

First-Half Financial Report

2021/22

Carl Zeiss Meditec Group



Seeing beyond

Contents

Key figures	2
Group management report on the interim financial statements	4
Carl Zeiss Meditec Group	4
Underlying conditions and economic development	4
Financial position	9
Net assets	11
Orders on hand	12
Opportunity and risk report	12
Events of particular significance	13
Employees	13
Research and development	14
Outlook	14
Consolidated income statement (IFRS)	15
Consolidated statement of comprehensive income (IFRS)	15
Consolidated statement of financial position (IFRS)	16
Consolidated statement of changes in equity (IFRS)	17
Consolidated statement of cash flows (IFRS)	18
Notes to the consolidated interim financial statements	19
General information	19
Purchase and sale of business operations	20
Notes to the consolidated income statement	21
Disclosures on fair value	22
Events after the end of the interim reporting period	23
Responsibility statement	24
Financial calendar	25
Imprint/Disclaimer	25

Group management report on the interim financial statements

CARL ZEISS MEDITEC GROUP

The Carl Zeiss Meditec Group (hereinafter the 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 to the Group's reporting entity or the structure of its consolidated financial statements in the first six months of fiscal year 2021/22.

UNDERLYING CONDITIONS AND ECONOMIC DEVELOPMENT

Macroeconomic conditions¹

The OECD Economic Outlook from December 2021 forecast global GDP growth of 4.5% for 2022 and 3.2% for 2023, while Germany is expected to grow by 4.1%, the USA by 3.7% and China by 5.1% in 2022. The OECD Economic Outlook from March 2022 addresses the potential economic and social implications of the War in Ukraine, which is slowing the recovery of the global economy from the COVID-19 pandemic and is expected to drive inflation even higher worldwide. The scale of the economic effects of the conflict is very uncertain and will partly depend on the duration of the war and the political responses to it. The war has caused a short-term slump in global growth and a significantly higher inflationary pressure. In light of this uncertainty, the OECD estimates that global economic growth will shrink by more than 1 percentage point this year and that global inflation will increase by 2.5 percentage points. This is attributable to the fact that gas prices are rising faster in Europe than in other parts of the world and to the fact that prior to the conflict there were relatively close economic and energy ties with Russia. Growth in the Asia/Pacific region and on the continent of America, however, is being impacted by a weaker global demand and the effects of higher prices on income and spending of private households.

Statement of earnings position

Summary of key ratios in the consolidated income statement

figures in €m, unless otherwise stated

	6 Months 2021/22	6 Months 2020/21	Change
Revenue	855.4	767.4	+11.5%
Gross margin	58.6%	57.1%	+1.5% pts
EBITDA	210.4	192.6	+9.2%
EBITDA margin	24.6%	25.1%	-0.5% pts
EBIT	177.3	162.7	+9.0%
EBIT margin	20.7%	21.2%	-0.5% pts
Earnings before income taxes	174.2	145.7	+19.5%
Tax rate	25.3%	30.4%	-5.1% pts
Consolidated profit after non-controlling interests	128.7	100.6	+27.9%
Earnings per share after non-controlling interests	€1.44	€1.12	+27.9%


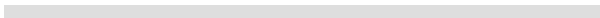
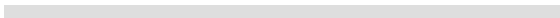
¹ OECD Economic Outlook, March 2022, Paris.

Revenue

The Carl Zeiss Meditec Group increased its revenue by 11.5% to €855.4m in the first six months of fiscal year 2021/22 (prior year: €767.4m). After adjustment for currency effects, growth amounted to 10.7%. Both strategic business units (SBUs), Microsurgery and Ophthalmic Devices, contributed to this growth. Orders received increased again significantly by 30.7% to €1,062.3m.

With another double-digit increase in revenue, the Asia/Pacific (APAC) region contributed significantly to the development of business. The Europe/Middle East/Africa (EMEA) and Americas regions also recorded solid revenue growth overall for the first six months.

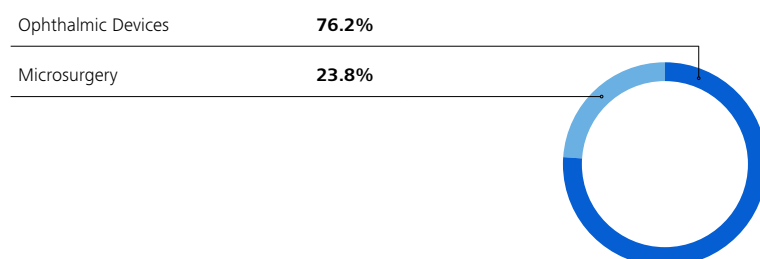
Revenue of the Carl Zeiss Meditec Group in €m/growth in % after 6 months of the respective fiscal year

2021/22	855.4/11.5%	
2020/21	767.4/7.3%	
2019/20	714.9/7.2%	

Revenue by strategic business unit

The revenue contribution of the Ophthalmic Devices SBU amounted to 76.2% in the first six months of fiscal year 2021/22 (prior year: 76.9%). The Microsurgery SBU contributed 23.8% (prior year: 23.1%) of consolidated revenue in the same period.

Share of strategic business units in revenue of the Carl Zeiss Meditec Group after 6 months 2021/22



The strategic business unit Ophthalmic Devices increased its revenue by 10.5% in the first six months of fiscal year 2021/22 (adjusted for currency effects: 9.7%) to €651.9m (prior year: €590.1m). Recurring revenue contributed significantly to this increase in revenue.

Revenue in the strategic business unit Microsurgery amounted to €203.5m in the first six months, equating to an increase of 14.8% (adjusted for currency effects: 13.8%) over the prior-year figure of €177.3m. Revenue generated from the KINEVO® 900 visualization system in neurosurgery and the TIVATO® 700 in spinal surgery, in particular, developed very favorably.

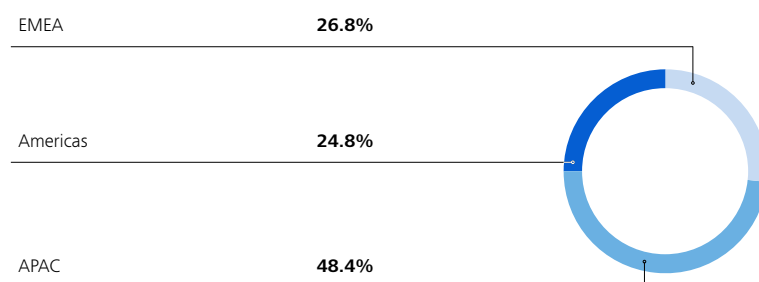
Revenue by strategic business unit

	6 Months 2021/22	6 Months 2020/21	Change in %	
	€m	€m		Adjusted for currency effects
Ophthalmic Devices	651.9	590.1	+10.5	+9.7
Microsurgery	203.5	177.3	+14.8	+13.8
Carl Zeiss Meditec Group	855.4	767.4	+11.5	+10.7

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 2021/22 26.8% (prior year: 28.2%) of consolidated revenue was attributable to the EMEA region. The Americas region accounted for 24.8% (prior year: 25.7%) of total revenue. Accounting for 48.4%, the APAC region contributed the largest share of total revenue (prior year: 46.1%).

Share of the regions in revenue of the Carl Zeiss Meditec Group after 6 months of 2021/22



In the **EMEA** region, the development of business was positive overall, with a revenue increase of 5.8% (adjusted for currency effects: +7.1%) to €229.2m (prior year: €216.7m). The countries of Southern Europe, especially, showed dynamic growth.

Revenue in the **Americas** region remained 7.6% above the prior year (adjusted for currency effects: +2.6%), given a relatively strong basis of comparison and positive currency effects. Revenue amounted to €212.2m, compared with €197.2m in the prior year. The USA and other countries in North and South America recorded a solid performance.

The **APAC** region made the strongest contribution to growth, increasing its revenue by 17.1% (adjusted for currency effects: 17.3%). Revenue in this region climbed to €414.1m, compared with €353.5m in the same period of the prior year. China and India, in particular, contributed to this dynamic growth, while Japan exhibited slight growth and Australia lagged slightly behind the prior year.

Revenue of the Carl Zeiss Meditec Group by region

	6 Months 2021/22	6 Months 2020/21	Change in %	
	€m	€m		Adjusted for currency effects
EMEA	229.2	216.7	+5.8	+7.1
Americas	212.2	197.2	+7.6	+2.6
APAC	414.1	353.5	+17.1	+17.3
Carl Zeiss Meditec Group	855.4	767.4	+11.5	+10.7

Gross profit

Gross profit increased to €501.4m at the end of the first six months of fiscal year (prior year: €438.0m). The gross margin reached 58.6% in the reporting period (prior year: 57.1%).

Functional costs

Functional costs for the first six months of the fiscal year amounted to €323.9m (prior year: €277.8m) and thus increased by 16.6% as expected. This increase is mainly due to higher selling and marketing expenses in light of the planned launch of new products, as well as increased research and development expenses and lastly to a relatively low comparison base in the previous year due to the COVID-19 pandemic. Functional costs as a proportion of consolidated revenue increased in the first six months of fiscal year 2021/22 to 37.9% (prior year: 36.2%).

- » **Selling and marketing expenses:** Selling and marketing expenses amounted 2021/ 22 to €160.6m in the first six months of fiscal year (prior year: €137.3m), The ratio of expenses to the Group's total revenue increased compared with the prior year, to 18.8% (prior year: 17.9%). The basis for comparison in the previous year was relatively low, partly due to the restrictions in place during the COVID-19 pandemic.
- » **General administrative expenses:** General administrative expenses in the first six months of the current fiscal year amounted to €33.1m (prior year: €28.9m). General administrative expenses thus accounted for 3.9% of total revenue (prior year: 3.8%).
- » **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 €130.2m at the end of the first six months of fiscal year 2021/22 (prior year: €111.6m). The R&D ratio increased to 15.2%, which is slightly higher than the prior year (prior year: 14.5%).

Development of earnings

The Carl Zeiss Meditec Group uses earnings before interest and taxes (EBIT = operating result) as a key performance indicator. The Carl Zeiss Meditec Group generated EBIT of €177.3m after the first six months of fiscal year 2021/22, an increase of 9.0% compared with the year-ago period (prior year: €162.7m). This corresponds to an EBIT margin of 20.7% (prior year: 21.2%).

Overview of effects of purchase price allocations included in EBIT

	6 Months 2021/22	6 Months 2020/21	Change
	€m	€m	in %
EBIT	177.3	162.7	+9.0
./. Acquisition-related special effects ²	-4.0	-3.8	+5.6
./. Other special effects ³	-	+2.4	-
Adjusted EBIT	181.3	164.1	+10.5
Adjusted EBIT in % of revenue	+21.2	+21.4	-0.2% pts.

The EBIT margin in the strategic business unit Microsurgery increased significantly due to the stronger revenue compared with the year-ago period. In the strategic business unit Ophthalmic Devices, the EBIT margin was lower overall than the prior year, due to the planned higher selling and marketing expenses in the reporting period accompanied by a more favorable product mix with a high proportion of recurring revenue.

Earnings before interest, tax, depreciation and amortization (EBITDA) increased to €210.4m in the first six months of the current fiscal year (prior year: €192.6m). The EBITDA margin amounted to 24.6% (prior year: 25.1%).

The financial result improved to €-3.2m, compared with €-17.0m in the prior year. Foreign currency losses on hedges had an adverse effect in this respect; conversely, there was extraordinary income in the other financial results from the revaluation of liabilities in connection with the acquisition of IanTECH, Inc. in fiscal year 2018/19.

The tax rate for the reporting period was 25.3% (prior year: 30.4%). 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 €128.7m for the first six months of fiscal year 2021/22, thus increasing by 27.9% compared with the basis of comparison in the prior year (prior year: €100.6m). Non-controlling interests accounted for €1.4m (prior year: €0.9m). Basic earnings per share of the parent company amount to €1.44 for the first six months of fiscal year 2021/22 (prior year: €1.12).

² There were write-downs on intangible assets arising from the purchase price allocations (PPA) of around €4.0m (prior year: €3.8m), 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.

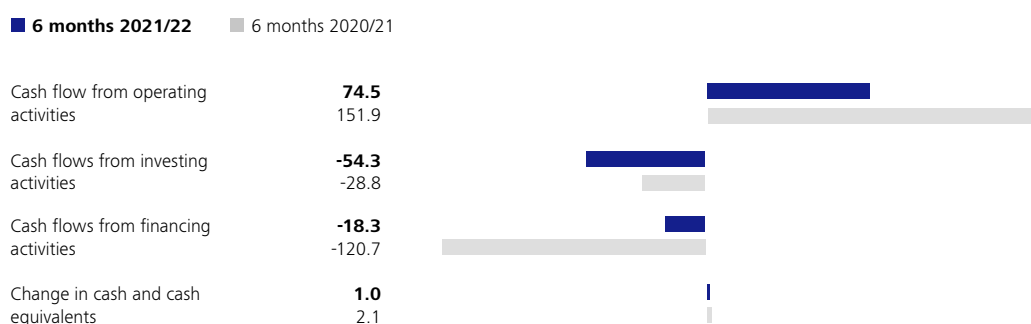
FINANCIAL POSITION

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 on 31 March 2022. 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 flow from operating activities amounted to €74.5m in the reporting period (prior year: €151.9m). The higher cash outflow compared with the prior year is mainly due to the formation of safety stocks to secure the supply chain in light of the regional COVID-19 lockdowns in the APAC region and the war in Ukraine.

Cash flows from investing activities amounted to €-54.3m in the period under review (prior year: €-28.8m). The higher cash outflow during the first six months resulted, among other things, from the expansion of production capacities for surgical consumables and from the acquisition of Preceyes B.V., Eindhoven, Netherlands, a start-up company in the area of cataract surgery.

Cash flows from financing activities in the first six months of fiscal year 2021/ 22 amounted to €-18.3m (prior year: €-120.7m). The lower cash outflow compared with the prior year is mainly due to the significantly reduced transfer of cash and cash equivalents to the cash pool in the treasury of Carl Zeiss AG as a result of the declining cash flows from operating activities.

Key ratios relating to financial position

Key ratio	Definition	31 March	30	Change
		2022	September 2021	
		€m	€m	in %
Cash and cash equivalents	Cash-in-hand and bank balances	8.4	8.3	+1.0
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	954.7	939.9	+1.6
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	220.6	216.0	+2.1
Working capital	Current assets . current liabilities	1,175.3	1,155.9	+1.7
Key ratio	Definition	6 Months 2021/22	6 Months 2020/21	Change
Cash flow per share	Cash flow from operating activities ⁴ Weighted average of shares outstanding	€0.83	€1.70	-51.0%
Capex ratio⁵	Investment (cash) in property, plant and equipment Revenue of Carl Zeiss Meditec Group	1.8%	1.8%	-

⁴ Cash flows from operating activities in the prior period reduced by €1m due to the finalization of the purchase price allocation for the acquisition of Photono Oy, Helsinki.

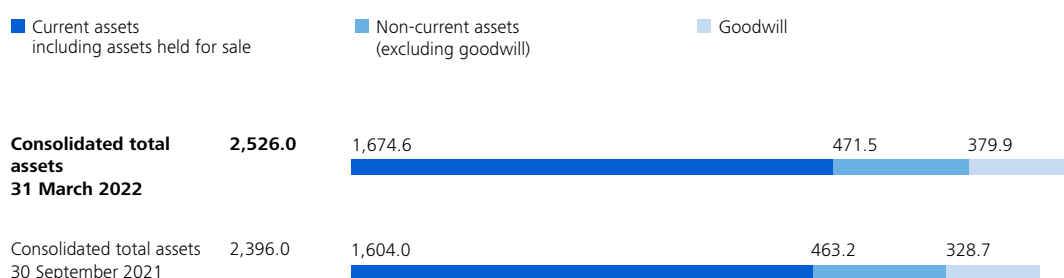
⁵ Reference period 12 months 2020/21

NET ASSETS

Presentation of net assets

As of 31 March 2022, total assets amounted to €2,526.0m (30 September 2021: €2,396.0m).

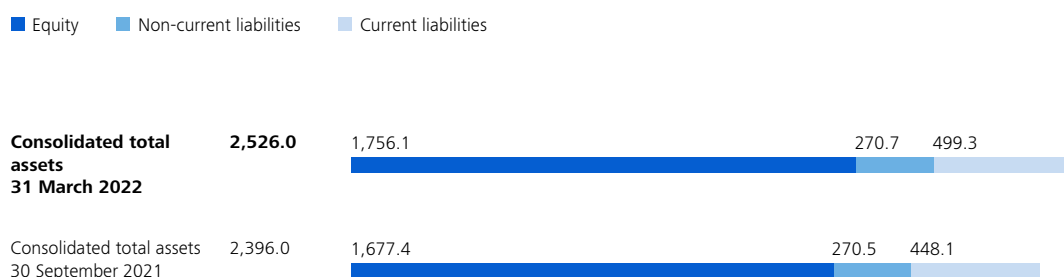
Structure of statement of financial position - assets in €m



Non-current assets amounted to €851.4m as of 31 March 2022 (30 September 2021: €792.0m). The increase is mainly due to the increase in goodwill in connection with the acquisition of Preceyes B.V.

Current assets increased to €1,674.6m as of 31 March 2022 (30 September 2021: €1,604.0m) due, among other things, to the increase in inventories.

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 €1,756.1m as of 31 March 2022 (30 September 2021: €1,677.4m). The equity ratio was 69.5% (30 September 2021: 70.0%) and thus remains high.

Non-current liabilities amounted to €270.7m as of 31 March 2022 (30 September 2021: €270.5m).

As of 31 March 2022, current liabilities amounted to €499.3m (30 September 2021: €448.1m), primarily as a result of the increase in current financial liabilities due to the dividend distribution after the quarterly reporting date.

Key ratios relating to net asset position

Key ratio	Definition	31 Mar 2022	30 Sep 2021	Change
		in %	in %	% pts
Equity ratio	Equity (including non-controlling interests)	69.5	70.0	-0.5
	Total assets			
Inventories in % of rolling 12-month revenue	Inventories (net)	19.0	17.4	1.6
	Rolling revenue			
Receivables in % of rolling 12-month revenue	Trade receivables at the end of the reporting period (including non-current receivables)	19.0	20.0	-1.0
	Rolling revenue			

ORDERS ON HAND

The Carl Zeiss Meditec Group's orders on hand amounted to €489.1m as of 31 March 2022 (30 September 2021: €273.9m). The higher orders on hand are mainly attributable to the supply chain bottlenecks in the context of the regional COVID-19 lockdowns in the APAC regions and the war in Ukraine.

OPPORTUNITY AND RISK REPORT

The assessment of business opportunities and risks and responsible 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 61 to 70 of the Annual Report 2020/21 of the Carl Zeiss Meditec Group still apply in principle.

The war in Ukraine has further heightened risk of the Group. Carl Zeiss Meditec AG procures certain materials and components for its production through the Carl Zeiss Group, which has them manufactured by a supplier in Minsk, Belarus, in which the Carl Zeiss Group holds a long-term investment. In the event of a further escalation of international sanctions against Belarus, the flow of materials and goods could be severely delayed or completely interrupted. This would have a material adverse effect on the Group's production and, consequently, its revenue.

The sale of Carl Zeiss Meditec Group products in Russia is currently not significantly affected by existing sanctions. This could, however, be the case in future if sanctions are tightened. In order to continue to provide patients and the population in Russia with high-quality medical and ophthalmic care, the Group has decided not to terminate business relations with Russia. The Group will donate the profit from these transactions to aid organizations that are organized in Ukraine. The risks in respect of this market are in the low double-digit million euro range.

Due to the current lockdowns in China, particularly in larger harbors and cities, the supply chain situation is becoming increasingly tense. If these lockdowns are to last for a longer period of time, the flow of goods for materials and components needed for the Group's production operations could be severely delayed, which would have an adverse effect on sales. Furthermore, lockdowns also lead to direct revenue losses in the short term, e.g., by postponing elective surgical procedures. Overall, the total risks with regard to suppliers and supply chains lie in the mid-double-digit million euro range.

Rising inflation and the shortage of international transport capacities mean that the costs of production factors, the production and the sale of the Group's products are increasing. It may not be possible to pass all of these higher costs on to customers. Risks in this respect are in the mid-single-digit million euro range.

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

EVENTS OF PARTICULAR SIGNIFICANCE

On 25 March 2022, Carl Zeiss Meditec Inc., Dublin, California, USA, signed an agreement concerning the acquisition of 100% of the shares in Katalyst Surgical LLC, Chesterfield, Missouri, USA, a supplier of instruments for ophthalmic surgery, and Kogent Surgical LLC, Chesterfield, Missouri, USA, a supplier of instruments for microsurgery. The acquisition of the two companies took place on 14 April 2022. Further information can be found in the accompanying notes to the consolidated financial statements.

There were no other events of particular significance during. 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 2021/22 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 2022, the Carl Zeiss Meditec Group had 3,752 employees worldwide (30 September 2021: 3,531).

RESEARCH AND DEVELOPMENT

Objectives and focus of research and development

Innovations are a key driver of future growth. Research and development has therefore traditionally played a crucial role within the Carl Zeiss Meditec Group. 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 €130.2m (prior year: €111.6m). In spite of the solid revenue trend in the first six months of fiscal year 2021/ 22, the R&D ratio increased slightly from 14.5% in the prior year to 15.2%. As of 31 March 2022, 20.8% of the Carl Zeiss Meditec Group's entire workforce was working in Research and Development (30 September 2021: 19.4%).

Please refer to page 50 in the Annual Report 2020/21 for a comprehensive description of our research and development work.

OUTLOOK

The strain on the global supply chains has visibly increased due to political and macroeconomic factors, such as the war between Russia and Ukraine as well as the regional COVID-19 lockdowns in China; a further tightening of supply bottlenecks or interruptions to supply is foreseeable in the third quarter of fiscal year 2021/22. The COVID-19 lockdowns in China will also lead to direct revenue losses in the short term, e.g. due to the postponement of elective surgical procedures, which are also likely to affect the third quarter of 2021/22 in particular.

Revenue is expected to grow at least to the same extent as the underlying markets in fiscal year 2021/22 (prior year: €1,646.8m). The EBIT margin in fiscal year 2021/22 is expected to be between 19-21%. These forecasts remain achievable in principle, provided that there is no further material loss of revenue due to supply chain disruptions and that a normalization of the COVID-19 situation occurs during the third quarter of 2021/22.

In the medium term, the EBIT margin is expected to increase to a level sustainably above 20%. The rising proportions of recurring revenue are making a positive contribution to this. Conversely, planned strategic investments in research and development expenses and selling and marketing expenses remain high.

Should there be any significant changes in the economic environment currently forecast over the course of the second half of fiscal year 2021/22, 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 2021 to 31 March 2022

	Q2 2021/22 1 Jan 22 to 31 Mar 22	Q2 2020/21 1 Jan 21 to 31 Mar 21	2021/22 1 Oct 21 to 31 Mar 22	2020/21 1 Oct 20 to 31 Mar 21
	€k	€k	€k	€k
Revenue	445,229	398,456	855,405	767,366
Cost of sales	-176,654	-167,701	-354,055	-329,341
Gross profit	268,575	230,755	501,350	438,025
Selling and marketing expenses	-77,524	-69,088	-160,591	-137,304
General administrative expenses	-18,313	-14,993	-33,117	-28,905
Research and development expenses	-69,692	-57,404	-130,228	-111,573
Other operating result	-90	-	-90	2,447
Earnings before interest, taxes, depreciation and amortization	119,221	104,782	210,369	192,614
Depreciation and amortization	-16,265	-15,512	-33,045	-29,924
Earnings before interest and taxes	102,956	89,270	177,324	162,690
Interest income	5,408	463	5,691	999
Interest expenses	-2,020	-1,847	-3,918	-3,449
Net interest from defined benefit pension plans	-124	-198	-238	-385
Foreign currency gains/(losses), net	-12,050	-8,611	-30,616	-14,225
Other financial result	25,929	17	25,928	102
Earnings before income taxes	120,099	79,094	174,171	145,732
Income taxes	-28,004	-23,921	-44,067	-44,231
Consolidated profit	92,095	55,173	130,104	101,501
thereof attributable to shareholders of the parent company	90,728	54,309	128,668	100,612
thereof attributable to non-controlling interests	1,367	864	1,436	889
Earnings per share attributable to the shareholders of the parent company in the fiscal year (in €):				
- Basic/diluted	1.01	0.61	1.44	1.12

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

Consolidated statement of comprehensive income (IFRS)

from 1 October 2021 to 31 March 2022

	Q2 2021/22 1 Jan 22 to 31 Mar 22	Q2 2020/21 1 Jan 21 to 31 Mar 21	2021/22 1 Oct 21 to 31 Mar 22	2020/21 1 Oct 20 to 31 Mar 21
	€k	€k	€k	€k
Consolidated profit	92,095	55,173	130,104	101,501
Other result that may subsequently be reclassified to consolidated profit:				
Gains/(losses) on foreign currency translation	8,707	15,557	17,442	-1,535
Other result that may subsequently be reclassified to consolidated profit:				
Remeasurement from equity instruments	-121	-	-121	-
Deferred taxes on remeasurement from equity instruments	36	-	36	-
Remeasurement from defined benefit pension plans	18,946	26,192	16,771	19,627
Deferred taxes on remeasurement from defined benefit pension plans instruments	-5,733	-7,850	-5,031	-5,734
Miscellaneous profit (after taxes)	21,835	33,899	29,097	12,358
Comprehensive income for the period	113,930	89,072	159,201	113,859
thereof attributable to shareholders of the parent company	113,249	88,708	158,564	113,830
thereof attributable to non-controlling interests	681	364	637	29

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

Consolidated statement of financial position (IFRS)

as of 31 March 2022

	31 March 2022	30 September 2021
	€k	€k
ASSETS		
Non-current assets		
Goodwill	379,934	328,714
Other intangible assets	163,484	153,698
Property, plant and equipment	205,703	199,555
Other loans	629	-
Investments and other holdings in affiliated non-consolidated companies	6,843	6,713
Deferred taxes	77,520	84,964
Non-current trade receivables	8,467	9,191
Other non-current assets	8,854	9,115
	851,434	791,950
Current assets		
Inventories	328,867	286,375
Trade receivables	156,475	185,940
Trade receivables from related parties	164,046	134,868
Treasury receivables	968,231	949,317
Tax refund claims	9,259	4,178
Other current financial assets	13,188	10,479
Other current non-financial assets	26,105	25,422
Cash and cash equivalents	8,401	7,439
	1,674,572	1,604,018
	2,526,006	2,395,968
EQUITY AND LIABILITIES		
Equity		
Share capital	89,441	89,441
Capital reserve	620,137	620,137
Retained earnings	1,048,649	1,000,478
Other components of equity	-20,833	-50,729
Equity before non-controlling interests	1,737,394	1,659,327
Non-controlling interests	18,693	18,056
	1,756,087	1,677,383
Non-current liabilities		
Provisions for pensions and similar obligations	41,999	54,457
Other non-current provisions	6,371	7,409
Non-current financial liabilities	88,588	76,496
Non-current leasing liabilities	101,078	101,929
Other non-current non-financial liabilities	17,590	14,738
Deferred taxes	15,035	15,438
	270,661	270,467
Current liabilities		
Current provisions	18,207	19,873
Current accrued liabilities	109,277	127,787
Current financial liabilities	142,075	54,943
Current portion of non-current leasing liabilities	18,970	19,341
Trade payables	93,547	98,230
Trade payables to related parties	46,927	47,235
Treasury payables	21,929	16,835
Current income tax payables	6,527	21,560
Other current non-financial liabilities	41,799	42,314
	499,258	448,118
	2,526,006	2,395,968

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

Consolidated statement of changes in equity (IFRS)

	Share capital	Capital reserves	Retained earnings	Other components of equity	Equity before non-controlling interests	Non-controlling interests	Equity
	€k	€k	€k	€k	€k	€k	€k
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 equity instruments	-	-	-	-	-	-	-
Remeasurement from defined benefit pension 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	-	-	-	-	-	-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
As of 1 Oct 2021	89,441	620,137	1,000,478	-50,729	1,659,327	18,056	1,677,383
Gains/(losses) on foreign currency translation	-	-	-	18,241	18,241	-799	17,442
Remeasurement from equity instruments	-	-	-	-85	-85	-	-85
Remeasurement from defined benefit pension plans	-	-	-	11,740	11,740	-	11,740
Changes in value recognized in other comprehensive income	-	-	-	29,896	29,896	-799	29,097
Consolidated profit	-	-	128,668	-	128,668	1,436	130,104
Comprehensive income for the period	-	-	128,668	29,896	158,564	637	159,201
Dividend	-	-	-80,497	-	-80,497	-	-80,497
As of 31 Mar 2022	89,441	620,137	1,048,649	-20,833	1,737,394	18,693	1,756,087

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

Consolidated statement of cash flows (IFRS)

from 1 October 2021 to 31 March 2022

	2021/22 1 Oct 21 to 31 Mar 22	2020/21 1 Oct 20 to 31 Mar 21
	€k	€k
Consolidated profit	130,104	101,501
Income taxes	44,067	44,231
Interest income/expense	-1,535	2,835
Result from other investments	-	-61
Result from the change in fair value of contingent purchase price obligations	-25,940	-
Result from the sale of assets held for sale	-	-2,447
Depreciation and amortization	33,045	29,924
Gains/losses on disposal/depreciation of fixed assets	79	115
Interest and dividends received	553	775
Interest paid	-679	-670
Income tax payments	-61,722	-41,015
Changes in trade receivables	1,378	-50,232
Change in inventories	-39,371	10,996
Changes in other assets	-2,071	2,509
Changes in trade payables	-5,525	33,103
Changes in provisions and financial liabilities	965	14,652
Changes in other liabilities	1,136	5,662
Cash flow from operating activities	74,484	151,878
Cash outflow for investments in property, plant and equipment	-15,521	-13,167
Cash outflow for investments in other intangible assets	-19,814	-10,093
Cash inflow from disposals of fixed assets	6	318
Cash outflow for investments in financial assets	-629	-741
Purchase of shares in affiliated consolidated companies, net of cash acquired	-18,353	-9,509
Payments received from the sale of assets held for sale	-	4,423
Cash flow from investing activities	-54,311	-28,769
Change in current loans	590	266
Change in treasury receivables	-13,813	-126,455
Change in treasury liabilities	4,372	11,224
Cash inflow from sale-and-lease-back transactions	-	3,977
Repayment of leasing liabilities	-9,479	-8,533
Dividend payments to non-controlling interests	-	-1,165
Cash flow from financing activities	-18,330	-120,686
Effect of exchange rate changes on cash and cash equivalents	-881	-310
Change in and cash and cash equivalents	962	2,113
Cash and cash equivalents, beginning of reporting period*	7,439	6,202
Cash and cash equivalents, end of reporting period	8,401	8,315

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

*Due to the finalization of the purchase price allocation of the acquisition of Photon Oy, the values are changed as of 30 September 2020. For further information see also Section 3 "Purchase and sale of business operations" in the Annual Report 2020/21.

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 2021 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 2022 correspond to those applied for the consolidated financial statements for fiscal year 2020/21, with the exception of the application of new accounting pronouncements in the current fiscal year, as detailed in the annual report 2020/21 on page 99. A detailed description of these methods was published in the notes to the consolidated financial statements as of 30 September 2021.

Recent pronouncements on accounting policies

Carl Zeiss Meditec has checked all accounting standards adopted by the EU and mandatory from 1 October 2021. For all standards and interpretations (including Agenda Decisions) applied for the first time, there were no significant changes to the accounting and valuation methods, nor are such changes expected. The following accounting principles were applied for the first time in the fiscal year under review:

Date of issue	Standard/Interpretation	Amendment/new statutory regulation
15 July 2020	Amendment to IFRS 4 <i>Insurance Contracts</i>	Temporary exemption from the application of IFRS 9 up until first-time application of IFRS 17
27 August 2020	Interest Rate Benchmark Reform - Phase 2 (amendments to IFRS 4, 7, 9, 16 and IAS 39)	Additional simplifications in the application of IAS 39 and IFRS 9 for hedge accounting in connection with IBOR Reform

PURCHASE AND SALE OF BUSINESS OPERATIONS

Acquisitions in the current fiscal year

Acquisition of Preceyes B.V.

By way of an agreement effective 10 March 2022, Carl Zeiss Meditec AG, Germany, acquired 100% of the shares in Preceyes B.V., Eindhoven, Netherlands, (hereinafter: Preceyes).

Preceyes is a company specialized in the development of products and procedures in the area of cataract surgery. The acquisition will enable the Group to strengthen its technological position and product portfolio in cataract surgery.

The preliminary purchase price consists of a fixed sum (including escrow amount) of €18.6m and discounted performance-related components totaling €24.1m. The performance-related components reward the achievement of defined sales and development targets. These components include, on the one hand, milestones for the successful completion of clinical trials, for obtaining regulatory approval and for the sale of a certain initial number of products. Furthermore, an earnout component was agreed for the achievement of fixed sales targets. If these objectives are achieved in full, a maximum nominal sum of €44.1m will be due for these components. In the event of delays or failure to achieve the objectives, the amount due will be reduced incrementally and may reach the lower limit of zero. As of 31 March 2022 the Group assumes an expected value for the performance-related components and has recognized this amount under non-current financial liabilities.

At the date of publication of Carl Zeiss Meditec AG's half-year financial statements as of 31 March 2022 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 March 2022
	€k
Total assets	1,940
Total liabilities	1,659
Net assets	281
Goodwill from acquisition	42,430
Total costs of acquisition	42,711
Cash received	258
Past cash outflow for purchase price components	-18,611
Net capital outflow to 31 March 2022	-18,353

Incidental acquisition costs amounting to €0.1m were incurred in fiscal year 2021/22. These were recognized under general administrative expenses.

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	
	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
	€k	€k	€k	€k	€k	€k
External revenue	651,893	590,061	203,513	177,305	855,405	767,366
Earnings before interest and taxes	126,668	124,751	50,656	37,939	177,324	162,690
Reconciliation of segments' comprehensive income to the Group's period-end result						
Comprehensive income of the segments					177,324	162,690
Consolidated earnings before interest and taxes					177,324	162,690
Financial result					-3,153	-16,958
Consolidated earnings before income taxes					174,171	145,732
Income tax expense					-44,067	-44,231
Consolidated profit					130,104	101,501

As a general rule there were no intersegment sales.

Related party disclosures

Revenue amounting to €465,077k (prior year: €397,993k) resulted from relations with related parties during the reporting period 2021/22. 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 2021.

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 measured at fair value through other comprehensive income	31 Mar 2022	-	-	6,818	6,818
	30 Sep 2021	-	-	6,688	6,688
Financial assets measured at fair value through profit or loss	31 Mar 2022	-	7,524	-	7,524
	30 Sep 2021	-	6,049	-	6,049
Financial liabilities measured at fair value through profit or loss	31 Mar 2022	-	-42,351	-86,941	-129,292
	30 Sep 2021	-	-21,912	-88,399	-110,311

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 obligation	Investments	Total
	€k	€k	€k
As of 1 Oct 2021	88,399	6,688	95,087
Additions	24,100	-	24,100
Changes in fair value recognized in profit or loss	-28,342	-	-28,342
Changes in fair value recognized in other comprehensive income	-	-121	-121
Currency effects	2,784	251	3,035
As of 31 Mar 2022	86,941	6,818	93,759

The financial assets assigned to category 3 primarily include the 17.7% of shares in MicroOptx, Inc, the 4.4% of shares in OcuTerra Therapeutics, Inc and the 20.4% of shares in Audioptics Medical Inc. An upward or downward fluctuation in the interest rate by 1.0% points would reduce or increase the investment book value, respectively, in the lower single-digit-million range. None of the companies distributed any dividends.

The financial liabilities assigned to category 3, which already existed at the start of the fiscal year, include contingent purchase price obligations arising from the acquisition of lanTECH Inc. as well as InfiniteVision Optics S.A.S., which was acquired in an asset deal. At the same time, the additions include the new financial liabilities added in connection with the contingent purchase price obligation from the acquisition of Preceyes. The change in fair value recognized through profit or loss includes, on the one hand, the annual interest cost of both liabilities, and the adjustment of the capital costs for the measurement of the liability for lanTECH Inc., on the other. Both effects were recognized under interest expense. The other financial result also includes the income from the remeasurement of the contingent purchase price obligation in relation to lanTECH Inc., which is also a component of the change in fair value recognized through profit or loss presented here. The fair value of the contingent considerations was determined on the basis of the criteria agreed in the purchase agreement and the probable achievement of the target expected according to the current status and 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 €19m.

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 2021 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

Acquisition of Katalyst Surgical LLC and Kogent Surgical LLC

On 25 March 2022, Carl Zeiss Meditec Inc., Dublin, California, USA, signed an agreement concerning the acquisition of 100% of the shares in Katalyst Surgical LLC, Chesterfield, Missouri, USA (hereinafter: Katalyst) and Kogent Surgical LLC, Chesterfield, Missouri, USA (hereinafter: Kogent). The acquisition of the two companies took place on 14 April 2022.

Katalyst develops and produces solutions and instruments for ophthalmic surgery. Kogent is a company that specialized in technical solutions and instruments for microsurgery. The acquisition will enable the Group to further strengthen its position as a solutions provider.

At the current time, the estimated purchase price for both companies consists of a fixed sum (including escrow amount) and performance-related components with a total nominal sum of around €90m. The performance-related components reward the achievement of defined milestones and sales targets.

Due to the proximity in time between the acquisition date and the publication of the consolidated financial statements, disclosures pursuant to IFRS 3 B66 on the assumed assets and liabilities and on the anticipated goodwill, as well as more detailed disclosures on the purchase price, are omitted.

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. Markus Weber
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 2021/22

Publication of
9-Month Quarterly Statement 2021/22
and Telephone Conference
5 Aug 2022

Publication of
Annual Financial Statements 2021/22
and Analyst Conference
9 Dec 2022

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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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