First-Half Financial Report 2018/19 Carl Zeiss Meditec Group

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Financial highlights
(IFRS)

	6 Months 2018/19		6 Months 2017/18		6 Months 2016/17	
	€m	%	€m	%	€m	%
Revenue	**667.2**	**100.0**	613.7	100.0	587.5	100.0
Research and development expenses	**78.5**	**11.8**	80.0	13.0	69.9	11.9
EBIT	**110.4**	**16.5**	88.2	14.4	95.1	16.2
Consolidated profit[1)]	**58.9**	**8.8**	56.3	9.2	63.8	10.9
Earnings per share[2] **(in €)**	**0.65**		0.63		0.76	
Cash flows from operating activities	**89.1**		34.4		16.5	
Cash flows from investing activities	**-122.9**		-8.9		-20.1	
Cash flows from financing activities	**37.1**		-23.6		4.7	
Total assets	**1,849.1**	**100.0**	1,603.2	100.0	1,622.9	100.0
Property, plant and equipment	**116.1**	**6.3**	55.7	3.5	64.5	4.0
Equity	**1,329.0**	**71.9**	1,281.8	80.0	1,251.2	77.1
Net cash [3]	**581.3**	**31.4**	589.9	36.8	637.6	39.3
Number of employees (31 March)	**3,179**		3,006		2,937	

[1] Before non-controlling interests
[2] Profit/(loss) per share attributable to the shareholders of the parent company
[3] 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

Group management report on the interim financial statements

GROUP STRUCTURE

The Carl Zeiss Meditec Group (hereinafter Group, the Company) is a global company headquartered in Jena, Germany, with additional subsidiaries in and outside Germany. Carl Zeiss Meditec AG is the parent company of the Carl Zeiss Meditec Group. It is among the 30 largest technology stocks listed on the TecDax technology index in Germany. In December 2018, Carl Zeiss Meditec AG was also admitted to the MDAX of Deutsche Börse.

The following changes occurred with respect to the Group's reporting entity and the structure of its consolidated financial statements in the first six months of fiscal year 2018/19: On 22 October 2018, Carl Zeiss Meditec signed an agreement to acquire IanTECH, Inc. This company is domiciled in Reno, Nevada, USA and is a privately owned company that specializes in consumables for cataract surgery. The transaction agreement was concluded on 14 December 2018. IanTECH, Inc. was simultaneously renamed Carl Zeiss Meditec Cataract Technology, Inc. Carl Zeiss Meditec Cataract Technology, Inc. is to be integrated into the strategic business unit Ophthalmic Devices. This acquisition is an important strategic step for the Carl Zeiss Meditec Group in terms of its technological position in the cataract surgery market.

RESULTS OF OPERATIONS

Presentation of results of operations

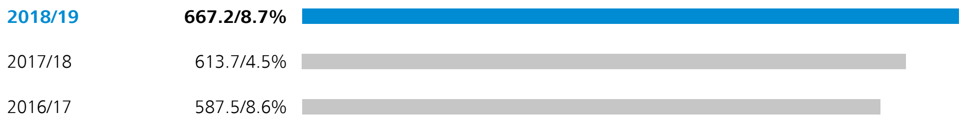
Summary of key ratios in the consolidated income statement Figures in €m, unless otherwise stated

	6 Months 2018/19	6 Months 2017/18	Change
Revenue	667.2	613.7	+8.7%
Gross margin	55.9%	54.6%	+1.3 pts
EBITDA	133.3	101.3	+31.5%
EBITDA margin	20.0%	16.5%	+3.5 % pts
EBIT	110.4	88.2	+25.1%
EBIT margin	16.5%	14.4%	+2.1 % pts
Earnings before income taxes	88.0	83.9	+4.9%
Tax rate	33.1%	32.9%	+0.2 % pts
Consolidated profit after non-controlling interests	58.1	56.0	+3.7%
Earnings per share after non-controlling interests	€ 0.65	€ 0.63	+3.7%

Revenue

The Carl Zeiss Meditec Group increased revenue by 8.7%, to €667.2m, in the first six months of fiscal year 2018/19 (prior year: €613.7m). After adjusted for currency effects, growth amounted to 6.8%. Both the strategic business unit (SBU) Ophthalmic Devices and the SBU Microsurgery contributed to overall growth with increases in revenue. Regionally, in particular the region Europe/Middle East/Africa (EMEA) made significant contributions to growth. Business in the Asia/Pacific region (APAC) also continued to grow, however.

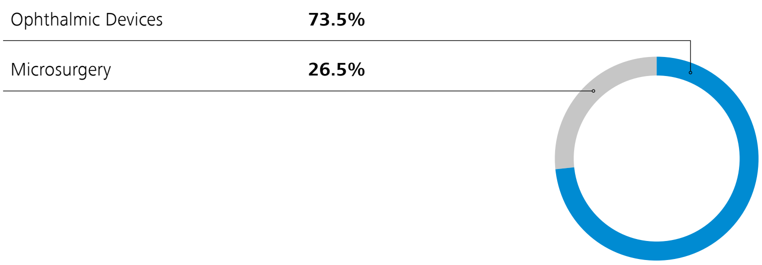
Consolidated revenue in €m/growth in % after 6 months of the respective fiscal year



Consolidated revenue by strategic business unit

The revenue contribution of the Ophthalmic Devices strategic business unit amounted to 73.5% (prior year: 73.2%). The Microsurgery strategic business unit contributed 26.5% (prior year: 26.8%) of consolidated revenue.

Share of strategic business units in consolidated revenue in first six months of fiscal year 2018/19



The Ophthalmic Devices strategic business unit increased revenue by 9.2% in the first six months of the fiscal year 2018/19 (adjusted for currency effects: 7.4%), to €490.7m (prior year: €449.3m). The main contributory factors to this increase were refractive laser systems and the strong demand in Surgical Ophthalmology.

Revenue in the Microsurgery SBU increased by 7.4% in the first six months (adjusted for currency effects: 5.2%), to €176.5m (prior year: €164.4m). Sales of the visualization system KINEVO® 900 in neurosurgery, in particular, continued to develop well.

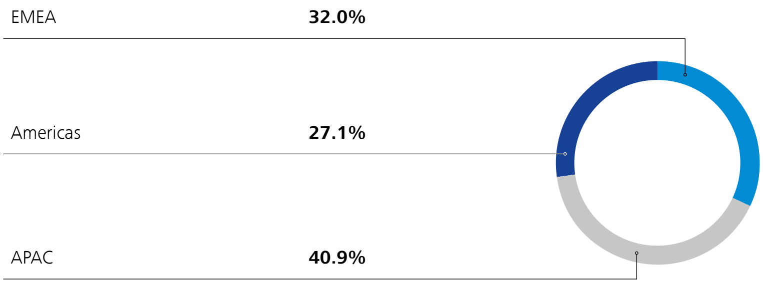
Consolidated revenue by strategic business unit

Revenue by SBU	6 Months 2018/19	6 Months 2017/18	Change in %	
	€m	€m		adjusted for currency effects
Ophthalmic Devices	490.7	449.3	+9.2	+7.4
Microsurgery	176.5	164.4	+7.4	+5.2
Carl Zeiss Meditec Group	**667.2**	**613.7**	**+8.7**	**+6.8**

Consolidated revenue by region

The Carl Zeiss Meditec Group has a balanced range of business activities worldwide. In the first six months 2018/19, the EMEA region accounted for 32.0% (prior year: 31.4%) of consolidated revenue. The Americas region accounted for 27.1% (prior year: 29.6%) of total consolidated revenue. The APAC region – particularly due to strong growth in China – now contributes 40.9% (prior year: 39.0%) of consolidated revenue.

Share of regions in consolidated revenue in the first six months of fiscal year 2018/19



Revenue in the EMEA region increased by 10.7% (adjusted for currency effects: 11.6%), to €213.7m (prior year: €193.0m). This was contributed to by stable development in the core markets, including Germany, France and Spain.

Revenue in the Americas region lagged slightly behind the year-ago period (-0.4%), in spite of tailwind from currency development, and amounted to €180.9m (prior year: €181.6m). Adjusted for currency effects, revenue was down by 5.0% compared with the prior year. In the first six months of the prior year new product launches in Diagnostics and Microsurgery boosted development significantly, leading to a high basis for comparison for the current fiscal year.

The APAC region made the strongest contribution to growth, increasing its revenue by 14.0% (adjusted for currency effects: 12.3%), to €272.6m, compared with €239.1m in the same period of the prior year. Once again, the largest contributions to growth came from China, but also from South Korea.

Consolidated revenue by region

Revenue by region	**6 Months 2018/19**	6 Months 2017/18	Change in %	
	€m	€m		adjusted for currency effects
EMEA	213.7	193.0	+10.7%	+11.6%
Americas	180.9	181.6	-0.4%	-5.0%
APAC	272.6	239.1	+14.0%	+12.3%
Carl Zeiss Meditec Group	**667.2**	**613.7**	**+8.7%**	**+6.8%**

Gross profit

In the first six months of fiscal year 2018/19, gross profit increased from €335.3m in the same period of the prior year, to €373.0m. The gross margin improved in the period under review, due in particular to a favorable product mix with a higher proportion of recurring revenue, to 55.9% (prior year: 54.6%).

Functional costs

Functional costs for the reporting period amounted to €262.6m (prior year: €247.0m), thus increasing by 6.3%. As a result of efficient cost management, the ratio of functional costs to consolidated revenue decreased to 39.4% in the first six months of the current fiscal year (prior year: 40.3%).

» **Selling and marketing expenses:** Selling and marketing expenses amounted to €156.1m in the first six months of fiscal year 2018/19 (prior year: €142.4m). The ratio of expenses to the Group's total revenue remained largely stable compared with the prior year, at 23.4% (prior year: 23.2%).
» **General administrative expenses:** General administrative expenses in the first six months of the current fiscal year amounted to €28.0m (prior year: €24.6m). General administrative expenses thus accounted for 4.2% of total revenue. The ratio thus remained almost constant compared with the prior year (prior year: 4.0%).
» **Research and development expenses:** The Carl Zeiss Meditec Group continuously invests in Research & Development (R&D) to further develop its product portfolio and ensure its competitiveness. At 11.8% of consolidated revenue and totaling €78.5m, R&D expenditure was lower than the prior year (€80.0m). The R&D ratio in the same period of the prior year was 13.0%.

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 increased its EBIT significantly in the first six months of fiscal year 2018/19, to €110.4m (prior year: €88.2m). This corresponds to an EBIT margin of 16.5% (prior year: 14.4%).

EBIT in the first six months of fiscal year 2017/18 included write-downs on intangible assets from the purchase price allocations (PPA), primarily in connection with the acquisition of Aaren Scientific, Inc. in fiscal year 2013/14, in the amount of €-1.7m. Adjusted for these effects, the EBIT margin would have amounted to 16.8% (prior year: 14.7%).

Overview of effects of purchase price allocation and restructuring/reorganization included in EBIT

	6 Months 2018/19	6 Months 2017/18	Change
	€m	€m	in %
EBIT	110.4	88.2	+25.1
Acquisition-related special effects[1]	-1.7	-1.8	-2.5
Restructuring/reorganization	0.0	0.0	0.0
Total effects of acquisitions and restructuring/reorganization	-1.7	-1.8	-2.5

Both the SBU Ophthalmic Devices and the SBU Microsurgery increased their profitability during the first six months of 2018/19 compared with the prior year. Catalysts were a favorable currency environment and an improved product mix with a higher proportion of recurring revenue and effective cost management.

[1] Write-downs on intangible assets arose from purchase price allocations (PPAs), mainly in association with the acquisition of Aaren Scientific, Inc. in fiscal year 2013/14

Earnings before interest, tax, depreciation and amortization (EBITDA) increased to €133.3m in the first six months of the current fiscal year (prior year: €101.3m). The EBITDA margin amounted to 20.0% (prior year: 16.5%).

The financial result declined due, in particular, to a negative currency result of €-18.8m (prior year: €-5.7m).

The tax rate for the reporting period was 31.1% (prior year: 32.9%). As a general rule, an average annual tax rate of slightly above 30% is assumed.

Consolidated profit attributable to shareholders of the parent company amounted to €58.1m for the first six months of fiscal year 2018/19, thus increasing by 3.7% compared with the basis of comparison in the prior year (prior year: €56.0m). Non-controlling interests accounted for almost €0.8m (prior year: €0.3m). Basic earnings per share of the parent company amount to €0.65 for the first six months of fiscal year 2018/19 (prior year: €0.63).

FINANCIAL POSITION

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 31 March 2019. As a result, the statements in the analysis of the financial position may differ from the presentation of net assets based on the consolidated statement of financial position.

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

	6 months 2018/19	6 months 2017/18
Cash flow from operating activities	**89.1**	34.4
Cash flows from investing activities	**-122.9**	-8.9
Cash flows from financing activities	**37.1**	-23.6
Change in cash and cash equivalents	**3.8**	1.7

Cash flow from the operating activities amounted to €89.1m in the reporting period (prior year: €34.4m). The higher cash inflow compared with the prior year is attributable, among other things, to the reduction of receivables in the period under review which was offset by an increase in the prior year. In addition, there was a slight increase in trade payables in the first six months of 2018/19, whereas these were reduced in the year-ago period.

Cash flows from investing activities amounted to €-122.9m in the period under review (prior year: €-8.9m). The higher cash outflow in the first six months of fiscal year 2018/19 was mainly due to the acquisition of IanTECH, Inc.

Cash flow from financing activities in the first six months of fiscal year 2018/19 amounted to €37.1m (prior year: €-23.6m). The cash inflow compared with the prior year is primarily attributable to the decrease in treasury receivables as a result of the acquisition of the acquisition of IanTECH, Inc. In the first six months of fiscal year 2018/19 there was also a cash inflow in the course of the dividend distribution to the shareholders of Carl Zeiss Meditec AG following the Annual General Meeting on 19 March 2019.

Key ratios relating to financial position

Key ratio	Definition	31 Mar 2019	30 Sep 2018	Change
		€m	€m	in %
Cash and cash equivalents	Cash-in-hand and bank balances	10.4	6.7	+56.2
Net cash	Cash-in-hand and bank balances + treasury receivables from the Group treasury of Carl Zeiss AG ./. treasury payables to Group treasury of Carl Zeiss AG	581.3	670.0	-13.2
Net working capital	Current assets including financial investments ./. cash and cash equivalents ./. treasury receivables from Group treasury of Carl Zeiss AG ./. current liabilities excl. treasury payables to Group treasury of Carl Zeiss AG	305.0	300.9	+1.4
Working capital	Current assets ./. current liabilities	886.3	970.9	-8.7

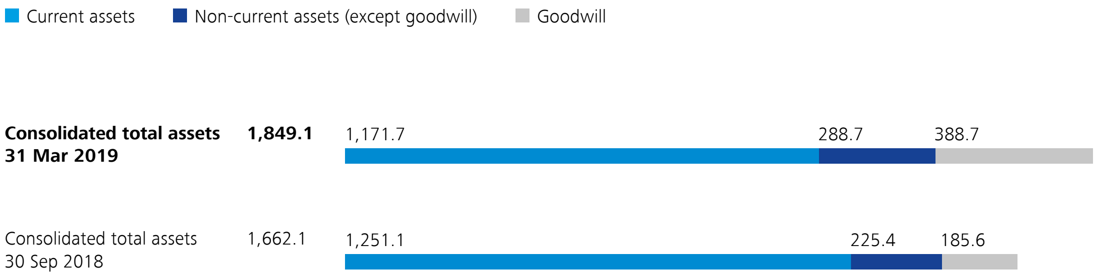
Key ratio	Definition	6 Months 2018/19	6 Months 2017/18	Change
Cash flow per share	Cash flows from operating activities	€1.00	€0.38	+ > 100%
	Weighted average number of shares outstanding			
Capex ratio	Investment (cash) in property, plant and equipment	1.5%	1.1%	+0 4 % pts
	Consolidated revenue			

NET ASSETS

Presentation of net assets

As of 31 March 2019, total assets amounted to €1,849.1m (30 September, 2018: €1,662.1m).

Structure of statement of financial position - assets in €m



Non-current assets increased from €411.0m on 30 September 2018 to €677.4m on 31 March 2019. This is mainly due to an increase in goodwill as a result of the acquisition of IanTECH, Inc. In addition, property, plant and equipment increased as of 31 March 2019, compared with 30 September 2018, due to the early application of the standard IFRS 16 (Leases).

Current assets amounted to €1,171.7m (30 September 2017: €1,251.1m).

Structure of statement of financial position - liabilities in €m

The equity recognized in the Carl Zeiss Meditec Group's statement of financial position increased slightly, from €1,314.6m as of 30 September 2018, to €1,329.0m as of 31 March 2019. The equity ratio was 71.9% (30 September 2018: 79.1%) and thus remains high.

Non-current liabilities increased to €234.7m as of 31 March 2019 (30 September 2018: €67.2m), mainly due to the increase in non-current financial liabilities as a result of the acquisition of IanTECH, Inc. and non-current leasing liabilities within the scope of the transition to IFRS 16 (Leases).

As of 31 March 2019, current liabilities amounted to €285.4m (30 September 2018: €280.2m).

Key ratios relating to net assets

Key ratio	Definition	31 Mar 2019	30 Sep 2018	Change
		in %	in %	% pts
Equity ratio	Equity (including non-controlling interests) / Total assets	71.9	79.1	-7.2
Inventories in % of rolling 12-month revenue	Inventories (net) / Rolling revenue of the past twelve months as of the end of the reporting period	20.7	19.4	+1.3
Receivables in % of rolling 12-month revenue	Trade receivables at the end of the reporting period (including non-current receivables) / Rolling revenue of the past twelve months as of the end of the reporting period	22.1	23.3	-1.2

ORDERS ON HAND

The Carl Zeiss Meditec Group's orders on hand amounted to €151.8m as of 31 March 2019 (30 September 2018: €152.9m).

OPPORTUNITY AND RISK REPORT

The assessment of business opportunities and risks and conscientious handling of entrepreneurial uncertainty are an important part of corporate governance at Carl Zeiss Meditec AG.

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

The opportunity and risk situation of the Carl Zeiss Meditec Group has not changed significantly since the publication of the 2017/18 Annual Report. Therefore, for a detailed presentation of the risk management system and the opportunity and risk situation, please refer to pages 60 to 67 of the 2017/18 Annual Report of the Carl Zeiss Meditec Group.

EVENTS OF PARTICULAR SIGNIFICANCE

There were no other events of particular significance during the first six months of fiscal year 2018/19. No events of material significance for the Carl Zeiss Meditec Group's net assets, financial position and results of operations occurred after the end of the first six months of the current fiscal year. The development of business at the beginning of the third quarter of fiscal year 2018/19 validates the statements made in the "Outlook" below.

EMPLOYEES

Highly qualified, committed and motivated employees are the foundation of the long-term success of the ZEISS Group. As of 31 March 2019 the Carl Zeiss Meditec Group had 3,179 employees worldwide (30 September 2018: 3,048).

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. 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.

Please refer to the Annual Report 2017/18 (pages 47 to 50) for a comprehensive description of our research and development work.

At 11.8% of consolidated revenue and €78.5m, R&D expenses were lower in the first six months of fiscal year 2018/19 compared with the prior year (€80.0m). On 31 March 2019, 17.0% (31 March 2018: 16.6%) of the Carl Zeiss Meditec Group's entire workforce was working in Research and Development.

In the first six months of the current fiscal year another series of milestones were achieved and innovations launched on the market.

In the area of refractive surgery, the Company was granted FDA approval at the start of October 2018 for its laser correction procedure ReLEx® SMILE for treating patients with astigmatic myopia. This minimally invasive treatment allows for a gentler surgical procedure in the laser correction of visual acuity. The extended approval also enables the Company to treat a larger patient base.

In addition, the October 2018 acquisition of U.S. company IanTECH, Inc. broadened the technology base in the field of cataract surgery and further strengthened the portfolio of consumables.

During the AAO-HNS/F (American Academy of Otolaryngology–Head and Neck Surgery/Foundation) Conference in Atlanta, USA, in October 2018, the Company introduced new solutions for ear, nose and throat surgery (ENT surgery) – the TIVATO® 700 and the EXTARO® 300.
The workflow-optimizing visualization offered by the TIVATO® 700 includes fluorescence options for assessing vessel patency, and other applications. In addition, the integrated 4K camera technology makes it possible to visualize all steps in the OR in high image quality.

The EXTARO® 300 offers new functionalities and visualization modes in the ENT field, which help surgeons to evaluate situations reliably, without losing valuable information that may be concealed by reflections or low color contrast. Furthermore, the EXTARO® 300 supports an integrated digital data management system, which supports clinical case documentation.

In October 2018, at the Annual Meeting of the American Academy of Ophthalmology (AAO) in Chicago, USA, the Company announced the launch of the Total Keratometry license (TK®) for the IOLMaster® 700. This function makes it possible for cataract surgeons take precise measurements of the posterior surface of the cornea and thus improve the outcomes of cataract operations.

OUTLOOK

The statements made in the following section validate the statements made in the 2017/18 Annual Report on general macroeconomic conditions, the future development of the medical technology industry and of the Carl Zeiss Meditec Group. For the detailed statements please refer to pages 70 to 73 of the 2017/18 Annual Report.

The development of revenue in the Ophthalmic Devices strategic business unit remained positive in the first six months of the current fiscal year. We remain confident that we shall grow at least to the same extent as the underlying market in fiscal year 2018/19. From a current perspective, and excluding currency effects, this corresponds to growth in the low to mid-single-digit percentage range. The EBIT margin is expected to remain below the Group average.

The SBU Microsurgery also achieved further revenue growth. We anticipate continued significant earnings contributions in the SBU Microsurgery in future. We are optimistic that we will grow at a faster pace than the underlying market in the coming fiscal year. From a current perspective, and excluding currency effects, the growth anticipated in fiscal year 2018/19 will be at least in the mid-single-digit percentage range. The EBIT margin is also expected to remain significantly above the Group average.

In concrete terms, the management’s forecast for fiscal year 2018/19 is as follows: Consolidated revenue is currently expected to range between €1,350m – €1,420m. Based on the favorable development of earnings, the management has adjusted its projections for the current fiscal year 2018/19 and forecasts an EBIT margin of 15.0% to 17.5%.

The management shall review its forecast for the medium-term development of the EBIT margin when publishing its annual results for fiscal year 2018/19, taking planned strategic investments in research and development into account.

Should there be any significant changes in the current economic environment projections over the course of the second half of fiscal year 2018/19, and should it thus become necessary to amend the statements made here on the development of business from today's perspective, we shall publish these amendments promptly and specify our expectations in more detail.

Consolidated income statement (IFRS)
from 1 October 2018 to 31 March 2019

	2nd quarter 2018/19 1 Jan 19 to 31 Mar 19 €k	2nd quarter 2017/18 1 Jan 18 to 31 Mar 18 €k	2018/19 1 Oct 18 to 31 Mar 19 €k	2017/18 1 Oct 17 to 31 Mar 18 €k
Revenue	**343,542**	**318,953**	**667,183**	**613,699**
Cost of sales	(148,139)	(146,624)	(294,214)	(278,424)
Gross profit	**195,403**	**172,329**	**372,969**	**335,275**
Selling and marketing expenses	(78,162)	(71,061)	(156,115)	(142,424)
General administrative expenses	(14,156)	(12,101)	(27,990)	(24,617)
Research and development expenses	(40,802)	(39,803)	(78,508)	(80,006)
Other operating result	-	-	-	15
Earnings before interest, taxes, depreciation and amortization	75,640	55,950	133,257	101,319
Depreciation and amortization	(13,357)	(6,586)	(22,901)	(13,076)
Earnings before interest and taxes	**62,283**	**49,364**	**110,356**	**88,243**
Interest income	331	157	694	379
Interest expenses	(3,449)	(630)	(3,912)	(1,216)
Net interest from defined benefit pension plans	(148)	(158)	(275)	(302)
Foreign currency gains/(losses), net	(12,354)	(3,171)	(18,822)	(5,709)
Other financial result	-	(40)	4	2,550
Earnings before income taxes	**46,663**	**45,522**	**88,045**	**83,945**
Income taxes	(16,108)	(17,276)	(29,128)	(27,652)
Consolidated profit	**30,555**	**28,246**	**58,917**	**56,293**
Attributable to:				
Shareholders of the parent company	29,390	27,572	58,078	56,031
Non-controlling interests	1,165	674	839	262
Earnings/(loss) per share attributable to the shareholders of the parent company in the financial year (in €):				
– Basic/diluted	**0.33**	**0.31**	**0.65**	**0.63**

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

Consolidated statement of comprehensive income (IFRS)
from 1 October 2018 to 31 March 2019

	2nd quarter 2018/19 1 Jan 19 to 31 Mar 19 €k	2nd quarter 2017/18 1 Jan 18 to 31 Mar 18 €k	2018/19 1 Oct 18 to 31 Mar 19 €k	2017/18 1 Oct 17 to 31 Mar 18 €k
Consolidated profit	**30,555**	**28,246**	**58,917**	**56,293**
Gains/(losses) on foreign currency translation	7,676	(3,312)	12,280	(7,341)
Total gains/(losses) that may subsequently be reclassified to consolidated profit	**7,676**	**(3,312)**	**12,280**	**(7,341)**
Remeasurement from defined benefit pension plans	(5,611)	(2,648)	(9,207)	(3,674)
Total gains/(losses) that will not subsequently be reclassified to consolidated profit	**(5,611)**	**(2,648)**	**(9,207)**	**(3,674)**
Other comprehensive income	**2,065**	**(5,960)**	**3,073**	**(11,015)**
Comprehensive income for the period	**32,620**	**22,286**	**61,990**	**45,278**
Attributable to:				
Shareholders of the parent company	31,198	20,867	60,069	44,671
Non-controlling interests	1,422	1,419	1,921	607

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

Consolidated statement of financial position (IFRS)
as of March 31, 2019

	31 Mar 2019	30 Sep 2018
	€k	€k
ASSETS		
Non-current assets		
Goodwill	388,716	185,638
Other intangible assets	82,805	74,087
Property, plant and equipment	116,081	62,632
Other loans	89	135
Investments	122	122
Deferred taxes	77,555	74,249
Non-current trade receivables	8,484	9,155
Other non-current assets	3,565	4,978
	677,417	**410,996**
Current assets		
Inventories	270,709	248,092
Trade receivables	173,755	192,330
Trade receivables from related parties	107,068	96,503
Treasury receivables	572,444	665,003
Tax refund claims	8,257	3,611
Other current financial assets	9,298	19,320
Other current non-financial assets	19,725	19,519
Cash and cash equivalents	10,430	6,678
	1,171,686	**1,251,056**
	1,849,103	**1,662,052**
EQUITY AND LIABILITIES		
Equity		
Share capital	89,441	89,441
Capital reserve	620,137	620,137
Retained earnings	642,995	632,486
Other components of equity	(46,609)	(48,600)
Equity before non-controlling interests	**1,305,964**	**1,293,463**
Non-controlling interests	23,077	21,170
	1,329,041	**1,314,634**
Non-current liabilities		
Provisions for pensions and similar obligations	59,090	42,079
Other non-current provisions	6,903	6,849
Non-current financial liabilities	107,335	-
Non-current leasing liabilities	51,372	7,321
Other non-current non-financial liabilities	5,078	5,755
Deferred taxes	4,933	5,234
	234,711	**67,238**
Current liabilities		
Current provisions	22,823	21,137
Current accrued liabilities	78,674	84,470
Current financial liabilities	24,535	15,710
Current portion of non-current leasing liabilities	9,045	3,529
Trade payables	75,342	67,425
Trade payables to related parties	30,324	34,012
Treasury payables	1,526	1,661
Current income tax payables	9,216	12,909
Other current non-financial liabilities	33,866	39,327
	285,351	**280,180**
	1,849,103	**1,662,052**

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

Consolidated statement of changes in equity (IFRS)

	Share capital	Capital reserves	Retained earnings	Other components of equity	Equity before non-con-trolling interests	Non-con-trolling interests	Equity
	€k	€k	€k	€k	€k	€k	€k
As of 1 Oct 2017	**89,441**	**620,137**	**555,215**	**(49,416)**	**1,215,377**	**26,358**	**1,241,735**
Gains/(losses) on foreign currency translation	-	-	-	(7,686)	(7,686)	345	(7,341)
Remeasurement from defined benefit pension plans	-	-	-	(3,674)	(3,674)	-	(3,674)
Changes in value recognized directly in equity	**-**	**-**	**-**	**(11,360)**	**(11,360)**	**345**	**(11,015)**
Consolidated profit	-	-	56,031	-	56,031	262	56,293
Comprehensive income for the period	**-**	**-**	**56,031**	**(11,360)**	**44,671**	**607**	**45,278**
Additions to basis of consolidation/acquisitions	-	-	-	-	-	341	341
Dividend payment	-	-	-	-	-	(5,551)	(5,551)
As of 31 Mar 2018	**89,441**	**620,137**	**611,246**	**(60,776)**	**1,260,048**	**21,755**	**1,281,803**
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 the accounting due to IFRS 9	-	-	1,623	-	1,623	(14)	1,609
As of 1 Oct 2018	**89,441**	**620,137**	**634,109**	**(48,600)**	**1,295,087**	**21,156**	**1,316,243**
Gains/(losses) on foreign currency translation	-	-	-	11,198	11,198	1,082	12,280
Remeasurement from defined benefit pension plans	-	-	-	(9,207)	(9,207)	-	(9,207)
Changes in value recognized directly in equity	**-**	**-**	**-**	**1,991**	**1,991**	**1,082**	**3,073**
Consolidated profit	-	-	58,078	-	58,078	839	58,917
Comprehensive income for the period	**-**	**-**	**58,078**	**1,991**	**60,069**	**1,921**	**61,990**
Dividend payment	-	-	(49,192)	-	(49,192)	-	(49,192)
As of 31 Mar 2019	**89,441**	**620,137**	**642,995**	**(46,609)**	**1,305,964**	**23,077**	**1,329,041**

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

Consolidated statement of cash flows (IFRS)
from 1 October 2018 to 31 March 2019

	2018/19 1 Oct 18 to 31 Mar 19 €k	2017/18 1 Oct 17 to 31 Mar 18 €k
Cash flows from operating activities:		
Consolidated profit	**58,917**	**56,293**
Adjustments to reconcile consolidated profit to net cash provided by/(used in) operating activities		
Income tax expense	29,128	27,652
Interest income and expenses	3,493	1,139
Result from disposal of legal entity Aaren Scientific Inc.	-	(2,499)
Depreciation and amortization	22,901	13,076
Gains and losses on disposal of fixed assets	(38)	1,763
Interest received	618	366
Interest paid	(948)	(1,161)
Refunded income taxes	2,483	519
Income taxes paid	(39,463)	(26,200)
Changes in working capital:		
Trade receivables	16,903	(14,826)
Inventories	(17,591)	(18,883)
Other assets	12,880	17,183
Trade payables	3,536	(14,147)
Provisions and financial liabilities	3,559	(6,072)
Other liabilities	(7,235)	159
Total adjustments	30,226	(21,931)
Net cash provided by / (used in) operating activities	**89,143**	**34,362**
Cash flows from investing activities:		
Investment in property, plant and equipment	(10,122)	(6,652)
Investment in other intangible assets	(16,030)	(6,897)
Proceeds from fixed assets	821	205
Proceeds from/payments for other loans/current financial assets	(1,611)	-
Investments/divestiture in securities	841	1,855
Purchase of shares in affiliated consolidated companies, net of cash acquired	(96,779)	-
Payments received from disposal of legal entity Aaren Scientific Inc.	-	2,548
Net cash provided by / (used in) investing activities	**(122,880)**	**(8,941)**
Cash flows from financing activities:		
Proceeds from/(repayment of) current liabilities to banks	(207)	(72)
Proceeds from/(repayment of) non-current liabilities to banks	-	(247)
(Increase)/decrease in treasury receivables	93,158	22,054
Increase/(decrease) in treasury payables	(163)	(38,361)
Increase/(decrease) in liabilities due to finance lease	(6,501)	(1,384)
Dividend payment to shareholders of Carl Zeiss Meditec AG	(49,192)	-
Dividend payments to non-controlling interests	-	(5,551)
Net cash provided by / (used in) financing activities	**37,095**	**(23,561)**
Effect of exchange rate changes on cash and cash equivalents	394	(134)
Increase/(decrease) in cash and cash equivalents	**3,752**	**1,726**
Cash and cash equivalents, beginning of reporting period	6,678	3,925
Cash and cash equivalents, end of reporting period	**10,430**	**5,651**

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

Notes to the consolidated interim financial statements

GENERAL INFORMATION

Accounting under International Financial Reporting Standards (IFRSs)

Carl Zeiss Meditec AG prepared its consolidated financial statements as of 30 September 2018 in accordance with the International Financial Reporting Standards (IFRSs) of the International Accounting Standards Board (IASB), London, as applicable in the EU as of that date. Accordingly, this interim report has been prepared in accordance with IAS 34 *Interim Financial Reporting*.

Accounting and valuation principles

The accounting and valuation principles applied for the interim financial statements as of March 31, 2019 correspond to those applied for the consolidated financial statements for financial year 2017/18, with the exceptions described below. A detailed description of these methods was published in the notes to the consolidated financial statements as of September 30, 2018.

Recent pronouncements on accounting principles
Carl Zeiss Meditec has implemented all accounting standards adopted by the EU and mandatory from 1 October 2018. In addition, the Group voluntarily applies IFRS 16 *Leases* early. With the exception of the following, there were no significant changes to the accounting and valuation methods for all standards and interpretations applied for the first time, nor are such changes anticipated.

IFRS 9 *Financial Instruments*
As of 1 October 2018, the standard IFRS 9 *Financial Instruments* was applied for the first time using a modified retrospective method, and the cumulative effects were recognized in other comprehensive income at the date of first-time application, without adjustment of the comparative period. At the same time, when applying IFRS 9 for the first time, the Group exercised its accounting option to continue to account for hedges in accordance with IAS 39 instead of IFRS 9.

IFRS 9 introduces new rules on the classification and measurement of financial assets and new rules on the impairment of financial instruments. For a detailed description of the new impairment model, please refer to the consolidated financial statements for fiscal year 2017/18. The classification of financial liabilities under IFRS 9 is largely unchanged from the current accounting policies under IAS 39 *Financial Instruments: Recognition and Measurement*. As anticipated, the reclassification of existing financial assets did not significantly change the measurement results from the allocation to the individual categories.

The first-time application of the new impairment model on 1 October 2018 led to a reduction in the valuation allowances recognized on trade receivables in the amount of €3m. For the first time, both receivables from related parties and treasury receivables resulted in valuation adjustments totaling €1m.

	IAS 39 category	Carrying amount 30 Sep 2018	IFRS 9 category	Adjustment IFRS 9	Carrying amount IFRS 9 1 Oct 2018
		€k		€k	€k
Assets					
Trade receivables	Loans and receivables	201,485	Amortized cost	3,203	204,688
Receivables from related parties	Loans and receivables	96,503	Amortized cost	(375)	96,128
Treasury receivables	Loans and receivables	665,003	Amortized cost	(600)	664,403
Investments	available for sale	122	Fair value through profit and loss	-	122
Loans	Loans and receivables	135	Amortized cost	-	135
Other non-current financial assets	Loans and receivables	3,520	Amortized cost	-	3,520
Other current financial assets	Loans and receivables	13,432	Amortized cost	-	13,432
Asset-side currency hedging contracts	Held for trading	4,723	Fair value through profit and loss	-	4,723
Securities	available for sale	1,165	Fair value through profit and loss	-	1,165
Cash	Loans and receivables	6,678	Amortized cost	-	6,678
Adjusted assets, total		**992,766**		**2,228**	**994,994**
Equity and liabilities					
Trade payables	Amortized cost	67,425	Amortized cost	-	67,425
Liabilities to related parties	Amortized cost	34,012	Amortized cost	-	34,012
Treasury payables	Amortized cost	1,661	Amortized cost	-	1,661
Loans from banks	Amortized cost	288	Amortized cost	-	288
Liabilities-side currency hedging contracts	Held for trading	10,510	Fair value through profit and loss	-	10,510
Other financial liabilities	Amortized cost	4,912	Amortized cost	-	4,912
Adjusted equity and liabilities, total		**118,808**		**-**	**118,808**

IFRS 15 *Revenue from Contracts with Customers*

Since 1 October 2018 the standard IFRS 15 *Revenue from Contracts with Customers* has been applied for the first time using a modified retrospective method. This standard contains a five-step model for revenue recognition, which is applicable to all contracts with customers. This specifies at what point in time (or over what period) and in what amount revenue is to be recognized. Carl Zeiss Meditec has analyzed its customer contracts with regard to a need for amendment, particularly with respect to the handling of returns, combination transactions and extensions of warranty. As expected, this had no effect on sales.

IFRS 16 *Leases*

Carl Zeiss Meditec voluntarily applied the standard IFRS 16 *Leases* early on 1 October 2018 using a modified retrospective method, and recognized the cumulative effects at the date of first-time application, without adjusting the comparative period. Pursuant to IFRS 16, lessees must generally account for all leases in the form of a right of use and a corresponding lease liability. This is presented in the income statement as a finance transaction, with the right of use being depreciated on a straight-line basis and the lease liability carried forward using the effective interest method. The Group has made use of the simplification rule pertaining to leases with a total term of twelve months or less and leases where the underlying assets have a low value, and accounts for these in a similar way as under the previous operating lease model.

Within the scope of the transition to IFRS 16 leasing liabilities from previous operating leases were recognized in the amount of €55m as of 1 October 2018. The Group exercised its option to recognize assets for the rights of use to the leased assets in the same amount under the item "Property, plant and equipment" in the statement of financial position. The recognition of the right of use and the lease liability includes renewal and purchase options, insofar as they are considered probable.

Adjustment of the opening values in the statement of financial position

Overall, the first-time application of the standards IFRS 9 and 16 on 1 October 2018 resulted in the following adjustments in the opening statement of financial position.

	Carrying amount	Adjustment due to			Carrying amount
	30 Sep 2018	IFRS 9	IFRS 16	Total	1 Oct 2018
	€k	€k		€k	€k
ASSETS					
Property, plant and equipment	62,632	-	54,687	54,687	117,319
Deferred taxes	74,249	(619)	-	(619)	73,630
Non-current trade receivables	9,155	(4)	-	(4)	9,151
Trade receivables	192,330	3,207	-	3,207	195,537
Trade receivables from related parties	96,503	(375)	-	(375)	96,128
Treasury receivables	665,003	(600)	-	(600)	664,403
EQUITY AND LIABILITIES					
Retained earnings	632,486	1,623	-	1,623	634,109
Non-controlling interests	21,170	(14)	-	(14)	21,156
Non-current leasing liabilities	7,321	-	44,682	44,682	52,003
Current portion of non-current leasing liabilities	3,529	-	10,005	10,005	13,534

PURCHASE AND SALE OF BUSINESS OPERATIONS

Financial 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, (hereinafter: IanTECH). The acquisition took place on 14 December 2018.

IanTECH is a company that specializes in technical solutions for microinvasive cataract surgery. The acquisition will enable the Group to consolidate its technological position and product portfolio in cataract surgery.

The preliminary purchase price consists of a fixed sum (including escrow amount) of €101m and discounted performance-related components totaling €103m. The performance-related components reward the achievement of defined sales and development targets. If these objectives are achieved in full, a maximum sum of €233m will be due for these components. In the event of delays or failure to achieve the objectives, the amount due will be reduced incrementally and may reach the lower limit of zero. As of 31 March 2019 the Group assumes a discounted expected value of €103m for the performance-related components and has recognized this amount under non-current financial liabilities.

At the date of publication of Carl Zeiss Meditec AG's half-year financial statements as of 31 March 2019 the allocation of the purchase price to the assets and liabilities of the acquired company was not yet complete, as not all information on the assets and liabilities was available yet. The preliminary fair values of the identified assets and liabilities at acquisition date are as follows:

	Fair value
	€k
Other intangible assets	1,627
Property, plant and equipment	210
Inventories	544
Trade receivables	229
Other current financial assets	10
Other current non-financial assets	85
Cash and cash equivalents	4,632
Total assets	**7,337**
Current accrued liabilities	466
Trade payables	460
Current financial liabilities	60
Total liabilities	**986**
Net assets	**6,351**
Goodwill from acquisition	198,204
Total costs of acquisition	**204,555**
Cash received	4,632
Past cash outflow for purchase price components	(101,411)
Net capital outflow as of 14 December 2018	**(96,779)**

As expected, identified goodwill shall not be deductible for tax purposes.

Incidental acquisition costs amounting to €0.1m were incurred in the first six months of fiscal year 2018/19. These were recognized under general administrative expenses.

Effect of IanTECH on Carl Zeiss Meditec's result

The acquired company accounted for a share of €0.4m of the revenue reported in the consolidated income statement for the first six months of fiscal year 2018/19. IanTECH contributed €-2.7m to consolidated earnings.

Pro forma account of the acquisition

Assuming that the presented acquisition had already been completed as of 1 October 2018, pro forma revenue would have amounted to €667.5m; pro forma consolidated profit would have amounted to €56.4m.

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 achieved had the acquisition taken place at the beginning of the period, nor of future results.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

Operating segments

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 Group has two operating segments, which are simultaneously the Group's Strategic Business Units (SBUs). All activities relating to ophthalmology, such as intraocular lenses, surgical visualization solutions and medical laser and diagnostic systems are now 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 by the Management Board on a regular basis for each of the strategic business units.

The operating segments for the reporting period are as follows:

	Ophthalmic Devices 6 Months		Microsurgery 6 Months		Total 6 Months	
	2018/19	2017/18	**2018/19**	2017/18	**2018/19**	2017/18
	€k	€k	€k	€k	€k	€k
External revenue	490,669	449,308	176,514	164,391	667,183	613,699
Earnings before interest and taxes	67,552	49,646	42,804	38,597	110,356	88,243
Reconciliation of segments' comprehensive income to the Group's period-end result.						
Comprehensive income of the segments					**110,356**	**88,243**
Consolidated earnings before interest and taxes					**110,356**	**88,243**
Financial result					(22,311)	(4,298)
Consolidated earnings before income taxes					**88,045**	**83,945**
Income tax expense					(29,128)	(27,652)
Consolidated profit					**58,917**	**56,293**

As a general rule there were no intersegment sales.

Related party disclosures

In the reporting period 2018/19, transactions with related parties result in revenue of €304,385k (prior year: €256,959k). The term "related parties" refers here to Carl Zeiss AG and its subsidiaries.

DISCLOSURES ON FAIR VALUE

The principles and methods for measuring at fair value are essentially the same as in the previous year. Detailed notes on the evaluation principles and methods can be found in the Annual Report from September 30, 2018.

The allocation of the fair values to the three categories of fair value hierarchy is based on the availability of observable market prices on an active market. 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.

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

The table below provides an overview of the items in the statement of financial position measured at fair value:

		Category 1	Category 2	Category 3	Total
		€k	€k	€k	€k
Securities	31 Mar 2019	349	-	-	349
	30 Sep 2018	1,165	-	-	1,165
Financial assets recognized at fair value through profit or loss	31 Mar 2019	-	1,886	-	1,886
	30 Sep 2018	-	4,723	-	4,723
Financial liabilities recognized at fair value through profit or loss	31 Mar 2019	-	(19,132)	-	(19,132)
	30 Sep 2018	-	(10,510)	-	(10,510)

Carl Zeiss Meditec shall review at the end of each reporting period whether there are grounds for reclassification to or from a valuation category. There were no reclassifications amongst the valuation categories during the reporting period.

Reconciliation of items in the statement of financial position to the categories of financial instruments

The fair value of the financial instruments measured at amortized cost, such as receivables and liabilities, is determined through discounting, taking into account a risk-based market interest rate with matching maturity. In comparison with September 30, 2018 there are no significant changes in the ratios between carrying amount and fair value with respect to noncurrent assets and liabilities. For reasons of materiality the fair value shall be equated to the carrying amount for current items in the statement of financial position.

Responsibility statement

To the best of our knowledge, and in accordance with the applicable interim reporting principles, the consolidated interim financial statements of Carl Zeiss Meditec give a true and fair view of the net assets, financial position and results of operations of the Group, and the consolidated interim 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.

Dr. Ludwin Monz
President and CEO

Justus Felix Wehmer
Member of the
Management Board

Jan Willem de Cler
Member of the
Management Board

Financial calendar

Imprint/Disclaimer

Financial calendar 2018/19

Publication
Quarterly Statement 9 Month 2018/19 and conference call
9 August 2019

Publication of the annual financial statements 2018/19 and Analyst Conference
6 December 2019

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Both versions and the key figures contained in this report can be downloaded from the following address:
www.zeiss.com/ir/reports_and_publications

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

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

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

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