a lens of the new generation of aspheric monofocal C-loop IOL in the optical design by ZEISS. The patented aspheric optic design of the ZEISS CT LUCIA mitigates against potential decentration issues while still providing excellent visual outcomes. It also comes in a new and improved fully preloaded injector that promotes an easy and safe cataract workflow.

[16] The contents of this section are voluntary information and therefore not audited.

New milestones were also reached in the area of refractive surgery. The number of procedures carried out using the minimally invasive ReLEx® SMILE technique, which was launched worldwide in 2011, has continued to increase and has now passed the 3.5 million mark of eyes treated. This minimally invasive technology allows for a gentler surgical procedure in laser vision correction. To date, over 1,200 VisuMax systems have been installed applying the SMILE process. The minimally invasive technology is used by more than 2,000 surgeons in more than 80 countries.

Customer solutions in Microsurgery[17]
In Microsurgery, the Carl Zeiss Meditec Group offers a wide range of solutions, such as state-of-the-art surgical microscopes for neurosurgery, ear, nose and throat (ENT) surgery, plastic and reconstructive (P&R) surgery, as well as spinal and dental surgery.

Since its market launch in 2017, the KINEVO® 900 has enjoyed a continuous rise in demand. ZEISS KINEVO 900 has achieved authority approvals in over 100 countries. Every year it is used in over 300,000 surgical procedures. It is a robotic visualization system for use in neurosurgery. The device contains special robotic technology that avoids the need for frequent manual repositioning and widens the surgeon’s line of sight. Digital visualization means the physician avoids having to adopt an unergonomic working posture during surgery. The digital, high-resolution image can be transmitted to assistant doctors, OR staff and doctors in training for learning and training purposes. The ZEISS KINEVO® 900 was nominated for the German Future Prize (Deutscher Zukunftspreis) 2020 in fiscal year 2019/20.

EXTARO® 300 is a dental microscope that combines optical magnification with a fluorescence-based technology for identifying tooth decay. In October 2018, the use of EXTARO® 300 in the ENT field and the TIVATO® 700 in spinal surgery was also presented. The TIVATO® 700 makes it possible to assess vessel patency using fluorescence options, for example. In addition, both surgeons and assistant physicians, OR staff and doctors in training can benefit from the outstanding image quality and can follow the procedure. Another advantage of the TIVATO® 700 is its range: an extended working distance makes it easier to use long instruments. The system also offers greater flexibility, due to excellent headroom.

New long-term results of the international TARGIT-A breast cancer study based on ZEISS technology have demonstrated the effectiveness and increased efficiency of ZEISS INTRABEAM in targeted intra-operative single-dose radiotherapy for breast cancer patients. Globally more than 40,000 patients have already been treated, in over 350 breast cancer centers, with the TARGIT method. The single-dose, local intra-operative radiotherapy (TARGIT) - with ZEISS INTRABEAM - directly after tumor removal has proven to be non-inferior when compared with external radiotherapy (EBRT). According to the study results, the risk of recurrence of the tumor in the breast is statistically comparable and non-breast cancer mortality is reduced.

Customer solutions in growth markets[17]
Product requirements in established markets are often very different from the requirements in rapidly developing economies such as India or China. The Carl Zeiss Meditec Group therefore has a market-specific product range. Given the particularly high numbers of patients, ease of use and versatility of the devices and systems, as well as cost, play a crucial role. Determining customer needs requires a strong on-site presence. The presence of the ZEISS-run Center of Application and Research in India (CARIn) means that targeted investments are being made in research and development projects in the immediate vicinity of our customers.

[17] The contents of this section are voluntary information and therefore not audited.

Brands and patents

The Company invests in innovations and solutions and protects its innovations with patents. The Carl Zeiss Meditec Group currently owns more than 850 patent families worldwide (prior year: 850). An average of two patents a week were granted for the Carl Zeiss Meditec Group in fiscal year 2019/20. Although the protection for a patent varies from country to country, the Company still strives to protect products in the various markets as comprehensively as possible with patents. As a number of products have already been on the market for some time, patent protection does not always extend to the basic functionality of these products, but also to specific features and enhancements that protect beneficial solutions.

In addition, the Company has more than 662 registered brands (prior year: 621) and brand registrations (as of 30 September 2020). These include, among others, product names, slogans, images, logos and other specific characteristics of the Company.

FINANCIAL STATEMENTS OF CARL ZEISS MEDITEC AG

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

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

Preparation of the financial statements

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

Summary of business development

Carl Zeiss Meditec AG ended fiscal year 2019/20 with a decline in revenue and earnings; thus, the growth trend of the previous years did not continue in the fiscal year under review. This was due in particular to the global spread of the COVID-19 pandemic at the beginning of 2020.

Revenue decreased by 8.2% compared with the prior year, with exchange rate fluctuations having no overall effect on the development of revenue. The EBIT margin declined by 2.3 percentage points, from 21.8% in the prior year, to 19.5%.

Income statement according to HGB

	Appendix	2019/20		2018/19		Change
		€k	€k	€k	€k	in %
Revenue	(19)		**857,507**		**933,914**	**-8.2**
Production costs of services rendered to generate revenue			-374,536		-405,811	-7.7
Gross profit			**482,971**		**528,103**	**-8.5**
Sales and marketing expenses			-113,489		-133,568	-15.0
General and administrative expenses			-31,676		-35,555	-10.9
R&D costs		-164,405	0	-142,330	-	
minus subsidies received		-	-164,405	6	-142,324	+15.5
Other operating income	(22)		24,230		38,113	-36.4
Other operating expenses	(23)		-30,671		-51,225	-40.1
Income from investments	(24)		-		5,855	-100.0
thereof from affiliated companies			-		5,855	-100.0
Income from profit transfer	(25)		5,214		4,017	+29.8
Income from investments and long-term loans			498		609	-18.2
thereof from affiliated companies			498		609	-18.2
Other interest and similar income			801		1,884	-57.5
thereof from affiliated companies			773		1,877	-58.8
Interest and similar expenses	(26)		-17,746		-15,042	+18.0
thereof from affiliated companies			-		-	
Earnings before income taxes			**155,727**		**200,867**	**-22.5**
Income taxes	(27)		-52,902		-67,761	-21.9
Profit after tax			**102,825**		**133,106**	**-22.7**
Other taxes	(28)		-153		-347	-55.9
Net income for the year			**102,672**		**132,759**	**-22.7**
Retained profits brought forward from prior year			319,768		236,201	+35.4
Dividend			-58,137		-49,192	+18.2
Net retained profits			**364,303**		**319,768**	**+13.9**

Results of operations

Revenue decreased by 8.2% year-on-year to €857.5m (prior year: €933.9m). Overall, currency translations had no effect on the decrease in sales. Sales include €3.2m in service revenue pursuant to Section 277 (1) HGB.

In fiscal year 2019/20, gross profit on revenue decreased from €528.1m to €483.0m. The corresponding margin decreased by 0.3 percentage points to 56.3% (prior year: 56.6%).

Selling expenses in the fiscal year amounted to €113.5m, general and administrative expenses amounted to €31.7m. As a result of consistent cost discipline and in spite of declining sales, selling and general administrative expenses decreased by 1.2 percentage points relative to sales. Carl Zeiss Meditec AG’s research and development costs amounted to €164.4m in fiscal year 2019/20 (prior year: €142.3m). Detailed information on the Carl Zeiss Meditec Group's research and development activities can be found on pages 48 et seqq.

The decline in other operating income is mainly the result of higher income in the prior year, due to write-ups on receivables from the subsidiary Carl Zeiss Meditec Iberia S.A. The decrease in other operating expenses is primarily attributable to the decline in foreign currency losses. The increase in interest and similar expenses within the financial result is mainly due to the interest expense on pensions.

The result before tax thus decreased to €155.7m compared with €200.9m in the prior year. Net income for the fiscal year under review amounted to €102.7m (prior year: €132.8m).

Balance sheet

	30 Sep 2020	30 Sep 2019	Change	
	€k	€k	€k	in %
ASSETS				
A. Fixed assets	**659,369**	**613,970**	**45,399**	**+7.4**
I. Intangible fixed assets	84,114	99,594	-15,480	-15.5
II. Property, plant and equipment	28,931	24,578	4,353	+17.7
III. Financial assets	546,324	489,798	56,526	+11.5
B. Current assets	**933,873**	**939,285**	**-5,412**	**-0.6**
I. Inventories	161,852	135,102	26,750	+19.8
II. Receivables and other assets	772,018	804,112	-32,094	-4.0
III. Cash-in-hand and bank balances	3	71	-68	-95.8
C. Deferred income	**1,397**	**1,190**	**207**	**+17.4**
D. Asset-side difference arising from asset offsetting	**-**	**5,178**	**-5,178**	**-100.0**
Total assets	**1,594,639**	**1,559,623**	**35,016**	**+2.2**
EQUITY AND LIABILITIES				
A. Equity	**1,411,626**	**1,367,091**	**44,535**	**+3.3**
I. Subscribed capital	89,441	89,441	-	0.0
II. Capital reserve	954,942	954,942	-	0.0
III. Retained earnings	2,940	2,940	-	0.0
IV. Net retained profits	364,303	319,768	44,535	+13.9
B. Provisions	**92,745**	**88,868**	**3,877**	**+4.4**
C. Liabilities	**88,668**	**102,067**	**-13,399**	**-13.1**
D. Deferred income	**1,600**	**1,597**	**3**	**+0.2**
Total liabilities	**1,594,639**	**1,559,623**	**35,016**	**+2.2**

Net assets and results of operations

Pursuant to German commercial law (HGB), the total assets of Carl Zeiss Meditec AG amounted to €1,594.6m as of 30 September 2020. This corresponds to an increase of 2.2% compared with the prior year (€1,559.6m).

Inventories increased from €135.1m in the prior year to €161.8m, due on the one hand to stockpiling of consumables to ensure delivery capacity for increased demand and, on the other hand, to the stockpiling of raw materials, consumables and supplies for products for which there was a decline in demand due to the COVID-19 pandemic. The decline in receivables and other assets is mainly due to a decrease in trade receivables from affiliated companies.

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

Net retained profits increased by the net income for the fiscal year of €102.7m, less the dividend paid of €58.1m.

Provisions increased to €92.7m (prior year: €88.9m). This was mainly due to higher provisions for pensions. Further information can be found in the notes to the annual financial statements of Carl Zeiss Meditec AG in the section entitled "Provisions".

The debt ratio (ratio of borrowed capital to equity) decreased to 12.9% as of 30 September 2020 (30 September 2019: 14.0%).

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

The Management Board continues to assess the assets and financial position of Carl Zeiss Meditec AG as stable. They contribute toward the achievement of the Company's objectives which are focused on sustainable growth.

Employees

As of 30 September 2020, Carl Zeiss Meditec AG had 1,428 employees. This number does not include Management Board members.

Appropriation of profits

Fiscal year 2019/20 closes with net income for the year of €102,672,196.30. The Management Board proposes utilizing the net retained profits of €364,303,324.69 for fiscal year 2019/20 as follows:

» Payment of a dividend of €0.50 per no-par value share for 89,440,570 no-par-value shares: €44,720,285.00.
» Carryforward of residual profit to new account: €319,583,039.69.

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

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

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

Carl Zeiss Meditec AG therefore makes use of the option under Section 289b (2) HGB and Section 315b (2) HGB to exempt itself from issuing a non-financial statement and the non-financial consolidated statement, and refers to the separate summary non-financial report of the parent company, Carl Zeiss AG, into which Carl Zeiss Meditec AG has been incorporated. This separate, non-financial report, which applies for the entire ZEISS Group shall be available for inspection, in German and English, from 29 January 2021 at www.zeiss.de/verantwortung.

REMUNERATION REPORT

Remuneration report of the Management Board

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

At its meeting on 2 December 2019, the Supervisory Board also addressed the achievement of objectives by the Management Board members for fiscal year 2018/19, and stipulated the relevant variable remunerations. This meeting also reviewed the remuneration of the members of the Management Board, based on the salary situation compared with the market, general price and salary trends, as well as past and expected future performances, and found it to be appropriate.

Structure and amount of remuneration paid to the Management Board

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

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

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

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

This program offers a remuneration component with a long-term incentive, which allows the members of the Management Board to annually earn an additional income after a three-year period. This amounts to 40% of the individual short-term variable remuneration for the fiscal year that precedes the beginning of the term of an LTI tranche, plus interest. A precondition for payment of this remuneration is that the members of the Management Board have not handed in their notice at the end of the applicable three-year period per tranche, and the equity ratio of the ZEISS Group is higher than 20% at this point. The first payment was made in December 2014. The next payment is forecast for December 2020.

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

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

	Management Board remuneration						
	Fiscal year	Fixed remuneration	Remuneration in kind and other remuneration[18]	Variable remuneration[19]	Total remuneration paid directly	LTIP	Total remuneration pursuant to Section 314 (1) No. 6a) HGB
		€k	€k	€k	€k	€k	€k
Dr. Ludwin Monz	**2019/20**	400.0	18.0	525.0	943.0	206.3	1,149.3
	2018/19	400.0	17.4	496.3	913.7	201.3	1,115.0
Justus Felix Wehmer	**2019/20**	270.0	20.5	332.6	623.1	190.5	813.6
	2018/19	270.0	20.3	143.3	433.6	112.9	546.5
Jan Willem de Cler	**2019/20**	300.0	12.6	332.6	645.2	184.3	829.5
	2018/19	270.0	12.3	197.8	480.1	144.8	624.9

[18] Benefits in kind and other compensation include e.g non-cash benefits such as the provision of a company car and the reimbursement of employer contributions to the statutory pension and unemployment insurance schemes, as well as contributions to group accident insurance.
[19] Variable remuneration corresponds to the amounts paid in the respective fiscal year.

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

Pension scheme for members of the Management Board

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

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

	Fiscal year	Current service cost	Present value of pension commitment, total
		€k	€k
Dr. Ludwin Monz[20]	**2019/20**	365.7	-
	2018/19	318.8	-
Justus Felix Wehmer	**2019/20**	44.8	261.9
	2018/19	27.6	218.8
Jan Willem de Cler	**2019/20**	42.4	91.4
	2018/19	43.6	43.6

In connection with the appointment of Dr. Monz as a member of the Group Management Board of Carl Zeiss AG, effective 1 January 2014, Carl Zeiss AG became responsible for the pension commitment to Dr. Monz, both for the past and for the future. The pension provision previously set up at Carl Zeiss Meditec AG has accordingly been transferred to Carl Zeiss AG. The proportionate service cost arising from the annual appropriation to the pension provision for Dr. Monz's function as President and CEO of Carl Zeiss Meditec AG shall be passed on to Carl Zeiss Meditec AG, effective from 1 January 2014.
Projected unit credits for pensions for other former members of the Management Board of Carl Zeiss Meditec AG to €1,396.9k (prior year: €1,416.3k).

Value of benefits granted for fiscal year 2019/20 and allocation amount

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

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

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

Dr. Ludwin Monz President and CEO Member of the Management Board since 8 October 2007			Minimum achievable value	Maximum achievable value
	2019/20	2018/19	**2019/20**	**2019/20**
Value of benefits granted	€k	€k	€k	€k
1. Fixed remuneration	400.0	400.0	400.0	400.0
2. Fringe benefit	18.0	17.4	18.0	18.0
3. Total	**418.0**	**417.4**	**418.0**	**418.0**
4. Single-year variable compensation (VCS)	525.0	496.3	-	525.0
5. Multi-year variable compensation (LTI)[21]	**600.2**	**621.4**	**-**	**1,102.8**
2018/19	-	201.3	-	-
2019/20	206.3	157.5	-	315.0
2020/21	131.3	131.3	-	262.6
2021/22	131.3	131.3	-	262.6
2022/23	131.3	-	-	262.6
6. Pension cost	365.7	318.8	365.7	365.7

Allocation amount in fiscal year Dr. Ludwin Monz

Dr. Ludwin Monz President and CEO Member of the Management Board since 8 October 2007	**2019/20**	2018/19
Allocation amount for the fiscal year	€k	€k
1. Fixed remuneration	400.0	400.0
2. Fringe benefit	18.0	17.4
3. Total	**418.0**	**417.4**
4. Single-year variable compensation (VCS)	525.0	496.3
5. Multi-year variable compensation (LTI)	206.3	201.3
6. Total	**1,149.3**	**1,115.0**
7. Pension cost	365.7	318.8
8. Total remuneration	**1,515.0**	**1,433.8**

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

Justus Felix Wehmer CFO Member of the Management Board since 1 October 2018			Minimum achievable value	Maximum achievable value
	2019/20	2018/19	**2019/20**	**2019/20**
Value of benefits granted	€k	€k	€k	€k
1. Fixed remuneration	270.0	270.0	270.0	270.0
2. Fringe benefit	20.5	20.3	20.5	20.5
3. Total	**290.5**	**290.3**	**290.5**	**290.5**
4. Single-year variable compensation (VCS)	180.0	180.0	-	378.0
5. Multi-year variable compensation (LTI)	**446.7**	**357.6**	**-**	**694.3**
2018/19	-	112.9	-	-
2019/20	190.5	111.2	-	190.5
2020/21	87.3	74.8	-	149.6
2021/22	68.1	58.7	-	130.4
2022/23	100.8	-	-	223.8
6. Pension cost	44.8	27.6	44.8	44.8

[21] Entitlement if thresholds exceeded

Allocation amount in fiscal year under review, Justus Felix Wehmer

Justus Felix Wehmer CFO Member of the Management Board since 1 October 2018	**2019/20**	2018/19
Allocation amount for the fiscal year	€k	€k
1. Fixed remuneration	270.0	270.0
2. Fringe benefit	20.5	20.3
3. Total	**290.5**	**290.3**
4. Single-year variable compensation (VCS)	332.6	143.3
5. Multi-year variable compensation (LTI)	190.5	112.9
6. Total	**813.6**	**546.5**
7. Pension cost	44.8	27.6
8. Total remuneration	**858.4**	**574.1**

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

Jan Willem de Cler Member of the Management Board since 1 Oct 2018			Minimum achievable value	Maximum achievable value
	2019/20	2018/19	**2019/20**	**2019/20**
Value of benefits granted	€k	€k	€k	€k
1. Fixed remuneration	300.0	270.0	300.0	300.0
2. Fringe benefit	12.6	12.3	12.6	12.6
3. Total	**312.6**	**282.3**	**312.6**	**312.6**
4. Single-year variable compensation (VCS)	200.0	180.0	-	420.0
5. Multi-year variable compensation (LTI)	**475.2**	**415.8**	**-**	**752.8**
2018/19	-	144.8	-	-
2019/20	184.3	107.5	-	184.3
2020/21	96.1	82.4	-	164.8
2021/22	94.0	81.1	-	179.9
2022/23	100.8	-	-	223.8
6. Pension cost	42.4	43.6	42.4	42.4

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

Jan Willem de Cler Member of the Management Board since 1 Oct 2018	**2019/20**	2018/19
Allocation amount for the fiscal year	€k	€k
1. Fixed remuneration	300.0	270.0
2. Fringe benefit	12.6	12.3
3. Total	**312.6**	**282.3**
4. Single-year variable compensation (VCS)	332.6	197.8
5. Multi-year variable compensation (LTI)	184.3	144.8
6. Total	**829.5**	**624.9**
7. Pension cost	42.4	43.6
8. Total remuneration	**871.9**	**668.5**

Departure of members of the Management Board

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

Remuneration of the Supervisory Board

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

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

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

	Fiscal year	Basic remuneration	Committees and attendance fee	Total remuneration
		€k	€k	€k
Prof. Dr. Michael Kaschke	**2019/20**	60.0	11.0	71.0
(Chairman)	2018/19	60.0	4.0	64.0
Tania von der Goltz	**2019/20**	45.0	9.0	54.0
(Deputy Chairwoman)	2018/19	45.0	3.0	48.0
Dr. Markus Guthoff	**2019/20**	45.0	20.2	65.2
	2018/19	45.0	11.0	56.0
Dr. Christian Müller[22]	**2019/20**	30.0	20.0	50.0
(since 19 March 2019)	2018/19	16.1	7.7	23.8
Dr. Karl Lamprecht[23]	**2019/20**	8.0	4.8	12.8
(since 25 June 2020)	2018/19	-	-	-
Isabel De Paoli	**2019/20**	8.0	3.0	11.0
(since 25 June 2020)	2018/19	-	-	-
Thomas Spitzenpfeil	**2019/20**	-	-	-
(until 18 March 2019)	2018/19	13.9	2.3	16.2
Cornelia Grandy	**2019/20**	30.0	18.0	48.0
	2018/19	30.0	2.0	32.0
Renè Denner	**2019/20**	30.0	7.0	37.0
(since 1 October 2019)	2018/19	-	-	-
Jeffrey Marx	**2019/20**	17.1	5.0	22.1
(since 6 March 2020)	2018/19	-	-	-
Jörg Heinrich	**2019/20**	-	-	-
(until 30 September 2019)	2018/19	30.0	9.0	39.0

[22] As in the prior year, Dr. Christian Müller waived his entitlement to remuneration for fiscal year 2019/20 by way of a waiver declaration.
[23] Dr. Karl Lamprecht waived his entitlement to remuneration for fiscal year 2019/20 by way of a waiver declaration.

The Company did not pay the members of the Supervisory Board any additional remunerations or benefits for personally rendered services (specifically consultancy and agency services) in fiscal year 2019/20.

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

OPPORTUNITY AND RISK REPORT

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

Risk management

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

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

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

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

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

Significant risks

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

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

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

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

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

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

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

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

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

Risks of information technology
The Carl Zeiss Meditec Group continuously reviews and exploits the opportunities of digitalization. This creates many new possibilities to offer customers additional services. At the same time, the Group constantly updates its existing information technology (IT) systems, and its IT protection and security systems. Functioning and adequately documented IT systems are also a prerequisite for obtaining product approvals in certain countries. Risks that, in the event of damage, could result in an interruption of business processes due to IT system failures or the loss or falsification of data, are therefore identified and evaluated across the entire life cycle of the applications and IT systems. Measures were taken in this area during the fiscal year under review, in particular to prevent damage from cyber attacks and virus attacks to the IT infrastructure and medical devices at the customer. Some of the Group’s IT systems are operated by external partners. The Group has defined standards for these service providers with regard to the hardware and software used, as well as data security. The Group continuously monitors the implementation of and compliance with these standards. The management does not expect this to have any material effects on the Group's net assets, financial position or results of operations.

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

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

The consolidated statement of financial position shows goodwill from acquisitions totaling €333.8m, which is reviewed annually for impairment in accordance with IAS 36. A total of €332.8m of this goodwill is attributable to the Ophthalmic Devices SBU, and €1.0m to the Microsurgery SBU. The impairment tests carried out during the fiscal year under review did not give any indication of impairment of the goodwill-bearing cash-generating units (CGUs). Based on the development of business, the Group also anticipates positive results from subsequent tests. Due to changes in general economic conditions or changes in business models, impairment losses cannot be ruled out on goodwill recognized for individual or all companies acquired in the past.

Legal risks, patents and intellectual property

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

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

Legal risks may arise due, among other things, to changes in general legal conditions in the relevant markets and to legal disputes with competitors, business associates or customers. There is no pending litigation that poses any risk to the continued existence of the Group at present. Should it be necessary, adequate provisions will be set up as a precaution. Further details on litigation and arbitration proceedings involving the Carl Zeiss Meditec Group can be found in note "(30) Contingent liabilities and other financial commitments" in the accompanying notes to the consolidated financial statements.

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

Financial risks
As a result of the European debt crisis there is a latent credit risk concerning business banks at which the Carl Zeiss Meditec Group holds deposits. However, the Company has taken various measures to mitigate risks. For example, it has introduced a monitoring procedure to monitor the current situation in the capital markets. The Company has categorized its financial risks as moderate. The basis for this categorization is the sound financing structure with an equity ratio of 72.0%, the large reserve of cash and cash equivalents, and strong cash flows from operating activities. Cash and cash equivalents at the Carl Zeiss Meditec Group are kept in reserve based on a rolling monthly cash forecast within a fixed planning period, and are managed as part of a Group-wide ZEISS cash pool.

The financial risks also include liquidity risks, price fluctuation risks for financial instruments and risks associated with fluctuations in cash flows. These risks and their management are described in note "(37) Financial risk management" in the accompanying notes to the consolidated financial statements.

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

The global economic environment, which has become more volatile over the last few years, resulting in greater overall economic risks, has once again changed for the worse due to the COVID-19 pandemic. Lockdowns, entry restrictions, disrupted supply chains, volatile commodity prices and worsening financial conditions have led to fears of a global recession far beyond the economic downturn resulting from the financial crisis of 2008/09. Although the number of cases of the disease fell in some countries and everyday business resumed in summer 2020, there is a risk of a renewed market slump in winter 2020/21 as a result of a second wave of infection. During the pandemic, the Carl Zeiss Meditec Group’s business was affected in particular by the restrictive access restrictions in health care establishments and practices and by the suspension or significant reduction of treatments that were not vital or pain-relieving. We could see a repeat of this scenario with further waves of infection.

In order to cushion the negative impacts of the pandemic, the Carl Zeiss Meditec Group took various measures, such as optimizing and reducing costs and taking advantage of government support measures such as reduced hours compensation. The Group also remained in close contact with its customers to ensure a prompt resumption of business after relaxation of the pandemic containment measures. In addition, digital marketing and sales activities and digital service activities were expanded, anti-infection components were developed for own products, and support services for infection control concepts for customers were offered.

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

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

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

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

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

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

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

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

Certified quality management
A vital part of early risk detection is the Group's certified quality management system. Clearly structured and documented quality management processes ensure not only transparency, but are now a prerequisite in most markets for obtaining regulatory approval for medical devices. The quality management system employed by

the Carl Zeiss Meditec Group was certified by DQS GmbH Deutsche Gesellschaft zur Zertifizierung von Managementsystemen and complies with the US standard for Good Manufacturing Practice ("GMP"), 21 C.F.R. part 820, Quality System Regulation.

Product liability risk

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

The Company covers itself against potential product liability claims by taking out product liability insurance. The possibility cannot be completely excluded that the Carl Zeiss Meditec Group's existing insurance coverage may not be sufficient to cover potential claims. There are no significant risks in this area at the current time.

Infrastructure risks

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

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

Risks relating to the Group accounting process

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

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

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

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

The Carl Zeiss Meditec Group's financial situation can be considered sound. Cash and cash equivalents amounted to €5.2m as of the balance sheet date 30 September 2020. Added to this are credit balances recognized as receivables from the treasury of the ZEISS Group, in the amount of €703.6m. The Group also generated cash flows from operating activities of €178.5m in the year under review. From a current perspective there are therefore no significant liquidity risks.

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

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

Overall assessment of the Company's risk situation
At the time of preparation of this report, there were no discernible risks that could jeopardize the continued existence of the Carl Zeiss Meditec Group. For the overall assessment, there are differences compared to the prior year to the effect that the Group faces a significantly more tense risk situation, particularly due to the COVID-19 pandemic. The Management Board sees a solid foundation for further development of the Group and uses a systematic strategy and planning process to provide the necessary resources to exploit any opportunities that arise.

DISCLOSURES PURSUANT TO SECTION 289 A AND 315 A HGB

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SUPPLEMENTARY REPORT

No events of material significance for the Group's net assets, financial position and earnings occurred after the end of fiscal year 2019/20.

The development of business at the beginning of fiscal year 2019/20 validates the statements made in the following "Outlook".

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

OUTLOOK

Future conditions for business development

Macroeconomic environment[24]
At the present time, economists expect the coming year to bring a significant revival of the global economy – even if this is from a relatively low starting point due to the recession. The global economy is expected to return to approximately its pre-crisis level in the coming reporting year or calendar year. China is expected to achieve strong economic growth again.

This forecast is subject to major uncertainties, however. It is not currently foreseeable how the pandemic will develop moving forward, what the effects of the very high infection rates will be or when a safe and effective vaccine will be available nationwide. The increase in debt as a result of the pandemic may lead to a reluctance to invest. In many economies, government support services are still masking the full extent of the crisis.

Furthermore, the tensions are once again rising between the US and China, which is leading to increased risks for free trade and thus economic development. If no trade agreement can be reached in the Brexit negotiations between the European Union and Great Britain, trade restrictions are threatened The low oil price may have adverse effects on public sector investment in oil-producing countries.

Future situation in the medical technology industry
The Company’s management generally expects to see further growth on the medical technology market, as the factors responsible for this still hold true. In addition to the increase in the global population, key growth drivers also include a rising proportion of elderly people and a growing percentage of the global population

[24] OECD Economic Outlook June 2020, Paris.

with access to state-of-the-art medical care. The greater demands being placed on innovative capacity in the medical technology industry also play an important role. Consequently, the products and procedures of medical technology manufacturers shall no longer be measured based solely on their effectiveness and safety, but also on their cost-efficiency. Digitalization is another aspect that has already transformed the structure of the medical technology industry today. Integrated system solutions for simplified workflows are an important distinguishing feature for customers. This presents a major opportunity for companies to help design products and solutions in health care and to thus contribute to better treatment outcomes. In the Company's view, the integration of medical technology and information technology shall continue to proceed at a fast pace.

If nothing else, the development of the global economy shall influence the growth of the medical technology industry. Both private customers and public authorities base their investment decisions on it to a certain extent. According to the Company, the COVID-19 pandemic has had a material adverse effect on demand for medical devices in fiscal year 2019/20, due in particular to the temporary restrictions on elective surgery in many countries, which are likely to have contributed to a temporary downturn in the earnings situation of many hospitals and surgical centers. Given the ongoing uncertainty surrounding the future course of the pandemic, it cannot be ruled out that the COVID-19 pandemic may have an adverse effect on fiscal year 2020/21.

At the present time, growth in the medical technology industry as a whole is expected to be in the low to mid-single-digit percentage range in the coming years. In the management's opinion, however, this forecast does not sufficiently reflect the current high level of uncertainty due to the effects of the COVID-19 pandemic.

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

Ophthalmic Devices strategic business unit

In fiscal year 2019/20, the Ophthalmic Devices strategic business unit recorded a moderate overall decline in revenue, mainly due to the effects of the COVID-19 pandemic. Renewed growth is generally expected in fiscal year 2020/21. According to the Company's management, however, this will require that no further major restrictions to contain the COVID-19 pandemic are imposed, particularly restrictions to elective surgery. Under these conditions the Company is confident that it will grow at least to the same extent as the underlying market in the new fiscal year. From a current perspective, and without taking currency effects into account, this corresponds to growth at least in the low to mid-single-digit percentage range. The EBIT margin is expected to remain slightly below the average for the Carl Zeiss Meditec Group.

The acquisition of Carl Zeiss Meditec Cataract Technology, Inc. in December 2018 offers the potential to further improve the quality of treatment results and the efficiency of workflows in cataract surgery through innovative, novel treatment options. The aim of product development is the safe removal of the natural lens before implantation of an intraocular lens. The development projects initiated in connection with the acquisition made further progress in fiscal year 2019/20 in terms of market approvals and clinical studies. The company anticipates dynamic growth in the cataract surgery market in the coming years. Already today this procedure represents one of the most frequently performed surgical procedures worldwide.

Microsurgery strategic business unit

In fiscal year 2019/20 under review the Microsurgery strategic business unit was unable to escape the effects of the COVID-19 pandemic, in spite of double-digit percentage growth in the first half of the year, and recorded a slight decline in revenue for the fiscal year as a whole. In particular the global restrictions on sales activities due to the measures to contain the COVID-19 pandemic, and a general reluctance of many hospitals to invest during the peak phase of the pandemic in spring 2020 had an adverse effect.

The Company expects the Microsurgery strategic business unit to continue to make significant contributions to earnings in future, too, and is optimistic that it will grow at a faster rate than the underlying market in the coming fiscal year. This forecast is likewise subject to the condition that no significant new measures will be imposed to contain the COVID-19 pandemic. From a current perspective, and excluding currency effects, the growth anticipated in fiscal year 2020/21 will be at least in the low to mid-single-digit percentage range. The EBIT margin is also expected to remain significantly above the average for the Carl Zeiss Meditec Group.

Future selling markets

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

Future research and development activities

The Carl Zeiss Meditec Group invests continuously in research and development projects, in which efficient and targeted development processes are playing a key role. The Company searches for new technologies and market trends, in order to subsequently become established on the market with new solutions. To achieve this, regional market conditions and the needs of the customers are involved in the development process from the outset. Investment in digitalization will play an important role in this. In fiscal year 2020/21, R&D expenditure is expected to increase further by at least a high single-digit percentage amount (2019/20: €218.8m).

Future investments

The investment ratio of the Carl Zeiss Meditec Group has been largely consistent over the past few years. Even the investments required to realize growth targets shall not significantly change the current investment ratio in the coming fiscal year. The Company plans to invest around 3% of its revenue in property, plant and equipment (cash) in fiscal year 2020/21, which is on a par with prior years.

Future dividend policy

Carl Zeiss Meditec AG pursues a long-term and earnings-oriented dividend policy. The Company's management plans to propose to the Annual General Meeting the distribution of a dividend of €0.50 per share for the past fiscal year. The dividend ratio would therefore be 36.5% (prior year: 36.4%).

Future employee development

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

Future financial position

Interest income and expenses depend on changes in interest rates on the financial markets. At present, the Company does not expect any marked improvements in investment conditions in the next two years. Interest income and interest expenses are thus expected to remain around the prior year's level. As of 30 September 2020 current cash and cash equivalents of around €707.3m were available for financing. In view of this, as well as the ongoing expectation of positive business development and a positive cash flow from operating activities as a result, and the possibility to use other financial instruments and sources of financing, if required, the management considers the Carl Zeiss Meditec Group's funding capacity to be adequate. In fiscal year 2020/21, the aim is to achieve operative cash flow that is at least in low three-digit million range, based on active working capital management.

Future opportunities

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

Overall assertion on future development

At the time of publication of this 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.

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

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

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

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

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

Jena, 23 November 2020

Dr. Ludwin Monz President and CEO	Justus Felix Wehmer Member of the Management Board	Jan Willem de Cler Member of the Management Board

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 changes in equity (IFRS)

	Note	Share capital	Capital reserve	Retained earnings	Other components of equity	Equity before non-controlling interests	Non-controlling interests	Equity
		€k	€k	€k	€k	€k	€k	€k
As of 1 Oct 2018 as reported		**89,441**	**620,137**	**632,486**	**(48,600)**	**1,293,464**	**21,170**	**1,314,634**
Change in accounting method due to IFRS 9		-	-	1,623	-	1,623	(14)	1,609
As of 1 October 2018 adjusted		**89,441**	**620,137**	**634,109**	**(48,600)**	**1,295,087**	**21,156**	**1,316,243**
Gains /(losses) on foreign currency translation	(2c) (21)	-	-	-	24,540	24,540	2,119	26,659
Remeasurement from defined benefit pension plans	(2n) (22)	-	-	-	(31,752)	(31,752)	45	(31,707)
Changes in value recognized directly in equity	**(2m) (21)**	**-**	**-**	**-**	**(7,212)**	**(7,212)**	**2,164**	**(5,048)**
Consolidated profit		-	-	159,756	-	159,756	823	160,579
Comprehensive income for the period	**(2m) (21)**	**-**	**-**	**159,756**	**(7,212)**	**152,544**	**2,987**	**155,531**
Dividend payments	(9)	-	-	(49,192)	-	(49,192)	(5,626)	(54,818)
As of 30 Sep 2019	**(2m) (21)**	**89,441**	**620,137**	**744,673**	**(55,812)**	**1,398,439**	**18,517**	**1,416,956**
As of 1 Oct 2019		**89,441**	**620,137**	**744,673**	**(55,812)**	**1,398,439**	**18,517**	**1,416,956**
Gains/(losses) on foreign currency translation	(2c) (21)	-	-	-	(31,327)	(31,327)	(872)	(32,199)
Remeasurement from equity instruments	(2m) (27)	-	-	-	(583)	(583)	-	(583)
Remeasurement from defined benefit pension plans	(2n) (22)	-	-	-	939	939	160	1,099
Changes in value recognized in other comprehensive income	**(2m) (21)**	**-**	**-**	**-**	**(30,971)**	**(30,971)**	**(712)**	**(31,683)**
Consolidated profit		-	-	122,385	-	122,385	1,036	123,421
Comprehensive income for the period	**(2m) (21)**	**-**	**-**	**122,385**	**(30,971)**	**91,414**	**324**	**91,738**
Dividend payment	(9)	-	-	(58,136)	-	(58,136)	-	(58,136)
As of 30 Sep 2020	**(2m) (21)**	**89,441**	**620,137**	**808,922**	**(86,783)**	**1,431,717**	**18,841**	**1,450,558**

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.

Consolidated notes
for fiscal year 2019/20 (IFRS)

GENERAL INFORMATION, ACCOUNTING AND VALUATION PRINCIPLES

1 The Company

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

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

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

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

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

(b) Basis of presentation
The consolidated financial statements of Carl Zeiss Meditec AG are based on the going concern assumption. They were prepared in accordance with the International Financial Reporting Standards ("IFRSs") promulgated by the International Accounting Standards Board ("IASB"), London, and take into account all accounting standards and interpretations adopted by 30 September 2020 for which application is mandatory, as they are to be applied in the EU. The present version of the consolidated financial statements complies with the provisions of Section 315e of the German Commercial Code (*Handelsgesetzbuch*, HGB).

The fiscal year of Carl Zeiss Meditec AG and its subsidiaries ends on 30 September.

2 Accounting and valuation policies

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

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

Major subsidiaries with non-controlling interests in the Carl Zeiss Meditec Group are Carl Zeiss Meditec Co. Ltd., Tokyo, Japan, whose non-controlling interest amounts to 49%, and Ophthalmic Laser Engines, LLC, Lafayette, USA, (hereinafter: OLE), whose non-controlling interest amounts to 48%. During the past fiscal year, OLE mainly provided development services; therefore, as in the prior year, no revenue was generated in the current fiscal year. Due to the fact that OLE is treated for tax purposes in the USA like a German partnership, the earnings presented here for Ophthalmic Laser Engines have no tax effect. This is recognized, according to the company form, on a pro rata basis at the respective shareholders.

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

Condensed income statement and other result:

	2019/20		2018/19	
	Carl Zeiss Meditec Co. Ltd.	**Ophthalmic Laser Engines LLC**	Carl Zeiss Meditec Co. Ltd.	Ophthalmic Laser Engines LLC
	€k	€k	€k	€k
Sales	103,047	-	116,714	-
Net income	3,679	(990)	3,616	(1,898)
» thereof profit/loss attributable to non-controlling interests	1,803	(475)	1,772	(911)
Other result (recognized in other comprehensive income)	(1,527)	38	4,364	53
Comprehensive income	2,152	(952)	7,980	(1,845)
» thereof comprehensive income attributable to non-controlling interests	1,054	(457)	3,910	(886)

Condensed statement of financial position:

	30 Sep 2020		30 Sep 2019	
	Carl Zeiss Meditec Co. Ltd.	**Ophthalmic Laser Engines LLC**	Carl Zeiss Meditec Co. Ltd.	Ophthalmic Laser Engines LLC
	€k	€k	€k	€k
Non-current assets	6,057	59	7,681	2,614
Current assets	52,041	2	60,634	24
Non-current liabilities	5,955	467	7,229	719
current liabilities	14,808	466	25,903	1,839
Equity	37,335	(872)	35,183	80
» thereof comprehensive income attributable to non-controlling interests	19,288	(419)	18,234	38

Condensed statement of cash flows:

	2019/20		2018/19	
	Carl Zeiss Meditec Co. Ltd.	**Ophthalmic Laser Engines LLC**	Carl Zeiss Meditec Co. Ltd.	Ophthalmic Laser Engines LLC
	€k	€k	€k	€k
Cash flows from operating activities	11,300	108	(3,804)	(1,606)
Cash flows from investing activities	(222)	-	(86)	1,196
Cash flows from financing activities	(13,458)	(110)	6,446	(61)
Effect of exchange rate changes on cash and cash equivalents	(192)	-	385	12
Increase/(decrease) in cash and cash equivalents	**(2,572)**	**(2)**	**2,941**	**(459)**

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

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

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

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

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

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

	Exchange rate at end of reporting period as of		+/-	Average exchange rate		+/-
	30 Sep 2020	30 Sep 2019	%	**2019/20**	2018/19	%
USD	0.8541	0.9184	-7.0	0.8931	0.8864	0.8
JPY	0.0081	0.0085	-5.0	0.0083	0.0081	2.5
GBP	1.0961	1.1290	-2.9	1.1383	1.1312	0.6
AUD	0.6083	0.6201	-1.9	0.6051	0.6239	-3.0
BRL	0.1508	0.2208	-31.7	0.1846	0.2293	-19.5
TRY	0.1099	0.1626	-32.4	0.1371	0.1581	-13.3
KRW	0.0007	0.0008	-12.5	0.0007	0.0008	-12.5
CNYk	0.1254	0.1286	-2.5	0.1275	0.1289	-1.1

(d) Discretionary decisions and use of estimates
The preparation of the consolidated financial statements in accordance with the IFRSs requires the use of certain assumptions and discretionary decisions that relate to the measurement and recognition of

assets and liabilities, income and expenses, and contingent liabilities. Such assumptions, estimates and discretionary decisions are mainly based on the determination of values in use of cash-generating units, particularly for the purposes of goodwill impairment testing, the accounting and valuation of provisions and inventories, as well as the realizability of future tax charges and tax relief. Assumptions, estimates and discretionary decisions are also often necessary with respect to the default rates for determining the valuation allowances on financial assets, the terms and interest rates for leasing liabilities and the allocation of the expected consideration, and so on. Actual values may vary from the assumptions and estimates made in individual cases. Changes are shown at the time the true value became known. With regard to pension obligations, a changeover at Bloomberg means that the BCLASS system will be used instead of the Bloomberg Industry Classification System (BICS) in future to identify the portfolio of high-quality corporate bonds that is relevant for determining interest rates. This resulted in an exclusion of bonds in the categories "Government-Related" and "Securitized" and the addition of "Special Purpose Vehicles" bonds in the sub-category "Corporate". Due to the refined bond selection, the actuarial interest rate fell by around 5 base points at the changeover date on 30 June 2020. This had no material effects on pension obligations. As the actuarial interest rate will no longer be determined based on the previous database, the effects of this refinement cannot be calculated at the end of the fiscal year.

(e) Goodwill and other intangible assets with an indefinite useful life
Goodwill and other intangible assets with an indefinite useful life are not subject to scheduled amortization but are reviewed regularly for impairment (impairment test).

To do this, Carl Zeiss Meditec determines the following: 1. the cash-generating units), 2. the respective net assets of the cash-generating units and 3. the recoverable amounts of the cash-generating units.

The cash-generating units of the goodwill correspond to the defined business segments according to IFRS 8.5, which represent the lowest level at which goodwill is monitored for internal management purposes.

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

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

At the time of publication of this Annual Report the management of the Carl Zeiss Meditec Group considers the outlook for the coming fiscal year generally positive. The uncertainties surrounding the COVID-19 pandemic remain a key risk according to the Company. 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 significant new measures will be introduced to contain the COVID-19 pandemic - such as elective surgery restrictions in particular. However, looking at the current COVID-19 infection rates in Europe and North America, further strain at the beginning of the new fiscal year as a result of the pandemic cannot be ruled out. Cost planning also considers strategic aspects as well as price trends in the procurement markets. 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%).

The Company is confident that its strategic business unit (SBU) "Ophthalmic Devices" will grow at least to the same extent as the underlying market in the new fiscal year. From a current perspective, and without taking currency effects into account, this corresponds to growth at least in the low to mid-single-digit percentage range. According to the management, however, this will be subject to the condition that no significant new restrictions to contain the COVID-19 pandemic are introduced again, particularly with respect to elective surgeries. The EBIT margin is expected to remain slightly below the average for the Carl Zeiss Meditec Group.

The Company expects the strategic business unit "Microsurgery" to continue to make significant contributions to earnings in future, too, and is optimistic that it will grow at a faster rate than the underlying market in the fiscal year ahead. This forecast is also subject to the condition that no significant new measures are introduced again to contain the COVID-19 pandemic. From a current perspective, and excluding currency effects, the growth anticipated in fiscal year 2020/21 will be at least in the low to mid-single-digit percentage range. The EBIT margin is also expected to remain significantly above the average for the Carl Zeiss Meditec Group.

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

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

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

The Carl Zeiss Meditec Group completed its annual scheduled impairment testing of goodwill and capitalized intangible assets with an indefinite useful life, and intangible assets not yet available for use on 30 June 2020. The results of these tests did not give any indication of a need for impairment of goodwill or of the intangible assets not yet available for use, based on the values in use. Nor did any significant events arise up until the end of the reporting period that could lead to a change in the assessment as of the end of June.

The sensitivity analyses carried out by the Company for the two SBUs Microsurgery and Ophthalmic Devices relate to the changes in the valuation parameters capitalization interest rate and long-term growth rate deemed possible by the management. An increase in the capitalization interest rate by one percentage point and a reduction in the long-term growth rate for the perpetuity period by half a percentage point were assumed for these analyses. Neither of the sensitivity analyses, nor a combination of both adjustments (simultaneous increase in discount rate and reduction in long-term growth rate) results in a need for impairment. To take into account the uncertainty of the current situation, a further sensitivity analysis with double expansion of the valuation parameters (increase in the capitalization interest rate by two percentage points with simultaneous assumption of a zero percent long-term growth rate). Even here, there is not nearly any need for impairment.

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

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

A self-constructed intangible asset, which results from development activities (or from the development phase of an internal project), is recognized if evidence can be provided that the recognition criteria according to IAS 38.57 are fulfilled. Essentially, fulfillment of these criteria is based on certain milestones in the internal development process. These expenses are recognized from the date on which the intangible asset meets the above criteria, in the amount that corresponds to the total expenses incurred. If a self-constructed intangible asset cannot be capitalized, the development costs are recognized in income in the period in which they arise, and are not capitalized retrospectively at a later date.

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

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

Brand names and trademarks	2 to 15 years
Software	1 to 10 years
Licenses, royalties	1 to 10 years
Patents and other industrial property rights	3 to 19 years
Development expenses	3 to 14 years
Miscellaneous other intangible assets	3 to 10 years

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

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

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

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

(h) Financial instruments

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

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

Primary financial instruments

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

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

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

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

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

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

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

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

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

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

For equity instruments, Carl Zeiss Meditec makes use of the option, in individual cases as appropriate, to recognize these financial instruments at fair value through other comprehensive income. This option has currently been used for the stake acquired in MicroOptx Inc., as the current intention is to retain this shareholding long term. A valuation adjustment of €-770k was recognized directly in other comprehensive income in the fiscal year.

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

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

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

Non-current, non-interest-bearing receivables and loans are discounted based on market conditions; interest is shown as income according to the effective interest method.

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

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

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

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

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

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

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

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

(k) Leasing
A lease is established by a contract which, for a fee, transfers to the user (lessee) of an identified asset the right to control the use of that asset for a specific period of time. In this sense, the Group is both lessor and

lessee. As lessor, Carl Zeiss Meditec offers, on the one hand, financing models in the form of finance leases, under which the main opportunities and risks arising from the use of the leased property are transferred to the customer. Under such leases the present value of the outstanding minimum lease payments is recognized as a receivable. Payments made by the lessee are treated as repayments or interest income and the interest income over the term of the lease is recognized in accordance with the effective interest method. The Group also acts as lessor under operating leases. In these cases, the lease payments are recognized immediately through profit or loss in earnings before interest and tax.

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

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

The Group makes use of the simplification rule of recognizing leases with a maximum total term of 12 months (also taking into consideration the reasonably certain exercise of existing contractual options) and leases pertaining to low-value assets in a similar way to the previous operating lease model. The expense is then recognized on a straight-line basis over the term. The Company classifies assets as low-value assets as defined in the standard, insofar as the acquisition cost of a relevant new device is less than/equal to €5,000 (or a similar amount in foreign currency).

(l) Cash and cash equivalents

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

(m) Other components of equity

The item "Other components of equity" includes the other changes in equity recognized in other comprehensive income that are not associated with transactions with shareholders. For the Group, this currently relates to both currency translation and the actuarial effects of pension commitments and the taxes levied on these. The fluctuations in value arising from the financial instruments classified as at fair value through other comprehensive income are also recognized under this item at the same time.

(n) Pension commitments

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

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

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

The service cost is classified as an operating expense.

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

(o) Provisions

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

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

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

(p) Revenue recognition

Carl Zeiss Meditec recognizes revenue when the control over identifiable goods or services is transferred to the customer, in other words, as soon as the customer has the ability to determine the use of the transferred goods and services and essentially derives the residual benefit from those goods and services. This is subject to the existence of a contractual agreement that sets forth legally enforceable rights and obligations. The amount of revenue recognized corresponds to the expected consideration to which the Company has a contractual claim. Variable price components such as discounts, concessions, customer bonuses and rebates are measured based on past experience and reduce revenue accordingly. At Carl Zeiss Meditec AG such components are mainly volume-related bonus payments, which are measured based on the estimation of future purchase volumes per individual customer.

Essentially, Carl Zeiss Meditec recognizes revenue from the sale of goods (including finance leases), operating leases, the provision of services, and from royalties/licenses. Revenue from the sale of goods is recognized at the point at which control passes to the purchaser, which is generally upon delivery of the goods. Depending on the business unit, these are products for the diagnosis and treatment of eye diseases, including implants and consumables, or visualization solutions in the field of neurosurgery, ear, nose and throat surgery, as well as products for intraoperative radiation therapy. Revenue from services, which mainly consist of services arising, for example, from maintenance contracts, is recognized either on a straight-line basis over a specific period, or – where the service is not provided on a straight-line basis – according to the provision of the services, in other words, the service actually provided in relation to the overall services to be provided. Revenue from operating leases is accounted for in accordance with the provisions of IFRS 16 *Leases*, and is recognized on a straight-line basis over the agreed term of the lease. License fees received by the Group in the form of royalties over the period of use are recognized on an accrual basis in accordance with the economic substance of the underlying contract. In all of the cases described, revenue is recognized according to the output-based method.

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

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

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

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

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

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

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

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

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

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

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

(r) Earnings per share

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

(s) Borrowing costs

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

(t) Related party disclosures

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

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

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

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

(u) Recent pronouncements on accounting principles

Carl Zeiss Meditec has implemented all accounting standards adopted by the EU and mandatory from 1 October 2019. For all standards and interpretations applied for the first time there were no significant changes to the accounting and valuation methods, nor are such changes expected.

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

Date of issue	Standard/Interpretation	Amendment/new statutory regulation	Date of first mandatory application	Adopted by the EU
18 May 2017	IFRS 17 *Insurance Contracts*	Principles for the recognition, measurement, presentation and disclosure of insurance contracts (supersedes IFRS 4)	Fiscal years beginning on or after 1 Jan 2023	no
29 Mar 2018	Amendments to the conceptual framework	Revision of definitions and new guidelines on measurement and derecognition, recognition and disclosures	Fiscal years beginning on or after 1 January 2020	yes
22 Oct 2018	Amendment to IFRS 3 *Business Combinations*	Changes to the definition of a business for clarification purposes	Fiscal years beginning on or after 1 January 2020	yes
31 Oct 2018	Amendment to IAS 1 and IAS 8	Definition of materiality	Fiscal years beginning on or after 1 January 2020	yes
26 Sep 2019	Interest rate benchmark reform (amendment to IFRS 9, IAS 39 and IFRS 7)	Changes in interest rates for hedge accounting in connection with IBOR reform	Fiscal years beginning on or after 1 January 2020	yes
23 Jan 2020	Amendment to IAS 1 *Presentation of Financial Statements*	Clarification of when debt is to be classified as non-current	Fiscal years beginning on or after 1 Jan 2022	no
14 May 2020	Improvements to IFRSs (2018 - 2020)	Amendment to standards IAS 41, IFRS 1, 9 and the illustrative examples for IFRS 16	Fiscal years beginning on or after 1 Jan 2022	no
14 May 2020	Amendment to IFRS 3 *Business Combinations*	Adjustment of a reference to a framework concept	Fiscal years beginning on or after 1 Jan 2022	no
14 May 2020	Amendment to IAS 16 *Property, Plant and Equipment*	Clarification that revenue generated during preparation of an asset for use must be recognized in the income statement	Fiscal years beginning on or after 1 Jan 2022	no
14 May 2020	Amendment to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*	Clarification of which costs are to be recognized for loss-making contracts	Fiscal years beginning on or after 1 Jan 2022	no
25 Jun 2020	Amendment to IFRS 17 *Insurance Contracts*	Clarifications on the first-time application of IFRS 17	Fiscal years beginning on or after 1 Jan 2023	no
15 Jul 2020	Amendment to IFRS 4 *Insurance Contracts*	Temporary exemption from the application of IFRS 9 up until first-time application of IFRS 17	Fiscal years beginning on or after 1 Jan 2021	no
27 Aug 2020	Interest Rate Benchmark Reform - Phase 2 (amendments to IFRS 4, 7, 9, 16 and IAS 39)	Additional simplifications in the application of IAS 39 and IFRS 9 for hedge accounting in connection with IBOR Reform	Fiscal years beginning on or after 1 Jan 2021	no

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

(v) Calculation of fair values

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

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

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

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

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

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

If there is no active market, the fair value is determined using recognized valuation methods (present value method or option pricing model). Current market volatilities are used in option pricing models. The interest rates applied across the various maturities and foreign currencies range from -0.2% to +5.3% (prior year: -0.7% to +8.1%)

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

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

3 Purchase and sale of business operations

Fiscal year 2019/20

Acquisition of Photono Oy

By way of an agreement effective 1 July 2020, Carl Zeiss Meditec AG, Germany, acquired 20% of the shares in Photono Oy, Helsinki, Finland, (hereinafter: Photono). It was also contractually agreed that Carl Zeiss Meditec AG may acquire additional shares in Photono in several tranches over the next three years, up to a 100% stake. Furthermore, the remaining 80% of the shares may be acquired at any time or in staggered phases on the basis of options, and is not subject to any additional conditions. If the directly following share acquisition phase (1st staggered option) at the end of calendar year 2020 is not exercised, all further purchase options shall expire. Due to the fact that full acquisition is possible at any time from today’s perspective, and would be advantageous for Carl Zeiss Meditec AG at the current point in time, Photono is already fully consolidated with 100% of the shares in the current fiscal year and is treated as a purchase of a business operation.

Photono is a company specializing in equipment for diagnosing glaucoma. The acquisition will enable the Group to consolidate its technological position and product portfolio in glaucoma treatment.

The preliminary purchase price is €14.0m and is composed of a payment transacted at the acquisition date for 20% of the shares in the amount of €2.0m, and €12.0m from options for shares to be acquired in future amounting to an 80% stake over several tranches. As of the acquisition date, the Group assumed a discounted expected value of €10.4m for the options and has recognized this amount under current and non-current financial liabilities (based on staggered exercise of the existing options).

At the date of publication of Carl Zeiss Meditec AG's annual financial statements as of 30 September 2020, the allocation of the purchase price to the assets and liabilities of the acquired company was not yet complete, as not yet all information on the assets and liabilities was available. The preliminary fair values of the identified assets and liabilities at the acquisition date are as follows:

	Fair value
	€k
Other intangible assets	744
Non-current financial liabilities	593
Other current liabilities less other current assets	40
Net assets	**111**
Goodwill from acquisition	12,279
Total costs of acquisition	**12,390**
Past cash outflow for purchase price components	2,000
Net capital outflow up until 30 September 2020	**2,000**

Incidental acquisition costs amounting to €0.1m incurred in fiscal year 2019/20. These were recognized under general and administrative expenses.

The acquired company accounted for a share of €0m of the revenue reported in the consolidated income statement for fiscal year 2019/20. Photono contributed €-0.1m to consolidated profit.

Pro forma account of the acquisition
Assuming that the presented acquisition had already been completed as of 1 October 2019, pro forma revenue would have amounted to €1,335.5m and pro forma consolidated profit would have amounted to €123.2m.

These pro forma figures were prepared solely for comparison purposes. They provide neither a reliable indication of the operating results that would actually have been generated had the acquisition taken place at the beginning of the period, nor of future results.

Fiscal year 2018/19

Acquisition of IanTECH Inc.
On 22 October 2018, Carl Zeiss Meditec Inc., Dublin, California, USA, signed an agreement for the acquisition of 100% of the shares in IanTECH Inc., Reno, Nevada, USA. The acquisition took place on 14 December 2018. Effective from the same date, the company was renamed Carl Zeiss Meditec Cataract Technology Inc. (hereinafter: CZM Cataract).

The purchase price was composed of a fixed sum (including escrow amount) and performance-related components, which reward the achievement of defined revenue and development targets. These components include, on the one hand, milestones for the successful completion of clinical trials, for obtaining regulatory approval and for achieving a defined production cost target. Furthermore, an earnout component was agreed for the achievement of fixed sales targets.

As of 30 September, the Group remeasured the obligation for the performance-related components. Firstly, regulatory approval for a major product of CZM Cataract was granted early in August 2020. A sum of €25.2m was paid for this regulatory milestone in August 2020. On the other hand, clinical trials are delayed, particularly because of the COVID-19 pandemic, and can no longer be completed within the agreed target achievement period. This delay leads, in turn, to a delay in the market launch of the product and thus to a postponement of the business plan. As a result, the milestone for achieving certain manufacturing cost reduction targets as well as the revenue-based component of the purchase price are expected to be paid at a lower level. The effect of these circumstances amounts to €23.1m and was recognized through profit or loss under other financial result.

The purchase price liability at the end of the reporting period, totaling €78.1m, is composed of the obligation for the remaining payment of the regulatory milestone, which was paid at the start of October 2020, in the amount of €8.5m. The remaining components relate to the other components for the achievement of certain manufacturing cost reductions, as well as the revenue-based components of the purchase price, amounting to €69.6m.

In addition, capital costs for the valuation were adjusted to the currently lower rate as of the end of the reporting period. This results in an effect of €16.0m, which, like the current interest cost of €9.6m, was recognized under interest expense.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

4 Revenue

Group earnings for fiscal years 2019/2020 and 2018/2019 mainly consist of sales revenue. The table below shows a breakdown of revenue:

	2019/20	2018/19
	€k	€k
Income from the sale of merchandise	1,204,397	1,324,534
Income from the provision of services (including sale of replacement parts)	124,775	126,152
Income from royalties/licenses	1,035	1,040
Income from operating leases (rent)	1,455	1,248
Income from finance leases	3,790	6,347
Total	**1,335,452**	**1,459,321**

Revenue include revenues from contracts with customers within the meaning of IFRS 15 in the amount of €1,330,207k. (prior year: €1,415,726k).

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

The transaction price allocated to (fully or partially unfulfilled) remaining performance obligations arising from contracts pertaining to the provision of services that have an original term of more than one year is expected to result in revenue amounting to €5,773k in fiscal year 2021/22 and €4,425k in subsequent fiscal years.

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

5 Personnel expenses

Personnel expenses for fiscal years 2019/20 and 2018/2019 were as follows:

	2019/20	2018/19
	€k	€k
Wages and salaries	287,072	286,144
Social security contributions	47,987	48,364
Pension costs	17,590	13,019
Total	**352,649**	**347,527**

The employer's statutory pension contribution is included under social security costs. Total expenses from all additional defined contribution plans in the current fiscal year amounted to € 4,800k (prior year: €4,236k)).

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

	30 September 2020	30 September 2019	Average 2019/20	Average 2018/19
Production	1,390	1,393	1,407	1,359
Sales & Marketing	1,011	1,022	1,018	1,016
Research & Development	626	552	621	539
Administration	263	265	267	262
Total	**3,290**	**3,232**	**3,313**	**3,176**
Trainees	17	19	18	18

6 Financial result

The financial result comprises the following:

	2019/20	2018/19
	€k	€k
Interest income	1,456	1,801
Interest expenses	(27,265)	(7,651)
Net interest from defined benefit pension plans	(623)	(559)
Net interest income/loss	**(26,432)**	**(6,409)**
Currency gains	30,923	18,026
Currency losses	(26,465)	(46,673)
Foreign currency gains/(losses), net	**4,458**	**(28,647)**
Other financial result	**23,139**	**255**
Total financial result	**1,165**	**(34,801)**

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

The other financial result in the fiscal year under review is mainly influenced by the remeasurement of the contingent purchase price obligations arising from the acquisition of IanTECH Inc. Further information can be found in section 3.

7 Income taxes

Income taxes comprise the following:

	2019/20	2018/19
	€k	€k
Germany	52,753	67,761
Other countries	4,932	3,361
Current taxes:	**57,685**	**71,122**
(thereof prior-period)	(273)	(2,462)
Germany	6,131	(3,259)
Other countries	(8,520)	1,416
Deferred taxes:	**(2,389)**	**(1,843)**
Total	**55,296**	**69,279**

In accordance with the tax law applicable in fiscal year 2019/20, the income of Group subsidiaries in Germany is subject to a corporation tax rate of 15% (prior year: 15%). Taking into account the solidarity surcharge and the varying trade income tax rates, companies in Germany are subject to a tax rate of 29.87% (prior year: 29.87%). The nominal tax rates applicable outside Germany in the fiscal year range between 17.44% and 34.59% (prior year: 19.00% and 34.59%).

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

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

	2019/20	2018/19
	€k	€k
Earnings before income taxes	**178,717**	**229,858**
Expected income tax expense	53,383	68,659
Non-deductible expenses	2,479	1,696
Tax-free income	(249)	(1,387)
Effect of changes in tax rates	356	170
Taxes prior years	273	2,462
Foreign tax rate differential	1,916	(405)
Net retained earnings of subsidiaries intended for disbursement	205	131
Recognition and measurement of deferred tax assets	(3,370)	(2,172)
Other	303	125
Actual income tax expense	**55,296**	**69,279**
Effective tax rate	30.9%	30.1%

€-149k (prior year: €12,873k) was recognized directly in equity, mainly in connection with the adjustment of pensions.

8 Earnings per share

The following table shows the calculation of earnings per share:

	2019/20	2018/19
	€k	€k
Consolidated profit attributable to shareholders of the parent company (€k)	122,385	159,756
Weighted average of issued shares	89,440,570	89,440,570
Earnings per share (in €)	**1.37**	**1.79**

9 Dividend

During the period under review, a dividend of €0.65 per share (prior year: €0.55 per share) was paid to the shareholders of Carl Zeiss Meditec AG for fiscal year 2018/2019.

	2019/20		2018/19	
	€ cent per share	€k Total	€ cent per share	€k Total
Dividend paid	**65**	**58,136**	**55**	**49,192**

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

10 Goodwill

The table below shows the development of Group's recognized goodwill and its allocation to the respective strategic business unit (SBUs) for fiscal years 2019/20 and 2018/2019:

	Ophthalmic Devices SBU	Microsurgery SBU	Total
	€k	€k	€k
As of 30 Sep 2018	**184,467**	**1,171**	**185,638**
Additions	141,187	-	141,187
Currency effects	11,139	130	11,269
As of 30 Sep 2019	**336,793**	**1,301**	**338,094**
Additions	12,279	-	12,279
Currency effects	(16,285)	(321)	(16,606)
As of 30 Sep 2020	**332,787**	**980**	**333,767**

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

The change in the goodwill of the cash-generating unit “Ophthalmic Devices” SBU in 2019/20 results from the acquisition of Photono and from currency effects, in particular of goodwill in USD.

11 Other intangible assets

Other intangible assets developed as follows in fiscal years 2019/20 and 2018/2019:

	Brand names and trademarks	Software	Licenses, royalties	Patents and other industrial property rights	Development costs	Miscellaneous other intangible assets	Total
	€k	€k	€k	€k	€k	€k	€k
Acquisition and production costs As of 1 Oct 2019	**8,865**	**40,123**	**9,935**	**41,296**	**151,498**	**35,531**	**287,248**
Additions reporting entity/ acquisitions	-	-	-	319	425	-	744
Additions	-	1,046	-	117	21,553	4,060	26,776
Disposals	-	(695)	-	(48)	-	-	(743)
Reclassifications	-	786	-	-	1,371	(2,157)	-
Currency effects	(117)	(1,338)	(90)	(587)	(9,005)	(1,777)	(12,914)
As of 30 Sep 2020	**8,748**	**39,922**	**9,845**	**41,097**	**165,842**	**35,657**	**301,111**
Depreciation and amortization As of 1 Oct 2019	**8,652**	**26,725**	**6,168**	**36,247**	**35,142**	**29,978**	**142,912**
Additions	25	5,087	735	2,018	17,583	1,715	27,163
Disposals	-	(695)	-	(48)	-	-	(743)
Currency effects	(103)	(1,140)	(88)	(436)	(2,214)	(1,640)	(5,621)
As of 30 Sep 2020	**8,574**	**29,977**	**6,815**	**37,781**	**50,511**	**30,053**	**163,711**
Net carrying amount as of 30 Sep 2020	**174**	**9,945**	**3,030**	**3,316**	**115,331**	**5,604**	**137,400**

	Brand names and trademarks	Software	Licenses, royalties	Patents and other industrial property rights	Development costs	Miscellaneous other intangible assets	Total
	€k	€k	€k	€k	€k	€k	€k
Acquisition and production costs as of 1 Oct 2018	**8,592**	**33,448**	**9,860**	**37,568**	**65,627**	**37,189**	**192,284**
Additions reporting entity/ acquisitions	176	-	-	1,627	58,526	-	60,329
Additions	-	3,428	-	-	21,212	1,563	26,203
Disposals	-	(2)	-	-	-	(738)	(740)
Reclassifications	-	2,133	-	1,715	-	(3,848)	-
Currency effects	97	1,116	75	386	6,133	1,365	9,172
As of 30 Sep 2019	**8,865**	**40,123**	**9,935**	**41,296**	**151,498**	**35,531**	**287,248**
Depreciation and amortization as of 1 Oct 2018	**8,546**	**21,294**	**4,893**	**32,387**	**22,289**	**28,788**	**118,197**
Additions	20	4,544	1,212	3,615	11,599	115	21,105
Disposals	-	(2)	-	-	-	-	(2)
Currency effects	86	889	63	245	1,254	1,075	3,612
As of 30 Sep 2019	**8,652**	**26,725**	**6,168**	**36,247**	**35,142**	**29,978**	**142,912**
Net carrying amount as of 30 Sep 2019	**213**	**13,398**	**3,767**	**5,049**	**116,356**	**5,553**	**144,336**

Other intangible assets at the end of the reporting period do not include any net carrying amounts (prior year: €15k) for assets identified via purchase price allocations (PPA). The net carrying amounts recognized in the prior year for customer relationships were written down in full in the fiscal year under review.

12 Property, plant and equipment

Property, plant and equipment, including rights of use

Other intangible assets developed as follows in fiscal years 2019/20 and 2018/2019:

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

	Land, buildings and leasehold improvements	Technical plant and machinery	Other office equipment, fixtures and fittings	Payments on account and assets under construction	Total
	€k	€k	€k	€k	€k
Acquisition and production costs as of 1 Oct 2018	**59,618**	**45,761**	**85,636**	**5,290**	**196,305**
Adjustment due to IFRS 16	48,830	37	5,820	-	54,687
Acquisition and production costs as of 1 Oct 2018, adjusted	**108,448**	**45,798**	**91,456**	**5,290**	**250,992**
Additions reporting entity/acquisitions	118	165	9	-	292
Additions	3,731	4,571	13,030	4,153	25,485
Disposals	(5)	(797)	(1,525)	(5)	(2,332)
Reclassifications	139	948	2,752	(3,839)	-
Currency effects	2,591	1,157	2,264	21	6,033
As of 30 Sep 2019	**115,022**	**51,842**	**107,986**	**5,620**	**280,470**
Depreciation and amortization as of 1 Oct 2018	**41,124**	**29,868**	**62,681**	**-**	**133,673**
Additions	11,573	4,055	11,637	-	27,265
Disposals	(5)	(774)	(665)	-	(1,444)
Reclassifications	-	(81)	81	-	-
Currency effects	1,925	647	1,652	-	4,224
As of 30 Sep 2019	**54,617**	**33,715**	**75,386**	**-**	**163,718**
Net carrying amount as of 30 Sep 2019	**60,405**	**18,127**	**32,600**	**5,620**	**116,752**
thereof owned property, plant and equipment	12,482	18,093	27,868	5,620	64,063
thereof leased property, plant and equipment (rights of use)	47,923	34	4,732	-	52,689

Further information on the property, plant and equipment reclassified to the item “Assets held for sale” can be found in section 20.

As in the prior year, no items of property, plant and equipment were pledged as collateral for liabilities as of 30 September 2020.

Leases to rights of use

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

	Land, buildings and leasehold improvements	Technical plant and machinery	Other office equipment, fixtures and fittings	Total
	€k	€k	€k	€k
Net carrying amount As of 1 Oct 2019	**47,923**	**34**	**4,732**	**52,689**
Additions	25,363	-	3,072	28,435
Depreciation and amortization	(11,472)	(14)	(3,156)	(14,642)
Other changes	(740)	(15)	(158)	(913)
As of 30 Sep 2020	**61,074**	**5**	**4,490**	**65,569**
Net carrying amount As of 1 Oct 2018	**4,919**	**18**	**41**	**4,978**
Adjustment due to IFRS 16	48,830	37	5,820	54,687
Net carrying amount as of 1 Oct 2018, adjusted	**53,749**	**55**	**5,861**	**59,665**
Additions	3,118	-	1,719	4,837
Depreciation and amortization	(9,396)	(21)	(2,866)	(12,283)
Other changes	452	-	18	470
As of 30 Sep 2019	**47,923**	**34**	**4,732**	**52,689**

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

On 28 September 1999 Carl Zeiss Meditec Inc. sold and leased back buildings and leasehold improvements in Dublin, USA, for €34,081k. This sale-and-lease-back deal had a term of 20 years. In fiscal year 2017/18 an amendment to the agreement was agreed, according to which the agreement is extended for an additional 21 months after expiry of the original term of the lease agreement. At the same time, this amendment deleted the right to extend the term.

Details of the corresponding lease liabilities can be found in section 28.

13 Deferred taxes

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

	30 Sep 2020		30 Sep 2019	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
	€k	€k	€k	€k
Loss carryforwards	6,769	-	5,426	-
Other intangible assets	1,425	23,398	797	22,253
Fixed assets	1,049	1,713	690	3,526
Inventories	15,881	979	18,659	276
Trade receivables	2,343	-	1,873	221
Other assets	738	3,148	571	726
Provisions	56,964	-	55,797	-
Trade payables	-	-	-	6
Other liabilities	23,276	32	21,687	157
Retained earnings	-	205	-	131
Total	**108,445**	**29,475**	**105,500**	**27,296**
Deferred tax assets (net)	**78,970**		**78,204**	

The consolidated statement of position contains deferred tax assets, after offsetting pursuant to IAS 12, totaling €94,572k (prior year: €96,402k), and deferred tax liabilities of €15,602k (prior year: €18,198k) .

For retained earnings of subsidiaries earmarked for distribution to the amount of €12,191k (prior year: €9,431k) deferred tax liabilities of €74k (prior year: €131k) were recognised in the current fiscal year. The Group did not carry as liabilities deferred tax liabilities of €8,025k (prior year: €8,626k) on retained earnings of subsidiaries of €532,467k (prior year: €565,756k) because, from today's perspective, these earnings are to remain permanently invested.

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

The table below shows the reconciliation of deferred taxes:

	€k
Deferred tax assets (net) as of 30 Sep 2018	**69,015**
Effects recognized through profit or loss	1,843
Effects recognized in other comprehensive income	12,873
Changes in the reporting entity	(6,433)
Currency effects	906
Deferred tax assets (net) as of 30 Sep 2019	**78,204**
Effects recognized through profit or loss	2,389
Effects recognized in other comprehensive income	(149)
Currency effects	(1,474)
Deferred tax assets (net) as of 30 Sep 2020	**78,970**

The effects recognized in other comprehensive income mainly result, as in the prior year, from the measurement of pension commitments.

14 Other non-current assets

Other non-current assets comprise the following:

	30 Sep 2020	30 Sep 2019
	€k	€k
Plan assets for pension commitments	4,287	3,281
Plan assets for accrued flexitime	1,322	1,324
Other	588	1,477
Total other non-current assets	**6,197**	**6,082**

15 Inventories

Inventories comprise the following:

	30 Sep 2020	30 Sep 2019
	€k	€k
Raw materials and supplies	129,774	119,184
Work in progress	47,295	41,510
Finished goods	164,007	153,813
Total inventories, gross	**341,076**	**314,507**
Valuation allowances	(54,716)	(46,185)
Total inventories, net	**286,360**	**268,322**

Inventories were written up/down as follows:

	2019/20	2018/19
	€k	€k
Beginning of fiscal year	**46,185**	**38,321**
Additions recognized as expenses	26,027	22,458
Currency effects	(1,551)	913
Utilization	(11,898)	(12,534)
Reversals	(4,047)	(2,973)
End of fiscal year	**54,716**	**46,185**

The carrying amount of inventories carried at their net realizable value totaled €163,138k as of 30 September 2020 (prior year: €151,523k). Write-ups in the amount of €4,047k (prior year: €2,973k) were recognized in income. The cost of materials totaled €412,216k and €463,984k, respectively, in fiscal years 2019/20 and 2018/2019. These expenses are calculated according to the total cost format and include the costs of raw materials and supplies and purchased goods and services, plus any valuation allowances and changes in inventories. No inventories have been pledged as collateral for liabilities.

16 Trade receivables

Trade receivables, which also include leasing receivables, comprise the following:

	30 Sep 2020	30 Sep 2019
	€k	€k
Current trade receivables	176,653	215,366
Non-current trade receivables	9,280	10,802
Trade receivables, gross	**185,933**	**226,168**
Valuation allowances	(11,550)	(9,583)
Trade receivables, net	**174,383**	**216,585**

The schedule of valuation allowances and the range of default rates are presented in section 37 "Financial risk management".

17 Other current financial assets

Other current financial assets comprise the following:

	30 Sep 2020	30 Sep 2019
	€k	€k
Credit card receivables	1,858	1,431
Derivative financial instruments	9,871	2,266
Receivables from the ZEISS Group	435	4,892
Debit balances of accounts payable	804	531
Receivables from the German Federal Employment Agency (reduced hours compensation)	810	-
Commission receivable	250	594
Other receivables	689	298
Other current financial assets	**14,717**	**10,012**

18 Other current non-financial assets

Other current non-financial assets comprise the following:

	30 Sep 2020	30 Sep 2019
	€k	€k
Prepaid expenses	6,668	9,342
Receivables from tax office/other tax receivables	9,656	10,328
Advances paid	1,476	1,417
Other receivables	440	410
Other current non-financial assets	**18,240**	**21,497**

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

19 Cash and cash equivalents

Cash and cash equivalents comprise the following:

	30 Sep 2020	30 Sep 2019
	€k	€k
Cash	35	13
Bank balances	5,167	22,626
Cash and cash equivalents	**5,202**	**22,639**

20 Assets held for sale

During the fiscal year under review, the Carl Zeiss Meditec Group signed an agreement pertaining to the sale of its administrative building in Jena Göschwitz to Landesentwicklungsgesellschaft Thüringen mbH, effective 1 December 2020. The reason for the sale of this building is the construction of the new ZEISS High Tech Site Jena.

The carrying amounts of the identified assets are recognized in the statement of financial position as assets held for sale. As of the end of the reporting period they relate to property, plant and equipment amounting to €3.2m.

The property, plant and equipment carried as non-current assets are allocated to the Ophthalmic Devices business segment and the region Germany.

21 Equity

Share capital

As in the prior fiscal year 2018/19, the share capital of Carl Zeiss Meditec AG is composed of 89,440,570 no-par value shares bearing equal rights, each with a theoretical value of € 1, and was fully paid in. Ownership of the shares carries with it the right to vote at the Annual General Meeting and the right to participate in any dividend distributions resolved.

Authorized capital

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

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

Revenue reserves
Under the German Stock Corporation Act (Aktiengesetz), the dividend available for distribution to the shareholders is dependent upon equity as reported in the single-entity financial statements of Carl Zeiss Meditec AG in accordance with the German Commercial Code (HGB). Dividends may only be resolved and paid from any retained earnings that exist (after transfer to statutory reserves). As of 30 September 2020, the annual financial statement of Carl Zeiss Meditec AG showed a net profit of €364,303k (prior year: €319,768k).

Non-controlling interests
The item non-controlling interests comprises the holdings of other shareholders in the equity of Carl Zeiss Meditec Co. Ltd., Tokyo, Japan and Ophthalmic Laser Engines, LLC, Lafayette, USA. As Carl Zeiss Meditec Co. Ltd., Tokyo, Japan, did not pay any dividend to the minority shareholder in the fiscal year under review (prior year: €5,626k), the change in this item is mainly due to the result achieved and currency translation.

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

	€k
Currency translation as of 30 Sep 2018	**4,128**
Development in fiscal year 2018/19	24,540
Currency translation as of 30 Sep.2019	**28,668**
Development in fiscal year 2019/20	(31,327)
Currency translation as of 30 Sep 2020	**(2,659)**

22 Pension commitments

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

Defined benefit plans

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

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

In order to reduce the risks associated with defined benefit pension plans, in particular longevity, pay increase and inflation, benefits are funded via external plan assets. Since 2006 the Company has had a Contractual

Trust Arrangement (CTA) with the independent trustee Carl Zeiss Pensions-Treuhand e.V. for the pension entitlements of the active employees at that time. Allianz Global Investors Advisory GmbH, whom the trustee commissioned to manage the special fund, invests the special fund in the capital market according to the investment principles prescribed by the trustee.

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

USA

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

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

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

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

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

Japan

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

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

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

	30 Sep 2020	30 Sep 2019
	€k	€k
Present value of obligations not financed by plan assets	9,986	10,663
Present value of obligations wholly or partly financed by plan assets	232,587	225,627
Total value of defined benefit obligation (DBO)	**242,573**	**236,290**
Fair value of plan assets	157,483	160,034
Net obligation/Carrying amount	**85,090**	**76,256**
thereof in: Other non-current assets	4,287	3,281
thereof in: Provisions for pensions and similar obligations	89,377	79,537

The defined benefit obligation comprises the following:

	30 Sep 2020			30 Sep 2019		
	Defined benefit obligations (DBO)	Fair value of plan assets	Net obligation	Defined benefit obligations (DBO)	Fair value of plan assets	Net obligation
	€k	€k	€k	€k	€k	€k
Germany	214,458	133,783	80,675	205,882	136,089	69,793
USA	19,413	23,700	(4,287)	20,664	23,945	(3,281)
Japan	5,745	-	5,745	7,145	-	7,145
Other	2,957	-	2,957	2,599	-	2,599
Carrying amount	**242,573**	**157,483**	**85,090**	**236,290**	**160,034**	**76,256**

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

	2019/20	2018/19
	€k	€k
Current service cost	12,790	8,783
Net interest expense	623	559
Net expenditure in the fiscal year recognized in the income statement	**13,413**	**9,342**
(Income) / loss from plan assets, excluding amounts already included in interest	1,730	(1,125)
Actuarial (gains) / losses	(3,249)	46,281
(Income) / expense recognized in other comprehensive income	**(1,519)**	**45,156**
Actual (income)/expense on plan assets	(263)	(4,187)

The current service cost of €12,790k (prior year: €8,783k) is included under both "Cost of goods sold" and "Functional costs", depending on the allocation of personnel costs to the functional areas.

The present value of defined benefit obligations developed as follows:

	2019/20	2018/19
	€k	€k
Defined benefit obligation (DBO) at beginning of fiscal year	**236,290**	**179,819**
Current service cost	12,790	8,783
Interest expense	2,616	3,621
Benefit payments	(4,224)	(3,357)
Actuarial (gains) / losses based on demographic assumptions	(301)	60
Actuarial (gains) / losses based on financial assumptions	(1,600)	45,183
Actuarial (gains) / losses based on empirical assumptions	(1,348)	1,038
Additions/Disposals	134	(819)
Currency effects from foreign plans	(1,784)	1,962
Defined benefit obligation (DBO) at end of fiscal year	**242,573**	**236,290**

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

	2019/20	2018/19
	€k	€k
Fair value of plan assets at beginning of fiscal year	**160,034**	**139,957**
Interest income	1,993	3,062
Remeasurements (income) / (expense) from plan assets, excluding amounts already included in interest	(1,730)	1,125
Employer contributions	1,850	15,615
Employee contributions	185	66
Pension payments from plan assets	(3,108)	(1,160)
Currency effects from foreign plans	(1,741)	1,369
Fair value at end of fiscal year	**157,483**	**160,034**

For the coming fiscal year the Group intends to pay a contribution of €269k (previous year: €307k) into the defined benefit plans.

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

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

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

	30 Sep 2020	30 Sep 2019
	€k	€k
Developed markets	44,033	35,962
Growth markets	8,004	7,008
Equity instruments (shares)	**52,037**	**42,970**
Government bonds	8,399	8,056
Corporate bonds	45,762	51,679
Other	15,486	11,869
Debt instruments (bonds, notes)	**69,647**	**71,604**
Real estate	**21,480**	**16,964**
Alternative instruments	**7,817**	**5,668**
Cash	**6,502**	**22,828**
Total plan assets	**157,483**	**160,034**

Pension commitments were calculated using the following average valuation factors:

	Germany		USA		Japan	
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19
	in %	in %	in %	in %	in %	in %
Discount factor	1.05	1.00	2.30	2.90	0.43	0.27
Long-term salary increase	2.75	2.75	0.00	0.00	2.97	4.27
Future pension increase	1.75	1.75	0.00	0.00	0.00	0.00

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

Changes in the definitive actuarial assumptions by half a percentage point would have affected the defined benefit pension obligation as of 30 September 2020 as follows:

	DBO increase	DBO decrease
	€k	€k
Discount rate	32,708	(27,504)
Remuneration trend	2,440	(2,191)
Rate of pension progression	6,786	(6,136)

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

In order to examine the sensitivity of the DBO to a change in the assumed life expectancy, the projected mortality rates were reduced, within the scope of a comparative calculation, to the extent that the reduction leads to an increase in life expectancy of roughly one year. The DBO as of 30 September 2020 would thus have been €9,645k higher.

The weighted duration of the pension obligations was 25.2 years as of 30 September 2020 (prior year: 25.5 years).

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

Fiscal year ending 30 September	Expected benefit payments
	€k
2021	3,471
2022	3,424
2023	3,763
2024	4,296
2025	4,587
2026-2030	28,331

23 Provisions

Current and non-current provisions developed as follows:

	Personnel and social	Ongoing operations	Other	Total
	€k	€k	€k	€k
As of 1 Oct 2019	**3,320**	**15,428**	**8,856**	**27,604**
Additions	2,673	14,624	3,556	20,853
Interest yield	80	-	1	81
Reversals	(40)	(715)	(836)	(1,591)
Utilization	(1,577)	(14,964)	(1,758)	(18,299)
Currency effects	(119)	(533)	(270)	(922)
As of 30 Sep 2020	**4,337**	**13,840**	**9,549**	**27,726**
thereof current provisions	1,099	13,798	3,959	18,856
thereof non-current provisions	3,238	42	5,590	8,870
As of 30 Sep 2019	**3,320**	**15,428**	**8,856**	**27,604**
thereof current provisions	400	15,289	4,452	20,141
thereof non-current provisions	2,920	139	4,404	7,463

Personnel and social commitments

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

The provisions for partial retirement and anniversaries are measured using a projected unit credit method based on actuarial surveys. Actuarial gains and losses are recognized immediately through profit or loss. The measurement parameters correspond to the economic assumptions for financing the pension commitments. Plan assets for partial retirement obligations were offset at their fair value at the end of the reporting period with the provision for partial retirement.

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

	30 Sep 2020	30 Sep 2019
	€k	€k
Present value of partial retirement obligations	937	1,008
Fair value of plan assets	687	688
Reported net liability for partial retirement obligations	**250**	**320**

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

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

24 Non-current financial liabilities

Non-current financial liabilities comprise the following:

	30 Sep 2020	30 Sep 2019
	€k	€k
Liabilities from contingent purchase price components	87,827	109,009
Other purchase price liabilities	10,577	-
Other non-current financial liabilities	593	-
Total non-current financial liabilities	**98,997**	**109,009**
Less current portion of non-current financial liabilities	11,454	-
Non-current financial liabilities less current portion	**87,543**	**109,009**

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

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

25 Current accrued liabilities

Current accrued liabilities include the following items:

	30 Sep 2020	30 Sep 2019
	€k	€k
Outstanding invoices	33,303	33,077
Christmas bonus, special payments, and other personnel-related liabilities	55,822	62,216
Commissions/bonuses	6,709	7,673
Year-end costs	737	911
Other accrued liabilities	2,816	2,858
Current accrued liabilities	**99,387**	**106,735**

26 Other current non-financial liabilities

Other current non-financial liabilities comprise the following:

	30 Sep 2020	30 Sep 2019
	€k	€k
Contract liabilities	24,035	24,891
Liabilities from taxes not related to income	4,229	3,527
Liabilities from social security	1,768	1,965
Wage withholding tax	2,811	3,030
Other liabilities	1,015	966
Other current non-financial liabilities	**33,858**	**34,379**

The contract liabilities contained in the table relate to advance payments received on orders in the amount of €4,940k, as well as deferred revenue due to period-related revenue recognition, in the amount of €19,095k.

27 Additional disclosures on financial instruments

The following table shows the carrying amounts by valuation category of the financial instruments as of 30 September 2020 and 30 September 2019. In all items presented, the carrying amounts correspond to the fair values.

	30 Sep 2020	
	Valuation category according to IFRS 9	Carrying amount
		€k
Primary financial instruments		
Assets		
Trade receivables	AC	174,383
Receivables from related parties	AC	93,330
Treasury receivables	AC	703,560
Investments	FVOCI	4,083
Other current financial assets	AC	4,846
Cash	AC	5,202
Equity and liabilities		
Trade payables	AC	55,133
Liabilities to related parties	AC	36,546
Treasury payables	AC	1,522
Outstanding invoices	AC	33,303
Loans from banks	AC	209
Contingent purchase price obligations	FVPL	87,827
Other financial liabilities	AC	17,926
Derivative financial instruments		
Assets		
Currency hedging contracts	FVPL	9,871
Equity and liabilities		
Currency hedging contracts	FVPL	1,094
Thereof aggregated by valuation category pursuant to IFRS 9		
Amortized cost (AC)		1,125,960
Fair value through other comprehensive income (FVOCI)		4,083
Fair value through profit or loss (FVPL)		98,792

	30 Sep 2019	
	Valuation category according to IFRS 9	Carrying amount
		€k
Primary financial instruments		
Assets		
Trade receivables	AC	216,585
Receivables from related parties	AC	116,185
Treasury receivables	AC	655,167
Investments	FVOCI	5,173
Loans	AC	165
Other current financial assets	AC	7,746
Cash	AC	22,639
Equity and liabilities		
Trade payables	AC	83,451
Liabilities to related parties	AC	34,669
Loans from banks	AC	192
Outstanding invoices	AC	33,077
Contingent purchase price obligation	FVPL	109,009
Other financial liabilities	AC	6,706
Derivative financial instruments		
Assets		
Currency hedging contracts	FVPL	2,266
Equity and liabilities		
Currency hedging contracts	FVPL	18,636
Thereof aggregated by valuation category pursuant to IFRS 9		
Amortized cost (AC)		1,176,582
Fair value through other comprehensive income (FVOCI)		5,173
Fair value through profit or loss (FVPL)		129,911

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

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

As of 30 September 2020 the Company had currency hedging contracts with a total nominal value of €769,784k (prior year: €696,613k). Gains and losses from the valuation of derivative financial instruments not yet due in the amount of €8,695k (previous year: €-16,374k) are recorded in the income statement under "Foreign currency gains/(losses), net".

Net results by valuation category

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

		Interest effects	From subsequent valuation			Write-offs	Net result
			at fair value	Currency translation	Valuation allowance		
		€k	€k	€k	€k	€k	€k
From financial assets measured at amortized cost	30 Sep 2020	784	n.a.	(10,570)	(3,522)	(12)	(13,320)
	30 Sep 2019	1,240	n.a.	5,759	(4,808)	(2)	2,189
From assets measured at fair value through other comprehensive income	30 Sep 2020	-	(770)	-	-	-	(770)
	30 Sep 2019	-	-	-	-	-	-
From assets and liabilities measured at fair value through profit or loss	30 Sep 2020	(25,631)	31,826	5,425	-	-	11,620
	30 Sep 2019	(5,591)	(16,374)	(16,924)	-	-	(38,889)
From financial liabilities carried at amortized cost	30 Sep 2020	(295)	n.a.	908	n.a.	n.a.	613
	30 Sep 2019	(124)	n.a.	(1,108)	n.a.	n.a.	(1,232)
Other	30 Sep 2020	(1,290)	-	-	8	-	(1,282)
	30 Sep 2019	(1,934)	-	-	257	-	(1,677)
Total	**30 Sep 2020**	**(26,432)**	**31,056**	**(4,237)**	**(3,514)**	**(12)**	**(3,139)**
	30 Sep 2019	**(6,409)**	**(16,374)**	**(12,273)**	**(4,551)**	**(2)**	**(39,609)**
thereof through profit or loss	30 Sep 2020	(26,432)	31,826	(4,237)	(3,514)	(12)	(2,369)
	30 Sep 2019	(6,409)	(16,374)	(12,273)	(4,551)	(2)	(39,609)
thereof selling and marketing expenses	30 Sep 2020	-	-	-	(3,522)	(12)	(3,534)
	30 Sep 2019	-	-	-	(4,808)	(2)	(4,810)

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

Financial assets and liabilities carried at fair value by valuation category

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

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

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

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

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

		Category 1	Category 2	Category 3	Total
		€k	€k	€k	€k
Financial assets recognized at fair value through profit or loss	30 Sep 2020	-	9,871	-	9,871
	30 Sep 2019	-	2,266	-	2,266
Financial liabilities recognized at fair value through profit or loss	30 Sep 2020	-	(1,094)	(87,827)	(88,921)
	30 Sep 2019	-	(18,636)	(109,009)	(127,645)

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

	Contingent purchase price obligations
	€k
As of 1 Oct 2019	**109,009**
Additions	9,673
Changes in fair value recognized through profit or loss	2,500
Payment of contingent purchase price obligations	(25,227)
Currency effects	(8,128)
As of 30 Sep 2020	**87,827**

The financial liabilities assigned to category 3 include contingent purchase price obligations arising from the acquisition of IanTECH Inc. and the asset deal concluded with InfiniteVision Optics S.A.S. during the fiscal year under review. The change in fair value recognized through profit or loss includes, on the one hand, the annual interest cost of both liabilities, and the adjustment of the capital costs for the measurement of the liability for IanTECH Inc., on the other. Both effects were recognized under interest expense. The other financial result also includes the income from the remeasurement of the contingent purchase price obligation in relation to IanTECH Inc., which is also a component of the change in fair value recognized through profit or loss presented here. The fair value of the contingent considerations was determined on the basis of the criteria agreed in the purchase agreement and the probable achievement of the target expected according to the current status and discounted at a standard market interest rate. An upward or downward fluctuation in the interest rate by 0.5% points would reduce or increase the contingent considerations, respectively, in the single-digit-million range. A delay in the achievement of targets linked to milestones, accompanied by a simultaneous reduction in the planned revenue targets of 15%, would reduce the obligations by €18m.

Offsetting of financial assets and liabilities

There may be arrangements with individual business partners that allow specific gross items to be offset against each other. The following table shows the offset amounts of trade receivables and trade payables, for which such an arrangement exists, as of 30 September 2020.

		Gross amount	Offsetting	Net amount recognized
		€k	€k	€k
Trade receivables	30 Sep 2020	175,909	(1,526)	174,383
	30 Sep 2019	220,610	(4,025)	216,585
Trade payables	30 Sep 2020	56,659	(1,526)	55,133
	30 Sep 2019	87,476	(4,025)	83,451

28 Leasing liabilities and further disclosures on leases

In fiscal year 2019/20 leasing liabilities in the amount of €16,077k (prior year: €13,663k) were paid and €1,110k (prior year: €1,786k) interest was paid for leases. At the end of the reporting period there were future cash outflows amounting to €68,605k; please refer to section 37 for the maturity analysis of the undiscounted lease payments.

There are no future cash outflows that have not been included in leasing liabilities, the reason being that it is not sufficiently certain whether the lease agreements will be renewed or that they will not be terminated. Leases that the Group has entered into as lessee, but which have not yet entered into effect, shall give rise to future cash outflows of €2,625k.

Further disclosures on leases:

	2019/20	2018/19
	€k	€k
Expense for short-term leases	531	801
Expense for leases for a low-value asset	960	909
Income from sub-leasing rights of use	657	660

OTHER DISCLOSURES

29 Note to the cash flow statement

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

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

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

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

The other non-cash changes relate to new contracts and/or contract amendments from leasing and valuation allowances on treasury receivables.

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

	As of 1 Oct 2018	Adjustment due to new IFRS	Cash changes	Non-cash changes			As of 30 Sep 2019
				Currency effects	Changes to the reporting entity	Other changes	
	€k	€k	€k	€k	€k	€k	€k
Liabilities to banks	288	-	(103)	7	-	-	192
Leasing liabilities	10,850	54,687	(13,663)	696	82	4,837	57,489
Treasury payables	1,661	-	(1,672)	11	-	-	-
Treasury receivables	665,003	(600)	(11,619)	2,383	-	-	655,167

30 Leases – Group as lessor

Operating leases

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

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

The leasing income in the current fiscal year amounts to €1,455k. No leasing income was generated from variable lease payments that are not dependent on an index or interest.

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

	Lease and rental payments
	€k
Up to 1 year	1,118
In year 2	584
In year 3	291
In year 4	50
In year 5	-
More than 5 years	-
Total minimum lease and rental payments	**2,043**

The carrying amount of the property, plant and equipment underlying the operating leases amounts to €2,106k at the end of the reporting period, with €624k relating to technical plant and machinery and €1,482k to other equipment, operating and office equipment.

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

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

In the fiscal year under review, income from finance leases amounted to €1,702k (prior year: €2,780k).

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

	30 Sep 2020	30 Sep 2019
	€k	€k
Due in year 1	2,530	2,039
Due in year 2	2,747	2,255
Due in year 3	1,696	2,415
Due in year 4	1,328	1,199
Due in year 5	516	831
Due after more than 5 years	-	428
Total	**8,817**	**9,167**
Financial income on the net investment in the lease	(560)	(517)
Present value of future lease payments	**8,257**	**8,650**

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

31 Contingent liabilities and other financial obligations

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

Purchase commitments
The Carl Zeiss Meditec Group has purchase obligations to suppliers for property, plant and equipment amounting to €7,130k (prior year: €3,640k) and for intangible assets in the amount of €1,343k (prior year: €82k).

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

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

Provisions have been set up for the expected costs.

32 Securities

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

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

33 Segment reporting

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

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

	Ophthalmic Devices SBU		Microsurgery SBU		Total	
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19
	€k	€k	€k	€k	€k	€k
External revenue	**990,617**	**1,068,604**	**344,835**	**390,717**	**1,335,452**	**1,459,321**
Gross profit on sales	531,901	588,032	213,616	243,852	745,517	831,884
Selling and marketing expenses	(211,124)	(238,031)	(81,717)	(98,203)	(292,841)	(336,234)
General and administrative expenses	(45,540)	(45,727)	(10,780)	(11,952)	(56,320)	(57,679)
Research and development expenses	(179,544)	(139,652)	(39,260)	(33,660)	(218,804)	(173,312)
Earnings before interest and taxes	**95,693**	**164,622**	**81,859**	**100,037**	**177,552**	**264,659**
Depreciation and amortization	47,308	34,959	13,117	13,411	60,425	48,370
Appropriation to provisions	15,858	13,467	4,995	4,673	20,853	18,140
Reconciliation of segments' comprehensive income to the Group's period-end result						
Comprehensive income of the segments					**177,552**	**264,659**
Earnings before interest and taxes					**177,552**	**264,659**
Financial result					1,165	(34,801)
Earnings before income taxes					**178,717**	**229,858**
Income tax expense					(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

As a general rule there were no intersegment sales.

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

	2019/20		2018/19	
	Sales	Non-current assets	Sales	Non-current assets
	€k	€k	€k	€k
Germany	732,069	166,443	765,440	124,207
USA	389,839	328,790	450,761	370,150
Asia	102,518	7,832	116,714	1,815
Europe (excluding Germany)	111,026	108,994	126,406	108,570
Other	-	570	-	522
Total	**1,335,452**	**612,629**	**1,459,321**	**605,264**

The segment assets comprise non-current assets less deferred income taxes of €94,572k (prior year: €96,402k), investments of €4,108k (prior year: €5,173k), other loans of €0k (prior year: €165k) and non-current trade receivables of €9,225k (prior year: €10,796k).

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

34 Government grants

Grants allocated for fiscal year 2019/20 and 2018/2019 were as follows:

	2019/20	2018/19
	€k	€k
Reimbursement of social security contributions	1,518	-
Grants for assets/investment subsidies	637	16
Research and development subsidies	83	90
Wage subsidies	-	63
Other subsidies	82	-
Total	**2,320**	**169**

The Group has not identified any risks of repayment for which provisions have not been set up. Grants received were recognized under cost of goods sold and functional costs and deferred in the amount of €0k (prior year: €16k).

35 Related party disclosures

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

	Transaction amount			
	2019/20		2018/19	
	ZEISS Group	thereof Carl Zeiss AG	ZEISS Group	thereof Carl Zeiss AG
	€k	€k	€k	€k
Sale of merchandise	642,419	-	653,375	95
Purchase of merchandise	44,521	-	51,976	-
Services rendered excluding financial income	2,025	254	6,704	4,206
Services procured excluding financial expenses	115,024	50,566	98,579	49,994
Financial income	21,009	-	6,958	-
Financial expense	7,309	-	39,939	-
including:				
Lease and rental costs	1,692	1,439	1,657	1,287
Research and development expenses	32,057	7,409	16,944	6,846

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

	Outstanding balance			
	30 Sep 2020		30 Sep 2019	
	ZEISS Group	thereof Carl Zeiss AG	ZEISS Group	thereof Carl Zeiss AG
	€k	€k	€k	€k
Receivables	807,197	35	778,664	3,959
Liabilities	41,364	12,273	53,891	14,574

The amounts presented above include receivables from Carl Zeiss Financial Services GmbH of €703,560k (prior year: €655,167k) and liabilities to Carl Zeiss Financial Services GmbH of €1,522k (prior year: €0k).

The loans granted by Carl Zeiss Financial Services GmbH and funds invested with said company are subject to variable interest at normal market conditions.

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

	2019/20	2018/19
	€k	€k
Short-term payments due	3,190	2,571
Payments due after termination of employment contract	453	390
Other long-term payments due	355	241
Total remuneration paid to key personalities within the Group	**3,998**	**3,202**

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

36 Notifiable transactions in the reporting period

During the past fiscal year no members of the Management Board or Supervisory Board executed any notifiable securities transactions pursuant to Article 19 Market Abuse Regulation (MAR) .

At the current time, no Company shares are held by members of the Management Board or Supervisory Board of Carl Zeiss Meditec AG.

The details of the above-mentioned securities transactions were published immediately after their disclosure on the Company’s website at www.zeiss.com/meditec-ag/ir – Corporate Governance – Directors’ Dealings in accordance with the legal requirements of Article 19 MAR. The publication documents and the relevant disclosures were forwarded to the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*, BaFin).

37 Financial risk management

The Carl Zeiss Meditec Group operates a global financial risk management system, which encompasses all subsidiaries and is organized centrally at Group level. The prime objective of the financial risk management system is to provide the necessary liquidity for the operations of companies within the Group and to limit the financial risks.

Due to its use of a range of financial instruments, the Group is exposed to risks which arise particularly as a result of fluctuation in exchange rates, interest rates and changes in the creditworthiness of the contracting partners involved.

The Company's exposure to each of the risks listed above is described below. The Group's objectives, strategies and procedures for controlling, and methods for measuring the risks are also described. The risk report within the management report also contains information about the risk management system.

Market risk

Interest fluctuation risk

The Group holds interest-bearing financial instruments mainly via its short-term cash and cash equivalents, loans and treasury receivables - from Carl Zeiss group cash management of Carl Zeiss Financial Services GmbH, Oberkochen. The Carl Zeiss Meditec Group also holds non-current, interest-bearing financial receivables and liabilities and leasing receivables and liabilities.

An interest sensitivity analysis is based on the following assumptions: changes in market interest rates on primary financial instruments with fixed interest rates will only have an effect on income if these are measured at fair value. As a result, all financial instruments carried at amortized cost with fixed interest are not subject to any risks of interest rate changes within the meaning of IFRS 7. In addition, forex derivatives are not subject to any major risk of interest rate changes and thus do not impact interest rate sensitivities. Variable-interest financial instruments with an original term of less than 91 days show very little fluctuation due to the current low level of interest rates, which is why the Group can consider the interest rate risk for these financial instruments to be negligible.

As of the end of the reporting period, the Company mainly holds fixed-interest financial instruments measured at fair value. The variable-interest financial instruments relate to a loan of the newly acquired Photono Oy. Due to the contract terms and a minimum interest rate agreed therein, which currently exceeds the current interest rate, a fluctuation in the interest rate of one percentage point up or down would have no effect on the interest expense. The general interest rate risk is countered as part of overall financial risk management, by regularly monitoring significant items and their inherent interest rate risks with the aim of limiting these, if necessary. At the present time, this risk can be considered negligible.

The table below shows the Company's interest-bearing, non-derivative financial instruments with a term of more than 90 days.

	30 Sep 2020	30 Sep 2019
	€k	€k
Variable-interest financial assets	-	-
Fixed-interest financial assets	-	-
Total interest-bearing assets	**-**	**-**
Variable-interest financial liabilities	593	-
Fixed-interest financial liabilities	167,009	166,498
Total interest-bearing liabilities	**167,602**	**166,498**

Currency risk

The currency risk for the Group in the sense of IFRS 7 results from its financial instruments, which arose from its business operations and investing and financing activities. The Company counters a risk that remains after compensation of payments made and received in the same foreign currency mainly by concluding simple currency forward contracts. These transactions mainly relate to the currencies listed in the following table. Carl Zeiss Meditec AG and its subsidiaries are linked to the currency hedging processes of Carl Zeiss AG, Oberkochen via its treasury company, Carl Zeiss Financial Services GmbH. The total foreign currency payments made and received and reported to the treasury by the Group's subsidiaries, generally on a monthly basis, are thus hedged against the euro by means of currency forward contracts with a term of max. 1 year at the rate fixed. The Group is currently striving to hedge 100% of the expected foreign currency receipts and outgoings.

The carrying amounts of Carl Zeiss Meditec Group's financial assets and liabilities denominated in foreign currencies reflect the level of risk exposure as of the end of the reporting period. The tables below provide an overview of the Company's foreign currency financial instruments.

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

		Total	Thereof: in the following currencies – translated to € -								
		€	€	USD	JPY	GBP	KRW	CNYk	AUD	BRL	Other
Assets		€k	€k	€k	€k	€k	€k	€k	€k	€k	€k
Loans	30 Sep 2020	-	-	-	-	-	-	-	-	-	-
	30 Sep 2019	165	-	165	-	-	-	-	-	-	-
Trade receivables	30 Sep 2020	174,383	172,989	1,392	2	-	-	-	-	-	-
	30 Sep 2019	216,585	214,770	1,810	-	5	-	-	-	-	-
Receivables from related parties	30 Sep 2020	93,330	10,650	9,601	-	2,468	12,748	35,619	343	7,429	14,472
	30 Sep 2019	116,185	19,516	9,192	-	3,524	9,643	36,417	3,743	11,453	22,697
Asset-side currency hedges	30 Sep 2020	9,871	-	2,204	1,199	452	1,271	1,165	134	-	3,446
	30 Sep 2019	2,266	-	674	431	369	201	76	173	-	342
Total assets	**30 Sep 2020**	**277,584**	**183,639**	**13,197**	**1,201**	**2,920**	**14,019**	**36,784**	**477**	**7,429**	**17,918**
	30 Sep 2019	**335,201**	**234,286**	**11,841**	**431**	**3,898**	**9,844**	**36,493**	**3,916**	**11,453**	**23,039**
Equity and liabilities											
Trade payables	30 Sep 2020	55,133	52,074	2,419	445	13	1	-	-	-	181
	30 Sep 2019	83,451	74,423	7,047	678	137	-	-	27	-	1,139
Liabilities to related parties	30 Sep 2020	36,546	33,534	125	-	110	15	2,154	77	40	491
	30 Sep 2019	34,669	30,613	538	-	71	29	2,742	50	76	550
Liabilities-side currency forward contracts	30 Sep 2020	1,094	-	307	325	130	21	77	128	-	106
	30 Sep 2019	18,636	-	5,962	2,905	317	1,034	4,583	283	-	3,552
Total liabilities	**30 Sep 2020**	**92,773**	**85,608**	**2,851**	**770**	**253**	**37**	**2,231**	**205**	**40**	**778**
	30 Sep 2019	**136,756**	**105,036**	**13,547**	**3,583**	**525**	**1,063**	**7,325**	**360**	**76**	**5,241**

In order to better present the currency risks that exist, the effects of hypothetical fluctuations in the relevant currencies on net income for the year and equity are presented below based on a currency sensitivity analysis. If, hypothetically, the euro had been 10% stronger (weaker) as of the end of the reporting period against the main foreign currencies used by the Group – ceteris paribus – earnings before taxes and equity would have been affected as follows:

		Carrying amount	Effects of currency risks on net income	
		€	+10%	-10%
Assets		€k	€k	€k
Loans	30 Sep 2020	-	-	-
	30 Sep 2019	165	(17)	17
Trade receivables	30 Sep 2020	174,383	48	(48)
	30 Sep 2019	216,585	139	(139)
Receivables from related parties	30 Sep 2020	93,330	(8,186)	8,186
	30 Sep 2019	116,185	(9,560)	9,560
Asset-side currency hedging contracts	30 Sep 2020	9,871	57,351	(57,351)
	30 Sep 2019	2,266	7,294	(7,294)
Total assets	**30 Sep 2020**	**277,584**	**49,213**	**(49,213)**
	30 Sep 2019	**335,201**	**(2,144)**	**2,144**
Equity and liabilities				
Trade payables	30 Sep 2020	55,133	268	(268)
	30 Sep 2019	83,451	787	(787)
Liabilities to related parties	30 Sep 2020	36,546	298	(298)
	30 Sep 2019	34,669	361	(361)
Liabilities-side currency hedging contracts	30 Sep 2020	1,094	1,234	(1,234)
	30 Sep 2019	18,636	59,474	(59,474)
Total liabilities	**30 Sep 2020**	**92,773**	**1,800**	**(1,800)**
	30 Sep 2019	**136,756**	**60,622**	**(60,622)**

The most significant effect of exchange rate risks results, as of 30 September 2020, from the asset-side and liabilities-side currency hedging contracts in CNY, KRW and USD. Within the items receivables from and liabilities to affiliated companies the effects of currency risks presented here are particularly attributable to KRW and CNY. Effects on equity due to exchange rate fluctuations only arise due to the translation of the financial statements. In addition, fluctuations in the USD by +10% and -10%, respectively, would have affected the earnings on intragroup loans by €-4.3m and +€4.3m, respectively.

Default risk

The Group is exposed to a default risk due to its business operations and financing activities. The following applies to all performance relationships underlying the primary financial instruments: depending on the type and level of the respective service, collateral is required, credit information/references are obtained and historical data from the previous business relationship is used, in particular regarding payment behavior, in order to minimize the default risk. To the extent that default risks can be identified for the individual financial assets, these risks are covered by valuation allowances. The management is routinely involved in such decisions on risk provisioning. The default risk arising from the derivative financial instruments used is not believed to be material, based on credit checks, among other things. There is no discernible concentration of default risks arising from business relationships with individual debtors or groups of debtors. The maximum default risk is reflected by the carrying amounts of the financial assets recognized in the statement of financial position. It is assumed that default rates will not change significantly in the future. No significant financial assets were individually impaired at the end of the reporting period, nor were the terms and conditions of the financial assets re-negotiated, as they would otherwise have been past due or impaired.

The risks associated with trade receivables are adequately covered by valuation allowances. The valuation allowances were derived using historical default rates, taking future-oriented information into account. The resulting valuation allowances developed as follows:

	Valuation allowance on			
	Trade receivables	Receivables from related parties	Treasury receivables	Total
	€k	€k	€k	€k
As of 1 Oct 2019	**9,583**	**538**	**439**	**10,560**
Appropriation	5,336	32	262	5,630
Utilization	(834)	-	-	(834)
Reversal	(2,089)	(13)	(6)	(2,108)
Currency effects	(446)	-	-	(446)
As of 9/30/2020	**11,550**	**557**	**695**	**12,802**

The valuation allowances on trade receivables include an amount of €8,343k for individually adjusted trade receivables. No individual valuation allowances were made on receivables from related parties or treasury receivables. The valuation allowances on trade receivables also include valuation allowances on leasing receivables.

The following table presents the range of default rates applied within the Group for the past fiscal year, and the underlying gross receivables used to determine the expected credit loss:

	30 Sep 2020	30 Sep 2019	**Gross receivables as of 30 Sep 2020**	Gross receivables as of 30 Sep 2019
	in %	in %	in € '000	in € '000
Not overdue	0.8	0.1	132,354	160,180
Up to 30 days overdue	2.5	0.4	18,930	28,314
31 to 60 days overdue	4.0	0.9	8,146	12,959
61 to 90 days overdue	5.3	1.7	5,112	7,515
More than 90 days overdue	7.0	3.8	13,048	8,730

Based on the current environment, the default risk which the market also perceives to be higher than in the past was taken into account considering the "forward looking element". A further increase of this factor in the pure default risk by two percentage points would result in an increase in the valuation allowances in the low single-digit million range.

Liquidity risk

In order to ensure solvency and financial flexibility within the Group, Carl Zeiss Meditec AG forecasts, within a fixed planning period, the funds it will require using a cash forecast, and holds a corresponding liquidity reserve in the form of cash and unused lines of credit at the treasury of Carl Zeiss AG. Due to the high amount of cash and cash equivalents and treasury receivables within the Company, as well as the Group's sound financing structure with an equity ratio of 72.0%, the risk of insolvency is currently considered negligible.

As of 30 September, the Group's derivative financial liabilities have the following maturities:

	End of reporting period	Undiscounted cash flows from derivative financial liabilities with settlement on a gross basis				
		Total	up to 30 days	31 to 90 days	91 to 180 days	181 to 365 days
		€k	€k	€k	€k	€k
Cash outflows	30 Sep 2020	183,738	29,620	43,836	50,375	59,907
	30 Sep 2019	587,488	42,022	85,524	165,074	294,868
Cash inflows	30 Sep 2020	184,996	29,833	44,119	50,647	60,397
	30 Sep 2019	613,398	44,165	90,279	171,611	307,343

As of 30 September, the Group's other financial liabilities have the following maturities:

	End of reporting period	Undiscounted cash flows settled on a gross basis			
		Total	up to 1 year	1 to 5 years	after more than 5 years
		€k	€k	€k	€k
Leasing liabilities	30 Sep 2020	72,878	15,562	28,601	28,715
	30 Sep 2019	64,979	15,975	31,073	17,931
Loans from banks	30 Sep 2020	209	209	-	-
	30 Sep 2019	192	192	-	-
Other financial liabilities	30 Sep 2020	146,202	18,210	33,535	94,457
	30 Sep 2019	215,006	6,706	64,200	144,100

38 Additional disclosures on capital management

The Group manages its capital with the aim of minimizing the Group's capital costs and, at the same time, maintaining the balance between cash flow volatility and financial flexibility. In order to achieve this goal, the ratio of equity to borrowed capital, among other things, must be optimized accordingly. Currently the Company is moving within the specified target corridor. The main decisions relating to the financing structure are made by the Management Board. The equity ratio and net debt are used as control parameters for the relationship between equity and borrowings. Carl Zeiss Meditec AG calculates these key performance indicators regularly and reports them to the Management Board so that the Management Board can take any actions necessary. The key performance indicator "equity ratio" is defined as the percentage ratio of equity, including non-controlling interests, to total capital. Net debt is calculated from the Group's borrowed capital less cash and cash equivalents and treasury receivables (Group treasury of Carl Zeiss AG). In the past fiscal year, the equity ratio stood at 72.0% (prior year: 70.1%). Net debt amounted to €-146,034k (prior year: €-72,633k). The Company is not subject to any external minimum capital requirements. The table below presents the above key performance indicators in the reporting period:

	30 Sep 2020	30 Sep 2019
	€k	€k
Equity (incl. non-controlling interests)	1,450,558	1,416,956
Borrowed capital	562,728	605,173
Total assets	**2,013,286**	**2,022,129**
Cash and cash equivalents	5,202	22,639
Treasury receivables	703,560	655,167
Equity ratio in percent	72.0%	70.1%
Net debt	**(146,034)**	**(72,633)**

The Group’s dynamic debt ratio, i.e., the ratio of net debt to operative cash flow, amounted to -0.8 years in the course of fiscal year 2019/20 (prior year: -0.3 years). As in the prior year, therefore, existing debts could be settled immediately using cash flows from operating activities. The interest coverage ratio, i.e., the coverage of interest income by the operating result before depreciation and amortization (EBITDA), amounted to 9.0 in fiscal year 2019/20 (prior year: 48.8).

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

39 Events after the end of the reporting period

Dividend payments

The Management Board and Supervisory Board propose a dividend payment of €44,720k (€0.50 per share). Based on fiscal year 2018/19, a dividend of €58,136k (€0.65 per share) was proposed in the past fiscal year under review and distributed to the shareholders.

40 Other mandatory disclosures pursuant to Section 315e HGB

Disclosures on executive bodies of the parent company

Management Board

The following were appointed as members of the Management Board of Carl Zeiss Meditec AG in fiscal year 2019/20 and entered in the commercial register:

Member of Management Board	Membership of statutory supervisory boards and similar supervisory bodies at companies within the Carl Zeiss Group	Membership of statutory supervisory boards and similar supervisory bodies at other companies
Dr. Ludwin Monz President and CEO of Carl Zeiss Meditec AG Area of responsibility: Ophthalmic Systems SBU, Microsurgery SBU, Strategic business development, Group functions Communication, MarCom, Digital Innovation, Quality, Regulatory First appointed 2007 In addition: Member of the Executive Board of Carl Zeiss AG, Oberkochen, Germany	» Member of the Board of Directors of Carl Zeiss Meditec, Inc., Dublin, USA (until 30 Apr 2020) » Member of the Board of Directors of Carl Zeiss Meditec Co. Ltd., Tokyo, Japan » Chairman of the Board of Directors of Carl Zeiss Meditec Iberia S.A., Tres Cantos, Spain » Chairman of the Board of Directors of Carl Zeiss Meditec Iberia S.A., Tres Cantos, Spain » Member of the Board of Directors of Carl Zeiss Co., Ltd., Tokyo, Japan; » Member of the Board of Directors of Carl Zeiss Meditec, Inc., Dublin, USA	» Member of the university council of Friedrich Schiller University, Jena, Germany » Member of the board of trustees of the Leibniz Institute of Photonic Technology, Jena, Germany
Jan Willem de Cler Area of responsibility: Group function Human Resources, Global Service and Customer Care, Cultural Development, Training First appointed 2018	» President of the Board of Directors of FCI Ophthalmic Inc., Pembroke, USA » Member of the Board of Directors of FCI Sud, Goodlands, Mauritius » President of FCI SAS, Paris, France » Member of the Board of Directors of Hyaltech Ltd., Livingston, UK	none
Justus Felix Wehmer Area of responsibility: Group functions Finance and Controlling, Investor Relations, IT, Legal Affairs, Taxes First appointed 2018	» Member of the Board of Directors of Carl Zeiss Meditec, Inc., Dublin, USA » Member of the Board of Directors of Carl Zeiss Meditec Iberia S.A., Tres Cantos, Spain » Member of the Board of Directors of Carl Zeiss Meditec Co. Ltd., Tokyo, Japan » Chairman of the Board of Directors of Carl Zeiss Meditec Co. Ltd., Tokyo, Japan	» Member of the Executive Board of Spectaris e.V.

The total remuneration paid to the active members of the Management Board pursuant to Section 314 (1) No. 6a HGB amounted to €2,792k in fiscal year 2019/20 (prior year: €2,286k). Details of this remuneration are contained in the remuneration report in the management report. Projected unit credits for pensions for active members of the Company’s Management Board amounted to €353k (prior year: €262k). The service cost of active Management Board members was €453k (prior year: €390k). Furthermore, projected unit credits for pensions for former members of the Management Board of Carl Zeiss Meditec to €1,397k (prior year: €1,416k).

Supervisory Board

The Supervisory Board of Carl Zeiss Meditec AG had the following members in fiscal year 2019/20:

Member of Supervisory Board	Membership of statutory supervisory boards and similar supervisory bodies at companies within the Carl Zeiss Group	Membership of statutory supervisory boards and similar supervisory bodies at other companies
Prof. Dr. Michael Kaschke Chairman Chairman of the Supervisory Board since 2002 Suspended mandate pursuant to Section 105 AktG between 22 July 2008 and 21 July 2009 Re-elected Chairman of the Supervisory Board since 2010 Chairman of the Executive Board of Carl Zeiss AG, Oberkochen, Germany (until 31 March 2020)	» Chairman of the Board of Directors of Carl Zeiss Pte. Ltd., Singapore, Singapore (unitl 31 March 2020) » Chairman of the Board of Directors of Carl Zeiss Far East Co., Ltd., Kowloon, Hong Kong, China (until 31 March 2020) » Chairman of the Board of Directors of Carl Zeiss India (Bangalore) Pte. Ltd., Bangalore, India (until 31 March 2020) » Chairman of the Supervisory Board of Carl Zeiss SMT GmbH, Oberkochen, Germany (until 31 Oct 2019) » Chairman of the Supervisory Board of Carl Zeiss Industrielle Messtechnik GmbH, Oberkochen, Germany (until 31 March 2020) » Chairman of the Board of Directors of Carl Zeiss Co. Ltd., Seoul, South Korea (until 31 March 2020) » Member of the Board of Directors of Carl Zeiss (Shanghai) Co., Ltd, Shanghai, China (until 31 March 2020)	» Member of the Supervisory Board, Audit Committee (Chairman of the Audit Committee since 17 June 2020) of Henkel AG & Co. KGaA, Düsseldorf, Germany » Member of the Supervisory Board, Audit Committee, of Deutsche Telekom AG, Bonn, Germany » Member of the Supervisory Board of Robert Bosch GmbH, Stuttgart, Germany » Chairman of the Supervisory Board of Karlsruher Institut für Technologie, Karlsruhe, Germany (since 11 Nov 2019; member since 1 Oct 2019)
Dr. Christian Müller Member of the Supervisory Board since 2019 Member of the Executive Board (CFO) of Carl Zeiss AG, Oberkochen, Germany	» Chairman of Carl Zeiss Pensions-Treuhand e.V., Oberkochen, Germany » Chairman of the Board of Directors of Carl Zeiss Inc., Thornwood, USA » Member of the Management Board of Carl Zeiss Pensions Trust Properties, White Plains, USA	none
Dr. Karl Lamprecht Member of Supervisory Board since 25 June 2020 Chairman of the Executive Board of Carl Zeiss AG, Oberkochen, Germany (since 1 April 2020)	» Chairman of the Board of Directors of Carl Zeiss Pte. Ltd., Singapore, Singapore (since 1 Apr 2020) » Member of the Board of Directors of Carl Zeiss Far East Co. Ltd., Kwai Fong, NT./ Hongkong, China (since 1 Apr 2020) » Member of the Board of Directors of Carl Zeiss India (Bangalore) Pte. Ltd., Bangalore, India (since 20 May 2020) » Chairman of the Supervisory Board of Carl Zeiss SMT GmbH, Oberkochen, Germany (since 26 Nov 2019) » Chairman of the Supervisory Board of Carl Zeiss Industrielle Messtechnik GmbH, Oberkochen, Germany (since 1 Apr 2020) » Member of the Board of Directors of Carl Zeiss (Shanghai) Co., Ltd, Shanghai, China (since 1 Apr 2020) » Chairman of the Supervisory Board of Carl Zeiss Jena GmbH, Jena, Germany (since 1 Oct 2018) » Chairman of the Board of Directors of tooz technologies, Inc., White Plains, USA (since 18 Dec 2017)	» Member of the Supervisory Board of Körber AG, Hamburg, Germany (since 13 Aug 2020)
Dr. Markus Guthoff Member of the Supervisory Board since 2004 Member of the Management Board of NATIONAL-BANK AG, Essen, Germany	none	» Member of the Supervisory Board of Innovation City Management GmbH, Bottrop, Germany

Member of Supervisory Board	Membership of statutory supervisory boards and similar supervisory bodies at companies within the Carl Zeiss Group	Membership of statutory supervisory boards and similar supervisory bodies at other companies
Tania von der Goltz Deputy Chairwoman Member of the Supervisory Board since 2018 Senior Vice President Global Financial Strategy, Fresenius Medical Care AG & Co. KGaA, Bad Homburg, Germany	none	none
Isabel De Paoli Member of the Supervisory Board since 25 Jun 2020 Chief Strategy Officer, Merck KGaA, Darmstadt, Germany	none	none
Cornelia Grandy* Member of the Supervisory Board since 2011 Chairwoman of the Works Council of Carl Zeiss Meditec AG, Oberkochen, Germany, and member of the General Works Council of Carl Zeiss Meditec AG, Jena, Germany	none	none
Renè Denner* Member of the Supervisory Board since 1 October 2019 Chairman of the Works Council of Carl Zeiss Meditec AG, Jena, Germany, and Chairman of the General Works Council of Carl Zeiss Meditec AG, Jena, Germany	none	none
Jeffrey Marx Member of the Supervisory Board since 6 Mar 2020 Process Engineer, Deputy Chairman of the Works Council of Carl Zeiss Meditec AG, Berlin	none	none

*elected employee representatives

Committees of the Supervisory Board

	Members
General and Personnel Committee	Prof. Dr. Michael Kaschke, Chairman Tania von der Goltz Dr. Markus Guthoff (until 6 August 2020) Dr. Karl Lamprecht (since 6 Aug 2020)
Audit Committee	Dr. Markus Guthoff, Chairman Cornelia Grandy (since 1 Oct 2019) Dr. Christian Müller
Nominating Committee	Dr. Christian Müller, Chairman Dr. Markus Guthoff (until 6 August 2020) Prof. Dr. Michael Kaschke Isabel De Paoli (since 6 Aug 2020)

The total remuneration of the active members of the Supervisory Board amounted to €371k in fiscal year 2019/20 (prior year: €279k).

Details of the remuneration of the active members of the Supervisory Board are contained in the remuneration report within the management report. The remuneration of Supervisory Board members is governed by Art. 19 of the Articles of Association of Carl Zeiss Meditec AG.

Advances/loans and contingent liabilities in favor of members of executive bodies
No advances or loans were granted to members of the executive bodies. The Company did not enter into any contingent liabilities in favor of members of the Management Board or Supervisory Board.

Auditors' fees
The total fee charged by the Group auditor comprises the following:

	2019/20	2018/19
	€k	€k
Auditing of financial statements	383	395
Other auditing services, other countries	312	326
Other services	-	2
Total	**695**	**723**

Information on shareholdings (consolidated companies)

Name and registered office of the company	Currency	Share of voting capital (in %)	Equity as of 30 Sep 2020 translated at market rate at end of reporting period	thereof profit/loss for fiscal year 2019/20 translated at average annual exchange rate
Carl Zeiss Meditec Inc., Dublin, USA	USDk	100	419,084	(22,513)
	€k		357,946	(20,106)
Carl Zeiss Meditec Production LLC, Ontario, USA	USDk	100	18,550	1,167
	€k		15,844	1,042
Carl Zeiss Meditec Asset Management Verwaltungsgesellschaft mbH, Jena, Germany *	€k	100	68,394	-
Carl Zeiss Meditec Iberia S.A., Tres Cantos, Spain	€k	100	4,839	(687)
Carl Zeiss Meditec Co. Ltd. Tokyo, Japan	JPYk	51	4,561,633	437,967
	€k		36,859	3,628
Carl Zeiss Meditec Medikal Çözümler Ticaret ve Sanay A.Ş,	TRYk	100	41,638	6,127
Ankara, Turkey	€k		4,576	840
Carl Zeiss Meditec Vertriebsgesellschaft mbH, Oberkochen, Germany *	€k	100	23,428	-
Atlantic S.A.S., Périgny/ La Rochelle, France	€k	100	56,682	3,126
HYALTECH Ltd., Livingston, United Kingdom	GBPk	100	11,034	114
	€k		12,094	130
France Chirurgie Instrumentation S.A.S., Paris, France	€k	100	6,042	(941)
Carl Zeiss Meditec France S.A.S., Marly-le-Roi, France	€k	100	10,970	925
Carl Zeiss Meditec S.A.S., Périgny/La Rochelle, France	€k	100	7,177	592
France Chirurgie Instrumentation SUD Ltd., Quatre Bornes, Mauritius	€k	100	2,685	437
France Chirurgie Instrumentation Ophthalmics Inc.,	USDk	100	5,859	1,314
Pembroke, USA	€k		5,004	1,174
Ophthalmic Laser Engines LLC, Lafayette, USA	USDk	52	(1,021)	(1,108)
	€k		(872)	(990)
Carl Zeiss Meditec Digital Innovation risks LLC, Temple, USA	USDk	100	915	-
	€k		781	-
Carl Zeiss Meditec Cataract Technology, Inc., Reno, USA	USDk	100	1,648	(6,782)
	€k		1,408	(6,057)
Carl Zeiss Meditec Guangzhou Ltd., Guangzhou, China	CNYk	100	68,773	-
	€k		8,627	-
Carl Zeiss Meditec Portugal Unipessoal Lda., Lisbon, Portugal	€k	100	2,440	(348)
Carl Zeiss Meditec USA Inc., Dublin, USA	USDk	100	-	-
	€k		-	-
Photono Oy, Helsinki, Finland **	€k	20	34	(234)

* Pursuant to Section 264 (3) HGB and Section 264b HGB, these entities are exempted from the duty to publish their annual financial statements

** The result presented for Photono also includes the share for fiscal year 2019/20 prior to the acquisition.

Information on shareholdings (unconsolidated companies)

Name and registered office of the company	Currency	Share of voting capital (in %)
Carl Zeiss EyeTec GmbH, Oberkochen, Germany	€k	100
InfiniteVision Optics S.A.S., Strasbourg, France	€k	100
Emmetropia Inc., Princeton, USA	USDk	100

The figures shown in the table above represent the values determined in accordance with country-specific accounting regulations. Carl Zeiss Meditec Portugal Unipessoal Lda, Lisbon, Portugal, Carl Zeiss EyeTec GmbH, Oberkochen, Germany and Carl Zeiss Meditec USA Inc., Dublin, USA were newly founded in the current fiscal year. InfiniteVision Optics S.A.S., Strasbourg, France was acquired in fiscal year 2019/20, but was treated as an asset deal in the consolidated financial statements in accordance with the IFRSs. The assets are accordingly carried in the statement of financial position as additions to intangible assets. Emmetropia Inc., Princeton, USA, is a subsidiary of InfiniteVision Optics S.A.S.

German Corporate Governance Code / Declaration pursuant to Section 161 AktG
The declaration prescribed under Section 161 German Stock Corporation Act (AktG) has been issued by the Management and Supervisory Boards and made permanently available to the shareholders on the Company’s website at: http://www.zeiss.com/meditec-ag/ir.

41 Clearance for publication

The Management Board of Carl Zeiss Meditec AG cleared these IFRS consolidated financial statements to be handed over to the Supervisory Board on 23 November 2020. The Supervisory Board's task is to review the consolidated financial statements and declare whether it approves the consolidated financial statements.

Jena, 23 November 2020
Carl Zeiss Meditec AG

Dr. Ludwin Monz
President and CEO

Justus Felix Wehmer
Member of the
Management Board

Jan Willem de Cler
Member of the
Management Board

Responsibility statement
pursuant to Section 297 (2) Sentence 4 HGB and Section 315 (1) Sentence 5 HGB

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements of the Carl Zeiss Meditec AG provide a true and fair view of the net assets, financial position and results of operations of the Group, and the consolidated management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Carl Zeiss Meditec Group.

Jena, 23 November 2020
Carl Zeiss Meditec AG

Dr. Ludwin Monz
President and CEO

Justus Felix Wehmer
Member of the
Management Board

Jan Willem de Cler
Member of the
Management Board

Auditor's report

Independent auditor's report

To Carl Zeiss Meditec AG

Report on the audit of the consolidated financial statements and of the management report of the Company and the Group

Opinions
We have audited the consolidated financial statements of Carl Zeiss Meditec AG, Jena, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 30 September 2020, and the consolidated income statement, consolidated statement of comprehensive income for the fiscal year from 1 October 2019 to 30 September 2020, consolidated statement of cash flows and consolidated statement of changes in equity for the fiscal year from 1 October 2019 to 30 September 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the management report of the Company and the Group of Carl Zeiss Meditec AG, for the fiscal year from 1 October 2019 to 30 September 2020. In accordance with the German legal requirements, we have not audited the content of the group declaration on corporate governance pursuant to Sec. 315d HGB ["Handelsgesetzbuch": German Commercial Code] published on the website stated in the management report of the Company and the Group that is a part of the management report of the Company and the Group. Additionally, we have not audited the extraneous information contained in sections a) Market for ophthalmic products,b) Market for microsurgery products, Responsibility, Customer service, Customer focus, Customer solutions in ophthalmology, Customer solutions in microsurgery and Customer solutions in growth markets of the management report of the Company and the Group. Extraneous information relates to any information whose disclosure in the management report of the Company and the Group is not required pursuant to Secs. 315, 315a or 315b to 315d HGB or GAS 20.

In our opinion, on the basis of the knowledge obtained in the audit,

» the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 30 September 2020 and of its financial performance for the fiscal year from 1 October 2019 to 30 September 2020, and

» the accompanying management report of the Company and the Group as a whole provides an appropriate view of the Group's position. In all material respects, this management report of the Company and the Group is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the management report of the Company and the Group does not cover the abovementioned group declaration on corporate governance and the abovementioned sections a) Market for ophthalmic products,b) Market for microsurgery products, Responsibility, Customer service, Customer focus, Customer solutions in ophthalmology, Customer solutions in microsurgery and Customer solutions in growth markets of the management report of the Company and the Group.

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the management report of the Company and the Group.

Basis for the opinions

We conducted our audit of the consolidated financial statements and of the management report of the Company and the Group in accordance with Sec. 317 HGB and the EU Audit Regulation (No 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the management report of the Company and the Group" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the management report of the Company and the Group.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the fiscal year from 1 October 2019 to 30 September 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matter:

Write-downs on inventories

Reasons why the matter was determined to be a key audit matter:

The amount of write-downs on inventories, which include both medical devices and medical consumables, is, depending on the type of product, dependent on specific valuation risks concerning the minimum shelf lives of medical devices and marketability parameters.

In addition, spare parts have to be kept in stock for the medical devices for extended periods, even after the end of series production. As part of inventory valuation, the executive directors must make assumptions regarding the future usability of the spare parts. These mainly concern estimates of the required stock levels as well as the technical useful life of spare parts.

Furthermore, certain medical devices are provided to the customer for test use (loan equipment). For the loan equipment, assumptions are made in particular by the sales unit regarding short-term saleability and the realizable proceeds from the sale of the equipment.

Given the underlying complexity of the respective write-down routines and the associated higher risk of error, write-downs on inventories were a key audit matter.

Auditor's response:

During our audit, we obtained an understanding of the parameters and assumptions underlying each of the write-down routines with respect to future usability/technical usability as well as the required stock levels and short-term saleability/amount of realizable sales proceeds by comparing them with past fiscal years. In this context, we compared the forecast accuracy of the underlying assumptions in prior years on a sample basis by checking them against the actual write-downs realized upon disposal of the corresponding inventories. The result of our comparison was used as a basis for our assessment of write-downs in the current fiscal year.

In addition, we examined the implementation of the write-down routines in the SAP system with the assistance of corresponding IT specialists.

Our audit did not lead to any significant reservations concerning write-downs on inventories.

Reference to related disclosures:
For information on the recognition and measurement policies applied for inventories, refer to the disclosures in note 2 (j) of the notes to the consolidated financial statements and, for disclosures on inventories, to note 15 of the notes to the consolidated financial statements.

Other information
The Supervisory Board is responsible for the Report of the Supervisory Board. The executive directors and the Supervisory Board are responsible for the declaration pursuant to Sec. 161 AktG ["Aktiengesetz": German Stock Corporation Act] on the German Corporate Governance Code, which is part of the group declaration on corporate governance. In all other respects, the executive directors are responsible for the other information. The other information comprises the abovementioned group declaration on corporate governance and the abovementioned extraneous information contained in sections a) Market for ophthalmic products,b) Market for microsurgery products, Responsibility, Customer service, Customer focus, Customer solutions in ophthalmology, Customer solutions in microsurgery and Customer solutions in growth markets of the management report of the Company and the Group. The other information also comprises other components of the annual report, of which we obtained a copy prior to issuing our auditor's report, in particular: Financial highlights, Management Board, Letter to the shareholders, Expert Dialog, Various strategies against the global pandemic, Highlights in the fiscal year, Opportunity of global mobility, Report of the Supervisory Board, The Carl Zeiss Meditec AG share and the responsibility statement, but not the consolidated financial statements, not the disclosures in the management report of the Company and the Group whose content is audited and not our auditor's report thereon.

Our opinions on the consolidated financial statements and on the management report of the Company and the Group do not cover the other information and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

» is materially inconsistent with the consolidated financial statements, with the management report of the Company and the Group or our knowledge obtained in the audit, or

» otherwise appears to be materially misstated.

Responsibilities of the executive directors and the Supervisory Board for the consolidated financial statements and the management report of the Company and the Group
The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the management report of the Company and the Group that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report of the Company and the Group that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report of the Company and the Group.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the management report of the Company and the Group.

Auditor's responsibilities for the audit of the consolidated financial statements and of the management report of the Company and the Group

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report of the Company and the Group as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the management report of the Company and the Group.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this management report of the Company and the Group.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

» Identify and assess the risks of material misstatement of the consolidated financial statements and of the management report of the Company and the Group, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

» Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the management report of the Company and the Group in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

» Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

» Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the management report of the Company and the Group or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

» Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB.

» Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the management report of the Company and the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

» Evaluate the consistency of the management report of the Company and the Group with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.

» Perform audit procedures on the prospective information presented by the executive directors in the management report of the Company and the Group. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements
Further information pursuant to Art. 10 of the EU Audit Regulation
We were elected as group auditor by the Annual General Meeting on 6 August 2020. Due to the acute mobility restrictions in place at the time as a result of the governmental and administrative action taken to fight the spread of the coronavirus pandemic, the Annual General Meeting at which we were to be elected as auditor did not take place as planned, but was postponed to a later date. Subject to the election of the auditor by the Annual General Meeting at a later point in time, we were therefore engaged by the Supervisory Board to audit the consolidated financial statements on 21 July 2020. We have been the group auditor of Carl Zeiss Meditec AG without interruption since fiscal year 2012/2013.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Art. 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor responsible for the engagement
The German Public Auditor responsible for the engagement is Dominique-Andre Bendler.

Eschborn/Frankfurt am Main, 23 November 2020

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Bendler	Schoenfeldt
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Financial calendar

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

Imprint/Disclaimer

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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.
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