First-Half Financial Report 2017/18 Carl Zeiss Meditec Group

Navigable PDF

This pdf document enables you to navigate directly to the desired information – with a simple mouse click:

1. "Bookmarks" shows or hides the document's internal bookmarks and enables you to navigate to the appropriate content (click here to show or hide the "Bookmarks").

2. By clicking on each item in the table of contents of the document you can also reach the corresponding content directly.

Financial highlights
(IFRS)

	6 Months 2017/18		6 Months 2016/17		6 Months 2015/16	
	€m	%	€m	%	€m	%
Revenue	**613.7**	**100.0**	587.5	100.0	540.8	100.0
Research and development expenses	**80.0**	**13.0**	69.9	11.9	60.8	11.2
EBIT	**88.2**	**14.4**	95.1	16.2	75.3	13.9
Consolidated profit[1)]	**56.3**	**9.2**	63.8	10.9	49.3	9.1
Earnings per share[2] (in €)	**0.63**		0.76		0.59	
Cash flows from operating activities	**34.4**		16.5		42.8	
Cash flows from investing activities	**-8.9**		-20.1		94.8	
Cash flows from financing activities	**-23.6**		4.7		-143.6	
Total assets	**1,603.2**	**100.0**	1,622.9	100.0	1,184.7.	100.0
Property, plant and equipment	**55.7**	**3.5**	64.5	4.0	64.7	5.5
Equity	**1,281.8**	**80.0**	1,251.2	77.1	838.3	70.8
Net liquidity [3]	**589.9**	**36.8**	637.6	39.3	307.5	26.0
Number of employees (31 March)	**3,006**		2,937		2,830	

[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 Group treasury of Carl Zeiss AG

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

Contents

Financial highlights	**2**
Group management report on the interim financial statements	**4**
Group structure	4
Results of operations	4
Financial position	8
Net assets	10
Orders on hand	11
Opportunity and risk report	11
Events of particular significance	11
Employees	12
Research and development	12
Outlook	13
Consolidated income statement (IFRS)	**14**
Consolidated statement of comprehensive income (IFRS)	**14**
Consolidated statement of financial position (IFRS)	**15**
Consolidated statement of cash flows (IFRS)	**16**
Consolidated statement of changes in equity (IFRS)	**17**
Notes to the consolidated interim financial statements	**18**
General information	18
Purchase and sale of business operations	18
Notes to the consolidated income statement	19
Disclosures on fair value	20
Events after the end of the interim reporting period	21
Responsibility statement	**22**
Financial calendar	**23**
Imprint/Disclaimer	**23**

Group management report on the interim financial statements

GROUP STRUCTURE

The Carl Zeiss Meditec Group (hereinafter the Group, the Company) is a global company headquartered in Jena, Germany, with additional subsidiaries in and outside of Germany. Carl Zeiss Meditec AG is the parent company of the Carl Zeiss Meditec Group and is listed on the German Stock Exchange. It is among the 30 largest technology equities in the TecDax index in Germany.

There were no significant changes to the reporting entity or the structure of the consolidated financial statements in the first six months of fiscal year 2017/18, with the exception of the scheduled sale of the legal entity Aaren Scientific Inc. to a third party, effective 1 October 2017. The assets and liabilities of this company were also transferred on 1 October 2017, ahead of the sale, to the newly founded Carl Zeiss Meditec Production LLC.

RESULTS OF OPERATIONS

Presentation of results of operations

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

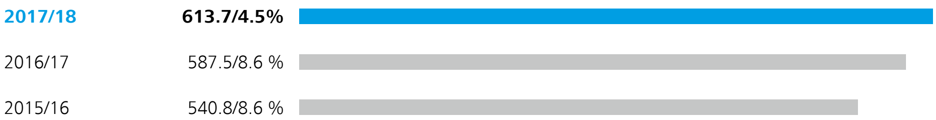
	6 Months 2017/18	6 Months 2016/17	Change
Revenue	613.7	587.5	+4.5%
Gross margin	54.6%	54.8%	-0.2% pts
EBITDA	101.3	106.3	-4.7%
EBITDA margin	16.5%	18.1%	-1.6% pts
EBIT	88.2	95.1	-7.2%
EBIT margin	14.4%	16.2%	-1.8% pts
Earnings before income taxes	83.9	93.0	-9.7%
Tax rate	32.9%	31.4%	+1.5% pts
Consolidated profit after non-controlling interests	56.0	61.7	-9.2%
Earnings per share after non-controlling interests	0.63[1]€	0.76[2]€	-17.1%

Revenue

The Carl Zeiss Meditec Group increased its revenue by 4.5%, to €613.7m, in the first six months of fiscal year 2017/18 (prior year: €587.5m). After adjustment for currency effects, growth amounted to 9.5%. The highest growth rate was achieved in the Microsurgery SBU. On a currency-adjusted basis, all regions contributed to this development to a similar degree.

[1] Number of shares: 89,440,570.
[2] Number of shares: 81,711,690. Pursuant to IAS 33, earnings per share are calculated pro rata temporis according to the weighted average of the shares in circulation after the capital increase performed in the second quarter of fiscal year 2016/17.

Consolidated revenue in the first half 2017/18 in €m/growth in %

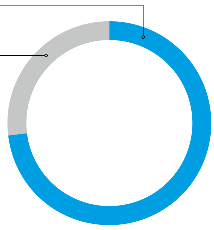


Consolidated revenue by strategic business unit

The revenue contribution of the **Ophthalmic Devices** strategic business unit amounted to 73.2% (prior year: 73.7%). The **Microsurgery** strategic business unit accounted for 26.8% of consolidated revenue in the first six months of the current fiscal year (prior year: 26.3%).

Share of strategic business units in consolidated revenue in the first half 2017/18

Ophthalmic Devices	**73.2%**
Microsurgery	**26.8%**



The **Ophthalmic Devices** strategic business unit increased its revenue by 3.7% in the first six months of the fiscal year 2017/18 (adjusted for currency effects: 8.6%). Revenue amounted to €449.3m (prior year: €433.1m).

This increase was primarily attributable to our devices and systems in Ophthalmic Diagnostics, our refractive laser systems and the continued strong demand for premium and standard intraocular lenses.

Business development in the **Microsurgery** strategic business unit was also positive in the first six months. Revenue rose by 6.5%, to €164.4m, compared with €154.4m in the same period of the prior year. Adjusted for currency effects, revenue grew by 12.2%.

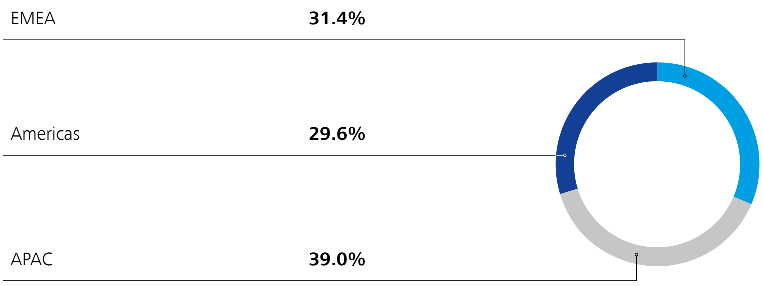
Consolidated revenue by strategic business unit

	6 Months 2017/18	6 Months 2016/17	Change in %	
	€m	€m		Adjusted for currency effects
Ophthalmic Devices	449.3	433.1	3.7	8.6
Microsurgery	164.4	154.4	6.5	12.2
Carl Zeiss Meditec Group	**613.7**	**587.5**	**4.5**	**9.5**

Consolidated revenue by region

The Carl Zeiss Meditec Group has a very balanced range of business activities worldwide, with each of its three business regions generating around one third of its total revenue. In the first six months of 2017/18, the region **Europe, Middle East and Africa (EMEA)** accounted for 31.4% (prior year: 29.9%) of consolidated revenue. The **Americas** region accounted for 29.6% (prior year: 31.4%) of total consolidated revenue. The other 39.0% (prior year: 38.7%) was contributed by the **Asia/Pacific (APAC) region**. Adjusted for currency effects, solid growth rates were achieved in all regions.

Share of regions in consolidated revenue in the first six months of fiscal year 2017/18



Revenue in the **EMEA** region increased by 10.0% (adjusted for currency effects: 11.4%), to a total of €193.0m. This increase was attributable to the stable development in the core markets, Germany and France, and to renewed growth in the UK and some markets of Southern Europe.

Revenue in the **Americas** region decreased by 1.8% within the first six months of 2017/18, to €181.6m (prior year: €184.9m). Adjusted for currency effects, revenue increased by 8.1% year-on-year. The U.S. business, in particular, developed strongly in local currency.

The **APAC** region made a significant contribution to consolidated growth, increasing its revenue by 5.2% (adjusted for currency effects: 9.2%), to €239.1m, compared with €227.2m in the same period of the prior year. Once again, the largest contributions to growth came from China and South Korea.

Consolidated revenue by region

	6 Months 2017/18	6 Months 2016/17	Change in %	
	€m	€m		Adjusted for currency effects
EMEA	193.0	175.4	10.0%	11.4%
Americas	181.6	184.9	-1.8%	8.1%
APAC	239.1	227.2	5.2%	9.2%
Carl Zeiss Meditec Group	**613.7**	**587.5**	**4.5%**	**9.5%**

Gross profit

In the first six months of 2017/18, gross profit increased from €322.2m in the same period of the prior year, to €335.3m. The gross margin remained stable and amounted to 54.6% in the reporting period (prior year: 54.8%).

Functional costs

Functional costs for the reporting period amounted to €247.0m (prior year: €234.8m), thus increasing by 5.2%. Their share of revenue remained stable, at 40.3% (prior year: 40.0%).

» **Selling and marketing expenses:** Selling and marketing expenses increased in the first six months of 2017/18, to €142.4m (prior year: €140.9m). Relative to revenue, selling and marketing expenses were slightly below the prior year's level, at 23.2% (prior year: 24.0%).

» **General administrative expenses:** Expenses in this area increased slightly, to €24.6m (prior year: €24.1m). However, the ratio of these expenses to revenue decreased from 4.1% in the prior year, to 4.0%.

» **Research and development expenses:** The Carl Zeiss Meditec Group continuously invests in R&D, in order to further develop its product portfolio and ensure further growth. R&D expenses increased by 14.5% in the reporting period, to €80.0m (prior year: €69.9m). The R&D ratio increased year-on-year, to 13.0% (prior year: 11.9%). The investment in Ophthalmic Laser Engines, LLC, Lafayette, USA, among others, contributed to this increase.

Development of earnings

The Carl Zeiss Meditec Group uses earnings before interest and taxes (EBIT = operating result) as a key performance indicator. EBIT for the reporting period amounted to €88.2m (prior year: €95.1m). This corresponds to an EBIT margin of 14.4% (prior year: 16.2%).

EBIT in the first six months of fiscal year 2017/18 included negative acquisition-related effects to the volume of €1.8m. Adjusted for these effects, the EBIT margin would have amounted to 14.7% (prior year: 15.2%). The prior-year result had been slightly boosted by positive acquisition-related effects.

Overview of effects of acquisitions and restructuring/reorganization included in EBIT

	6 Months 2017/18	6 Months 2016/17	Change
	€m	€m	in %
EBIT	88.2	95.1	-7.2
Acquisition-related effects	-1.8[3]	6.0[4]	>-100
Restructuring/reorganization	0.0	0.0	0.0
Total effects of acquisitions and restructuring/reorganization	**-1.8**	**6.0**	**>-100**

[3] 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.
[4] Beside the special effect associated with the disposal of assets at the Ontario site, write-downs on intangible assets are, included which arose from the purchase price allocation (PPA), mainly in connection with the acquisition of Aaren Scientific Inc. in fiscal year 2013/14.

The EBIT margin decreased in both the SBU **Ophthalmic Devices** and in the SBU **Microsurgery**. Contributing factors included an unfavorable currency environment, changes in the product mix, as well as the costs of new product launches and targeted investments in research and development. In addition, the prior year's EBIT includes a one-time special effect of around €8m in connection with the disposal of assets at the Ontario site, which was realized in the first quarter of 2016/17.

Earnings before interest, taxes, depreciation and amortization **(EBITDA)** amounted to €101.3m in the first six months of the current fiscal year (prior year: €106.3m), resulting in an **EBITDA margin** of 16.5% (prior year: 18.1%).

The financial result declined due, in particular, to a negative currency result of €-5.7m (prior year: €-1.5m).

The **tax rate** for the reporting period was 32.9% (prior year: 31.4%). As a general rule, an average annual tax rate of between 31% and 33% is assumed.

Consolidated profit attributable to shareholders of the parent company amounted to €56.0m for the first six months of fiscal year 2017/18, thus increasing by 9.2% compared with the basis of comparison in the prior year (prior year: €61.7m). Non-controlling interests accounted for €0.3m (prior year: €2.1m). Basic **earnings per share of the parent company** amount to € 0.63 (prior year: € 0.76). It was, however, predominantly non-operating factors that contributed to this. Besides the downward trend in EBIT resulting from the prioryear disposal of assets at the Ontario site, the decline is also attributable to the increased number of outstanding shares as a result of the capital increase in March 2017.

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 within 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 2018. 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 2017/18 | 6 months 2016/17

	6 months 2017/18	6 months 2016/17
Cash flows from operating activities	**34.4**	16.5
Cash flows from investing activities	**-8.9**	-20.1
Cash flows from financing activities	**-23.6**	4.7
Change in cash and cash equivalents	**1.7**	0.6

Cash flow from operating activities amounted to €34.4m in the reporting period (prior year: €16.5m). In the first six months of 2017/18 there was a slight reduction in net current assets compared with the prior year, due, among other things, to less stockpiling of inventories and receivables in comparison with the same period of the prior year.

Cash flow from investing activities amounted to €-8.9m in the period under review (prior year: €-20.1m). The prior-year period was primarily influenced by the acquisition of share in Ophthalmic Laser Engines, LLC, Lafayette, USA.

Cash flow from financing activities in the first six months of fiscal year 2017/18 amounted to €-23.6m (prior year: €+4.7m).

Key ratios relating to financial position

Key ratio	Definition	**31 Mar 2018**	30 Sep 2017	Change
		€m	€m	in %
Cash and cash equivalents	Cash-in-hand and bank balances	5.7	3.9	+44.0
Net cash	Cash-in-hand and bank balances + Treasury receivables from Group treasury of Carl Zeiss AG ./. treasury payables to Group treasury of Carl Zeiss AG	589.9	565.0	+4.4
Net working capital	Current assets including financial investments ./. Cash and cash equivalents ./. treasury receivables from Group treasury of Carl Zeiss AG ./. current liabilities excl. liabilities to Group treasury of Carl Zeiss AG	355.4	326.8	+8.7
Working capital	Current assets ./. Current liabilities	945.3	891.8	+6.0

Key ratios relating to financial position

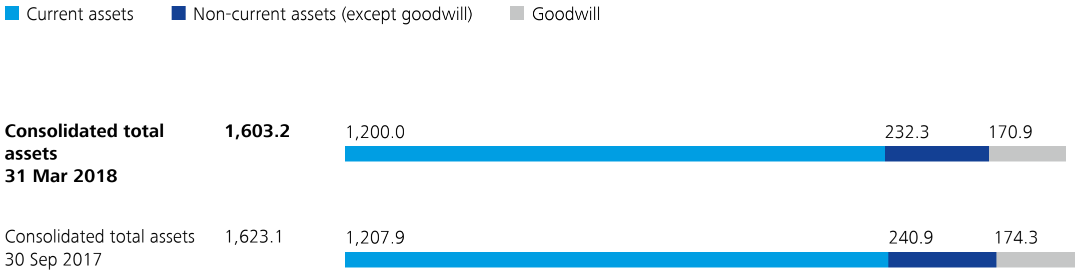
Key ratio	Definition	**6 Months 2017/18**	6 Months 2016/17	Change
Cash flow per share	Cash flow from operating activities / Weighted average number of shares outstanding	€0.38	€ 0.20	+90.4%
Capex ratio	Investment (cash) in property, plant and equipment / Consolidated revenue	1.1%	1.0%	+0.1% pts

NET ASSETS

Presentation of net assets

Total assets decreased to €1,603.2m as of 31 March 2018 (30 September 2017: €1,623.1m).

Structure of consolidated statement of financial position: Assets in €m



The asset side of the structure of the statement of financial position is largely unchanged from the prior year. In addition, there was a slight decline in **non-current assets** of €403.2m (30 September 2017: €415.2m). **Current assets** amounted to €1,200.0m (30 September 2017: €1,207.9m).

Structure of consolidated statement of financial position: Equity and liabilities in €m

The **equity** recognized in the Carl Zeiss Meditec Group's statement of financial position increased slightly, from €1,241.7m as of 30 September 2017, to €1,281.8m as of 31 March 2018. The equity ratio increased to 80.0% (30 September 2017: 76.5%) and thus remained high.

Non-current liabilities remained stable and amounted to €66.8m as of 31 March 2018 (30 September 2017: €65.3m).

As of 31 March 2018, **current liabilities** had decreased to €254.6m (30 September 2017: €316.1). This is primarily due to the decline in treasury receivables.

Key ratios relating to net assets

Key ratio	Definition	31 Mar 2018	30 Sep 2017	Change
		in %	in %	% pts
Equity ratio	Equity (incl. non-controlling interests)	80.0	76.5	+3.5
	Total assets			
Inventories in % of rolling 12-month revenue	Inventories (net)	20.4	19.7	+0.7
	Rolling revenue of the past twelve months as of the end of the reporting period			
Receivables in % of rolling 12-month revenue	Trade receivables at the end of the reporting period (including non-current receivables)	25.5	25.0	+0.5
	Rolling revenue of the past twelve months as of the end of the reporting period			

ORDERS ON HAND

The Carl Zeiss Meditec Group's orders on hand amounted to €155.8m as of 31 March 2018 (30 September 2017: € 165.3).

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 2016/17 Annual Report. Therefore, for a detailed presentation of the risk management system and the opportunity and risk situation, please refer to pages 59 to 67 of the 2016/17 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 2017/18. 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 2017/18 validates the statements made in the "Outlook" below.

EMPLOYEES

Highly qualified and motivated employees are a necessity for ensuring the long-term success of a company. For ZEISS, responsible human resources development and continuous improvement play a crucial role in this. As of 31 March 2018 the Carl Zeiss Meditec Group had 3,006 employees worldwide (30 September 2017: 2,958).

RESEARCH AND DEVELOPMENT

Objectives and focus of research and development

Research and development plays an important role within the Carl Zeiss Meditec Group. In line with its strategy, innovations are a key driver of future growth. The Carl Zeiss Meditec Group has the necessary resources to ensure the Company's future earnings power through its research and development activities. The Company shall therefore continue to offer innovations in future that make leading technologies available to its customers, enable improvements in efficiency and continuously enhance treatment results for patients.

Please refer to the Annual Report 2016/17 (pages 48 to 49) for a comprehensive description of our research and development work.

Research and development expenses increased by 14.5% in the first six months of fiscal year 2017/18, to € 80.0m (prior year: €69.9m). The R&D ratio also increased compared with the prior year, to 13.0% (prior year: 11.9%), which is slightly above the medium to long-term target range of 11% to 12%.
In the reporting period 16.6% (prior year: 15.5%) of the Carl Zeiss Meditec Group's entire workforce were working in Research and Development.

At the end of fiscal year 2016/17, and during the reporting period, the Company launched yet another range of innovations on the market.

In November 2017, on the occasion of the Annual Meeting of the American Academy of Ophthalmology (AAO) in New Orleans, ZEISS presented new technologies for the advancement in digitalization in ophthalmology. These include VERACITY™ Surgical, a cloud-based planning tool for cataract surgery, which enables surgeons to provide personalized, technology-assisted patient care.

ZEISS also presented the CLARUS™ 500, a new solution for increasing effectiveness and efficiency in the diagnosis of retinal diseases and glaucoma. This is the first ultra-wide-angle fundus imaging system with true colors and exceptional clarity. It enables physicians to view the macula to the outermost periphery of the eye.

In fall 2017 the portfolio of premium intraocular lenses in the field of cataract surgery was rounded off by the AT LARA®. This intraocular lens sets itself apart from conventional multifocal IOLs by causing fewer visual phenomena. By expanding our range of monofocal intraocular lenses we aim to attract further customer groups and increase our revenue from repeat customers.

OUTLOOK

The statements made in the following section validate the statements made in the 2016/17 Annual Report on the future development of the medical technology industry and the Carl Zeiss Meditec Group. For the detailed statements please refer to pages 70 to 74 of the 2016/17 Annual Report.

The Company aims to purposefully drive forward its growth strategy. In the Company's opinion, there are significant opportunities in the short to medium term to accelerate growth through selective acquisitions, given the extremely strong momentum and consolidation trends in the relevant markets right now. The proceeds from the capital increase in March 2017 increase both our financial power and our flexibility in terms of potential acquisitions. As of 31 March 2018, current cash and cash equivalents of around €590m are available for financing. In view of this, as well as the ongoing expectation of positive business development and a positive cash flow from operating activities as a result, and the possibility to use other financial instruments and sources of financing, if required, we consider the Carl Zeiss Meditec Group's financing capacity to be adequate.

Revenue in the **Ophthalmic Devices** strategic business unit continued to develop positively in the first six months.
We remain confident that we shall grow at least to the same extent as the underlying market in fiscal year 2017/18. 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.

After the first six months of fiscal year 2017/18 the **Microsurgery** SBU achieved solid revenue growth, in spite of negative currency effects.
We expect the **Microsurgery** SBU to continue to make significant contributions to earnings in future.
We are optimistic that we will grow at a slightly faster pace than the underlying market in the coming fiscal year. From a current perspective, and excluding currency effects, this corresponds to growth in the mid- to high-single-digit percentage range. The EBIT margin is also expected to remain significantly above the Group average.

In a range, Carl Zeiss Meditec AG now expects consolidated revenue between €1,230m – €1,280m. The EBIT margin is expected to range between 14%-16% on a comparable basis.

Should there be any significant changes in the current economic environment projections over the course of the second half of fiscal year 2017/18, 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 2017 to 31 March 2018

	2nd quarter 2017/18 1 Jan 18 to 31 Mar 18	2nd quarter 2016/17 1 Jan 17 to 31 Mar 17	2017/18 1 Oct 17 to 31 Mar 18	2016/17 1 Oct 16 to 31 Mar 17
	€k	€k	€k	€k
Revenue	**318,953**	**307,485**	**613,699**	**587,488**
Cost of sales	(146,624)	(140,340)	(278,424)	(265,280)
Gross profit	**172,329**	**167,145**	**335,275**	**322,208**
Selling and marketing expenses	(71,061)	(72,650)	(142,424)	(140,856)
General administrative expenses	(12,101)	(10,865)	(24,617)	(24,140)
Research and development expenses	(39,803)	(32,800)	(80,006)	(69,850)
Other operating result	-	51	15	7,721
Earnings before interest, taxes, depreciation and amortization	55,950	56,504	101,319	106,269
Depreciation and amortization	(6,586)	(5,623)	(13,076)	(11,186)
Earnings before interest and taxes	**49,364**	**50,881**	**88,243**	**95,083**
Interest income	157	279	379	491
Interest expenses	(630)	(367)	(1,216)	(722)
Net interest from defined benefit pension plans	(158)	(263)	(302)	(512)
Foreign currency gains/(losses), net	(3,171)	(2,939)	(5,709)	(1,508)
Other financial result	(40)	140	2,550	140
Earnings before income taxes	**45,522**	**47,731**	**83,945**	**92,972**
Income taxes	(17,276)	(16,006)	(27,652)	(29,147)
Consolidated profit	**28,246**	**31,725**	**56,293**	**63,825**
Attributable to:				
Shareholders of the parent company	27,572	30,884	56,031	61,738
Non-controlling interests	674	841	262	2,087
Profit / (loss) per share attributable to the shareholders of the parent company in the fiscal year (in €):				
- Basic / diluted	**0.31**	**0.38**	**0.63**	**0.76**

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

Consolidated statement of comprehensive income (IFRS)
from 1 October 2017 to 31 March 2018

	2nd quarter 2017/18 1 Jan 18 to 31 Mar 18	2nd quarter 2016/17 1 Jan 17 to 31 Mar 17	2017/18 1 Oct 17 to 31 Mar 18	2016/17 1 Oct 16 to 31 Mar 17
	€k	€k	€k	€k
Consolidated profit	**28,246**	**31,725**	**56,293**	**63,825**
Gains/(losses) on foreign currency translation	(3,312)	354	(7,341)	(210)
Derivative financial instruments	-	(1,678)	-	3,121
Total of items that may subsequently be reclassified to consolidated profit	**(3,312)**	**(1,324)**	**(7,341)**	**2,911**
Remeasurement from defined benefit plans	(2,648)	1,127	(3,674)	18,850
Total gains/(losses) that will not subsequently be reclassified to consolidated profit	**(2,648)**	**1,127**	**(3,674)**	**18,850**
Other operating result	**(5,960)**	**(197)**	**(11,015)**	**21,761**
Comprehensive income for the period	**22,286**	**31,528**	**45,278**	**85,586**
Attributable to:				
Shareholders of the parent company	20,867	29,078	44,671	86,328
Non-controlling interests	1,419	2,450	607	(742)

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

Consolidated statement of financial position (IFRS)
for the year ending 31 March 2018

	31 Mar 2018	30 Sep 2017
	€k	€k
ASSETS		
Non-current assets		
Goodwill	170,893	174,313
Other intangible assets	66,552	68,491
Property, plant and equipment	55,738	58,696
Other loans	1,747	1,824
Investments in affiliated non-consolidated companies	18,377	19,178
Investments	122	122
Deferred taxes	77,307	77,365
Non-current trade receivables	9,828	12,741
Other non-current assets	2,646	2,490
	403,210	**415,220**
Current assets		
Inventories	247,479	234,303
Trade receivables	179,670	195,256
Trade receivables from related parties	119,121	89,835
Treasury receivables	612,269	630,721
Tax refund claims	4,602	2,814
Other current financial assets	12,818	31,126
Other current non-financial assets	18,370	19,908
Cash and cash equivalents	5,651	3,925
	1,199,980	**1,207,888**
Assets held for sale	**-**	**-**
	1,603,190	**1,623,108**
EQUITY AND LIABILITIES		
Equity		
Share capital	89,441	89,441
Capital reserve	620,137	620,137
Retained earnings	611,246	555,215
Other components of equity	(60,776)	(49,416)
Equity before non-controlling interests	1,260,048	1,215,377
Non-controlling interests	21,755	26,358
	1,281,803	**1,241,735**
Non-current liabilities		
Provisions for pensions and similar obligations	45,392	37,866
Other non-current provisions	9,985	10,139
Non-current financial liabilities	428	593
Non-current leasing liabilities	1,440	2,995
Other non-current non-financial liabilities	4,606	4,784
Deferred taxes	4,899	8,918
	66,750	**65,295**
Current liabilities		
Current provisions	20,168	23,181
Current accrued liabilities	62,113	72,237
Current financial liabilities	8,781	5,733
Current portion of non-current leasing liabilities	2,791	2,819
Trade payables	53,112	64,870
Current income tax payables	16,245	8,367
Trade payables to related parties	30,536	35,593
Treasury payables	27,971	69,642
Other current non-financial liabilities	32,920	33,636
	254,637	**316,078**
	1,603,190	**1,623,108**

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

Consolidated statement of cash flows (IFRS)
from 1 October 2017 to 31 March 2018

	2017/18 1 Oct 17 to 31 Mar 18	2016/17 1 Oct 16 to 31 Mar 17
	€k	€k
Cash flows from operating activities:		
Consolidated profit	**56,293**	**63,825**
Adjustments to reconcile consolidated profit to net cash provided by/(used in) operating activities		
Income tax expense	27,652	29,147
Interest income/expenses	1,139	743
Result from disposal of legal entity/hydrophilic IOL business Aaren Scientific Inc.	(2,499)	(7,721)
Depreciation and amortization	13,076	11,186
Gains/losses on disposal of fixed assets	1,763	(18)
Interest received	366	384
Interest paid	(1,161)	(707)
Refunded income taxes	519	5,476
Income taxes paid	(26,200)	(33,875)
Changes in working capital:		
Trade receivables	(14,826)	(24,419)
Inventories	(18,883)	(18,559)
Other assets	17,183	1,355
Trade payables	(14,147)	(92)
Provisions and financial liabilities	(6,072)	(5,896)
Other liabilities	159	(4,340)
Total adjustments	(21,931)	(47,336)
Net cash provided by/(used in) operating activities	**34,362**	**16,489**
Cash flows from investing activities:		
Investment in property, plant and equipment	(6,652)	(5,974)
Investment in other intangible assets	(6,897)	(7,657)
Proceeds from fixed assets	205	224
Payments for other loans	-	(2,400)
Investments / devistiture in securities	1,855	-
Purchase of shares in affiliated non-consolidated companies	-	(13,572)
Proceeds from disposal of the legal entity/hydrophilic IOL business Aaren Scientific Inc.	2,548	9,289
Net cash provided by/(used in) investing activities	**(8,941)**	**(20,090)**
Cash flows from financing activities:		
Proceeds from/(repayment of) current liabilities to banks	(72)	(193)
Proceeds from/(repayment of) non-current liabilities to banks	(247)	(343)
(Increase)/decrease in treasury receivables	22,054	(322,769)
Increase/(decrease) in treasury payables	(38,361)	14,449
Increase/(decrease) in liabilities due to finance lease	(1,384)	(1,499)
Dividend payments to non-controlling interests	(5,551)	-
Proceeds from capital increase	-	315,036
Net cash provided by/(used in) financing activities	**(23,561)**	**4,681**
Effect of exchange rate changes on cash and cash equivalents	(134)	(482)
Increase/(decrease) in cash and cash equivalents	**1,726**	**598**
Cash and cash equivalents, beginning of reporting period	3,925	8,710
Cash and cash equivalents, end of reporting period	**5,651**	**9,308**

The following notes are an integral part of the unaudited consolidated 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 01 Oct 2016	**81,310**	**313,863**	**458,335**	**(55,671)**	**797,837**	**53,326**	**851,163**
Gains/(losses) on foreign currency translation	-	-	-	2,619	2,619	(2,829)	(210)
Derivative financial instruments	-	-	-	3,121	3,121	-	3,121
Remeasurement from defined benefit plans	-	-	-	18,850	18,850	-	18,850
Changes in value recognized directly in equity	**-**	**-**	**-**	**24,590**	**24,590**	**(2,829)**	**21,761**
Consolidated profit	-	-	61,738	-	61,738	2,087	63,825
Comprehensive income for the period	**-**	**-**	**61,738**	**24,590**	**86,328**	**(742)**	**85,586**
Cash capital increase	8,131	306,274	-	-	314,405	-	314,405
As of 31 March 2017	**89,441**	**620,137**	**520,073**	**(31,081)**	**1,198,570**	**52,584**	**1,251,154**
As of 01 October 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)
Derivative financial instruments	-	-	-	-	-	-	-
Remeasurement from defined benefit 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**
Addition to basis of consolidation	-	-	-	-	-	341	341
Dividend payment	-	-		-	-	(5,551)	(5,551)
As of 31 March 2018	**89,441**	**620,137**	**611,246**	**(60,776)**	**1,260,048**	**21,755**	**1,281,803**

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 2017 in accordance with the International Financial Reporting Standards (IFRSs) promulgated by 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 31 March 2018 correspond to those applied for the consolidated financial statements for fiscal year 2016/17, with the exceptions described below. A detailed description of these methods was published in the notes to the consolidated financial statements as of 30 September 2017.

Recent pronouncements on accounting principles

The Group was obliged to apply the following standards and interpretations for the first time at the beginning of this fiscal year:

Date of issue	Standard/Interpretation	Amendment/new standard or interpretation
19 Jan 2016	Amendment to IAS 12 *Income Taxes*	Clarifications relating to the recognition of unrealized losses
29 Jan 2016	Amendment to IAS 7 *Statement of Cash Flows*	Improvement of information provided about an entity's financing activities and liquidity
8 Dec 2016	Improvements to IFRSs (2014 – 2016)	Amendments to standards IFRS 1, IFRS 12 and IAS 28

For all standards and interpretations applied for the first time there were no significant changes to the accounting and valuation methods.

PURCHASE AND SALE OF BUSINESS OPERATIONS

Fiscal year 2017/18

Disposal of legal entity Aaren Scientific Inc., Ontario, USA

By way of an agreement dated 4 November 2016, a contract was concluded and executed in the past fiscal year between Carl Zeiss Meditec Inc., Dublin, USA, the direct parent company of Aaren Scientific Inc., and Aaren Laboratories, LLC, USA, an external third party, pertaining to the disposal of a number of assets. Under the terms of this contract , it was also agreed that the purchaser may acquire the legal entity Aaren for a purchase price of $3m. The acquisition of the legal entity was to take place within a fifteen-month period beginning on 16 November 2016, and was executed on 1 October 2017. The proceeds from the sale amount to €2.5m and are recognized under other financial result. The sale is accompanied by a name change and the company shall in future operate under the name Carl Zeiss Meditec Production LLC, Ontario, USA. All shares in the subsidiary Hexavision S.A.R.L., Paris, France, were also sold at the same time.

Fiscal year 2016/17

Acquisition of shares in Ophthalmic Laser Engines, LLC, Lafayette, Colorado, USA

On 24 February 2017 Carl Zeiss Meditec Inc., Dublin, California, USA, acquired 52% of the shares in Ophthalmic Laser Engines, LLC, Lafayette, Colorado, USA (hereinafter “OLE”). The preliminary purchase price was €19.1m and was composed of a fixed amount of €18.4m and a performance-related component of €0.7m.

At the date of publication of Carl Zeiss Meditec AG's 6 month report as of 31 March 2018 the allocation of the purchase price to the assets and liabilities of the acquired company was complete. The fair values of the identified assets and liabilities at the acquisition date are as follows:

	Fair value
	€k
Intangible assets	1,047
Other non-current non-financial assets	1,750
Cash and cash equivalents	8,135
Total assets	**10,932**
Other non-current non-financial liabilities	1,750
Deferred tax liabilities	401
Total liabilities	**2,151**
Net assets	**8,781**
Non-controlling interests	4,215
Goodwill from acquisition	14,586
Total costs of acquisition	**19,152**
Cash received	8,135
Past cash outflow for purchase price components	(18,443)
Net capital outflow as of 24 February 2017	**(10,308)**

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		Microsurgery		Total	
	6 Months		6 Months		6 Months	
	2017/18	2016/17	**2017/18**	2016/17	**2017/18**	2016/17
	€k	€k	€k	€k	€k	€k
External revenue	449,308	433,111	164,391	154,377	613,699	587,488
Earnings before interest and taxes	49,646	57,730	38,597	37,353	88,243	95,083
Reconciliation of segments' comprehensive income to the Group's period-end result						
Comprehensive income of the segments					**88,243**	**95,083**
Consolidated earnings before interest and taxes (EBIT)					**88,243**	**95,083**
Financial result					(4,298)	(2,111)
Consolidated earnings before income taxes					**83,945**	**92,972**
Income tax expense					(27,652)	(29,147)
Consolidated profit					**56,293**	**63,825**

As a general rule there were no intersegment sales.

Related party disclosures

Revenue amounting to €256,959k (prior year: €221,172k) resulted from relations with related parties in the reporting period 2017/18. 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 2017.

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 2018	2,395	-	-	2,395
	30 Sep 2017	4,390	-	-	4,390
Financial assets recognized at fair value through profit or loss	31 Mar 2018	-	7,364	-	7,364
	30 Sep 2017	-	19,380	-	19,380
Financial liabilities recognized at fair value through profit or loss	31 Mar 2018	-	(5,713)	-	(5,713)
	30 Sep 2017	-	(1,873)	-	(1,873)

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 30 September 2017, 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.

EVENTS AFTER THE END OF THE INTERIM REPORTING PERIOD

The proposed dividend distribution of €49,192k (€0.55 per share) was resolved upon at the Annual General Meeting on 10 April 2018 and paid out to the shareholders in April.

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 assets, liabilities, financial position and profit or loss 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
Chairman of the
Management Board

Dr. Christian Müller
Member of the
Management Board

Financial calendar Imprint/Disclaimer

Financial calendar 2017/18

10 Aug 2018
Publication of 9 Month Statement 2017/18 and telephone conference

7 Dec 2018
Publication of annual financial statements 2017/18 and Analyst Conference

Carl Zeiss Meditec AG
Investor Relations
Sebastian Frericks
Phone: +49 3641 220 116
Fax: +49 3641 220 117
investors.meditec@zeiss.com

Edited by: Malgorzata Krowicka

Design: Carl Zeiss AG

Translation: Herold Fachübersetzungen, Bad Vilbel

This report was published on 15 May 2018.

The 6-Month Report 2017/18 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 annual report due to mathematical rounding.

This is a translation of the original German-language first-half financial report 2017/18 of the Carl Zeiss Meditec Group. The Company shall not assume any liability for the correctness of this translation. If the text differ, the German report (”Halbjahresfinanzbericht 2017/18”) shall take precedence.

Carl Zeiss Meditec AG
Goeschwitzer Straße 51–52
07745 Jena
Germany

Phone: +49 3641 220 115
Fax: +49 3641 220 117
investors.meditec@zeiss.com
www.zeiss.com/meditec-ag/ir