First-Half Financial Report

2020/21

Carl Zeiss Meditec Group

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Seeing beyond

Key performance indicators
(IFRS)

	6 Months 2020/21		6 Months 2019/20		6 Months 2018/19	
	€m	%	€m	%	€m	%
Revenue	**767.4**	**100.0**	714.9	100.0	667.2	100.0
Research and development expenses	**111.6**	**14.5**	105.5	14.8	78.5	11.8
EBIT	**162.7**	**21.2**	102.5	14.3	110.4	16.5
Consolidated profit[1]	**101.5**	**13.2**	65.0	9.1	58.9	8.8
Earnings per share[2] (in €)	**1.12**		0.71		0.65	
Cash flows from operating activities	**152.9**		40.7		89.1	
Cash flows from investing activities	**-24.8**		-18.7		-122.9	
Cash flows from financing activities	**-124.7**		-29.3		37.1	
Total assets	**2,217.7**	**100.0**	2,080.7	100.0	1,849.1	100.0
Property, plant and equipment	**189.3**	**8.5**	116.8	5.6	116.1	6.3
Equity	**1,563.3**	**70.5**	1,479.6	71.1	1,329.0	71.9
Net cash[3]	**826.1**	**37.3**	691.6	33.2	581.3	36.8
Number of employees (31 March)	**3,371**		3,335		3,179	

[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

Contents

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 and is listed in the MDAX and TecDAX on the German Stock Exchange.

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 2020/21.

UNDERLYING CONDITIONS AND ECONOMIC DEVELOPMENT

Macroeconomic conditions[1]

According to the OECD, a global economic recovery has been on this horizon since the second quarter of fiscal year 2020/21. Factors such as the faster deployment of vaccines, effective policies and government stimulus measures led to an upswing, particularly in the USA and China. Stringent measures to contain the virus and different strains of the virus, on the other hand, curbed growth in Europe and service sectors. However, the availability of vaccines and the vaccine campaigns give hope that restrictions will soon be scaled back, making it possible to see clear signs of a revival of commodity trading and industrial production. The USA’s economic performance was revised upward by the OECD for fiscal year 2021 compared with the forecasts from December, and now stands at around 6.5%. In Germany, the OECD anticipates an economic performance of around 3.0% in 2021, and around 7.8% in China. Both economies are therefore expected to increase their economic output compared with the prior year. Depending on the progress of vaccination worldwide and the resulting containment of the virus, the global economy is expected to return to its pre-pandemic level by mid-2021.

Statement of earnings position

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

	6 Months 2020/21	6 Months 2019/20	Change
Revenue	767.4	714.9	+7.3%
Gross margin	57.1%	55.6%	+1.5% pts
EBITDA	192.6	130.3	+47.8%
EBITDA margin	25.1%	18.2%	+6.9% pts
EBIT	162.7	102.5	+58.7%
EBIT margin	21.2%	14.3%	+6.9% pts
Earnings before income taxes	145.7	96.1	+51.6%
Tax rate	30.4%	32.3%	-1.9% pts
Consolidated profit after non-controlling interests	100.6	63.9	+57.4%
Earnings per share after non-controlling interests	€1.12	€0.71	+57.4%

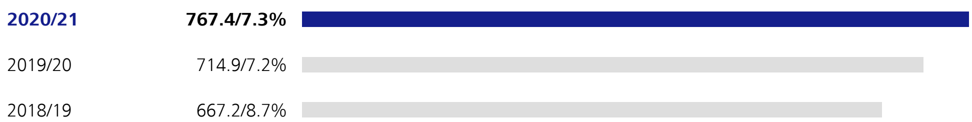
[1] OECD Economic Outlook, March 2021, Paris.

Revenue

The Carl Zeiss Meditec Group increased its revenue by 7.3%, the previous year to €767.4m, in the first six months of fiscal year 2020/21 (prior year: €714.9m). After adjustment for currency effects, growth amounted to 10.5%. The strategic business unit (SBU) Ophthalmic Devices, in particular, contributed to this growth. After the first six months of the current fiscal year, the strategic business unit Microsurgery was still lagging behind the year-ago period overall, although orders received were back on a positive trend during the first six months.

With another double-digit increase in revenue, the Asia/Pacific (APAC) region contributed significantly to the development of business. The Europe, Middle East and Africa (EMEA) region also recorded solid revenue growth overall for the first six months, while the Americas region remained slightly behind the relatively high basis of comparison from the year-ago period, due to negative currency effects.

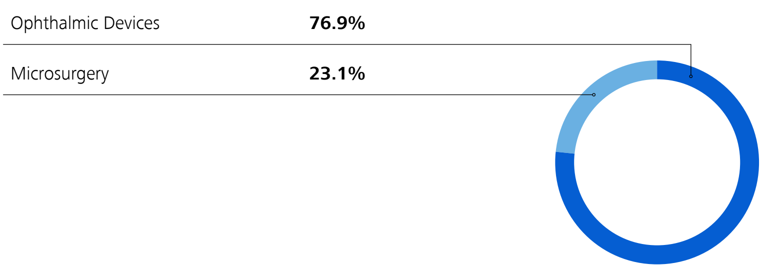
Revenue of the Carl Zeiss Meditec Group in €m/growth in % after 6 months of the respective fiscal year



Revenue by strategic business unit

The revenue contribution of the Ophthalmic Devices SBU amounted to 76.9% in the first six months of fiscal year 2020/21 (prior year: 72.4%). The Microsurgery SBU contributed 23.1% (prior year: 27.6%) of consolidated revenue.

Share of strategic business units in revenue of the Carl Zeiss Meditec Group after 6 months 2020/21



The strategic business unit Ophthalmic Devices increased its revenue by 14.0% in the first six months of fiscal year 2020/21 (adjusted for currency effects: 17.2%), to €590.1m (prior year: €517.7m). Recurring revenue contributed significantly to this increase in revenue. The equipment business also returned to growth from the second quarter.

Revenue in the strategic business unit Microsurgery amounted to €177.3m in the first six months and was therefore down by -10.1% (adjusted for currency effects: - 7.0%) from the prior-year figure of €197.2m. Although the ongoing restrictions due to the COVID-19 pandemic continued to have a marked effect on business performance, a further trend improvement was achieved compared with the previous quarters. Orders received were once again on a upward trend in the first half of the year.

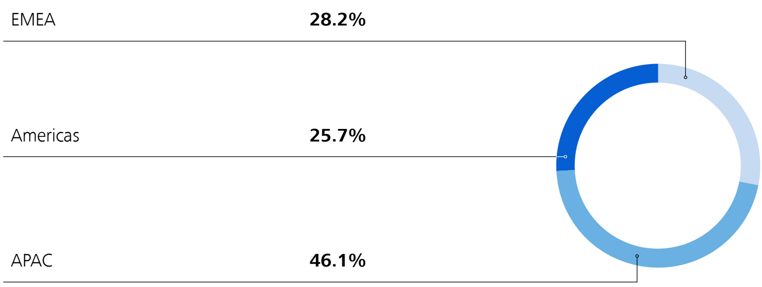
Revenue by strategic business unit

	6 Months 2020/21	6 Months 2019/20		Change in %
	€m	€m		Adjusted for currency effects
Ophthalmic Devices	590.1	517.7	+14.0	+17.2
Microsurgery	177.3	197.2	-10.1	-7.0
Carl Zeiss Meditec Group	**767.4**	**714.9**	**+7.3**	**+10.5**

Revenue by region

The Carl Zeiss Meditec Group has a globally diversified business with a predominance in the APAC region. In the first six months of fiscal year 2020/21 28.2% (prior year: 29.2%) of consolidated revenue was attributable to the EMEA region. The Americas region accounted for 25.7% (prior year: 28.8%) of total revenue. Accounting for 46.1%, the APAC region contributed the largest share of total revenue (prior year: 42.0%).

Share of the regions in revenue of the Carl Zeiss Meditec Group after 6 months of 2020/21



In the **EMEA** region, the development of business was positive overall, with a revenue increase in revenue of 3.8% (adjusted for currency effects: +5.4%) to €216.7m (prior year: €208.7m). Germany, France and the countries of Southern Europe, especially, gave a solid performance.

Revenue in the **Americas** region remained a 4.1% behind the prior year, due to a relatively strong basis of comparison and negative currency effects (adjusted for currency effects: +3.0%). Revenue amounted to €197.2m, compared with €205.5m in the prior year. A further acceleration in the U.S. business, in particular, contributed to the positive trend.

The **APAC** region made the strongest contribution to growth, increasing its revenue by 17.6% (adjusted for currency effects: 19.2%). Revenue in this region climbed to €353.5m, compared with €300.7m in the same period of the prior year. China and South Korea, especially, contributed to the dynamic development, both countries also benefited from base effects in connection with the COVID-19 pandemic in the previous year. The region of Southeast Asia made a return to growth, while Japan was still recording a slight decline in revenue and India continued to lag clearly behind the prior year.

Revenue of the Carl Zeiss Meditec Group by region

	6 Months 2020/21	6 Months 2019/20		Change in %
	€m	€m		Adjusted for currency effects
EMEA	216.7	208.7	+3.8	+5.4
Americas	197.2	205.5	-4.1	+3.0
APAC	353.5	300.7	+17.6	+19.2
Carl Zeiss Meditec Gruppe	**767.4**	**714.9**	**+7.3**	**+10.5**

Gross profit

Gross profit increased to €438.0m at the end of the first six months of fiscal year (prior year: €397.7m). The gross margin reached 57.1% in the reporting period (prior year: 55.6%).

Functional costs

Functional costs for the first six months of the fiscal year amounted to €277.8m (prior year: €295.2m) and thus decreased by 5.9%. The decline is mainly attributable to the currently low selling and marketing expenses in light of the restrictions due to the COVID-19 pandemic. As a result of lower functional costs accompanied by a stronger sales trend at the same time, the ratio of functional costs to consolidated revenue decreased to 36.2% in the first six months of the current fiscal year (prior year: 41.3%).

» **Selling and marketing expenses:** Selling and marketing expenses amounted 2020/21 to €137.3m in the first six months of fiscal year (prior year: €160.0m), The ratio of expenses to the Group's total revenue decreased compared with the prior year, to 17.9% (prior year: 22.4%).

» **General administrative expenses:** General administrative expenses in the first six months of the current fiscal year amounted to €28.9m (prior year: €29.7m). General administrative expenses thus accounted for 3.8% total revenue (prior year: 4.2%).

» **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. Research and development expenses continued to increase as planned. Investments in digitalization, in particular, and in the area of surgical ophthalmology are currently playing a special role in this. The expenses for research and development increased to €111.6m at the end of the first six months of fiscal year 2020/21 (prior year: €105.5m). The R&D ratio decreased to 14.5% due to the strong revenue growth (prior year: 14.8%). Research and development expenses are still expected to increase overall by a high single-digit percentage amount in fiscal year 2020/21.

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 EBIT of €162.7m after the first six months of fiscal year 2020/21, an increase of 58.7% compared with the year-ago period (prior year: €102.5m), thus increasing the EBIT margin from 14.3% in the prior year to 21.2%.

Overview of effects of purchase price allocations included in EBIT

	6 Months 2020/21	6 Months 2019/20	Change
	€m	€m	in %
EBIT	162.7	102.5	+58.7
./. Acquisition-related special effects[2]	-3.8	-2.8	+33.9
./. Other special effects[3]	+2.4	-	-
Adjusted EBIT	164.1	105.3	+55.8
Adjusted EBIT in % of revenue	+21.4	+14.7	+6.7% pts.

The EBIT margin in the strategic business unit Microsurgery decreased significantly due to the weaker revenue compared with the year-ago period. In the strategic business unit Ophthalmic Devices, the development of the EBIT margin was markedly positive compared with the prior year, due to the significantly lower selling and marketing expenses in the reporting period and a more favorable product mix with a high proportion of recurring revenue.

Earnings before interest, tax, depreciation and amortization (EBITDA) increased to €192.6m in the first six months of the current fiscal year (prior year: €130.3m). The EBITDA margin amounted to 25.1% (prior year: 18.2%).

The financial result declined to €-17.0m (prior year: €-6.4m), due in particular to material adverse currency effects.

The tax rate for the reporting period was 30.4% (prior year: 32.3%). 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 €100.6m for the first six months of fiscal year 2020/21, thus increasing by 57.4% compared with the basis of comparison in the prior year (prior year: €63.9m). Non-controlling interests accounted for €0.9m (prior year: €1.1m). Basic earnings per share of the parent company amount to €1.12 for the first six months of fiscal year 2020/21 (prior year: €0.71).

[2] There were write-downs on intangible assets arising from the purchase price allocations (PPA) of around €3.8m (prior year: €2.8m), mainly in connection with the acquisitions of Aaren Scientific, Inc. in fiscal year 2013/14 and IanTECH, Inc. in fiscal year 2018/19.
[3] EBIT in the period under review includes one-time proceeds from the sale of a property in the amount of around €2.4m.

FINANCIAL POSITION

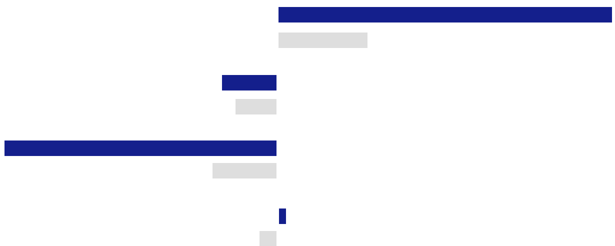
Statement of cash flows

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 2021. 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 2020/21	6 Months 2019/20
Cash flow from operating activities	**152.9**	40.7
Cash flows from investing activities	**-24.8**	-18.7
Cash flows from financing activities	**-124.7**	-29.3
Change in cash and cash equivalents	**3.1**	-7.7



Cash flows from operating activities amounted to €152.9m in the reporting period, primarily due to the strong development of earnings (prior year: €40.7m). A positive effect was also had by a reduction of inventories, in contrast to stockpiling of inventories in the year-ago quarter, as well as an increase in trade payables. An increase in trade receivables within the first six months of fiscal year 2020/21 had a counteracting effect.

Cash flows from investing activities amounted to €-24.8m in the period under review (prior year: €-18.7m). The higher cash outflow within the first six months primarily resulted from the purchase price obligations in connection with the acquisition of IanTECH, Inc. in fiscal year 2018/19. In addition, investment in property, plant and equipment increased due, among other things, to the expansion of production capacities for intraocular lenses in the new plant in Guangzhou, China.

Cash flows from financing activities in the first six months of fiscal year amounted 2020/21 to €-124.7m (prior year: €-29.3m). The higher cash outflow is mainly due to the increase in treasury receivables as a result of the increase in earnings and the transfer of cash and cash equivalents to the cash pool in the treasury of Carl Zeiss AG.

Key ratios relating to financial position

Key ratio	Definition	31 Mar 2021 €m	30 Sep 2020 €m	Change in %
Cash and cash equivalents	Cash-in-hand and bank balances	8.3	5.2	+58.9
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	826.1	707.2	+16.8
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	277.8	284.7	-2.4
Working capital	Current assets ./. current liabilities	1,103.9	991.9	+11.3

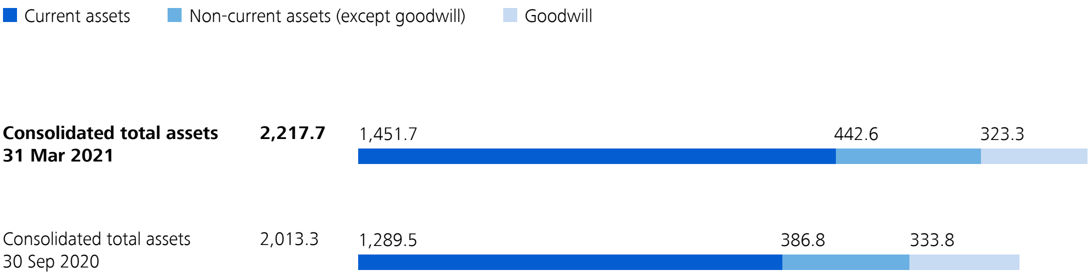
Key ratio	Definition	6 Months 2020/21	6 Months 2019/20	Change
Cash flow per share	Cash flow from operating activities / Weighted average of shares outstanding	€1.71	€0.46	+275.4%
Capex ratio	Investment (cash) in property, plant and equipment / Revenue of Carl Zeiss Meditec Group	1.7%	1.6%	+0.1% pts

NET ASSETS

Presentation of net assets

As of 31 March 2021, total assets amounted to €2,217.7m (30 September 2020: €2,013.3m).

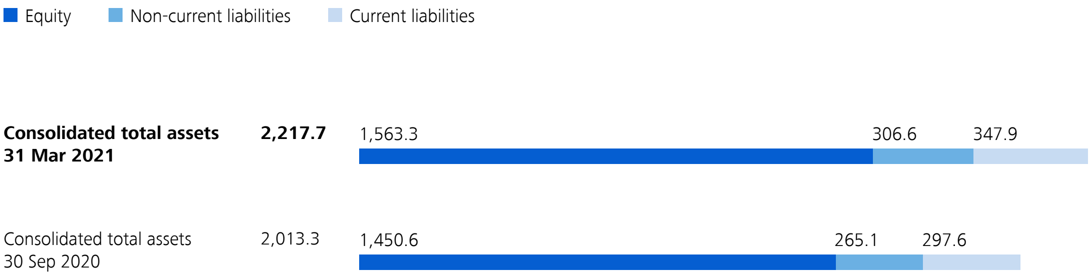
Structure of statement of financial position – assets in €m



Non-current assets amounted to €766.0m as of 31 March 2021 (30 September 2020: €720.5m). Property, plant and equipment increased due, among other things to the expansion of production capacities for intraocular lenses in Guangzhou, China and in particular in respect of IFRS 16 (Leases Leases that due to the leasing of space at the new plant premises in Dublin, California, USA. Carl Zeiss Meditec, Inc., Dublin, USA, a wholly owned subsidiary of Carl Zeiss Meditec AG, concluded, as lessee, a long-term lease agreement here in the first quarter of the current fiscal year, pertaining to a new plant premises at the Dublin site in California, with Carl Zeiss, Inc., White Plains, New York, USA, a wholly owned subsidiary of Carl Zeiss AG, which directly and indirectly holds a total of around 59% of the shares in Carl Zeiss Meditec AG, as lessor.

Current assets increased to €1,451.7m as of 31 March 2021 (30 September 2020: €1,289.5m). Due to the good development of business operations, in particular trade receivables from related parties and treasury receivables increased as of 31 March 2021.

Structure of statement of financial position – liabilities in €m



The equity recognized in the Carl Zeiss Meditec Group’s statement of financial position increased due, among other things, to the good development of business operations, to €1,563.3m as of 31 March 2021 (30 September 2020: €1,450.6). The equity ratio was 70.5% (30 September 2020: 72.0%) and thus remains high.

Non-current liabilities increased to €306.6m as of 31 March 2021 (30 September 2020: €265.1m) primarily due to the leasing of space at the new plant premises in Dublin, California, USA.

As of 31 March 2021, current liabilities amounted to €347.9m (30 September 2020: €297.6m).

Key ratios relating to net asset position

		31 Mar 2021	30 Sep 2020	Change
Key ratio	Definition	in %	in %	% pts
Equity ratio	Equity (including non-controlling interests) / Total assets	70.5	72.0	-1.5
Inventories in % of rolling 12-month revenue	Inventories (net) / Rolling revenue	19.7	21.4	-1.7
Receivables in % of rolling 12-month revenue	Trade receivables at the end of the reporting period (including non-current receivables) / Rolling revenue	22.8	20.0	+2.8

ORDERS ON HAND

The Carl Zeiss Meditec Group's orders on hand amounted to €232.1m as of 31 March 2021 (30 September 2020: €186.2m).

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 63 to 71 of the Annual Report 2019/20 of the Carl Zeiss Meditec Group still apply in principle.

Risks that may arise due the current COVID-19 pandemic and significantly slower global economic momentum as a result continue to exist.

The risks resulting from the COVID-19 pandemic relating to the economic environment have decreased in the Company’s opinion. Business performance is recovering faster than originally anticipated. Contrary to what was assumed at the end of the fiscal year, according to current estimates, and particularly due to the pandemic, there are risks in the macroeconomic environment in the mid-double-digit million euro range.

The risk for product approvals is now estimated to be in the low single-digit million euro range.

EVENTS OF PARTICULAR SIGNIFICANCE

There were no events of particular significance during the first six months of fiscal year 2020/21. 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 2020/21 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 2021 the Carl Zeiss Meditec Group had 3,371 employees worldwide (30 September 2020: 3,290).

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. R&D expenses are also expected to increase by an amount at least in the high single-digit percentage range this year.

Research and development expenses for the reporting period amounted to €111.6m (prior year: €105.5m). Due to the strong development of revenue in the first six months of fiscal year 2020/21, the R&D ratio decreased slightly from 14.8% in the prior year to 14.5%. As of 31 March 2021 19% (30 September 2020: 19%) of the Carl Zeiss Meditec Group's entire workforce was working in Research and Development.

Please refer to the pages 48 to 52 in the Annual Report 2019/20 for a comprehensive description of our research and development work.

OUTLOOK

Business continued to recover from the effects of the COVID-19 pandemic in the second quarter of fiscal year 2020/21. The management expects to see a further normalization over the course of the second half of fiscal year 2020/21.

This expectation is based on the assumption that there will not be another global deterioration of the pandemic situation.

This being the case, revenue is expected to increase to around €1.6b in fiscal year 2020/21 (prior year: €1,335.5b). The EBIT margin is expected to rise to around 20% in fiscal year 2020/21 (prior year: 13.3%), bolstered to a great extent by the currently low selling and marketing expenses. In the medium term, the Company still expects to achieve an EBIT margin that is consistently above 18%.

Should there be any significant changes in the economic environment currently forecast over the course of the second half of fiscal year 2020/21, and should it thus become necessary to amend the statements made here on the development of business from today's perspective, these amendments shall be published promptly and shall specify our expectations in more detail.

Consolidated income statement (IFRS)
from 1 October 2020 to 31 March 2021

	2nd quarter 2020/21 1 Jan 21 to 31 Mar 21	2nd quarter 2019/20 1 Jan 20 to 31 Mar 20	**2020/21** 1 Oct 20 to 31 Mar 21	2019/20 1 Oct 19 to 31 Mar 20
	€k	€k	€k	€k
Revenue	**398,456**	**345,255**	**767,366**	**714,926**
Cost of sales	-167,701	-153,785	-329,341	-317,192
Gross profit	**230,755**	**191,470**	**438,025**	**397,734**
Selling and marketing expenses	-69,088	-77,164	-137,304	-160,049
General administrative expenses	-14,993	-14,972	-28,905	-29,693
Research and development expenses	-57,404	-53,630	-111,573	-105,490
Other operating result	-	-	2,447	-
Earnings before interest, taxes, depreciation and amortization	104,782	59,874	192,614	130,342
Depreciation and amortization	-15,512	-14,170	-29,924	-27,840
Earnings before interest and taxes	**89,270**	**45,704**	**162,690**	**102,502**
Interest income	463	412	999	881
Interest expenses	-1,847	-2,729	-3,449	-5,398
Net interest from defined benefit pension plans	-198	-186	-385	-334
Foreign currency gains/(losses), net	-8,611	-2,978	-14,225	-1,556
Other financial result	17	8	102	4
Earnings before income taxes	**79,094**	**40,231**	**145,732**	**96,099**
Income taxes	-23,921	-13,734	-44,231	-31,059
Consolidated profit	**55,173**	**26,497**	**101,501**	**65,040**
Attributable to:				
Shareholders of the parent company	54,309	25,092	100,612	63,910
Non-controlling interests	864	1,405	889	1,130
Profit/(loss) per share attributable to the shareholders of the parent company in the current fiscal year (in €):				
– Basic/diluted	**0.61**	**0.28**	**1.12**	**0.71**

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

Consolidated statement of comprehensive income (IFRS)
from 1 October 2020 to 31 March 2021

	2nd quarter 2020/21 1 Jan 21 to 31 Mar 21	2nd quarter 2019/20 1 Jan 20 to 31 Mar 20	**2020/21** 1 Oct 20 to 31 Mar 21	2019/20 1 Oct 19 to 31 Mar 20
	€k	€k	€k	€k
Consolidated profit	**55,173**	**26,497**	**101,501**	**65,040**
Gains/(losses) on foreign currency translation	15,557	9,564	-1,535	-4,073
Total gains/(losses) that may subsequently be reclassified to consolidated profit	**15,557**	**9,564**	**-1,535**	**-4,073**
Remeasurement from defined benefit pension plans	18,342	-3,666	13,893	1,634
Total gains/(losses) that will not subsequently be reclassified to consolidated profit	**18,342**	**-3,666**	**13,893**	**1,634**
Other comprehensive income	**33,899**	**5,898**	**12,358**	**-2,439**
Comprehensive income for the period	**89,072**	**32,395**	**113,859**	**62,601**
Attributable to:				
Shareholders of the parent company	88,708	30,556	113,830	61,648
Non-controlling interests	364	1,839	29	953

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

Consolidated statement of financial position (IFRS)

as of 31 March 2021

	31 Mar 2021	30 Sep 2020
	€k	€k
ASSETS		
Non-current assets		
Goodwill	323,349	333,767
Other intangible assets	144,045	137,400
Property, plant and equipment	189,302	135,265
Investments and other holdings in affiliated non-consolidated companies	4,843	4,108
Deferred taxes	88,623	94,572
Non-current trade receivables	8,339	9,225
Other non-current assets	7,454	6,197
	765,955	**720,534**
Current assets		
Inventories	274,078	286,360
Trade receivables	164,928	165,158
Trade receivables from related parties	142,632	93,330
Treasury receivables	830,624	703,560
Tax refund claims	1,919	2,940
Other current financial assets	9,037	14,717
Other current non-financial assets	20,211	18,240
Cash and cash equivalents	8,315	5,202
	1,451,744	**1,289,507**
Assets held for sale	**-**	**3,245**
	2,217,699	**2,013,286**
EQUITY AND LIABILITIES		
Equity		
Share capital	89,441	89,441
Capital reserve	620,137	620,137
Retained earnings	909,534	808,922
Other components of equity	-73,565	-86,783
Equity before non-controlling interests	**1,545,547**	**1,431,717**
Non-controlling interests	17,705	18,841
	1,563,252	**1,450,558**
Non-current liabilities		
Provisions for pensions and similar obligations	75,654	89,377
Other non-current provisions	9,187	8,870
Non-current financial liabilities	90,194	87,543
Non-current leasing liabilities	102,022	53,093
Other non-current non-financial liabilities	12,592	10,659
Deferred taxes	16,932	15,602
	306,581	**265,144**
Current liabilities		
Current provisions	18,708	18,856
Current accrued liabilities	92,307	99,387
Current financial liabilities	25,127	19,513
Current portion of non-current leasing liabilities	17,876	15,512
Trade payables	78,728	55,133
Trade payables to related parties	44,608	36,546
Treasury payables	12,865	1,522
Current income tax payables	20,122	17,257
Other current non-financial liabilities	37,525	33,858
	347,866	**297,584**
	2,217,699	**2,013,286**

The following notes are an integral part of the unaudited 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-controlling interests	Equity
	€k	€k	€k	€k	€k	€k	€k
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**
As of 1 Oct 2020	**89,441**	**620,137**	**808,922**	**-86,783**	**1,431,717**	**18,841**	**1,450,558**
Gains/(losses) on foreign currency translation	-	-	-	-675	-675	-860	-1,535
Remeasurement from defined benefit plans	-	-	-	13,893	13,893	-	13,893
Changes in value recognized in other comprehensive income	**-**	**-**	**-**	**13,218**	**13,218**	**-860**	**12,358**
Consolidated profit	-	-	100,612	-	100,612	889	101,501
Comprehensive income for the period	**-**	**-**	**100,612**	**13,218**	**113,830**	**29**	**113,859**
Dividend payments	-	-	-	-	-	-1,165	-1,165
As of 31 Mar 2021	**89,441**	**620,137**	**909,534**	**-73,565**	**1,545,547**	**17,705**	**1,563,252**

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

Consolidated statement of cash flows (IFRS)
from 01 October 2020 to 31 March 2021

	2020/21 1 Oct 20 to 31 Mar 21	2019/20 1 Oct 19 to 31 Mar 20
	€k	€k
Consolidated profit	**101,501**	**65,040**
Adjustments to reconcile consolidated profit to net cash provided by/(used in) operating activities		
Income tax expense	44,231	31,059
Interest income/expense	2,835	4,851
Result from other investments	-61	-
Result from the sale of assets held for sale	-2,447	-
Depreciation and amortization	29,924	27,840
Gains/losses on disposal/depreciation of fixed assets	115	18
Dividends received	61	-
Interest received	714	850
Interest paid	-670	-626
Refunded income taxes	1,340	158
Income taxes paid	-42,355	-44,137
Changes in working capital:		
Trade receivables	-50,232	35,131
Inventories	10,996	-50,639
Other assets	2,509	-4,198
Trade payables	33,103	-661
Provisions and financial liabilities	15,652	-22,050
Other liabilities	5,662	-1,914
Total adjustments	51,377	-24,318
Cash flows from operating activities	**152,878**	**40,722**
Investment in property, plant and equipment	-13,167	-11,512
Investment in other intangible assets	-10,093	-7,402
Proceeds from fixed assets	318	32
Proceeds from other loans	-	163
Purchase of investments	-741	-
Purchase of shares in affiliated consolidated companies, net of cash acquired	-9,509	-
Payments received from the sale of assets held for sale	8,400	-
Cash flows from investing activities	**-24,792**	**-18,719**
Proceeds from/(repayment of) current liabilities to banks	266	154
(Increase)/decrease in treasury receivables	-126,455	-48,111
Increase/(decrease) in treasury payables	11,224	26,163
Increase/(decrease) in liabilities due to finance lease	-8,533	-7,513
Dividend payments to non-controlling interests	-1,165	-
Cash flows from financing activities	**-124,663**	**-29,307**
Effect of exchange rate changes on cash and cash equivalents	-310	-388
Increase/(decrease) in cash and cash equivalents	**3,113**	**-7,692**
Cash and cash equivalents, beginning of reporting period	5,202	22,639
Cash and cash equivalents, end of reporting period	**8,315**	**14,947**

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 2020 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 2021 correspond to those applied for the consolidated financial statements for fiscal year 2019/20, with the exception of the application of new accounting pronouncements in the current fiscal year, as detailed in the annual report 2019/20 on page 95. A detailed description of these methods was published in the notes to the consolidated financial statements as of 30 September 2020.

Recent pronouncements on accounting policies
Carl Zeiss Meditec has implemented all accounting standards adopted by the EU and mandatory from 1 October 2020. 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.

PURCHASE AND SALE OF BUSINESS OPERATIONS

Acquisitions from previous fiscal years

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. As of 1 January 2021, Carl Zeiss Meditec AG exercised the first option tranche and acquired a further 9% of the shares in Photono for a purchase price of €1m. Current liabilities were reduced accordingly. The Group therefore holds a total of 29% of the shares in Photono. Due to the fact that full acquisition is possible at any time from today’s perspective, and would currently be advantageous for Carl Zeiss Meditec AG, Photono has already been fully consolidated with 100% of the shares since the acquisition date.

At the date of publication of Carl Zeiss Meditec AG's half-year financial statements as of 31 March 2021 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:

	31 Mar 2021	30 Sep 2020
	€k	€k
Total assets	**13,023**	**744**
Total liabilities	**2,889**	**633**
Net assets	**10,134**	**111**
Goodwill from acquisition	2,256	12,279
Total costs of acquisition	**12,390**	**12,390**
Past cash outflow for purchase price components	3,000	2,000

The change in the fair value is mainly due to the allocation of the difference to other intangible assets within the scope of the preliminary purchase price allocation.

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). For details of the purchase price and the variable purchase price components please refer to the disclosures in the Annual Report for fiscal year 2019/20.

At the beginning of October 2020 the remaining payment for the regulatory milestone of €8.5m was made. The expected values of the remaining purchase price components continue to correspond to the amounts stated in the Annual Report 2019/20, plus the interest cost for the first six months of fiscal year 2020/21.

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		Microsurgery		Total	
	6 Months		6 Months		6 Months	
	2020/21	2019/20	**2020/21**	2019/20	**2020/21**	2019/20
	€k	€k	€k	€k	€k	€k
External revenue	590,061	517,743	177,305	197,183	767,366	714,926
Earnings before interest and taxes	124,751	49,011	37,939	53,488	162,690	102,502
Reconciliation of segments' comprehensive income to the Group's period-end result.						
Comprehensive income of the segments					**162,690**	**102,502**
Consolidated earnings before interest and taxes					**162,690**	**102,502**
Financial result					-16,958	-6,403
Consolidated earnings before income taxes					**145,732**	**96,099**
Income tax expense					-44,231	-31,059
Consolidated profit					**101,501**	**65,040**

As a general rule there were no intersegment sales.

Related party disclosures

Revenue amounting to €397,993k (prior year: €337,463k) resulted from relations with related parties during the reporting period 2020/21. The term "related parties" refers here to Carl Zeiss AG and its subsidiaries.

Other operating result

The item other operating result includes the income from the sale of the administration building in Jena Göschwitz to Landesentwicklungsgesellschaft Thüringen mbH. This income was allocated to the Ophthalmic Devices segment.

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 2020.

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 2021**	-	5,138	-	5,138
	30 Sep 2020	-	9,871	-	9,871
Financial liabilities recognized at fair value through profit or loss	**31 Mar 2021**	-	-16,434	-81,647	-98,081
	30 Sep 2020	-	-1,094	-87,827	-88,921

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 allocated to category 3:

	Contingent purchase price obligations
	€k
As of 1 Oct 2020	**87,827**
Changes in fair value recognized in profit or loss	2,403
Payment of contingent purchase price obligations	-8,509
Currency effects	-74
As of 31 Mar 2021	**81,647**

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. The change in fair value recognized through profit or loss includes the annual interest cost of both liabilities and was recognized under interest expense. 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 is 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 lower single-digit-million range. A delay in the achievement of targets linked to milestones, accompanied by a simultaneous reduction in the planned revenue targets by 15%, would reduce the obligation by €17m.

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 2020 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 2020/21

Publication of 9-Month Quarterly Statement 2020/21 and Telephone Conference 6 Aug 2021

Publication of Annual Financial Statements 2020/21 and Analyst Conference 9 Dec 2021

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This report was published on 10 May 2021.

The 6-Month Report 2020/21 of Carl Zeiss Meditec AG has been published in German and English.

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

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

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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