First-Half Financial Report

2019/20

Carl Zeiss Meditec Group

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Key performance indicators
(IFRS)

	6 Months 2019/20		6 Months 2018/19		6 Months 2017/18	
	€m	%	€m	%	€m	%
Revenue	**714.9**	**100.0**	667.2	100.0	613.7	100.0
Research and development expenses	**105.5**	**14.8**	78.5	11.8	80.0	13.0
EBIT	**102.5**	**14.3**	110.4	16.5	88.2	14.4
Consolidated profit[1]	**65.0**	**9.1**	58.9	8.8	56.3	9.2
Earnings per share[2] (in €)	**0.71**		0.65		0.63	
Cash flows from operating activities	**40.7**		89.1		34.4	
Cash flows from investing activities	**-18.7**		-122.9		-8.9	
Cash flows from financing activities	**-29.3**		37.1		-23.6	
Total assets	**2,080.7**	**100.0**	1,849.1	100.0	1,603.2	100.0
Property, plant and equipment	**116.8**	**5.6**	116.1	6.3	55.7	3.5
Equity	**1,479.6**	**71.1**	1,329.0	71.9	1,281.8	80.0
Net cash[3]	**691.6**	**33.2**	581.3	31.4	589.9	36.8
Number of employees (31 March)	**3,335**		3,179		3,006	

[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

Further information:
www.zeiss.com/meditec-ag/ir

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Group management report on the interim financial statements

CARL ZEISS MEDITEC GROUP

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 one of the 60 companies listed on the MDAX and is also one of the 30 largest technology stocks listed on the TecDAX in Germany.

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

UNDERLYING CONDITIONS AND ECONOMIC DEVELOPMENT

Macroeconomic conditions[4]

Global growth momentum had slowed significantly at the end of fiscal year 2018/19 and in the first quarter of 2019/20. A number of factors curbed in particular the growth of major economies like the USA and China, and the eurozone. Trade tensions increasingly eroded business confidence and thus dampened the mood on the financial market.

In the first six months of fiscal year 2019/20, and particularly at the start of the second quarter, the global spread of the SARS-CoV-2 virus impacted the global economy. The COVID-19 pandemic and the resulting need for protective measures led to sharp cuts worldwide, which had a significant impact on economic activity. Far-reaching measures to contain the pandemic, such as lockdowns, travel restrictions, business closures and social distancing brought economic activity to almost a complete standstill in a short period of time. The global economy is expected to shrink dramatically as a result of the COVID-19 pandemic, with a decline of 3% forecast for 2020, worse than during the financial crisis of 2008/09. A decline of as much as 7.5% is predicted for the eurozone, as the epidemic has so far taken a much greater toll on Europe than in other parts of the world. Should the containment efforts succeed in slowing the spread of COVID-19 pandemic in the second half of 2020 and economic activity return to normal, the global economy would be expected to recover in 2021. This outlook is tinged with a high degree of uncertainty.

Statement of earnings position

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

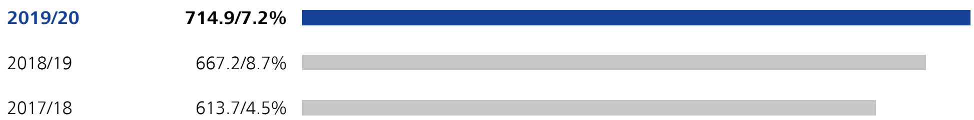
	6 Months 2019/20	6 Months 2018/19	Change
Revenue	714.9	667.2	+7.2%
Gross margin	55.6%	55.9%	-0.3% pts
EBITDA	130.3	133.3	-2.2%
EBITDA margin	18.2%	20.0%	-1.8% pts
EBIT	102.5	110.4	-7.1%
EBIT margin	14.3%	16.5%	-2.2% pts
Earnings before income taxes	96.1	88.0	+9.1%
Tax rate	32.3%	33.1%	-0.8% pts
Consolidated profit after non-controlling interests	63.9	58.1	+10.0%
Earnings per share after non-controlling interests	€0.71	€0.65	+10.0%

[4] International Monetary Fund, "World Economic Outlook" April 2020, Washington D.C.

Revenue

The Carl Zeiss Meditec Group increased its revenue by 7.2%, to €714.9m, in the first six months of fiscal year 2019/20 (prior year: €667.2m). After adjustment for currency effects, growth amounted to 5.8%. Both the Ophthalmic Devices strategic business unit (SBU) and the Microsurgery SBU performed well overall in the first six months of the current fiscal year, although growth in the second quarter was very flat. Regionally, the Asia/Pacific (APAC) and Americas regions made good contributions to growth. The Europe/Middle East/Africa (EMEA) region recorded a slight decline for the first six months compared with the same period of the prior year.

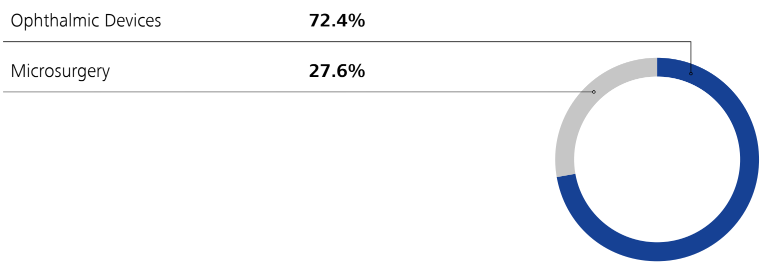
Revenue of the Carl Zeiss Meditec Group in €m/growth in % after 6 months of the respective fiscal year



Revenue by strategic business unit

The revenue contribution of the Ophthalmic Devices SBU amounted to 72.4% in the first six months of fiscal year 2019/20 (prior year: 73.5%). The Microsurgery SBU contributed 27.6% (prior year: 26.5%) of consolidated revenue.

Share of strategic business units in revenue of the Carl Zeiss Meditec Group after 6 months 2019/20



The Ophthalmic Devices SBU increased its revenue by 5.5% in the first six months of fiscal year (adjusted for currency effects: 4.2%), to €517.7m (prior year: €490.7m). This increase was driven by both products for ophthalmic surgery and products for diagnostics.

Revenue in the Microsurgery SBU increased by 11.7% in the first six months (adjusted for currency effects: 10.1%), to €197.2m (prior year: €176.5m). Revenue generated from the KINEVO® 900 visualization system in neurosurgery and the TIVATO® 700 in spinal surgery, in particular, developed very favorably.

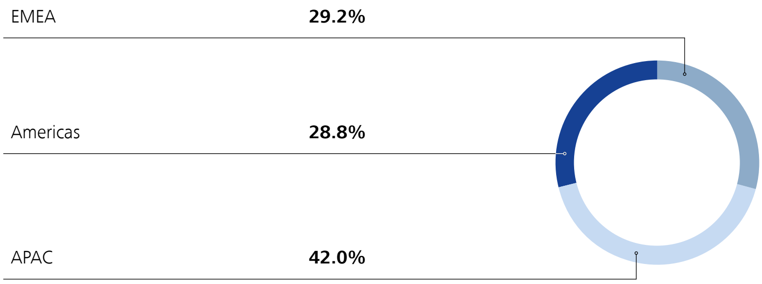
Revenue by strategic business unit

	6 Months 2019/20	6 Months 2018/19	Change in %	
	€m	€m		Adjusted for currency effects
Ophthalmic Devices	517.7	490.7	+5.5	+4.2
Microsurgery	197.2	176.5	+11.7	+10.1
Carl Zeiss Meditec Group	**714.9**	**667.2**	**+7.2**	**+5.8**

Sales by region

The Carl Zeiss Meditec Group has a largely balanced range of business activities worldwide. In the first six months of fiscal year 2019/20, the EMEA region accounted for 29.2% (prior year: 32.0%) of consolidated revenue. The Americas region accounted for 28.8 % (prior year: 27.1%) of total revenue. The APAC region accounted for 42.0% (prior year: 40.9%) of consolidated revenue.

Share of the regions in revenue of the Carl Zeiss Meditec Group after 6 months of 2019/20



Revenue in the **EMEA** region decreased by -2.3% (adjusted for currency effects: -2.3%), to €208.7m (prior year: €213.7m). A heterogeneous development was evident in the core markets in the first six months. At the end of the first half of fiscal year 2019/20 the region as a whole recorded a much more subdued development of incoming orders.

Revenue in the **Americas** region increased compared with a relatively low prior-year basis, by 13.6% (adjusted for currency effects: +10.8%), to €205.5m (prior year: €180.9m). The trend on the U.S. market was positive. Latin America also made good contributions to revenue. However, at the end of the first six months there were also clear signs of a slowdown in this region.

Revenue in the **APAC** region increased by 10.3% (adjusted for currency effects: 8.8 %), to €300.7m, compared with €272.6m in the same period of the prior year, with South Korea, India and Japan making good contributions to growth. In China, however, temporary closures of clinics and postponements of non-acute surgical treatments in the months of February and March resulted in significant losses of revenue; thus, China achieved no further growth after the first six months.

Revenue of the Carl Zeiss Meditec Group by region

	6 Months 2019/20	6 Months 2018/19		Change in %
	€m	€m		Adjusted for currency effects
EMEA	208.7	213.7	-2.3	-2.3
Americas	205.5	180.9	+13.6	+10.8
APAC	300.7	272.6	+10.3	+ 8.8
Carl Zeiss Meditec Group	**714.9**	**667.2**	**+7.2**	**5.8**

Gross profit

Gross profit increased to €397.7m at the end of the first six months of the current fiscal year 2019/20 (prior year: €373.0m). The gross margin in the reporting period reached 55.6% (prior year: 55.9%).

Functional costs

Functional costs for the first six months of fiscal year 2019/20 amounted to €295.2m (prior year: €262.6m), thus increasing by 12.4%. Due to higher research and development expenses, accompanied by a concurrent weaker sales trend at the end of the first six months of 2019/20, the share of functional costs in relation to consolidated revenue in the current fiscal year increased to 41.3% after the first six months (prior year: 39.4%).

» **Selling and marketing expenses:** Selling and marketing expenses amounted to €160.0m in the first six months of fiscal year 2019/20 (prior year: €156.1m). The ratio of expenses to the Group's total revenue decreased slightly compared with the prior year, to 22.4% (prior year: 23.4%).
» **General administrative expenses:** General administrative expenses in the first six months of the current fiscal year amounted to €29.7m (prior year: €28.0m). General administrative expenses thus accounted for 4.2% of total revenue. The ratio thus remained constant compared with the prior year.
» **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 and further growth. At €105.5m (14.8% compared with a prior-year figure of 11.8% relative to consolidated revenue), R&D expenses in the reporting period were significantly higher year-on-year (€78.5m).

Development of results

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 an EBIT of €102.5m in the first six months of 2019/20 (prior year: €110.4m). This corresponds to an EBIT margin of 14.3% (prior year: 16.5%).

Overview of effects of purchase price allocations included in EBIT

	6 Months 2019/20	6 Months 2018/19	Change
	€m	€m	in %
EBIT	102.5	110.4	-7,1%
Effects of purchase price allocations[5]	-2.8	-1.7	-
Total effects	**-2.8**	**-1.7**	**-**

[5] 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.

While the Microsurgery SBU increased its EBIT margin, the EBIT margin in the Ophthalmic Devices SBU declined considerably due to lower revenue from consumables and a disproportionate rise in functional costs.

Earnings before interest, tax, depreciation and amortization (EBITDA) decreased to €130.3m in the first six months of the current fiscal year (prior year: €133.3m). The EBITDA margin amounted to 18.2% (prior year: 20.0%).

The financial result improved, particularly in comparison with a significantly negative currency result in the prior year, to €-6.4m (prior year: €-22.3m).

The tax rate for the reporting period was 32.3% (prior year: 33.1%). 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 €63.9m for the first six months of fiscal year 2019/20, thus increasing by 10.0% compared with the basis of comparison in the prior year (prior year: €58.1m). Non-controlling interests accounted for €1.1m (prior year: €0.8m). Basic earnings per share of the parent company amount to €0.71 for the first six months of fiscal year 2019/20 (prior year: €0.65).

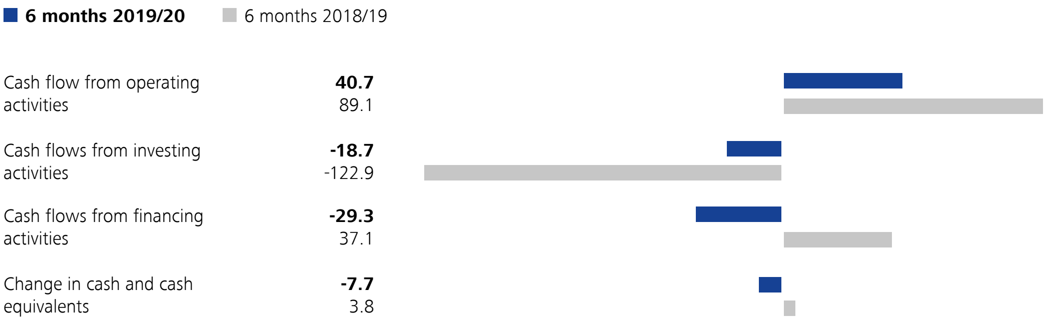
FINANCIAL POSITION

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 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.

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



Cash **flows from operating activities** amounted to €40.7m in the reporting period (prior year: €89.1m). The higher cash outflow compared with the prior year is due in part to the formation of security stocks to secure the supply chain in light of the COVID-19 pandemic, as well as to the more substantial reduction of liabilities compared with the prior year.

Cash flows from investing activities amounted to €-18.7m in the period under review (prior year: €-122.9m). The higher cash outflow in the first six months of the prior fiscal year was mainly due to the acquisition of IanTECH, Inc.

Cash flow from financing activities in the first six months of fiscal year 2019/20 amounted to -€29.3m (prior year: €37.1m). The cash inflow in the prior year is primarily attributable to the decrease in treasury receivables as a result of the acquisition of IanTECH, Inc.

Key ratios relating to financial position

Key ratio	Definition	31 Mar 2020 €m	30 Sep 2019 €m	Change in %
Cash and cash equivalents	Cash-on-hand and bank balances	14.9	22.6	-34.0
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	691.6	677.8	+2.0
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	335.6	286.9	+17.0
Working capital	Current assets ./. current liabilities	1,027.2	964.7	+6.5

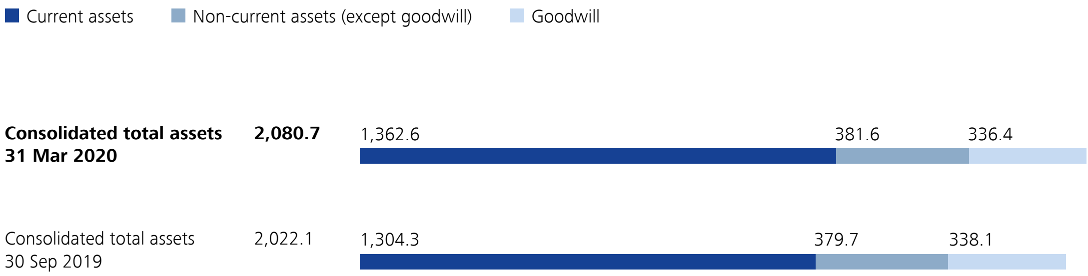
Key performance indicator	Definition	6 Months 2019/20	6 months 2018/19	Change
Cash flow per share	Cash flow from operating activities Weighted average of shares outstanding	€0.46	€1.00	-54.3%
Capex ratio	Investment (cash) in property, plant and equipment Revenue of Carl Zeiss Meditec Group	1.6%	1.5%	+0.1% pts

NET ASSETS

Presentation of net assets

As of 31 March 2020, total assets amounted to €2,080.7m (30 September 2019: €2,022.1m).

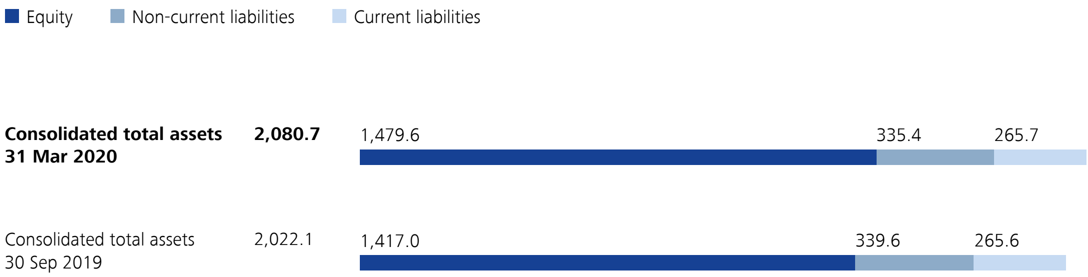
Structure of statement of financial position - assets in €m



Non-current assets amounted to €718.0m as of 31 March 2020 (30 September 2019: €717.8m).

Current assets increased slightly to €1,362.6m as of 31 March 2020 (30 September 2019: €1,304.3m), due, among other things, to the higher level of inventories.

Structure of statement of financial position - liabilities in €m



The equity recognized in the Carl Zeiss Meditec Group's statement and financial position increased slightly, from €1,417.0 as of 30 September 2019, to €1,479.6m as of 31 March 2020. The equity ratio was 71.1% (30 September 2019: 70.0%) and thus remains high.

Non-current liabilities amounted to €265.7m as of 31 March 2020 (30 September 2019: €265.6m).

As of 31 March 2020, current liabilities amounted to €335.4m (30 September 2019: €339.6m).

Key ratios relating to net assets

		31 Mar 2020	30 Sep 2019	Change
Key ratio	Definition	in %	in %	% pts
Equity ratio	Equity (including non-controlling interests) / Total assets	71.1	70.0	1.1
Inventories in % of rolling 12-month revenue	Inventories (net) / Rolling revenue	21.1	18.4	2.7
Receivables in % of rolling 12-month revenue	Trade receivables at the end of the reporting period (including non-current receivables) / Rolling revenue	19.7	22.8	-3.1

ORDERS ON HAND

The Carl Zeiss Meditec Group's orders on hand amounted to €189.6m as of 31 March 2020 (30 September 2019: €151.9m).

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 statements on the opportunity and risk situation of the Carl Zeiss Meditec Group and the detailed presentation of risk management on pages 60 to 67 of the Annual Report 2018/19 of the Carl Zeiss Meditec Group still apply in principle. New risks arising in the first six months of fiscal year 2019/20 relate to the current COVID-19 pandemic and a significant slowdown of the global economy as a result. For the Carl Zeiss Meditec Group, this may lead in particular to a decline in revenue and earnings, which may result, on the one hand, from the global health care systems essentially limiting themselves to emergency medical care only during the pandemic, and suspending or postponing any non-urgent treatments, as well as investments. Furthermore, a subsequent economic downturn may lead to a reduction in public health budgets as a result of austerity measures, but also to a reduction in the willingness of private doctors to invest. Patients are therefore expected to be increasingly reluctant to make voluntary co-payments or pay for private services.

EVENTS OF PARTICULAR SIGNIFICANCE

There were no events of particular significance during the first six months of fiscal year 2019/20. 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 2019/20 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 2020 the Carl Zeiss Meditec Group had 3,335 employees worldwide (30 September 2019: 3,232).

RESEARCH & 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 generally aims to invest around 12% to 13% of revenue in research and development.

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.

In the first six months of fiscal year 2019/20, investment in research and development therefore continued as planned. Research and development expenses for the reporting period amounted to €105.5m (prior year: €78.5m). Due to the weaker development of revenue at the end of the first six months of 2019/20, the R&D ratio increased from 11.8% in the prior year, to 14.8%. As of 31 March 2020, 18.7% (30 September 2019: 17.1%) of the Carl Zeiss Meditec Group's entire workforce was working in Research and Development.

Please refer to the pages 47 to 50 in the Annual Report 2018/19 for a comprehensive description of our research and development work.

OUTLOOK

Revenue growth slowed significantly in the second quarter of fiscal year 2019/20. At €345.3m (prior year: €343.5m), revenue was roughly at the same level of the prior year.

In light of the further global spread of the SARS-CoV-2 virus and the associated adverse effects on the global economy, the management of the Company expects the development of business to be significantly impeded in the second half of fiscal year 2019/20.

As already communicated on 2 April 2020, it is still not possible at present to make a reliable forecast on the further development of business. Our utmost priority at the present time is the safety of ZEISS employees and maintaining production and the supply chain, to offer customers maximum continuity. These are also the most important prerequisites for returning to sustainable growth in the key markets and regions as soon as possible.

Should there be any significant changes in the economic environment currently forecast over the course of the second half of fiscal year 2019/20, and should it thus become necessary to amend the statements made here on the development of business from today's perspective, these amendments shall be published promptly and shall specify our expectations in more detail.

Consolidated income statement (IFRS)
from 1 October 2019 to 31 March 2020

	2nd quarter 2019/20 1 Jan 20 to 31 Mar 20	2nd quarter 2018/19 1 Jan 19 to 31 Mar 19	2019/20 1 Oct 19 to 31 Mar 20	2018/19 1 Oct 18 to 31 Mar 19
	€k	€k	€k	€k
Revenue	**345,255**	**343,542**	**714,926**	**667,183**
Cost of sales	(153,785)	(148,139)	(317,192)	(294,214)
Gross profit	**191,470**	**195,403**	**397,734**	**372,969**
Selling and marketing expenses	(77,164)	(78,162)	(160,049)	(156,115)
General administrative expenses	(14,972)	(14,156)	(29,693)	(27,990)
Research and development expenses	(53,630)	(40,802)	(105,490)	(78,508)
Other operating result	-	-	-	-
Earnings before interest, taxes, depreciation and amortization	59,874	75,640	130,342	133,257
Depreciation and amortization	(14,170)	(13,357)	(27,840)	(22,901)
Earnings before interest and taxes	**45,704**	**62,283**	**102,502**	**110,356**
Interest income	412	331	881	694
Interest expenses	(2,729)	(3,449)	(5,398)	(3,912)
Net interest from defined benefit pension plans	(186)	(148)	(334)	(275)
Foreign currency gains/(losses), net	(2,978)	(12,354)	(1,556)	(18,822)
Other financial result	8	-	4	4
Earnings before income taxes	**40,231**	**46,663**	**96,099**	**88,045**
Income taxes	(13,734)	(16,108)	(31,059)	(29,128)
Consolidated profit	**26,497**	**30,555**	**65,040**	**58,917**
Attributable to:				
Shareholders of the parent company	25,092	29,390	63,910	58,078
Non-controlling interests	1,405	1,165	1,130	839
Profit/(loss) per share attributable to the shareholders of the parent company in fiscal year (in €):				
- Basic/diluted	**0.28**	**0.33**	**0.71**	**0.65**

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

Consolidated statement of comprehensive income (IFRS)
from 1 October 2019 to 31 March 2020

	2nd quarter 2019/20 1 Jan 20 to 31 Mar 20	2nd quarter 2018/19 1 Jan 19 to 31 Mar 19	2019/20 1 Oct 19 to 31 Mar 20	2018/19 1 Oct 18 to 31 Mar 19
	€k	€k	€k	€k
Consolidated profit	**26,497**	**30,555**	**65,040**	**58,917**
Gains/(losses) on foreign currency translation	9,564	7,676	(4,073)	12,280
Total gains/(losses) that may subsequently be reclassified to consolidated profit	**9,564**	**7,676**	**(4,073)**	**12,280**
Remeasurement from defined benefit pension plans	(3,666)	(5,611)	1,634	(9,207)
Total gains/(losses) that will not subsequently be reclassified to consolidated profit	**(3,666)**	**(5,611)**	**1,634**	**(9,207)**
Other comprehensive income	**5,898**	**2,065**	**(2,439)**	**3,073**
Comprehensive income for the period	**32,395**	**32,620**	**62,601**	**61,990**
Attributable to:				
Shareholders of the parent company	30,556	31,198	61,648	60,069
Non-controlling interests	1,839	1,422	953	1,921

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

Consolidated statement of financial position (IFRS)
as of 31 March 2020

	31 Mar 2020	30 Sep 2019
	€k	€k
ASSETS		
Non-current assets		
Goodwill	336,403	338,094
Other intangible assets	148,037	144,336
Property, plant and equipment	116,770	116,752
Other loans	-	165
Investments	5,142	5,173
Deferred taxes	94,336	96,402
Non-current trade receivables	11,004	10,796
Other non-current assets	6,350	6,082
	718,042	**717,800**
Current assets		
Inventories	317,434	268,322
Trade receivables	170,074	205,789
Trade receivables from related parties	115,495	116,185
Treasury receivables	703,018	655,167
Tax refund claims	6,475	4,718
Other current financial assets	13,815	10,012
Other current non-financial assets	21,374	21,497
Cash and cash equivalents	14,947	22,639
	1,362,632	**1,304,329**
	2,080,674	**2,022,129**
EQUITY AND LIABILITIES		
Equity		
Share capital	89,441	89,441
Capital reserve	620,137	620,137
Retained earnings	808,583	744,673
Other components of equity	(58,074)	(55,812)
Equity before non-controlling interests	**1,460,087**	**1,398,439**
Non-controlling interests	19,470	18,517
	1,479,557	**1,416,956**
Non-current liabilities		
Provisions for pensions and similar obligations	81,585	79,537
Other non-current provisions	7,564	7,463
Non-current financial liabilities	110,132	109,009
Non-current leasing liabilities	38,222	42,828
Other non-current non-financial liabilities	10,772	8,538
Deferred taxes	17,407	18,198
	265,682	**265,573**
Current liabilities		
Current provisions	19,989	20,141
Current accrued liabilities	87,608	106,735
Current financial liabilities	29,992	25,534
Current portion of non-current leasing liabilities	15,293	14,661
Trade payables	78,817	83,451
Trade payables to related parties	38,395	34,669
Treasury payables	26,383	-
Current income tax payables	8,952	20,030
Other current non-financial liabilities	30,006	34,379
	335,435	**339,600**
	2,080,674	**2,022,129**

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

Consolidated statement of changes in equity (IFRS)

	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	**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	-	-	-	11,198	11,198	1,082	12,280
Remeasurement from defined benefit plans	-	-	-	(9,207)	(9,207)	-	(9,207)
Changes in value recognized in other comprehensive income	**-**	**-**	**-**	**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**
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	-	-	-	(3,896)	(3,896)	(177)	(4,073)
Remeasurement from defined benefit plans	-	-	-	1,634	1,634	-	1,634
Changes in value recognized in other comprehensive income	**-**	**-**	**-**	**(2,262)**	**(2,262)**	**(177)**	**(2,439)**
Consolidated profit	-	-	63,910	-	63,910	1,130	65,040
Comprehensive income for the period	**-**	**-**	**63,910**	**(2,262)**	**61,648**	**953**	**62,601**
As of 31 Mar 2020	**89,441**	**620,137**	**808,583**	**(58,074)**	**1,460,087**	**19,470**	**1,479,557**

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

Consolidated statement of cash flows (IFRS)
from 01 October 2019 to 31 March 2020

	2019/20 1 Oct 19 to 31 Mar 20	2018/19 1 Oct 18 to 31 Mar 19
	€k	€k
Cash flows from operating activities:		
Consolidated profit	**65,040**	**58,917**
Adjustments to reconcile consolidated profit to net cash provided by/(used in) operating activities		
Income tax expense	31,059	29,128
Interest income/expense	4,851	3,493
Depreciation and amortization	27,840	22,901
Gains/losses on disposal/depreciation of fixed assets	18	(38)
Interest received	850	618
Interest paid	(626)	(948)
Refunded income taxes	158	2,483
Income taxes paid	(44,137)	(39,463)
Changes in working capital:		
Trade receivables	35,131	16,903
Inventories	(50,639)	(17,591)
Other assets	(4,198)	12,880
Trade payables	(661)	3,536
Provisions and financial liabilities	(22,050)	3,559
Other liabilities	(1,914)	(7,235)
Total adjustments	(24,318)	30,226
Net cash provided by/(used in) operating activities	**40,722**	**89,143**
Cash flows from investing activities:		
Investment in property, plant and equipment	(11,512)	(10,122)
Investment in other intangible assets	(7,402)	(16,030)
Proceeds from fixed assets	32	821
Proceeds from other loans	163	131
Payments for other loans/current financial assets	-	(1,742)
Investments/divestitures in securities	-	841
Purchase of shares in affiliated consolidated companies, net of cash acquired	-	(96,779)
Net cash provided by/(used in) investing activities	**(18,719)**	**(122,880)**
Cash flows from financing activities:		
Proceeds from/(repayment of) current liabilities to banks	154	(207)
(Increase)/decrease in treasury receivables	(48,111)	93,158
Increase/(decrease) in treasury payables	26,163	(163)
Increase/(decrease) in liabilities due to finance lease	(7,513)	(6,501)
Dividend payment to shareholders of Carl Zeiss Meditec AG	-	(49,192)
Net cash provided by/(used in) financing activities	**(29,307)**	**37,095**
Effect of exchange rate changes on cash and cash equivalents	(388)	394
Increase/(decrease) in cash and cash equivalents	**(7,692)**	**3,752**
Cash and cash equivalents, beginning of reporting period	22,639	6,678
Cash and cash equivalents, end of reporting period	**14,947**	**10,430**

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 2019 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 policies

The accounting and valuation policies applied for the interim financial statements as of 31 March 2020 correspond to those applied for the consolidated financial statements for fiscal year 2018/19, with the exception of the application of new accounting pronouncements in the current fiscal year, as detailed in the annual report 2018/19 on page 97. A detailed description of these methods was published in the notes to the consolidated financial statements as of 30 September 2019.

Recent pronouncements on accounting policies
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.

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 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 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	
	2019/20	2018/19	**2019/20**	2018/19	**2019/20**	2018/19
	€k	€k	€k	€k	€k	€k
External revenue	517,743	490,669	197,183	176,514	714,926	667,183
Earnings before interest and taxes	49,011	67,552	53,488	42,804	102,502	110,356
Reconciliation of segments' comprehensive income to the Group's period-end result.						
Comprehensive income of the segments					**102,502**	**110,356**
Consolidated earnings before interest and taxes					**102,502**	**110,356**
Financial result					(6,403)	(22,311)
Consolidated earnings before income taxes					**96,099**	**88,045**
Income tax expense					(31,059)	(29,128)
Consolidated profit					**65,040**	**58,917**

As a general rule there were no intersegment sales.

Related party disclosures

In the reporting period 2019/20, transactions with related parties result in revenue of €337,463k (prior year: €304,385k). 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 prior year. Detailed notes on the evaluation principles and methods can be found in the Annual Report from 30 September 2019.

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
Financial assets recognized at fair value through profit or loss	31 Mar 2020	-	9,562	-	9,562
	30 Sep 2019	-	2,266	-	2,266
Financial liabilities recognized at fair value through profit or loss	31 Mar 2020	-	(10,754)	(122,800)	(133,554)
	30 Sep 2019	-	(18,636)	(109,009)	(127,645)

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.

The table below presents the changes in the fair value of the financial instruments classified as Level 3:

	Contingent purchase price obligations
	€k
As of 1 Oct 2019	**109,009**
Additions	9,673
Changes in fair value recognized in profit or loss	4,746
Currency effects	(628)
As of 31 Mar 2020	**122,800**

The financial liabilities allocated to Level 3 are the contingent purchase price obligations from the acquisition of IanTECH Inc. and from this year's acquisition of intangible assets, payment of which is subject to the fulfilment of conditions. The change in fair value recognized through profit or loss in the current fiscal year exclusively pertains to the compounding of the liability from the acquisition of IanTECH Inc., and was recorded under interest expense. The currency effect results from the translation through other comprehensive income of the liability at the US subsidiary.

With regard to the contingent consideration from the acquisition of IanTECH Inc., an upward or downward fluctuation in the interest rate by 0.5% points would reduce or increase the contingent consideration, respectively, in the low-single-digit-million range. A delay in the achievement of targets linked to milestones, accompanied by a simultaneous reduction in the planned sales targets by 15%, would reduce the obligation by €16m. In the case of the contingent consideration from the acquisition of the intangible assets, neither the upward or downward fluctuation of the interest rate by 0.5% points, nor a postponement of the fulfilment of the conditions, would have a material effect on the obligation.

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 30 September 2019 there are no significant changes in the ratios between carrying amount and fair value with respect to non-current 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 reporting principles, the consolidated interim financial statements of the Carl Zeiss Meditec 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.

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 2019/20

Publication of Quarterly Statement
9 Month 2019/20 and Conference Call
7 Aug 2020

Publication of Annual Financial
Statements 2019/20
and Analyst Conference
11 Dec 2020

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The 6-Month Report 2019/20 of
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Both versions and the key figures
contained in this report can be down-
loaded from the following address:
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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 interim 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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