First-Half Financial Report 2016/17 Carl Zeiss Meditec Group

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Financial highlights
(IFRS)

	6 months 2016/17		6 months 2015/16		6 months 2014/15	
	€m	%	€m	%	€m	%
Revenue	**587.5**	**100.0**	540.8	100.0	498.0	100.0
Research and development expenses	**69.9**	**11.9**	60.8	11.2	56.2	11.3
EBIT	**95.1**	**16.2**	75.3	13.9	61.0	12.2
Net income[1]	**63.8**	**10.9**	49.3	9.1	32.4	6.5
Profit per share[2] (in €)	**0.76**		0.59		0.37	
Cash flows from operating activities	**16.5**		42.8		3.5	
Cash flows from investing activities	**-20.1**		94.8		-19.4	
Cash flows from financing activities	**4.7**		-143.6		12.1	
Total assets	**1,622.9**	**100.0**	1,184.7.	100.0	1,130.0	100.0
Property, plant and equipment	**64.5**	**4.0**	64.7	5.5	69.0	6.1
Equity	**1,251.2**	**77.1**	838.3	70.8	764.1	67.6
Net cash[3]	**637.6**	**39.3**	307.5	26.0	241.8	21.4
Number of employees (31 March)	**2,937**		2,830		2,967	

[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

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Group management report on the interim financial statements

GROUP STRUCTURE

The Carl Zeiss Meditec Group (Carl Zeiss Meditec Group, 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. It is among the 30 largest technology equities in the TecDax index in Germany.

There were no significant changes with respect to the Group's reporting entity or the structure of its consolidated financial statements in the first six months of fiscal year 2016/17.

RESULTS OF OPERATIONS

Presentation of results of operations

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

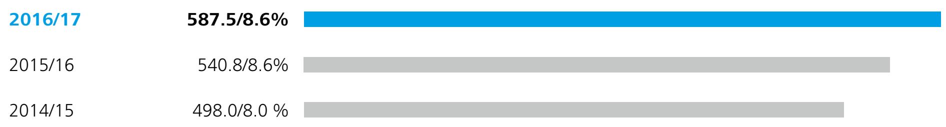
	6 months 2016/17	6 months 2015/16	Change
Revenue	587.5	540.8	+8.6%
Gross margin	54.8%	52.7%	+2.1% pts
EBITDA	106.3	84.7	+25.5%
EBITDA margin	18.1%	15.7%	+2.4% pts
EBIT	95.1	75.3	+26.3%
EBIT margin	16.2%	13.9%	+2.3% pts
Earnings before income taxes	93.0	71.5	+30.0%
Tax rate	31.4%	31.0%	+0.4% pts
Consolidated profit after non-controlling interests	61.7	48.0	+28.6%
Earnings per share after non-controlling interests	0.76[1] €	0.59[2] €	+28.0%

Revenue

Carl Zeiss Meditec increased its revenue by 8.6% to €587.5m in the first six months of fiscal year 2016/17 (prior year: €540.8m). The Group benefited slightly from positive currency effects. After adjustment for currency effects, growth amounted to 7.1%. This development is particularly attributable to the strategic business unit (SBU) Ophthalmic Devices as well as the Asia/Pacific (APAC) region.

[1] Calculated number of shares provided as the basis: 81,711,690. Earnings per share are calculated in accordance with IAS 33 pro rata temporis according to the weighted average of the shares in circulation after the capital increase performed in the second quarter. Number of shares on 31 March 2017: 89,440,570
[2] Number of shares: 81,309,610

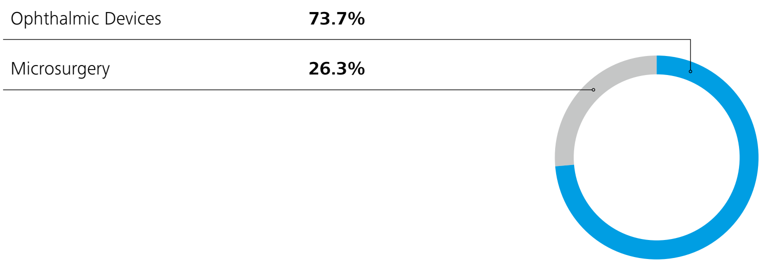
Consolidated revenue in the first half 2016/17 in €m/growth in %



Consolidated revenue by strategic business unit

Since the merging of the two former strategic business units Ophthalmic Systems and Surgical Ophthalmology on 1 August 2016, almost three-quarters of Group revenue has been generated in the **Ophthalmic Devices** strategic business unit. The revenue contribution of the Ophthalmic Devices SBU thus amounted to 73.7% (prior year: 72.4%) after the first six months of fiscal year 2016/17. The **Microsurgery** strategic business unit accounted for 26.3% of consolidated revenue in the first six months of the current fiscal year (prior year: 27.6%).

Share of strategic business units in consolidated revenue in the first half 2016/17



The **Ophthalmic Devices** strategic business unit increased its revenue by 10.6% in the first six months of the current fiscal year (adjusted for currency effects: 9.2%). Revenue amounted to €433.1m (prior year: €391.6m). The refractive laser business once again proved to be the growth driver, benefiting in particular from high procedure-dependent revenue. The segment for devices and systems for diagnosis continued to be exposed to intense competitive and price pressure during the first six months of the current fiscal year. Measures aimed at improving the competitiveness continued in the current fiscal year. Business with intraocular lenses and consumables for cataract surgery, surgical microscopes for ophthalmology and biometry developed positively within the first six months,

as did the **Microsurgery** strategic business unit. Revenue rose 3.5% to €154.4m, compared with €149.1m in the prior year. Adjusted for currency effects, revenue grew by 1.8%.

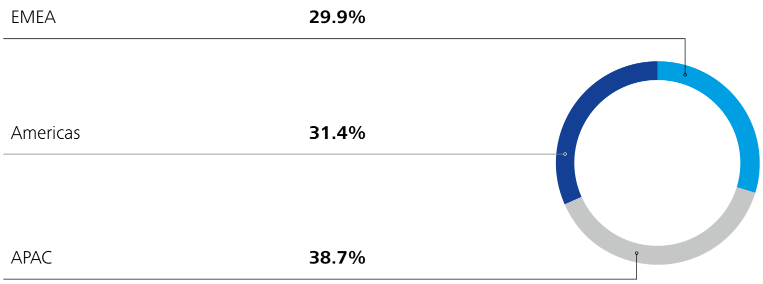
Consolidated revenue by strategic business unit

	6 months 2016/17	6 months 2015/16[3]	Change in %	
	€m	€m		Adjusted for currency effects
Ophthalmic Devices	433.1	391.6	10.6	9.2
Microsurgery	154.4	149.1	3.5	1.8
Carl Zeiss Meditec Group	**587.5**	**540.8**	**8.6**	**7.1**

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 2016/17, the region **Europe, Middle East and Africa (EMEA)** accounted for 29.9% (prior year: 32.9%) of consolidated revenue. The **Americas** and **Asia / Pacific (APAC)** regions accounted for 31.4% (prior year: 32.6%) and 38.7% (prior year: 34.5%), respectively, of the Group's total revenue. Most of the Group’s revenue growth comes from the APAC region at 21.7% (adjusted for currency effects: 18.4%).

Share of regions in consolidated revenue in first half 2016/17



Revenue in the **EMEA** region amounted to €175.4m (-1.3%; prior year: €177.7m). Even after adjustment for currency effects, there was a slight decline of -0.6%. Development in the individual markets presented a heterogeneous picture, however. Although the core markets were largely positive or stable, business in the UK, some regions in Southern Europe and the Middle East continued to be weak.

Revenue in the **Americas** region increased within the first six months of 2016/17 by 4.8% or adjusted for currency effects by 2.7% to €184.9m (prior year: €176.4m). The trend in the USA was positive, while revenue in South America was almost on a par with the prior year.

The **APAC** region made a significant contribution to consolidated growth, increasing its revenue by 21.7% (adjusted for currency effects: 18.4%). to €227.2m, compared with €186.7m in the same period of the prior year. The largest contribution to revenue, with strong growth once again, came from China. India and Southeast Asia also achieved high growth rates.

[3] Prior year’s figures adjusted to new structure as total of the former Strategic Business Units Ophthalmic Systems and Surgical Ophthalmology.

Consolidated revenue by region

	6 months 2016/17	6 months 2015/16	Change in %	
	€m	€m		Adjusted for currency effects
EMEA	175.4	177.7	-1.3%	-0.6%
Americas	184.9	176.4	4.8%	2.7%
APAC	227.2	186.7	21.7%	18.4%
Carl Zeiss Meditec Group	**587.5**	**540.8**	**8.6**	**7.1**

Gross profit

In the first six months of 2016/17, gross profit increased from €285.1m to €322.2m compared with the prior-year period. The gross margin for the reporting period increased to 54.8% (prior year: 52.7%). This growth is mainly due to a more favorable product mix, particularly in Ophthalmology.

Functional costs

Functional costs for the reporting period amounted to €234.8m (prior year: €209.8m), thus increasing by 11.9%. The proportion of revenue increased from 38.8% in the prior year, to 40.0%.

» **Selling and marketing expenses:** Selling and marketing expenses increased in the first six months of 2016/17, from €125.3m to €140.9m. Relative to revenue, selling and marketing expenses were slightly higher than the prior year's level, at 24.0% (prior year: 23.2%). The reasons for these higher selling and marketing expenses include the higher expenses associated with the expansion of the sales and service organization following the FDA approval of the ReLEx® SMILE technology in the USA. Additional new product launches also contributed to the increase in costs during the first six months of fiscal year 2016/17.

» **General administrative expenses:** Expenses in this area increased slightly, by 1.7%, to €24.1m (prior year: €23.7m). However, the ratio of these expenses to revenue decreased from 4.4% in the prior year, to 4.1%.

» **Research and development expenses (R&D):** 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 14.9% in the reporting period, to €69.9m (prior year: €60.8m). The R&D ratio increased year-on-year, to 11.9% (prior year: 11.2%).

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 €95.1m (prior year: €75.3m). This corresponds to an EBIT margin of 16.2% (prior year: 13.9%). The significant increase in the EBIT margin is mainly attributable to a more favorable product mix.

EBIT in the first six months of fiscal year 2016/17 included special effects of €6.0m, associated mainly with a one-time effect from the disposal of assets at the Ontario site in the first quarter.

Overview of special effects included in EBIT

	6 months 2016/17	6 months 2015/16	Change
	€m	€m	in %
EBIT	95.1	75.3	+26.3
Acquisition-related special effects	-6.0[4]	1.9[5]	> -100
Restructuring/reorganization	0.0	0.0	0.0
Total special effects	**-6.0**	**1.9**	**> -100**

The development of the EBIT margin within the **Ophthalmic Devices** SBU was positive. A more favorable product mix, among other things, as well as operating economies of scale made a positive contribution to this. The EBIT margin in the **Microsurgery** SBU was slightly higher compared with the prior year.

Earnings before interest, taxes, depreciation and amortization **(EBITDA)** amounted to €106.3m in the first six months of the fiscal year under review (prior year: €84.7m), resulting in an **EBITDA margin** of 18.1% (prior year: 15.7%).

In the financial result, currency effects arose in the form of foreign currency losses in the amount of €1.5m and thus on the same level as in the prior year, due to the recognition and valuation of currency hedges as of 31 March 2017.

The **tax rate** for the reporting period was 31.4% (prior year: 31.0%). 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 for the first six months of fiscal year 2016/17 amounted to €61.7m, thus increasing by 28.6% compared with the basis of comparison in the prior year (prior year: €48.0m). Non-controlling interests accounted for €2.1m (prior year: €1.3m).
Basic **earnings per share of the parent company** amount to €0.76 (prior year: €0.59) in the first six months of the current fiscal year.

[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.
[5] 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.

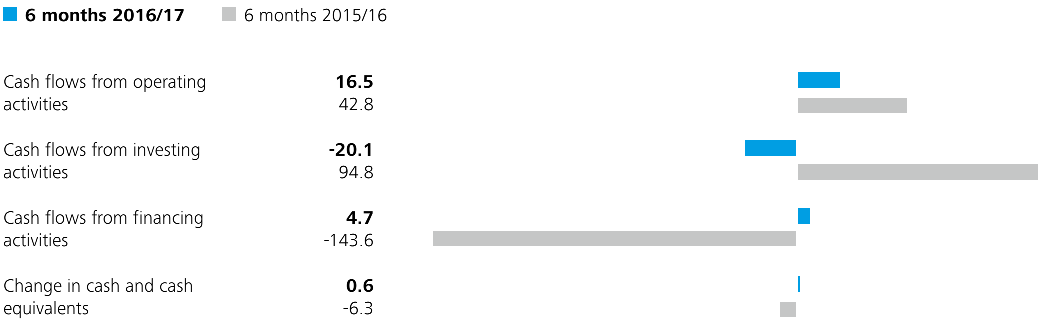
FINANCIAL POSITION

Statement of cash flows

The Carl Zeiss Meditec Group's statement of cash flows shows the origin and utilization of the cash flows during the reporting period. 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 2017. 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 €16.5m in the reporting period (prior year: €42.8m). In the first six months of fiscal year 2016/17 there was a rise in trade receivables as of the end of the reporting period compared with the prior year, as well as an increase in inventories, associated with new product launches.

Cash flow from investing activities amounted to €-20.1m in the period under review (prior year: €94.8m). The substantial difference compared with the same period of the prior year is mainly due to the maturity of a fixed-term deposit on 30 September 2015, in the amount of €110m, which was processed via Carl Zeiss Financial Services GmbH and led in the prior-year period to a higher inflow of cash.

Cash flow from financing activities in the first six months of fiscal year 2016/17 amounts to €4.7m (prior year: €-143.6m). The difference compared with the year-ago period is primarily attributable to an increase in treasury receivables in the first six months of the prior year, resulting, among other, from the maturity of the above-mentioned fixed-term deposit of €110m. The capital increase on 22 March 2017 resulted in a cash inflow of €317m (excluding incidental costs) in the first six months of the current fiscal year. Receivables from Carl Zeiss Financial Services GmbH therefore increased at the same time.

Key ratios relating to financial position

Key ratio	Definition	31 Mar 2017	30 Sep 2016	Change
		€m	€m	in %
Cash and cash equivalents	Cash-in-hand and bank balances	9.3	8.7	+6.9
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	637.6	334.6	+90.6
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	287.7	237.0	+21.4
Working capital	Current assets ./. current liabilities	925.2	571.6	+61.9

Key ratios relating to financial position

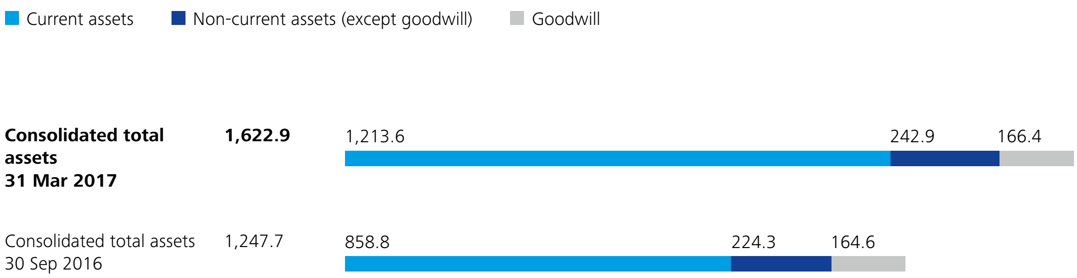
Key ratio	Definition	6 months 2016/17	6 months 2015/16	Change
Cash flow per share	Cash flow from operating activities / Weighted average of shares outstanding	€0.20	€0.53	-61.7%
Capex ratio	Investment (cash) in property, plant and equipment / Consolidated revenue	1.0%	0.8%	+0.2% pts

NET ASSETS

Presentation of net assets

Total assets increased to €1,622.9m as of 31 March 2017 (30 September 2016: €1,247.7m).

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



Non-current liabilities increased to €409.3m as of 31 March 2017 (30 September 2016: €388.9m). There were changes in **current assets** (€1,213.6m, 30 September 2016: €858.8m) primarily as a result of an increase in trade receivables and receivables from related parties, and of treasury receivables, from, among other things, a cash inflow of €317m (including incidental costs) due to the capital increase as of 22 March 2017. Inventories increased at the same time, due to a number of current new product launches since the end of the last fiscal year, as well as to ensure delivery capacities for a number of high-selling products.

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 amounts to €1,251.2m as of 31 March 2017 mainly due to the cash capital increase from authorized capital (30 September 2016: €851.2m). The equity ratio was 77.1% (30 September 2016: 68.2%) and thus remains high.

Non-current liabilities amounted to €83.4m as of 31 March 2017 (30 September 2016: €110.7m). This is primarily attributable to lower pension commitments due to an adjustment of the discount factor arising from the fall in the interest rate.

As of 31 March 2017, **current liabilities** amounted to €288.3m (30 September 2016: €285.9m). This increase is mainly due to the rise in treasury receivables.

Key ratios relating to net assets

Key ratio	Definition	**31 Mar 2017**	31 Mar 2016	Change
		in %	in %	% pts
Equity ratio	Equity (incl. non-controlling interests)	77.1	70.8	+6.3
	Total assets			
Inventories in % of rolling 12-month revenue	Inventories (net)	20.2	18.6	+1.6
	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)	25.2	23.5	+1.7
	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 increased by 8.0%. As of 31 March 2017 it amounted to €175.7m (30 September 2016: €162.7m).

OPPORTUNITY AND RISK REPORT

Groups with global operations are exposed to a large number of entrepreneurial opportunities and risks that can have a lasting impact on commercial success. The assessment of 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 major components: 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 2015/16 Annual Report. Therefore, for a detailed presentation of the risk management system and the opportunity and risk situation, please refer to pages 61 to 69 of the 2015/16 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 2016/17. 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 2016/17 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. Responsible human resources development and continuous improvement play a crucial role in this. As of 31 March, 2017 the Carl Zeiss Meditec Group had 2,937 employees worldwide (31 March 2016: 2,830).

RESEARCH AND DEVELOPMENT

Objectives and focus of research and development

Research and development plays an important role within the Carl Zeiss Meditec Group. Pursuant to 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 Financial Report 2015/16 (pages 48 to 51) for comprehensive description of our research and development work.

Research and development expenses increased by 14.9% in the first six months of fiscal year 2016/17, to €69.9m (prior year: €60.8m). The R&D ratio increased at the same time, compared with the prior year, to 11.9% (prior year: 11.2%), and is therefore slightly higher than the target range for the medium to long term of 10% to 11%.
In the reporting period 15.5% (prior year: 14.8%) of the entire workforce of the Carl Zeiss Meditec Group were employed in Research and Development.

New products were launched in the market during the reporting period. ZEISS launched the dental microscope EXTARO 300 on the market in March 2017. Using fluorescence technology, ZEISS EXTARO 300 supports the differentiation of caries and healthy dental tissue.

In April 2017, ZEISS introduced the high-performance Robotic Visualization System™ KINEVO® 900 for neurosurgery. This system combines next-generation movement and positioning options and expands the possibilities of intraoperative digital visualization. New functions enable the neurosurgeon to focus on a particular structure, for example, to move around this structure and thus visualize the target anatomy without the need for manual repositioning. Magnification, working distance and focus can be stored. This means that it is possible, at the touch of a button, to return to an exact positioning that has been saved previously at a later date, in order to check the previously visualized structures, without wasting time on manual repositioning.
A fully integrated micro inspection tool complements the visualization options of the microscope, enabling the neurosurgeons to discover areas which are difficult to explore. The digital visualization expands the freedom of choice between novel 3D and 4K technology and conventional optical visualization. Four intraoperative fluorescence solutions are also integrated into the new technology.

OUTLOOK

The statements made in the following section validate the statements made in the 2015/16 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 71 to 75 of the 2015/16 Annual Report.

Furthermore, the Company firms up its forecast for fiscal year 2016/17. Revenue is expected to be within the range of €1.150m – €1.200m. The EBIT margin is expected to be within the range of 13% -15% – not taking into account the positive one-time effect from the disposal of assets at the Ontario site.

On 22 March, Carl Zeiss Meditec AG successfully implemented a cash capital increase from authorized capital. The Company recorded a cash inflow of around €317m. The order book was closed early due to the strong demand. A total of 8,130,960 new shares were placed at a price of €38.94 per share.
The Company plans to use the funds raised to drive forward its growth strategy. In the opinion of the Company there are massive opportunities in the short to medium term to significantly accelerate growth through selective acquisitions in view of the extremely strong momentum and consolidation trends in the relevant markets right now. The proceeds from the capital increase will strengthen our financial power and flexibility in terms of acquisition opportunities. As of 31 March 2017, current cash and cash equivalents of around €637.6m 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 developed positively in the first six months. We anticipate further growth in 2016/17. Both the products already established on the market for diagnosing and treating ophthalmic diseases, as well as other innovations launched within the past twelve months shall contribute to this growth. When designing efficient solutions for our customers, system networking and integrated data management play a key role, e.g. our data management system, FORUM®. Another example is in the area of refractive lasers, where the ReLEx® SMILE procedure has established itself as the third generation of laser vision correction. Compared with previous procedures, ReLEx® SMILE stands out by being considerably less invasive and offering very good predictability of correction. More than 750,000 eyes worldwide have been successfully treated using the minimally invasive method since the launch of the procedure in 2011. The first commercial procedures in the USA were carried out in March 2017, after FDA approval was granted in September 2016. We expect the launch of the procedure in the USA to generate a revenue contribution in the low-double-digit million range in the second half of 2016/17.
With the AT LISA® tri and AT LISA® tri toric, the Company offers the leading MICS-compliant trifocal intraocular lens on the market of cataract surgery. We are also aiming to attract new customer groups and increase our revenue from existing customers by expanding our range of monofocal intraocular lenses.
We are confident that we shall grow at least to the same extent as the underlying market in fiscal year 2016/17. 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 also expected to remain above the Group average.

After the first six months of fiscal year 2016/17 the **Microsurgery** SBU achieved slight revenue growth. We therefore successfully defended our already exceptionally strong market position. Our surgical microscopes, the OPMI® Pentero® for neuro, spinal or plastic surgery, and the OPMI® VARIO, which is used in ENT surgery, for example, mean we are broadly diversified and are exploiting the associated market opportunities to an even greater degree by upgrading the products in terms of additional supporting applications. Launching the ZEISS dental microscope EXTARO 300 and the Robotic Visualization System™ KINEVO® 900, two important new products were introduced to the market in the first six months of the current fiscal year.
We expect the **Microsurgery** SBU to continue to make significant contributions to earnings in future. We are confident that we shall grow at least to the same extent as the underlying market in fiscal year 2016/17. From a current perspective, and excluding currency effects, this corresponds to growth in the low-single-digit percentage range. The EBIT margin is also expected to remain significantly above the Group average.

Should there be any significant changes in the economic environment currently forecast over the course of the second half of fiscal year 2016/17, 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 2016 to 31 March 2017

	2nd quarter 2016/17 1 Jan 17 to 31 Mar 17	2nd quarter 2015/16 1 Jan 16 to 31 Mar 16	2016/17 1 Oct 16 to 31 Mar 17	2015/16 1 Oct 15 to 30 Mar 16
	€k	€k	€k	€k
Revenue	**307,485**	**278,180**	**587,488**	**540,781**
Cost of sales	(140,340)	(129,983)	(265,280)	(255,684)
Gross profit	**167,145**	**148,197**	**322,208**	**285,097**
Selling and marketing expenses	(72,650)	(63,559)	(140,856)	(125,300)
General administrative expenses	(10,865)	(11,926)	(24,140)	(23,732)
Research and development expenses	(32,800)	(29,662)	(69,850)	(60,784)
Other result	51	-	7,721	-
Earnings before interest, taxes, depreciation and amortization	56,504	47,738	106,269	84,663
Depreciation and amortization	(5,623)	(4,688)	(11,186)	(9,382)
Earnings before interest and taxes	**50,881**	**43,050**	**95,083**	**75,281**
Result from investments accounted for using the equity method	-	1,646	-	(820)
Interest income	279	181	491	383
Interest expenses	(367)	(567)	(722)	(1,056)
Net interest from defined benefit pension plans	(263)	(414)	(512)	(774)
Foreign currency gains/(losses), net	(2,939)	2,171	(1,508)	(1,547)
Other financial result	140	(10)	140	62
Earnings before income taxes	**47,731**	**46,057**	**92,972**	**71,529**
Income taxes	(16,006)	(13,806)	(29,147)	(22,203)
Consolidated profit	**31,725**	**32,251**	**63,825**	**49,326**
Attributable to:				
Shareholders of the parent company	30,884	31,274	61,738	47,995
Non-controlling interests	841	977	2,087	1,331
Profit / (loss) per share attributable to the shareholders of the parent company in the fiscal year (in €):				
- Basic / diluted	**0.38**	**0.38**	**0.76**	**0.59**

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

Consolidated statement of comprehensive income (IFRS)
from 1 October 2016 to 31 March 2017

	2nd quarter 2016/17 1 Jan 17 to 31 Mar 17	2nd quarter 2015/16 1 Jan 16 to 31 Mar 16	**2016/17** 1 Oct 16 to 31 Mar 17	2015/16 1 Oct 15 to 30 Mar 16
	€k	€k	€k	€k
Consolidated profit	**31,725**	**32,251**	**63,825**	**49,326**
Gains / (losses) on foreign currency translation	354	(5,496)	(210)	2,185
Derivative financial instruments	(1,678)	(583)	3,121	(583)
Total of items that may subsequently be reclassified to consolidated profit	**(1,324)**	**(6,079)**	**2,911**	**1,602**
Remeasurement from defined benefit pension plans	1,127	(8,909)	18,850	(10,071)
Total of items that will not subsequently be reclassified to consolidated profit	**1,127**	**(8,909)**	**18,850**	**(10,071)**
Other comprehensive income	**(197)**	**(14,988)**	**21,761**	**(8,469)**
Comprehensive income for the period	**31,528**	**17,263**	**85,586**	**40,857**
Attributable to:				
Shareholders of the parent company	29,078	15,184	86,328	37,242
Non-controlling interests	2,450	2,079	(742)	3,615

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

Consolidated statement of financial position (IFRS)
as of 31 March 2017

	31 Mar 2017	30 Sep 2016
	€k	€k
ASSETS		
Non-current assets		
Goodwill	166,395	164,578
Other intangible assets	58,511	53,746
Property, plant and equipment	64,517	64,509
Other loans	141	2,348
Investments in affiliated non-consolidated companies	18,941	-
Investments	124	124
Deferred taxes	83,250	89,621
Non-current trade receivables	13,327	11,097
Other non-current assets	4,119	2,874
	409,325	**388,897**
Current assets		
Inventories	229,412	208,309
Trade receivables	180,896	189,244
Trade receivables from related parties	91,698	60,216
Treasury receivables	672,384	354,528
Tax refund claims	1,394	5,816
Other current financial assets	6,970	9,962
Other current non-financial assets	21,518	20,678
Cash and cash equivalents	9,308	8,710
	1,213,580	**857,463**
Assets held for sale	**-**	**1,370**
	1,622,905	**1,247,730**
EQUITY AND LIABILITIES		
Equity		
Share capital	89,441	81,310
Capital reserves	620,137	313,863
Retained earnings	520,073	458,335
Other components of equity	(31,081)	(55,671)
Equity before non-controlling interest	1,198,570	797,837
Non-controlling interests	52,584	53,326
	1,251,154	**851,163**
Non-current liabilities		
Provisions for pensions and similar obligations	55,644	81,134
Other non-current provisions	5,876	5,380
Non-current financial liabilities	766	1,610
Non-current leasing liabilities	4,848	6,126
Other non-current non-financial liabilities	5,936	6,023
Deferred taxes	10,344	10,397
	83,414	**110,670**
Current liabilities		
Current provisions	23,812	22,691
Current accrued liabilities	70,037	71,168
Current financial liabilities	17,175	22,720
Current portion of non-current leasing liabilities	3,032	2,854
Trade payables	55,157	57,105
Current income tax payables	11,929	15,863
Trade payables to related parties	30,958	29,426
Treasury payables	44,135	28,656
Other current non-financial liabilities	32,102	35,414
	288,337	**285,897**
	1,622,905	**1,247,730**

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

Consolidated statement of cash flows (IFRS)
from 1 October 2016 to 31 March 2017

	2016/17 1 Oct 16 to 31 Mar 17	2015/16 1 Oct 15 to 30 Mar 16
	€k	€k
Cash flows from operating activities:		
Consolidated profit	**63,825**	**49,326**
Adjustments to reconcile consolidated profit to net cash provided by / (used in) operating activities		
Income taxes	29,147	22,203
Interest income / expenses	743	1,447
Result from investments accounted for using the equity method	-	820
Result from disposal of hydrophilic IOL business Aaren Inc.	(7,721)	-
Depreciation and amortization	11,186	9,382
Gains/losses on disposal of fixed assets	(18)	230
Interest received	384	361
Interest paid	(707)	(802)
Refunded income taxes	5,476	251
Income taxes paid	(33,875)	(19,782)
Changes in working capital:		
Trade receivables	(24,419)	(60)
Inventories	(18,559)	(13,486)
Other assets	1,355	(1,732)
Trade payables	(92)	(8,760)
Provisions and financial liabilities	(5,896)	9,953
Other liabilities	(4,340)	(6,559)
Total adjustments	(47,336)	(6,534)
Net cash provided by/(used in) operating activities	**16,489**	**42,792**
Cash flows from investing activities:		
Investment in property, plant and equipment	(5,974)	(4,278)
Investment in other intangible assets	(7,657)	(6,055)
Proceeds from fixed assets	224	42
Purchase of investments accounted for using the equity method and assets	-	(4,131)
Payments for other loans	(2,400)	(823)
Proceeds from fixed-term deposits	-	110,000
Purchase of shares in affiliated non-consolidated companies	(13,572)	-
Proceeds from disposal of hydrophilic IOL business Aaren Inc.	9,289	-
Net cash provided by/(used in) investing activities	**(20,090)**	**94,755**
Cash flows from financing activities:		
Proceeds from/(repayment of) current liabilities to banks	(193)	(178)
Proceeds from/(repayment of) non-current liabilities to banks	(343)	(244)
(Increase)/decrease in treasury receivables	(322,769)	(138,172)
Increase/(decrease) in treasury payables	14,449	(3,820)
Increase/(decrease) in liabilities due to finance lease	(1,499)	(1,205)
Proceeds from capital increase (net)	315,036	-
Net cash provided by/(used in) financing activities	**4,681**	**(143,619)**
Effect of exchange rate fluctuations on cash and cash equivalents	(482)	(209)
Net increase/(decrease) in cash and cash equivalents	**598**	**(6,281)**
Cash and cash equivalents, beginning of reporting period	8,710	13,041
Cash and cash equivalents, end of reporting period	**9,308**	**6,760**

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 1 Oct 2015	**81,310**	**313,863**	**390,903**	**(32,218)**	**753,858**	**43,592**	**797,450**
Gains / (losses) on foreign currency translation	-	-	-	(99)	(99)	2,284	2,185
Derivative financial instruments	-	-	-	(583)	(583)	-	(583)
Remeasurement from defined benefit pension plans	-	-	-	(10,071)	(10,071)	-	(10,071)
Changes in value recognized directly in equity	**-**	**-**	**-**	**(10,753)**	**(10,753)**	**2,284**	**(8,469)**
Consolidated profit	-	-	47,995	-	47,995	1,331	49,326
Comprehensive income for the period	**-**	**-**	**47,995**	**(10,753)**	**37,242**	**3,615**	**40,857**
As of 31 Mar 2016	**81,310**	**313,863**	**438,898**	**(42,971)**	**791,100**	**47,207**	**838,307**
As of 1 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 pension 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**
Issuance of shares for contribution in cash	8,131	306,274	-	-	314,405	-	314,405
As of 31 Mar 2017	**89,441**	**620,137**	**520,073**	**(31,081)**	**1,198,570**	**52,584**	**1,251,154**

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 2016 in accordance with the International Financial Reporting Standards (IFRSs) of the International Accounting Standards Board (IASB), London, as applicable in the EU as of that date. Accordingly, this interim report has been prepared in accordance with IAS 34 "Interim Financial Reporting".

Accounting and valuation principles

The accounting and valuation principles applied for the interim financial statements as of 31 March 2017 correspond to those applied for the consolidated financial statements for fiscal year 2015/16, 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 2016.

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
30 Jan 2014	IFRS 14 *"Regulatory Deferral Accounts"*	Interim standard for regulation of regulatory deferral accounts for transition to IFRS accounting
6 May 2014	Amendment to IAS 11 *"Joint Arrangements"*	Additional guidelines on the accounting presentation of an acquisition of an interest in a joint operation
12 May 2014	Amendment to IAS 16 and 38	Guidelines on which methods can be applied for the depreciation of property, plant and equipment and the amortization of intangible assets
12 Aug 2014	Amendment to IAS 27 *"Separate Financial Statements"*	Approval of the equity method as an accounting option for investments in subsidiaries, joint ventures and associates
25 Sep 2014	Improvements to IFRSs (2012 – 2014)	Amendments to Standards IFRS 5, IFRS 7, IAS 19 and IAS 34
18 Dec 2014	Amendment to IFRS 10, 12 and IAS 28	Confirmation of the exemption from preparing consolidated financial statements for subsidiaries of an investment entity
18 Dec 2014	Amendment to IAS 1 *"Presentation of Financial Statements"*	Improvement in the reporting with regard to disclosures in the notes

For all standards and interpretations applied for the first time there were no significant changes to the accounting and valuation methods, nor are such changed anticipated.

The IASB and IFRS IC also issued the following standards, interpretations and revisions of existing standards; application of these is not yet mandatory for Carl Zeiss Meditec. The Company did not opt to apply these standards early:

Date of issue	Standard/Interpretation	Amendment/new standard or interpretation	Effective date	Endorsed by the EU
28 May 2014	IFRS 15 *"Revenue from Contracts with Customers"*	Amalgamation of existing standards and interpretations on revenue recognition (IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC 13)	Fiscal years beginning on or after 1 January 2018	Yes
24 Jul 2014	IFRS 9 *"Financial Instruments"*	Classification and measurement of financial assets	Fiscal years beginning on or after 1 January 2018	Yes
11 Sep 2014	Amendment to IFRS 10 and IAS 28	Guidelines on the recognition of unrealized gains or losses from transactions with assets between an investor and associates	Postponed for an indefinite period	No
13 Jan 2016	IFRS 16 *"Leases"*	Guidelines on the accounting treatment of leases, eliminating the distinction between operating and finance leases for the lessee	Fiscal years beginning on or after 1 January 2019	No
19 Jan 2016	Amendment to IAS 12 *"Income Taxes"*	Clarifications relating to the recognition of unrealized losses	Fiscal years beginning on or after 1 January 2017	No
29 Jan 2016	Amendment to IAS 7 *"Statement of Cash Flows"*	Improvement of information provided about an entity's financing activities and liquidity	Fiscal years beginning on or after 1 January 2017	No
12 Apr 2016	Information on IFRS 15 *"Revenue from Contracts with Customers"*	Clarifications to IFRS 15 and transition relief	Fiscal years beginning on or after 1 January 2018	No
20 Jun 2016	Amendment to IFRS 2 *"Share-based Payment"*	Clarifications or amendments on classification and measurement of share-based payments	Fiscal years beginning on or after 1 January 2018	No
12 Sep 2016	Amendment to IFRS 4 *"Insurance Contracts"*	Classification and measurement of financial assets	Fiscal years beginning on or after 1 January 2018	No
8 Dec 2016	Improvements to IFRSs (2014 - 2016)	Amendments to standards IFRS 1, 12 and IAS 28	Fiscal years beginning on or after 1 January 2017	No
8 Dec 2016	IFRIC Interpretation 22 *"Foreign Currency Transactions and Advance Consideration"*	Clarifications for IAS 21 particularly about which exchange rate to use in reporting foreign currency transactions when payments are made or received in advance	Fiscal years beginning on or after 1 January 2018	No
8 Dec 2016	Amendments to IAS 40 *"Investment property"*	Clarification of the classification of property under construction	Fiscal years beginning on or after 1 January 2018	No

According to the current state of knowledge, the future application of these standards is only expected to have material effects on the accounting and valuation with respect to possibly IFRS 9, IFRS 15 and IFRS 16. In connection with the introduction of IFRS 15, the contracts are currently undergoing a comprehensive analysis within the Company. There will be a rescheduling in the recognition of revenue. The exact effects on the contracts are currently being investigated, the exact influence on future financial statements cannot yet be conclusively assessed. Analyses of IFRS 16 have shown that there will be an increase in total assets as operating leases will have an effect on the statement of financial position in the future if the Group is the lessee. In addition, EBIT is expected to increase. A conclusive assessment is not possible at the present time. The impact of the first application of IFRS 9 has not yet been conclusively analyzed. The exact effect on future financial statements, in particular due to the application of the expected loss model for the recognition of impairment losses on debt instruments, cannot yet be conclusively assessed. The remaining standards may give rise to changes in disclosure requirements. Apart from this, no significant effects are expected.

PURCHASE AND SALE OF BUSINESS OPERATIONS IN FISCAL YEAR 2016/17

Sale of assets of Aaren Scientific Inc., Ontario, USA

By way of a contract dated 4 November 2016 and effective from 16 November 2016, Aaren Scientific Inc, Ontario, USA (hereinafter "Aaren") and Aaren Laboratories, LLC, USA, a third party, concluded an agreement pertaining to the sale of assets related to the business with hydrophilic intraocular lenses at Aaren.

The disposal includes property, plant and equipment at a carrying amount of €0.5m and inventories amounting to €1.1m. The purchase price amounts to €9.3m, and was paid in November 2016.

The disposal proceeds amount to around €7.7 m. This will be recognized in the Group's income statement under "Other result".

In this same contract dated 4 November 2016 Carl Zeiss Meditec Inc., Dublin, USA, Aaren,'s direct parent company, and Aaren Laboratories, LLC, USA, agreed that the purchaser may buy the legal entity Aaren at a purchase price of US$3m. The acquisition date for the legal entity is within a fifteen-month period starting 16 November 2016.

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

On 24 February 2017 a contract was concluded between Carl Zeiss Meditec Inc., Dublin, USA, and Insight Photonic Solutions, Inc. (hereinafter "Insight"), which is domiciled in Lafayette, USA, pertaining to the acquisition of 52% of the shares in Ophthalmic Laser Engines, LLC, Lafayette, USA (hereinafter referred to as "OLE"). The main aim of acquiring these shares is to develop and produce an acinetic swept source laser for ophthalmology, and the associated OCT system elements. Departing from the voting rights distribution, a profit distribution of 30% for Zeiss and 70% for Insight was agreed until 31 December 2022, which was allocated as a performance-related component to the purchase price.

Carl Zeiss Meditec's aim with this acquisition is to secure itself market leadership for ophthalmic investigation procedures based on optical coherence tomography (OCT).

The preliminary purchase price is €19.1m and is composed of a fixed amount of €18.4m and the above-described performance-related component of €0.7m. In the first six months of the current fiscal year an amount of €13.6m was paid for the acquisition of the shares. A sum of €2.4m was also paid out in the first six months as loans to Insight, as part of a development cooperation, which was offset against the purchase price upon acquisition. A further €2.4m was offset against loans issued to Insight in previous years, also within the scope of the development cooperation. The remaining purchase price in the amount of €0.7m constitutes the performance-related component, which shall be paid over the next five years in accordance with the results accrued. The performance-related component has no upper or lower limit and is based on the estimate, which is realistic at the current time based on the business plan. At the current time, we do not expect any significant fluctuations in the business plan.

OLE is a newly founded company. At the current time the company is insignificant for the Group in terms of revenue and earnings. For this reason Carl Zeiss Meditec does not currently include OLE in its consolidated financial statements, and recognizes the acquired shares in its statement of financial position as "Investments in affiliated non-consolidated companies".

Incidental acquisition costs of €0.2m were incurred in the first six months of fiscal year 2016/17. 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. In the reporting period of the prior fiscal year, the Group still had three operating segments, which were simultaneously the Group's Strategic Business Units ("SBUs"). As already explained in the consolidated financial statements for fiscal year 2015/16 the former SBUs "Surgical Ophthalmology" and "Ophthalmic Systems" were merged to form a joint SBU "Ophthalmic Devices" effective 1 August 2016. The figures for the prior year were adjusted accordingly by totaling the figures published in the prior year for the two former SBUs. Therefore, 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 continues to encompass the activities of neuro, ear, nose and throat surgery, as well as the activities in the field of intra-operative radiation. 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	
	2016/17	2015/16*	**2016/17**	2015/16	**2016/17**	2015/16
	€k	€k	€k	€k	€k	€k
External revenue	433,111	391,634	154,377	149,147	587,488	540,781
Earnings before interest and income taxes	57,730	40,145	37,353	35,136	95,083	75,281
Reconciliation of segments' comprehensive income to the Group's period-end result						
Comprehensive income of the segments					**95,083**	**75,281**
Consolidated earnings before interest and taxes (EBIT)					**95,083**	**75,281**
Financial result					(2,111)	(3,752)
Consolidated earnings before income taxes					**92,972**	**71,529**
Income tax expense					(29,147)	(22,203)
Consolidated profit					**63,825**	**49,326**

* Prior year's figures adjusted to new structure as total of the Ophthalmic Systems and Surgical Ophthalmology business units

As a general rule there were no intersegment sales.

Related party disclosures

Revenue amounting to €221,172k (prior year: €185,912k) resulted from relations with related parties in the reporting period 2016/17. 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 2016.

The allocation of the fair values to the three categories of fair value hierarchy is based on the availability of observable market prices on an active market. The valuation categories are defined as follows:

Category 1
» Financial instruments traded on active markets, for which the listed prices were assumed unchanged for valuation.

Category 2
» Valuation is based on valuation methods where input factors are derived directly or indirectly from observable market data.

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

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

		Category 1	Category 2	Category 3	Total
		€k	€k	€k	€k
Financial assets recognized at fair value through profit or loss	31 Mar 2017	-	3,421	-	3,421
	30 Sep 2016	-	3,470	-	3,470
Financial liabilities recognized at fair value through profit or loss	31 Mar 2017	-	(9,664)	-	(9,664)
	30 Sep 2016	-	(8,660)	-	(8,660)
Derivative financial instruments with hedge relationship	31 Mar 2017	-	(4,080)	-	(4,080)
	30 Sep 2016	-	(7,201)	-	(7,201)

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. There are no significant changes compared with 30 September 2016 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 of current items in the statement of financial position.

EVENTS OF PARTICULAR SIGNIFICANCE

The Management Board of Carl Zeiss Meditec AG has resolved, with the consent of the Supervisory Board, to increase the Company's share capital by up to 10% minus one share, with the exclusion of subscription rights. The share capital of Carl Zeiss Meditec AG thus increased in the reporting period, from €81,309,610 to €89,440,570, through the issue of 8,130,960 no-par value shares each representing a proportionate amount of the share capital of €1. Implementation of the capital increase was entered in the commercial register on 23 March 2017. The cash capital increase resulted in net proceeds of €314,405k. This comprises gross proceeds totaling €316,620k and issuing costs (after taxes) of €2,215k. The New Shares were admitted for trading by way of a resolution of the Frankfurt Stock Exchange on 27 March 2017.

EVENTS AFTER THE END OF THE INTERIM REPORTING PERIOD

There were no events of particular significance after the end of the reporting period, 31 March 2017.

Responsibility statement

To the best of our knowledge, and in accordance with the applicable interim reporting principles, the consolidated interim financial statements of Carl Zeiss Meditec give a true and fair view of the net assets, financial position and results of operations of the Group, and the consolidated interim management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Carl Zeiss Meditec Group.

Dr. Ludwin Monz
Chairman of the
Management Board

Dr. Christian Müller
Member of the
Management Board

Financial calendar   Imprint/Disclaimer

Financial calendar 2016/17

Annual General Meeting, Jena
30 May 2017

Publication of 3-month report Q3 2016/17 and telephone conference
7 Aug 2017

Publication of the annual financial statements and Analyst Conference
13 Dec 2017

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The 6-Month Report 2016/17 of Carl Zeiss Meditec AG has been published in German and English.

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

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

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

This is a translation of the original German-language first-half financial report 2016/17 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 2016/17") shall take precedence.

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