Fiscal year 2016/17 Carl Zeiss Meditec Group

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Financial highlights
(IFRS)

	2016/17		2015/16		2014/15	
	€m	%	€m	%	€m	%
Revenue	**1,189.9**	**100**	1,088.4	100	1,040.1	100
Research and development expenses	**145.8**	**12.3**	123.4	11.3	112.0	10.8
EBIT	**180.8**	**15.2**	154.3	14.2	130.6	12.6
Consolidated profit[1]	**135.8**	**11.4**	100.0	9.2	65.6	6.2
Earnings per share[2] (in €)	**1.57**		1.21		0.77	
Dividend per share (in €)	**0.55[3]**		0.42		0.38	
Cash flows from operating activities	**37.7**		111.8		56.7	
Cash flows from investing activities	**-55.9**		77.3		-35.2	
Cash flows from financing activities	**14.5**		-195.0		-19.3	
Total assets	**1,623.1**	**100**	1,247.7	100	1,139.3	100
Property, plant and equipment	**58.7**	**3.6**	64.5	5.2	67.4	5.9
Equity	**1,241.7**	**76.5**	851.2	68.2	797.5	70.0
Net liquidity[4]	**565.0**	**34.6**	334.6	26.8	278.4	24.4
Employees at end of reporting period (30 September)	**2,958**		2,910		2,888	

[1] Before non-controlling interests
[2] Profit/(loss) per share attributable to the shareholders of the parent company in the fiscal year
[3] Amount proposed by the Supervisory Board and the Management Board of Carl Zeiss Meditec AG
[4] Cash and cash equivalents plus treasury receivables from/payables to the treasury of Carl Zeiss AG

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

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"Today, patients understand they have a lot of options. This is a clear advantage in a practice where your goal is to provide those options through the most advanced technology to maximize the outcome for the patient."

Dr. Vance Thompson, Founder and Director of Refractive Surgery for Vance Thompson Vision in Sioux Falls, South Dakota, USA

Ophthalmology is changing rapidly: Patients are better informed than ever, while there is intense competition between doctors and medical technology companies. At the same time, digitalization presents many opportunities to improve patient treatment outcomes and make practice and clinical workflows more efficient. This was discussed by Dr. Ludwin Monz, President and CEO of Carl Zeiss Meditec AG and Dr. Vance Thompson during the 35th Congress of the European Society for Cataract and Refractive Surgeons (ESCRS) in October 2017.

Internationally recognized specialist in Refractive and Cataract Surgery, Dr. Thompson, was among those responsible for the FDA approval of ReLEx® SMILE, the minimally invasive vision correction procedure using the ZEISS refractive laser VisuMax®. ReLEx® SMILE was launched on the US market in spring 2017. Dr. Thompson describes the femtosecond laser as groundbreaking technology for ophthalmology and said in his discussion with Dr. Monz: "The main reason for the huge success of SMILE is the accuracy of the procedures with the femtosecond laser".

Letter to the shareholders

Ladies and Gentlemen,
dear shareholders,

I am delighted to be able to tell you that the past fiscal year was very successful. We made significant progress in many areas, by being a reliable partner for our customers and giving them excellent support. This has also paid off financially: we increased our revenue by around 9 percent, achieving a new high; our profit even increased slightly more than average – one reason being that we are generating more and more recurring business.

Dr. Ludwin Monz

The aim of Carl Zeiss Meditec AG's strategy is to continuously improve our market position through geographical expansion, acquisition of market shares and by expanding our product portfolio. In doing so, we shall continue to focus on organic growth, which shall be boosted by selective acquisitions.

Acquisitions are difficult to plan and require a good deal of flexibility. In order to be able to exploit opportunities in the market at short notice, Carl Zeiss Meditec AG further increased its financial strength. During the past fiscal year we increased the Company's share capital by over €300 million through the issue of 8,130,960 new shares. We therefore have the necessary funds at our disposal to purposefully move forward with our strategy.

The basis of organic growth is the development of our customer focus and the competitiveness of our product portfolio. We continued to work over the past fiscal year on consistently focusing the Company on optimizing our customers' success, be this through excellent advice and customer support, a flexible and quick service, or efficient and streamlined selling processes. We are all the more delighted when our customers notice this:

"ZEISS has great products and devices that are amazing, and you have proven you are interested in working with us and providing great service. That is how, in a very holstic way, ZEISS can support us in being excellent surgeons to ultimately serve our patients in the very best way possible."

This is something that Dr. Vance Thompson, cataract and refractive surgeon in South Dakota, said to me personally just recently – when I spoke to him during the Congress of the European Society for Cataract and Refractive Surgeons (ESCRS) 2017, about how ZEISS can help ophthalmic surgeons overcome the challenges in their field. What he said encompasses one of the reasons for the success of our company: Doctors consider ZEISS to be a reliable partner, who helps them to work successfully and overcome the challenges of an increasingly intense competitive environment and more and more demanding patients. Dr. Thompson was an important partner for ZEISS in obtaining regulatory approval for the minimally invasive procedure for refractive laser correction with ReLEx® SMILE in the USA, with which ZEISS recently reached the milestone of a million treatments performed worldwide. You can read the expert discussion with Dr. Thompson in detail on pages 10 to 13.

A lot has actually happened in ophthalmology over the past few years. Doctors are working under entirely different conditions nowadays. There are many different treatment options, and patients are increasingly better informed. Digital solutions, in particular, help us as a company to address these issues and help our customers achieve better results and greater patient satisfaction. Digitalization is a trend that holds major opportunities for both physicians and ZEISS. In the fiscal year just ended we took further steps toward exploiting this potential and generating added value for doctors and their teams. I would like to present some of this progress to you.

ZEISS has been an established pioneer in the area of digitalization and system integration in ophthalmology for several years now. The FORUM® data management system enables ZEISS to integrate its own systems and devices from other manufacturers on a platform and evaluate clinical patient data in an application-focused way. The system enables even extremely complex installations in large hospitals and chains of clinics – such as the Dardenne Eye Clinic in Bonn. This clinic, like many others, has to handle growing patient numbers and has therefore been working with FORUM® since the end of 2015, filing and storing patient image data directly from the devices. "I can access all relevant examination results in one place. That's fantastic," said Dr. Hans-Wilhelm Große, physician at the Dardenne Eye Clinic, talking to ZEISS.

The acquisition of Veracity Innovations in August 2017 is helping ZEISS to further drive forward the digitalization of ophthalmology. The cloud-based technology platform enables doctors to devise treatments that are tailored to patients across the entire spectrum of cataract diagnosis and therapy.

ZEISS is continuing to expand its portfolio of digital solutions. The past fiscal year was also characterized by dynamic innovations, with devices and consumables for opthalmology and microsurgery. We launched new products on the market in all areas, which were developed in cooperation with customers and bring further valuable contributions to treatment quality and reliability. Let me mention a few highlights.

With the new intraocular lens AT LARA®, ZEISS is entering the still nascent segment of extended depth of focus intraocular lenses, thus expanding its highly innovative portfolio of intraocular lenses for the treatment of cataracts.

Our new ultra-wide-angle imaging with the fundus camera CLARUS™ 500 may be crucial for the diagnosis of eye diseases. Because early signs of an eye disease are often miniscule and are found in the extreme periphery of the retina. With CLARUS™ 500, physicians now have a better view of the entire fundus.

ZEISS also launched two important new products in Microsurgery in the past fiscal year: More than 50 neurosurgeons were involved in the development of the KINEVO® 900 system. The result is a highly innovative robotic visualization system. The new dental microscope EXTARO® 300 brings cutting-edge visualization techniques to dentistry with its fluorescence technology.

Collaboration with customers is the core of the innovation process at ZEISS. The past fiscal year demonstrated once again that ZEISS supports doctors with tailored solutions, to help them achieve better and better outcomes for their patients, while streamlining workflows at the same time. If we consistently live up to this claim, we are confident that our business will continue to grow in the future. I would like to thank you as shareholders for putting your trust in the work of Carl Zeiss Meditec AG, and would be delighted if you would continue to accompany us on our journey.

Sincerely,

Dr. Ludwin Monz
President and CEO
Carl Zeiss Meditec AG

Dr. Ludwin Monz
President and CEO

Management Board member responsible for:
» Microsurgery strategic business unit
» Ophthalmic Devices strategic business unit
» Strategic business development
» Group functions Human Resources, Corporate Communications and Digitalization

Member of the Management Board of Carl Zeiss AG, Oberkochen, Germany

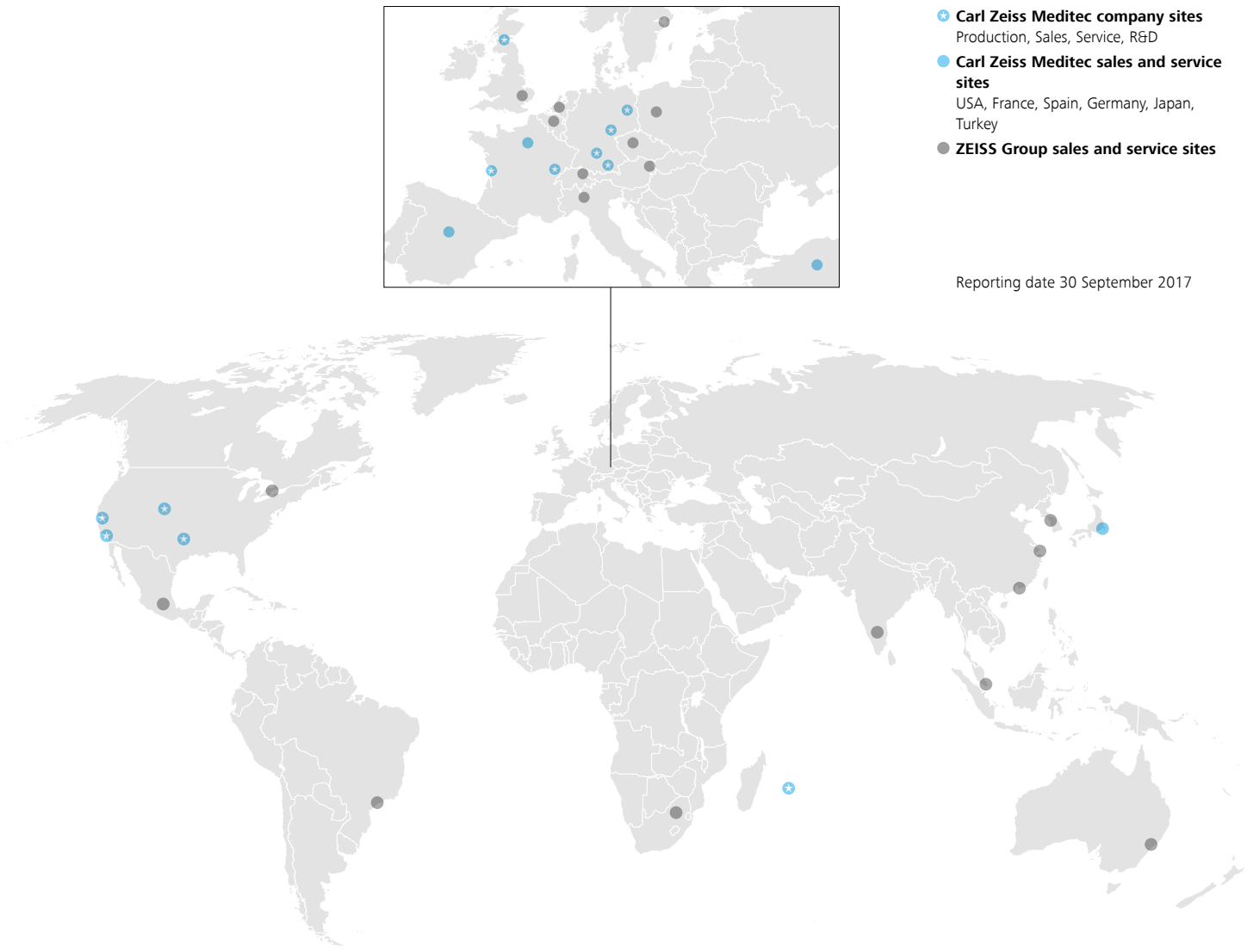
Dr. Christian Müller
Member of the Management Board

Management Board member responsible for:
» Group functions Finance & Controlling, Investor Relations, IT, Legal Affairs, Taxes and Quality

Company sites

The Carl Zeiss Meditec Group has operations all over the world. With its headquarters in Jena (Germany) and additional plants and subsidiaries in Germany, France, Spain, the USA and Japan, the Company has a direct presence in the world's most important medical technology markets.

In addition, the Carl Zeiss Meditec Group utilizes the strong global distribution network of the ZEISS Group, with more than 50 sales locations, thus ensuring itself customer proximity and a crucial advantage over international rivals. Aside from its own research and development locations, the Carl Zeiss Meditec Group also has access to the expertise of the ZEISS Group. Of the around 25 research and development locations of the ZEISS Group worldwide, China and India, in particular, are important research centers for the Carl Zeiss Meditec Group. These offer the possibility of working with the customers on site, in order to gain a comprehensive understanding of the market and develop specific products that are tailored to market requirements.



- **Carl Zeiss Meditec company sites**
  Production, Sales, Service, R&D
- **Carl Zeiss Meditec sales and service sites**
  USA, France, Spain, Germany, Japan, Turkey
- **ZEISS Group sales and service sites**

Reporting date 30 September 2017

Expert Dialogue

"The focus of digitalization is shifting from optimizing efficiency to further optimizing patient outcomes."

The medical world is changing rapidly, with well-informed and demanding patients, intense competition among both doctors and manufacturers and more treatment options than ever before. At the same time, digitalization is advancing at a rapid pace, presenting new opportunities for both doctors and manufacturers to further optimize patient outcomes. At the Congress of the European Society for Cataract and Refractive Surgeons (ESCRS) in Lisbon, Portugal, Dr. Ludwin Monz, CEO of Carl Zeiss Meditec AG, sat down with Dr. Vance Thompson, Founder and Director of Refractive Surgery for Vance Thompson Vision in Sioux Falls, South Dakota, to discuss how ZEISS can support ophthalmic surgeons in dealing with these challenges.

Ludwin Monz: *Close networking with doctors, researchers, scientists and users has always been part of the corporate culture at ZEISS. You, Dr. Thompson, have been a key partner for ZEISS in the approval process for our SMILE refractive surgery technology in the US, and you have been in ophthalmology for almost thirty years. What are some of the main challenges and changes you have observed recently?*

Dr. Vance Thompson: If I think about it from the patient perspective first, I can say that patients are much more informed and their access to information is clearly better than it was when I started my career. Today, patients understand they have a lot of options. This is a clear advantage in a practice where your goal is to provide those options through the most advanced technology to maximize the outcome for the patient.

L.M.: *Nowadays, a lot of information is available on the Internet. From a ZEISS perspective, this is a very positive trend. The better patients are informed about their options, the easier it is for doctors like you to help them make the right choices. The other aspect of patient information that I see, is in the dialogue with patients. During an examination or while explaining a surgical procedure to a patient, you want to show relevance while presenting the information in a way that patients can understand. Here, digital technologies can help a lot because they are about visualizing the results and making them more tangible for patients.*

V.T.: Exactly. Sometimes doctors underestimate all that a patient wants to know to make an informed decision. If you can actually help patients understand the science and the reasoning behind a permanent lifetime decision such as an ophthalmic surgery they appreciate that a lot – and you're right, being able to show that to them is very powerful.

L.M.: *With a more informed patient, would you also say that the expectation*

"The advancements in technology making our results better is getting more people interested in treating their vision permanently. And educating people about the technology is the first step in demystifying it. Vision is such a special sense – some people say that they'd rather die than lose their vision."
Dr. Vance Thompson

"The better patients are informed about their options, the easier it is for doctors like you to help them make the right choices." **Dr. Ludwin Monz**

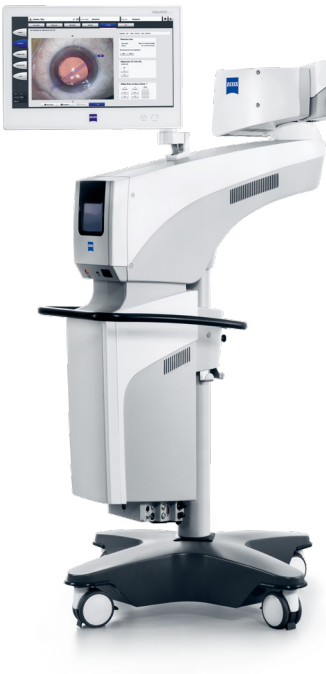
regarding the outcome of a surgery has changed?
V.T.: Definitely. The Internet has been a big reason, but also simply the advancements in technology making our results better is getting more people interested in treating their vision permanently. Vision is such a special sense – some people say that they'd rather die than lose their vision. And because people value it so much, I am so committed to excellent outcomes in my ophthalmic practice every day. Educating people about the technology is the first step in demystifying it. They love learning about all their technology options.

L.M.: *Since patients today are well informed about the different options they have, the different doctors they might see, and clinics they might visit, we learned from many of our customers that the business of ophthalmology has become more challenging for physicians.*
V.T.: I have been amazed at how challenging it has become. At the same time, I'm fascinated by it. Thus I have put a lot of emphasis on building an outstanding team culture. You need to have a great team experience before you can build a great patient experience. That's been a differentiator for my practice. The other aspect is the financial side of the business.

L.M.: *We know that there can be intense competition, especially in regards to refractive solutions. At the same time, there is a segment of the population that is really willing to invest in advanced technology, in those technologies that truly help to maximize accuracy and minimize risk.*
V.T.: I can confirm that there is an intense competition which makes us all better. I continue to ask myself how my team and I can be the best we can be, in order to respond to all patient's demands. There are many patients who are willing to pay for advanced technologies. This is why we make such an effort to educate our team and referring doctors. Being able to differentiate average from advanced technology is very powerful in modern day medicine – to make the whole practice more attractive for both paying patients and third-party reimbursement patients.

L.M.: *Yes, particularly many doctors who work in the insurance-paid segment invest much effort in building up an efficient workflow in order to maximize reimbursement. Would you confirm that, particularly in this segment, reimbursement and effectiveness of the treatment play an important role?*
V.T.: In my United States based practice, insurance companies are paying for the medical procedure for cataracts, while patients pay for the refractive portion, such as restoring their reading vision and helping them not need glasses. I am often in that kind of a hybrid situation – which allows me to deliver advanced technology that sometimes practices that work on an insurance-based only model would not be able to do. Of course time is money and if you practice medicine you want to be efficient and at the same time do it in a very complete and caring way. If technology can supplement that for us doctors, that would be a huge improvement in modern medicine.

L.M.: *This is actually what digital technologies are supposed to do. It is about increasing efficiency and making data*



"If you practice medicine you want to be efficient and at the same time you want to do it in a very complete and caring way. If technology can supplement that for us doctors, that´s a huge improvement in modern medicine." **Dr. Vance Thompson**

available by implementing seamless workflows. On the other hand, it is about focusing on the outcomes, as this is what really matters. I believe that digital technologies really provide value by focusing on the results.

V.T.: Yes, and if you think about digital technologies over the years – what started to happen about ten years ago is to replace paper files by electronic archives. As this transition has taken place, data is now available in electronic form. As ophthalmologists are able to analyze more data, the focus is shifting from optimizing efficiency to further optimizing the outcomes, because the data can now really be analyzed and used to the benefit of the patient. It will make the Electronic Health Records (EHR) more relevant.

L.M.: Exactly, and the information which is in the EHR will actually be used to improve the outcomes for patients. If you think about our recently acquired company, Veracity Innovations, that is exactly the idea: to optimize the workflow and make sure doctors and patients are asked the right questions at every step. All the information necessary to support that outcome is actually designed into the program.

V.T.: I am also fascinated about the fact that the Veracity system can be integrated into many EHRs in a smart and safe way. The system will extract the data we need in any particular situation. For instance, the right information for a cataract surgery is taken out of the EHR in an efficient way. The doctor also can take advantage of a lot of expert's wisdom incorporated into the smart Veracity system. So, for instance, when you are a new user the Veracity System is going to help you establish a certain set of variables for certain patients that sometimes can affect the outcomes. This is a game changer.

L.M.: I absolutely agree. Providing the best available expert knowledge is such a great opportunity for digital technologies. The data is analyzed automatically and certain analyses can be done much better with algorithms and computers than manually. The consequence will be that the role of the ophthalmologist will change. It will be different. But there is no question that ophthalmologists will always be needed…

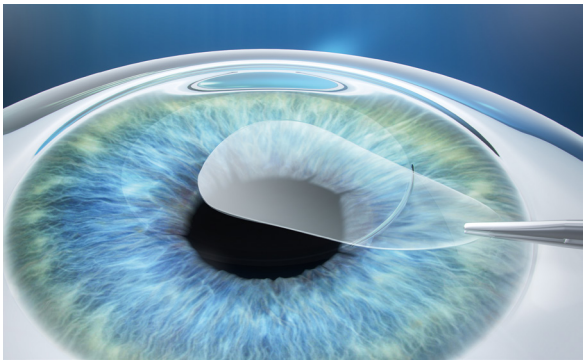
V.T.: …and we work with IT tools and computer systems to analyze the patient data in the best possible way. I see it as really exciting having all relevant data and being able to use it in supplementing diagnostics along with being able to utilize the wisdom of expert eye surgeons who helped to develop each situation in a smart way, and being able to choose the very best treatment for that patient and their visual goals. Big data will help us with optimizing our clinical decisions with traditional and the most advanced of technologies.

L.M.: Ophthalmology is a very data-driven specialty. This is the reason why digital technology will play such an important role. These are exciting times for us. Now the roles of the ophthalmologists, the industry and the patients will change with the availability of modern technologies. It is our aspiration to play an important role in assisting doctors in using these new opportunities.

V.T.: ZEISS has great products and devices that are amazing, and you have proven you are interested in working with us and providing great service. That is how, in a very holistic way, ZEISS can support us in being excellent surgeons to ultimately serve our patients in the very best way possible.

L.M.: Thank you, Dr. Thompson, for this interesting dialogue.

ZEISS provides surgeons one of the most comprehensive laser refractive surgery technology portfolios in the industry. The latest advancement in laser vision correction is the SMILE (small incision lenticule extraction) procedure. Dr. Vance Thompson played a key role in making SMILE available in the US market in spring 2017.



ZEISS surgical workplaces such as Cataract Suite support clinical workflows by integrating with software tools such as FORUM® and Callisto eye® to optimize patient outcomes.

"Digital technologies are about increasing efficiency and making data available by implementing seamless workflows. They support doctors to focus on the outcomes for patients because this is what really matters." **Dr. Ludwin Monz**

"The main reason for the huge success of SMILE is the accuracy of the procedures with the femtosecond laser"

Dr. Vance Thompson, MD, is an internationally recognized specialist in Refractive and Cataract Surgery. He is the Founder and Director of Refractive Surgery for Vance Thompson Vision in Sioux Falls, South Dakota, and serves as a Professor of Ophthalmology at the Sanford University of South Dakota School of Medicine. He served as the principal investigator in more than 65 FDA-monitored clinical trials studying laser and implant surgery. He played a key role in making the refractive laser vision correction with SMILE available in the US Market in spring 2017.

Dr. Ludwin Monz, President and CEO of Carl Zeiss Meditec AG, met Dr. Vance Thompson in October 2017 at the summer meeting of the European Cataract and Refractive Society (ESCRS) in Lisbon, Portugal. They also spoke surgeon about the SMILE procedure that has now been performed on more than 1 million eyes all over the world.

ZEISS provides surgeons one of the most comprehensive laser refractive surgery technology portfolios in the industry. For over 30 years, since ZEISS introduced the first commercially available excimer laser system for vision correction surgery in 1986, the company has continued to provide laser eye surgery systems and applications. SMILE (small incision lenticule extraction), the latest advancement in laser vision correction, was first performed in 2007 by Prof. Dr. med Walter Sekundo on a sighted patient and became commercially available with the launch of ReLEx® SMILE in 2011.

"Having been involved in the beginning of the refractive excimer laser market and also in the beginning of the femtosecond laser market, I can say that these have been the two game changers in corneal refractive surgery," Dr. Vance Thompson said. "It has been absolutely fascinating to see where the femtosecond technology started with flaps and lower frequency lasers – and where we are now with SMILE. The main reason for this huge success of SMILE is the accuracy of the procedures with the femtosecond laser and the fact that we can perform the whole correction with one laser rather than two."

The SMILE procedure with the femtosecond laser VisuMax® of ZEISS is seen as a procedure that "will definitely expand the refractive market," Dr. Thompson says, "because it combines the accuracy of the femtosecond laser with the minimally-invasive approach to minimize side effects like dry eyes and other advantages about PRK and LASIK like the good visual recovery and potentially better biomechanical stability." Especially in Asia and in the USA, refractive surgery remains very strong. The safer and more accurate we make refractive laser surgery, the larger the market will become. As technology advancements happen that lessen a patient's concern about side effects or complications, the more it will naturally expand."

A world of possibilities for physicians with digital networking

Surgeons performed around 25 million cataract operations on patients worldwide in 2016. This number increases year after year, also because people are living longer. For ophthalmologists, this means: more and more patients have to be treated in the same amount of time. Digital technologies help physicians to work more efficiently and to improve treatment outcomes for their patients.

Data archiving & processing
ZEISS FORUM® is a digital image and data management system that simplifies workflows in an ophthalmic practice or eye clinic. Electronic health records and the individual clinical information system can also be integrated with the help of Professional IT Services.

Around

25 million

cataract operations performed by surgeons on patients in 2016. In 2012, this most frequently performed surgery worldwide was performed around 21 million times.

Networked and processed data assists doctors in their day-to-day work

"I can access all relevant examination results in one place. That's fantastic," said Dr. Hans-Wilhelm Große, physician at the Dardenne Eye Clinic in Bonn, in a recent discussion with ZEISS about the FORUM® data management system. In its basic function FORUM® archives patients' medical information, which comes from different diagnostic devices; various software modules, such as ZEISS Retina Workplace, process this data for the physicians and help them to work efficiently and make a reliable diagnosis and therapeutic decision. Physicians can also monitor the progression of a disease.

Software-assisted cataract surgery

Ophthalmologists are also taking advantage of the possibilities of digitalization directly in the operating room. The devices and software solutions of ZEISS Cataract Suite are helping to achieve even better surgical outcomes for the benefit of more demanding patients.

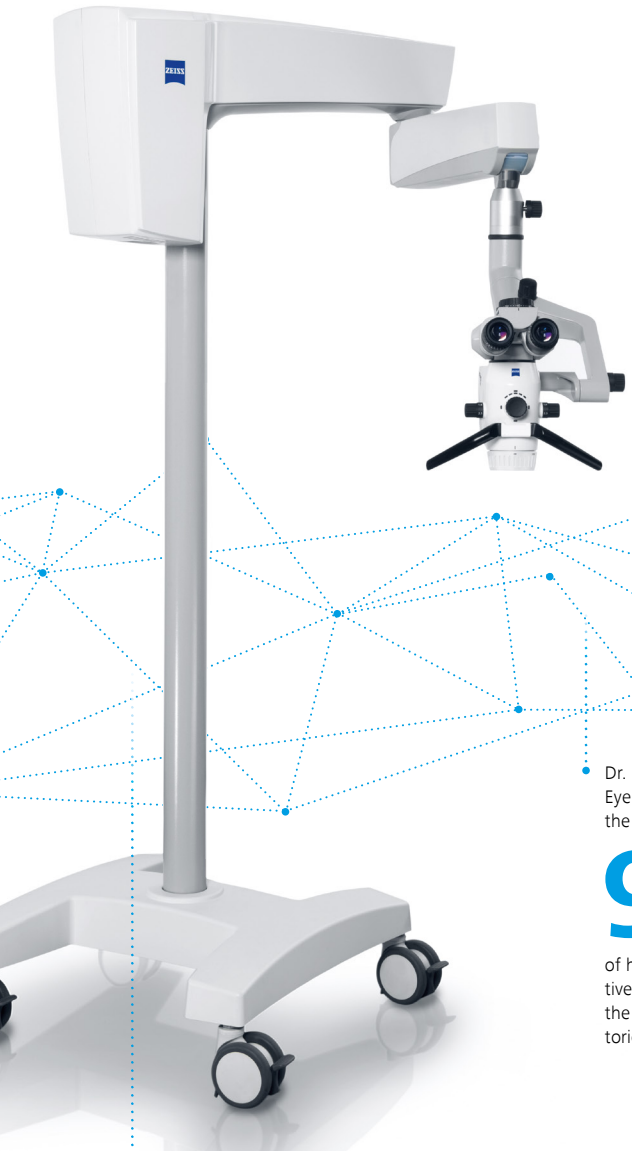
Around 40 percent of cataract patients have astigmatism and would benefit from so-called toric intraocular lenses (IOLs). However, these lenses are more difficult for physicians to position in the eye than normal IOLs. Aside from the higher costs, this is one reason why fewer than 5 percent of patients to date have had toric IOLs implanted. With computer-assisted alignment of these IOLs based on preoperative diagnostic data, the Callisto eye® system helps physicians to achieve the best possible alignment of the IOLs in the eyes of patients with astigmatism – for optimum vision after surgery.

The software of the company Veracity Innovations, which ZEISS acquired during the past fiscal year, is also making a contribution to software-assisted cataract surgery. It simplifies data transfer, particularly in cataract surgery, and enables physicians to intelligently access the relevant information for a clinical decision at any time.

A "direct line to the customer"

When the patient and physician are not in the same place, platform solutions can network them with each other via the internet (pages 16 et seqq.). ZEISS can also connect with customers via Remote Services, enabling users to make even more reliable and efficient use of ZEISS systems. If, for example, a fault is reported, a service technician can connect directly to the ZEISS device. Remote access means that technicians can resolve around half of service requests directly, with no waiting time.

An intelligent assistant for cataract surgery
"Digitalization is part of virtually everything I do – from the office to the operating room", said Kerry Solomon, MD, internationally leading cataract and refractive surgeon from the United States in a recent conversation with ZEISS. The Veracity™ software he co-developed assists cataract surgeons with their clinical planning, logistics during treatment, risk management and risk analysis. The web-based platform delivers precisely the relevant data that the surgeon needs for the respective stages of treatment.



The ZEISS KINEVO® 900 robotic visualization system integrates

100

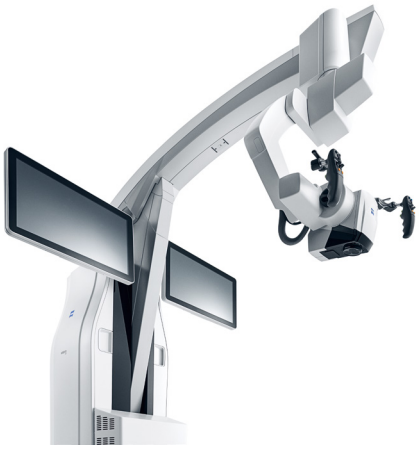
innovations from the optical and digital worlds to support neurosurgeons during complex procedures.

Dr. Daniel Black, surgeon at the Sunshine Eye Clinic in Birthinya, Australia achieves the best possible vision for more than

99 %

of his patients by reducing post-operative astigmatism to 0.5 dpt or less with the help of the markerless alignment of toric IOLs.

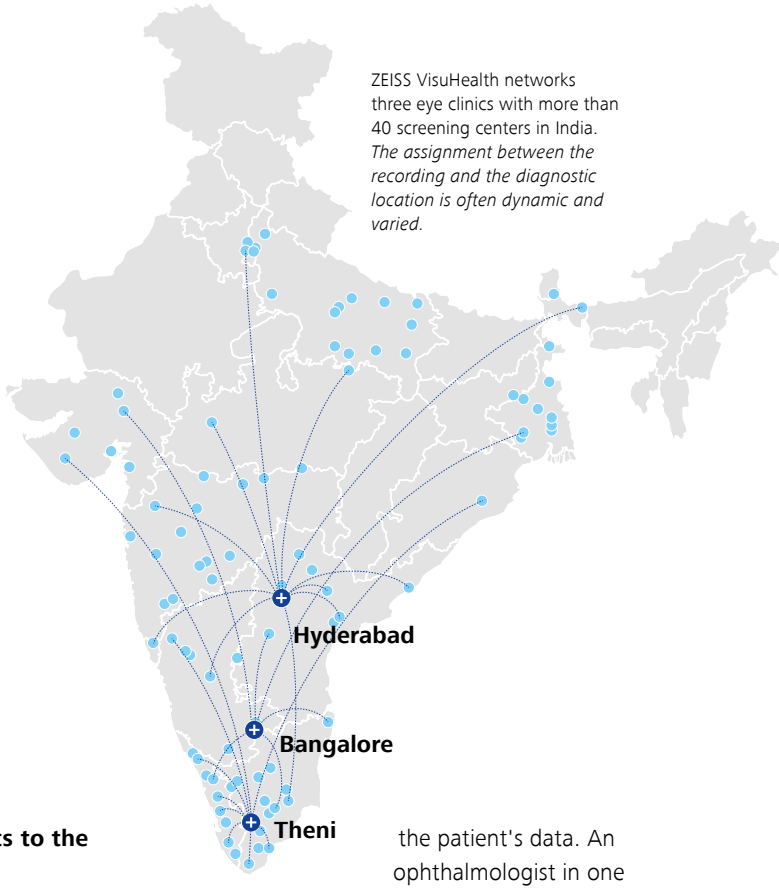
Augmented visualization at the dentist
Today, the use of a dental microscope in endodontology is the state of the art. Thanks to the magnification possibilities offered by the surgical microscope, endodontists can better identify, for example, the different structures and canals in the interior of the tooth – e.g. during root treatment. The new ZEISS EXTARO® 300 dental microscope takes Augmented Visualization into the dentist's practice by combining magnification with a fluorescence mode to detect carious tooth substances. Using an app dentists can show their patients high-resolution photos of their teeth and compare the condition of the teeth before and after treatment.



Robotics in the OR for greater certainty and reduced manual effort
The new KINEVO® 900 robotic visualization system from ZEISS tale neurological visualization to the next level: it combines all-new insights with intelligent assistant functions, which simplify the surgeons' work in the operating room and support clinical decision-making. An inspection tool makes it possible to display deep-lying and hidden structures. Movement and positioning of the system by doctors is fully robotic.

Responsibility

Last fiscal year ZEISS Medical Technology used different business models to play its part in providing eye care to remote regions of the world, e.g. in rural areas of India and Brazil. This has given more people access to state-of-the art eye examination.



ZEISS VisuHealth networks three eye clinics with more than 40 screening centers in India. *The assignment between the recording and the diagnostic location is often dynamic and varied.*

Early screening prevents blindness

More than 400 million people around the globe suffer from diabetes and, depending on the region, up to two-thirds of them are not aware that they have the condition.[1] Diabetics frequently develop diabetic retinopathy, a disease of the retina that they often do not notice in its initial stages. It is one of the world's leading causes of blindness[2].

If diabetics had their eyes examined on a regular basis, the damage to the retina could be monitored to prevent irreversible loss of vision. As there are often no symptoms in the early stages of diabetic retinopathy, timely diagnosis of the condition depends on how well informed diabetics and those around them are about this eye disease and the importance of regular check-ups.[3] However, many people fail to have these regular check-ups, either in industrialized countries or in remote regions of the emerging economies – perhaps because they do not know how important it is, or because they have no access to an ophthalmologist.

Taking eye diagnostics to the patient

Digital technologies help to solve this problem. VisuHealth is a special example of this: in India, one of the most heavily populated and largest countries in the world, the Visuhealth platform from ZEISS connects three ophthalmic centers in the cities of Theni, Bangalore and Hyderabad with more than 40 screening centers that are scattered across the entire country. There are also regular mobile screening campaigns. In this way people in remote regions can also have their eyes examined for diabetic retinopathy – through, for example, screening campaigns run by family doctors or in laboratories that at least some of the diabetics already attend for regular blood tests.

All that is needed is a mobile fundus camera, e.g. the ZEISS VISUSCOUT® camera, and someone who can operate it – for example a family doctor, a technician or a nurse – along with the ZEISS VisuHealth platform with internet access. The operator can use the mobile fundus camera to easily and quickly capture an image of the patient's retina, upload it to the platform and save it together with the patient's data. An ophthalmologist in one of the large ophthalmic centers then examines the images, makes a diagnosis and, if a disease is suspected, recommends referral to a specialist.

"ZEISS VisuHealth provides easy access to the early detection of DR, without patients having to go to the ophthalmologist for that reason," says Dr. Rajeev R. Pappuru from the L. V. Prasad Eye Institute in Hyderabad, India. "We are therefore able to create an awareness of the disease among all patients, and send those patients with a high risk of DR-induced blindness to see a retina specialist in good time."

Some of the figures obtained in recent months underscore the impact of the concept: around 24,000 people have been examined using this method within the space of a year. The doctors diagnosed an eye disease, e.g. diabetic retinopathy, in one out of four patients. Around 2,750 of these people were advised to see a specialist urgently, to prevent more serious damage.

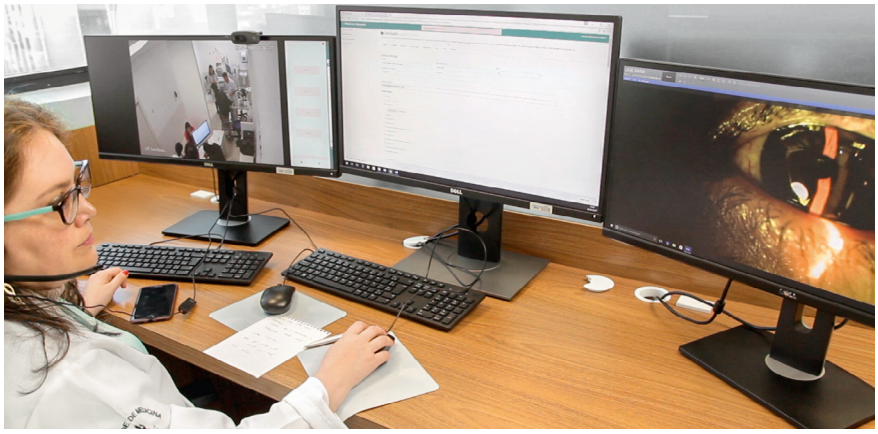
[1] World Health Organization 2016: Global Report on Diabetes.
[2] R. Lee et al. (2015): Epidemiology of diabetic retinopathy, diabetic macular edema and related vision. National Center for Biotechnology Information.
[3] American Academy of Opthalmology (AAO): Screening for Diabetic Retinopathy, 2014

Professional data integration enables remote diagnosis in Brazil

A further project is taking eye care to remote regions of Brazil: ZEISS has set up an ophthalmic diagnostic network with the Moinhos de Vento Hospital in Porto Alegre, for the entire Rio Grande do Sul region in southern Brazil. In six of the region's small towns, patients can have their eyes examined, e.g. pictures are taken of their retinas and their visual acuity and intraocular pressure are measured. These local practices are networked with two large diagnostic centers in Porto Alegre. Ophthalmologists here make their diagnosis by examining the images on their computer – and transmitting them live via a camera to the patients sitting in an examination room, sometimes as far as 500 kilometers away.

"Teleophthalmology" is taking ophthalmic care to remote regions of Brazil with the help of Professional IT Services from ZEISS, by networking small practices in the whole region with two large diagnostic centers in the region's capital.

The basis of this remote diagnosis network is a customized solution enabled by Professional IT Services at ZEISS Medical Technology. Via the FORUM® data management system from ZEISS, the diagnostic devices are networked with the doctors' computers in Porto Alegre and with the local hospital information system and the electronic patient file. To ensure that the different systems in this IT environment can "talk" to each other, Professional IT Services at ZEISS Medical Technology has expanded and adapted the interfaces of the individual systems to enable standardized data transmission. "The FORUM software by ZEISS is fast and user-friendly, and it helps us doctors to work more efficiently," says Dr. Aline Lutz de Araújo, doctor in Porto Alegre. This, like other projects of this kind, was pioneering work. This is because the expansion and adaptation of the various interfaces of the individual systems is customized for each customer and each networking project. Professional IT Services are one example of how ZEISS helps its customers to save time and simplify workflows by offering customized services that extend beyond the products themselves – and, as in this case, of how the company is providing eye care to remote regions.



A doctor in Porto Alegre examines a patient's eye on the monitor. She speaks to the patient via a camera and headset.

Special commitment to ophthalmology training all over the world

In addition to the technical networking and the associated access to good ophthalmic care, even for people in remote areas, the partnership with the Christoffel-Blindenmission (CBM) is a firmly established element of social responsibility at ZEISS. Together with CBM, and as part of the VISION 2020 Global Initiative for the prevention of blindness, ZEISS has supported a total of five ophthalmology training centers in South America, Africa and Indonesia. In addition to treating patients, these centers give doctors training on how to operate new technical equipment.

The training centers adhere to the concept of "helping people to help themselves" – just like the Fellowship Program of the umbrella organization for ophthalmology (International Council of Ophthalmology, ICO), whose support is another example of the Company's commitment. The program enables outstanding young professionals, particularly from developing and emerging markets, to gain international training – and then to take the knowledge and skills they have learned back to their home countries.

Report of the Supervisory Board

Dear Shareholders and Friends of the Company,

The Carl Zeiss Meditec Group continued its positive trend of the past few years in fiscal year 2016/17. Revenue and earnings increased once again, in spite of the competitive global landscape.

In fiscal year 2016/17 the Supervisory Board conscientiously fulfilled the duties incumbent upon it according to the law, the Company's Articles of Association and rules of procedure. The Supervisory Board therefore kept itself regularly and comprehensively up to date about all events and business transactions of relevance for the Company, and monitored and supported the work of the Management Board in an advisory capacity. The subject of the written and verbal reports from the Management Board was the economic situation and the development of the Group's business, as well as its individual strategic business units, including their further strategic development. The Supervisory Board also addresses the position of the Group as a whole in terms of its risk situation, the risk management and internal control system, and compliance. The Supervisory Board was involved in all important decision-making. In the case of transactions requiring approval, the Supervisory Board cast its vote after thorough examination of the reports and draft resolutions submitted.

Prof. Dr. Michael Kaschke
Chairman of the Supervisory Board

The Supervisory Board also continued to engage in a regular exchange of information with the Company's Management Board, including outside of Supervisory Board meetings. Any collaboration between the Supervisory Board and the Management Board was always open and trusting, with constructive dialog.

Conflicts of interest among the members of the Supervisory Board did not arise in fiscal year 2016/17.

Focus of the deliberations and audits of the Supervisory Board
During the past fiscal year the Supervisory Board convened at six ordinary meetings in which the members of the Management Board also participated. The meetings on 2 February, 10 April and 30 June 2017 were held as conference calls. There was also an extraordinary meeting on 15 March 2017, held as a conference call, to discuss the cash capital increase.

The regular meetings addressed the revenue and earnings situation and the employment trend within the Carl Zeiss Meditec Group, as well as the financial situation of the Company and ongoing strategic projects, and future investments and their funding.

During the meeting to adopt the consolidated and annual financial statements for fiscal year 2015/16 on 5 December 2016, the declaration of conformity to the recommendations of the German Corporate Governance Code was also resolved. The proposal on the utilization of profit was discussed in detail and adopted. Acquisition projects were also discussed.

During the Supervisory Board conference call on 2 February 2017, the Supervisory Board addressed the status of acquisition projects. The contract extensions and salary adjustments for the members of the Management Board were also approved.

During the conference call on 15 March 2017 planning for the possible implementation of a cash capital increase was discussed.

The conference call of the Supervisory Board on 10 April 2017 adopted the agenda for the Annual General Meeting on 30 May 2017. A resolution was also passed on the utilization of profits for fiscal year 2015/16, following a change in the number of shares due to the capital increase. At the recommendation of the Audit Committee, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, was once again proposed for election by the Annual General Meeting as auditor of the annual and the consolidated financial statements for fiscal year 2016/17. In addition, it was resolved to conclude a control and profit transfer agreement with Carl Zeiss Meditec Asset Management GmbH.

On 29 May 2017 the issue of a non-binding letter of intent pertaining to the acquisition of the US technology company Veracity™ Innovations LLC, Temple, USA, was approved.

The meeting on 30 June 2017 discussed the current development of business and also issued a conditional approval for the purchase of Veracity™ Innovations LLC, Temple, USA.

The Supervisory Board meeting on 18 September 2017 resolved upon the budget for fiscal year 2017/18 and discussed the results of the evaluation of the work of the Supervisory Board conducted by the members of the Supervisory Board. This meeting also approved the proposal of the General Committee on the remuneration and assigned objectives of the Management Board. The targets for a proportion of women on the Supervisory Board and Management Board were also resolved.

Diligent work of the committees

In accordance with its rules of procedure, the Supervisory Board of Carl Zeiss Meditec AG has formed three committees. These committees carry out preliminary work on topics to be discussed at the plenary Supervisory Board meeting and make decisions on behalf of the Supervisory Board, insofar as the plenary session has instructed them to do so in accordance with statutory regulations. The current chairs of the committees report regularly and extensively to the Supervisory Board about their work on the committees.

The General and Personnel Committee advises the Management Board on matters of Company strategy. It is jointly responsible for coordinating and preparing for the Supervisory Board meetings. In addition, this committee prepares the Supervisory Board's personnel decisions and, in certain cases, passes resolutions on the transactions requiring approval submitted by the Management Board. The General and Personnel Committee convened at three meetings during the past fiscal year.

The Audit Committee is mainly concerned with the development of business and monitoring the accounting process, the efficiency of the internal control system and the internal auditing and risk management system, auditing, and its focus areas, and in particular the independence of the auditor, as well as the additional services rendered by the auditor. The Audit Committee also deals with compliance issues. The Audit Committee convened at five meetings during the reporting period.

In the event of the appointment of new Supervisory Board members, the Nominating Committee proposes suitable candidates for the Supervisory Board to propose to the Annual General Meeting. The Nominating Committee convened at one meeting during the reporting period to discuss the candidates to propose as members of the Supervisory Board to the Annual General Meeting on 30 May 2017.

In addition, an ad hoc committee was set up in connection with the implementation of the capital increase, which convened at two meetings and passed the necessary resolutions for the implementation of the capital increase.

Corporate governance and declaration of conformity
During the Supervisory Board Meeting on 7 December 2017 the Supervisory Board resolved upon the declaration of conformity pursuant to the German Corporate Governance Code, in its version dated 7 February 2017.

Further information on corporate governance reporting and the declaration of conformity can be found on the Carl Zeiss Meditec AG website at www.zeiss.com/meditec-ag/ir within the section "Corporate Governance".

Audit of the annual and consolidated financial statements 2016/17
The Annual General Meeting on 30 May 2017 appointed Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart (EY), as auditor for the annual and consolidated financial statements.

Before making its candidate proposal to the Annual General Meeting, the Supervisory Board obtained a declaration of independence from the auditor. In this declaration EY confirms that there are no private, professional, business, financial or other relationships between the auditor and its executive bodies or audit managers, on the one hand, or between the Company and its executive body members, on the other. On 3 August 2017 the Supervisory Board engaged EY to audit all of the financial statements and management reports for fiscal year 2016/17, including the dependent company report on relationships with associated companies of Carl Zeiss Meditec AG pursuant to Section 312 AktG.

The annual financial statements of Carl Zeiss Meditec AG were prepared in accordance with the rules of the German Commercial Code (*Handelsgesetzbuch*, HGB). The consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRSs) prevailing at the end of the reporting period, as they are to be applied in the EU, and in accordance with Section 315a HGB in compliance with specific provisions of the HGB.

EY audited the annual financial statements and consolidated financial statements, as well as the associated management reports for fiscal year 2016/17, including the accounting, and issued all the financial statements with an unqualified audit certificate.

The annual financial statements and consolidated financial statements prepared by the Management Board to 30 September 2017, and the associated management reports, as well as the audit reports prepared by the appointed auditor, were submitted in good time for inspection by all members of the Supervisory Board and discussed in detail and audited in advance at the meeting of the Supervisory Board's Audit Committee in the presence of the auditor on 7 December 2017, and subsequently at the plenary Supervisory Board meeting. The Supervisory Board approves the results of the audit. No objections were raised following the Supervisory Board's conclusive review of the audit. The Supervisory Board approved the annual financial statements prepared by the Management Board and the consolidated financial statements at its meeting on 7 December 2017. The annual financial statements are thus adopted. After a detailed examination and taking the development of earnings and the financial position into consideration, the Supervisory Board approved the Management Board's proposal on the utilization of profit at its meeting on 7 December 2017.

Dependent company report
Given that Carl Zeiss Meditec AG is a company within Carl Zeiss AG, the Management Board of Carl Zeiss Meditec AG prepared a report, pursuant to Section 312 AktG, on relations with associated companies in fiscal year 2016/17, which states that – under the circumstances known to the Management Board at the

time the legal transactions were concluded – Carl Zeiss Meditec AG received an appropriate consideration for each of the transactions listed and that reportable measures were neither implemented nor omitted in the fiscal year. After conducting its audit EY issued the report with the following audit certificate pertaining to the correctness of the actual disclosures and the appropriateness of the Company's compensation with respect to the legal transactions listed:

"Based on the results of our statutory audit and assessment, we confirm that
1. the actual information in the report is correct,
2. the Company's compensation with respect to the legal transactions listed in the report was not inappropriately high."

At the meeting on 7 December 2017 the auditor reported on the key results of the audit and responded to questions. After conducting its own audit of the dependent company report and inspecting the audit report prepared by the auditor, the Supervisory Board concluded that it agrees with the statements and conclusions in the dependent company report and the audit report. On completion of its own audit the Supervisory Board has no objections to raise against the declaration of the Management Board at the end of the dependent company report.

All documentation pertaining to the financial statements and audit reports were submitted early to the Supervisory Board.

Composition of the Management Board and Supervisory Board
There were no changes to the members of Carl Zeiss Meditec AG's Management Board or Supervisory Board in fiscal year 2016/17.

Final remarks
Based on the stable, long-term trends, particularly demographic trends and the associated rise in the incidence of age-related diseases, it can be assumed that the generally favorable development of the medical technology market will continue in the medium to long term.

Given the diversified and competitive portfolio of the Carl Zeiss Meditec Group, its global position and its solid foundation of highly competent specialists, who continuously enhance the Company’s innovative capacity, the Supervisory Board remains optimistic that it will have continued success in exploiting opportunities and overcoming challenges in the years ahead.

I would like to take this opportunity to say a special thanks, on behalf of the entire Supervisory Board, to the members of the Management Board of Carl Zeiss Meditec AG and to all employees of this Company, whose dedication and commitment once again contributed to a positive trend in fiscal year 2016/17.

Jena, 7 December 2017
On behalf of the Supervisory Board

Prof. Dr. Michael Kaschke
(Chairman)

The Carl Zeiss Meditec AG share
Fiscal year 2016/17

General development of the capital market

On the whole, the global stock markets were characterized by growth in fiscal year 2016/17. The continued positive economic and profit trend, and slightly diminishing political uncertainties in the eurozone following the elections in the Netherlands, France and Germany, as well as the continuation of the bond purchase program of the European Central Bank, have bolstered the stock markets.

Germany's leading share index, the DAX, and the leading American index, S&P 500, increased in fiscal year 2016/17 as a whole, recording increases of 22%, to 12,829 points, and 16%, to 2,519 points, respectively.

The TecDAX, whose 30 stocks also include the Carl Zeiss Meditec AG share, also performed well and increased by 35% compared with the start of the fiscal year, to 2,434 points as of 30 September 2017.

The Carl Zeiss Meditec AG share price took a similar course to the TecDax. It finished trading at a closing rate[4] of €44.17. The increase in the share's value since the beginning of fiscal year 2016/17 amounted to 30%.

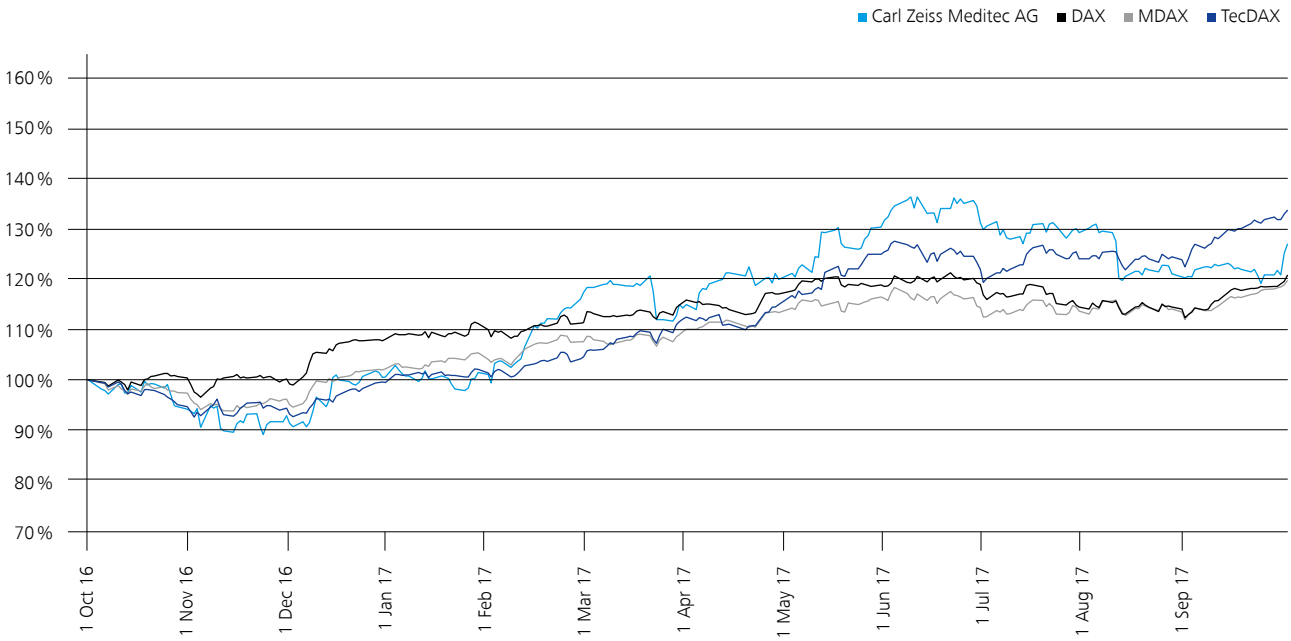
Performance of the Carl Zeiss Meditec share

The share's performance during fiscal year 2016/17 was very positive. On the first day of trading of the new fiscal year, the Carl Zeiss Meditec AG share opened at a price of €34.03. Up until the announcement of the capital increase on 21 March 2017 the price increased to €40.98, reaching an interim high of €41.97 just a short time beforehand. In the course of the capital increase the new shares were placed at a price of €38.94.

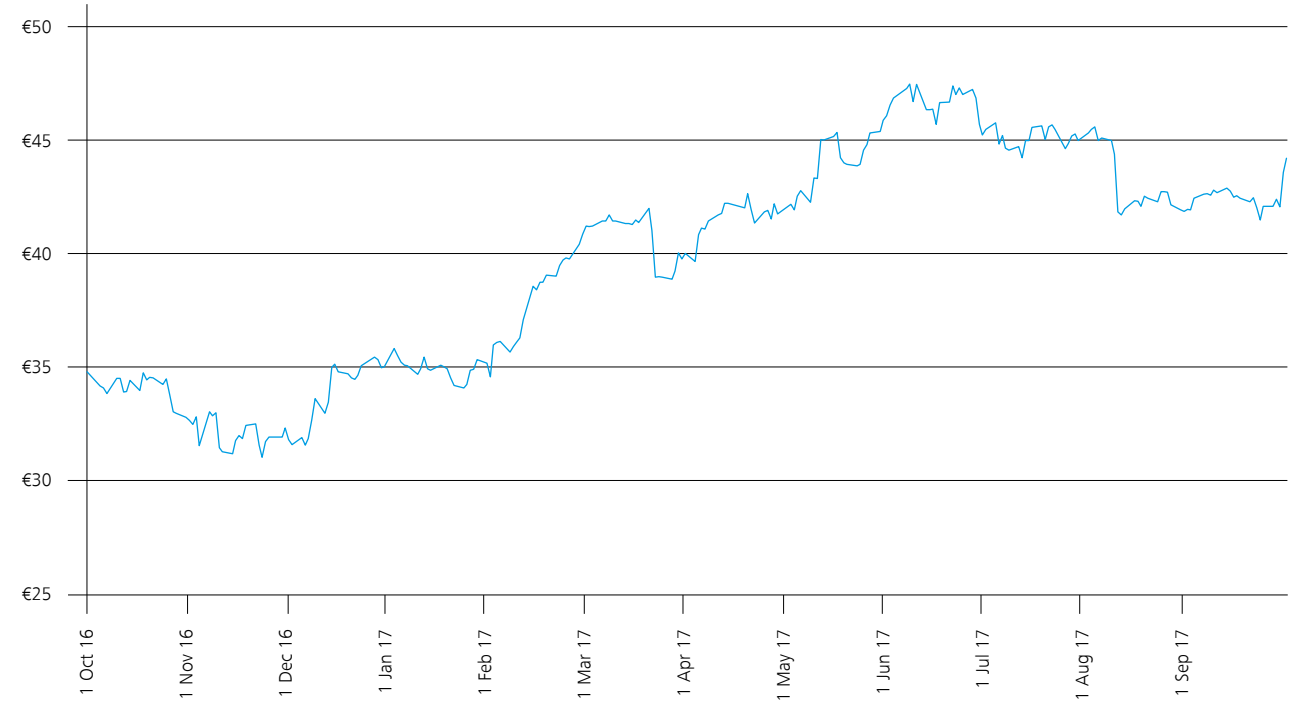
Following the brief decline, the share price recovered again during the second half of the year, reaching a new all-time high of €47.45 on 7 June 2017. At the end of the fiscal year, the share was traded at a closing rate of €44.17.

[4] Share price based on Xetra closing rates

Relative performance of Carl Zeiss Meditec share compared with the DAX, MDAX and TecDAX in the period from 1 October 2016 to 30 September 2017



Performance of Carl Zeiss Meditec share in the period from 1 October 2016 to 30 September 2017



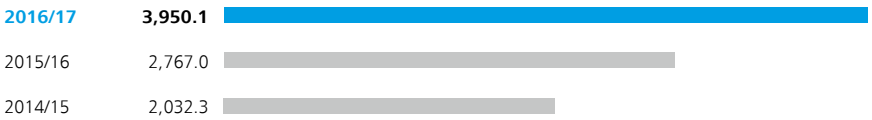
Market capitalization and trading volume

Carl Zeiss Meditec AG's market capitalization (product of shares issued and share price at the end of the reporting period) increased year-on-year from €2,767.0m to €3,950.1m as of 30 September 2017. The trading volume (number of shares traded on the Frankfurt Stock Exchange multiplied by the respective closing rate on the date on which they were traded) in fiscal year 2016/17 was €894.5m (prior year: €459.6m).

During the reporting period, an average of around 86,412 shares (prior year: 58,932 shares) of Carl Zeiss Meditec AG were traded each trading day. This increase is attributable, among other things, to the capital increase and the associated increase in the free float.

The German TecDAX share index brings together 30 of the 35 largest technology stocks in terms of market capitalization and trading volume on the Frankfurt Stock Exchange. All technology stocks are listed on a quarterly basis. Carl Zeiss Meditec AG was in 14th place in the ranking for market capitalization as of 30 September 2017 (prior year: 16th place). In terms of trading volume, Carl Zeiss Meditec AG climbed to 18th place from 22nd place in the prior year.

Market capitalization of Carl Zeiss Meditec AG as of 30 September 2017 in €m



The Carl Zeiss Meditec share from the capital market perspective

A large number of German and international financial analysts monitor the movements of the Carl Zeiss Meditec AG share. At present, we are in contact with 11 analyst firms. Based on the assessments of the last six months, the analysts have put the current target price at €44.44 (as of: 30 September 2017).

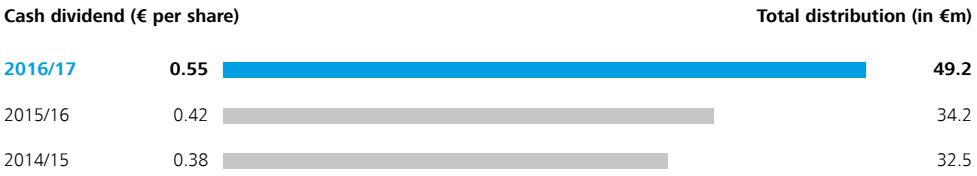
A current overview of the individual analysts' recommendations can be found on our website at www.zeiss.com/meditec-ag/ir.

Dividend continuity

We pursue a continuous, profit-driven dividend policy. We aim to adhere to this strategy in future and to continue to allow shareholders to participate to an appropriate extent in the Company's success.

Our reference for the regular dividend is a dividend ratio that generally equates to around one third of consolidated net income after non-controlling interests for the fiscal year just ended. On 10 April 2018, therefore, the Management Board and the Supervisory Board of Carl Zeiss Meditec AG shall propose to the Annual General Meeting the distribution to shareholders of a regular dividend of €0.55 per share for fiscal year 2016/17 (prior year: €0.42). This would equate to a total distribution of €49.2m (prior year: €34.2m and a dividend ratio of 35% (prior year: 34,7%). The dividend return (ratio of dividend per share to opening price for the respective fiscal year) would be 1.62% (prior year: 1.69%).

Development of the dividend for the Carl Zeiss Meditec share



Shareholder structure

Carl Zeiss Meditec AG's subscribed capital is composed of 89,440,570 ordinary shares, each with a theoretical par value of €1 per share. The ZEISS Group holds around 59.1% of the shares. According to our knowledge, the remaining 40.9% are in free float. At the current time we have not received any information that any other shareholder holds more than 3% of the shares.

Investor relations

Providing our investors with comprehensive, transparent and current information was once again the focus of our investor relations work in fiscal year 2016/17, with the aim of boosting confidence in our sustainable corporate governance. This includes the publication of Carl Zeiss Meditec AG's strategy, its operative business development, as well as the Company's prospects vis-à-vis existing and potential investors and other market participants, such as analysts and journalists.

We regularly inform our shareholders about strategic and business development within the Group through quarterly, six-monthly and annual reports, as well as ad hoc disclosures and press releases. Both the Management Board and the members of the Investor Relations team also endeavor in many different ways to meet the high demand for information from all interest groups. Roadshows and conferences were held during the past year in London, Paris, New York, Chicago, Frankfurt and Munich, among other places. We also held regular conferences calls on the interim financial statements, as well as numerous one-to-one and group meetings with institutional and private investors.

Furthermore, our Annual General Meeting gives shareholders the opportunity to directly influence and directly put questions to Carl Zeiss Meditec AG's Management Board. The Annual General Meeting in the last fiscal year was held on 30 May 2017 in Jena. Around 84.72% of the voting share capital was represented at this General Meeting.

Listing and stock market trading

Carl Zeiss Meditec AG share	
Index	TecDAX
Segment	Prime Standard
ISIN	DE 0005313704
Trading volume	avg. of 86,412 shares/trading day
Total of shares placed	89,440,570 shares
Price performance	
Share price at beginning of fiscal year 2016/17 (1 Oct)	€34.03
Share price at end of fiscal year 2016/17 (30 Sep)	€ 44.17
Share price on 17 November 2017	€ 46.84
Highest price in fiscal year 2016/17	€ 47.45
Lowest price in fiscal year 2016/17	€ 31.00
Shareholder structure	
Free float	40.9 %
Carl Zeiss AG	59.1 %
Valuation	
Market capitalization of share capital as of 17 November 2017	€2,471.5m
Market capitalization of free float as of 17 November 2017	€1,717.5m
Designated Sponsor	HSBC Trinkhaus & Burkhardt AG

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Summary management report
for fiscal year 2016/17

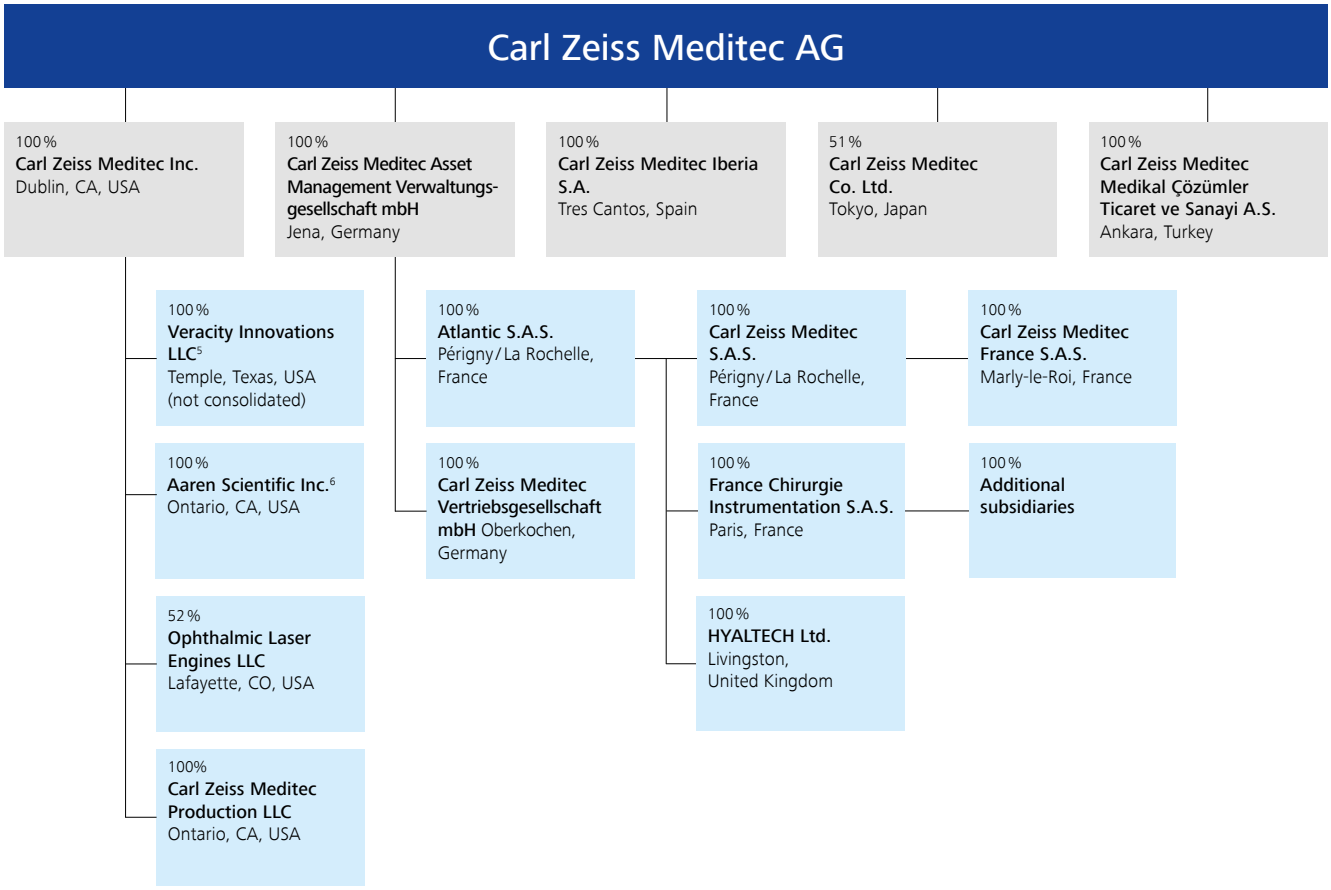
THE CARL ZEISS MEDITEC GROUP

Group structure

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

The results of Carl Zeiss Meditec AG are influenced to a large extent by its subsidiaries, and the development of its business is generally subject to the same opportunities and risks as the Carl Zeiss Meditec Group. The outlook for the Group also largely mirrors the expectations for Carl Zeiss Meditec AG, due to the links between Carl Zeiss Meditec AG and its subsidiaries and due to the importance of Carl Zeiss Meditec AG within the Group. Therefore, for the purposes of a more compact presentation, the business development of Carl Zeiss Meditec AG and the Carl Zeiss Meditec Group have been presented as a summary management report since fiscal year 2015/16. Major investments of the Carl Zeiss Meditec Group as of 30 September 2017 are presented in the chart below:

Investment structure of Carl Zeiss Meditec Group as of 30 September 2017



[5] As of 3 October 2017 Veracity Innovations LLC shall be renamed Carl Zeiss Meditec Digital Innovations LLC.
[6] The assets of Aaren Scientific Inc., Ontario, USA were transferred to Carl Zeiss Meditec Production LLC on 1 October 2017.

The following changes were made to the Group's reporting entity and the structure of its consolidated financial statements in fiscal year 2016/17:

On 24 February 2017 Carl Zeiss Meditec Inc., Dublin, USA, acquired 52% of the shares in Ophthalmic Laser Engines, LLC, Lafayette, Colorado, USA (OLE). Carl Zeiss Meditec has control, as the Group has the power to make decisions in the company's decisionmaking executive bodies. The main aim of acquiring these shares is to develop and produce a low-motion source of radiation for ophthalmology, and the associated OCT system elements.

On 18 August 2017 Carl Zeiss Meditec Inc., Dublin, USA also acquired 100% of the shares in the medical software company Veracity Innovations LLC (Veracity)[5], which has its headquarters in Temple, USA. Veracity developed an innovative, cloud-based technology platform for ophthalmologists, which supports the workflow through targeted provision of context-dependent patient information and relevant patient data, to help achieve an optimum treatment outcome and an efficient workflow. Veracity develops innovative and relevant software solutions for ophthalmologists, which are cost-effective and easy to use. As of the end of fiscal year 2016/17 the company is insignificant for the Group in terms of revenue and earnings. For this reason the Carl Zeiss Meditec Group does not currently include it in its consolidated financial statements, and recognizes the acquired shares in its statement of financial position as "Shares in associated non-consolidated companies".

Both acquisitions are an important strategic step for Carl Zeiss Meditec AG in terms of generating further growth in ophthalmology in the future.

In addition, Aaren Scientific Inc., Ontario, USA, (Aaren) concluded an agreement dated 4 November 2016 and effective from 16 November 2016 with Aaren Laboratories, LLC, USA, pertaining to the disposal of assets associated with Aaren's hydrophilic intraocular lens business. 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 €7.5 m.

Effective 1 October 2017, Carl Zeiss Meditec Inc., Dublin, USA, executed the sale agreed in the past fiscal year of the legal entity Aaren Scientific Inc., Ontario, USA. The subsidiary of Aaren Scientific Inc., Hexavision S.A.R.L., Paris, France, was also sold at the same time.

Markets

The Carl Zeiss Meditec Group has operations all over the world. With its headquarters in Jena (Germany) and additional plants and subsidiaries in Germany, France, Spain, the USA and Japan, the Company has a direct presence in the world's most important medical technology markets. In addition, the Carl Zeiss Meditec Group utilizes the strong global distribution network of the Carl Zeiss Group, with more than 50 sales and service locations, thus ensuring itself customer proximity and a crucial advantage over international rivals. Aside from its own research and development locations, the Carl Zeiss Meditec Group also has access to the expertise of the Carl Zeiss Group. Of the around 25 research and development locations of the Carl Zeiss Group worldwide, China and India, in particular, are important research centers for the Carl Zeiss Meditec Group. They offer the possibility of working with the customers on site, in order to gain a comprehensive understanding of the market and develop specific products that are tailored to market requirements.

Organization and business activity

A general distinction is made within the Carl Zeiss Meditec Group between two main areas in which the Company operates: Ophthalmology and Microsurgery. In order to ensure a strong customer focus, as well as one-stop end-to-end solutions, this distinction is also reflected in the strategic business units (SBUs). Business operations are summarized according to similar areas of application and customer groups in both the **Ophthalmic Devices** (OPT) SBU and the **Microsurgery** (MCS) SBU.

Ophthalmic Devices

In ophthalmology, a distinction is made between conditions such as vision defects (refraction), cataracts, glaucoma and other retinal disorders, the incidence of which particularly increases with age and can become chronic in many cases.

In the **Ophthalmic Devices** SBU, the Carl Zeiss Meditec Group mainly offers a comprehensive portfolio of products and solutions for the diagnosis and treatment of eye diseases, as well as systems and consumables for cataract, retinal and refractive surgery. The Company's aim is to enable efficient diagnosis and treatment through integrated products and systems that are geared to the procedures of the attending physician. Customers here are both practicing ophthalmologists and optometrists, as well as physicians and surgeons in hospitals and outpatient surgery centers.

In the area of ophthalmic diagnostics, the Carl Zeiss Meditec Group offers an almost comprehensive range of products for investigating all clinical conditions. Examples include optical coherence tomography (OCT) devices, perimetry devices and tonometers for measuring intraocular pressure for glaucoma diagnostics. The Company offers end-to-end solutions for the surgical treatment of eye diseases in the area of cataract and retinal surgery, including a comprehensive selection of intraocular lenses and consumables. The offering in the preoperative area for cataract treatment includes optical biometers. In the operating room, the Company supports cataract surgery with ophthalmic surgical microscopes, an OR-assistance system and phacoemulsification/vitrectomy devices. The broadly diversified portfolio of microincision-capable intraocular lenses (IOL) extends from the standard (monofocal lenses) to the premium segment (e.g. toric multifocal lenses) and is supplemented by ophthalmic viscoelastics. The OR workstation is further completed by software-based assistance systems such as CALLISTO eye®, to assist with the implantation of toric intraocular lenses. The Company aims to deliver value-added to the customer by providing interconnected systems that are precisely tailored to the surgeon's workflow. One example of this is the ZEISS Cataract Suite markerless, with which the Company offers the surgeon a complete, one-stop range of devices for cataract surgery. The product portfolio in the area of refractive surgery primarily includes systems and consumables for invasive refractive surgery.

Another focus is on networking systems and integrated data management, to make workflows in hospitals and medical practices efficient. To this end, FORUM®, a scalable and flexible data management system, offers a comprehensive, cross-location solution for the evaluation of clinically relevant data from various diagnostic devices and direct access to the patient’s full examination history.

Microsurgery

In the Microsurgery strategic business unit ZEISS provides visualization solutions for minimally invasive surgical treatments. The state-of-the-art surgical microscopes for neurosurgery, for example, are essential tools in the surgical treatment of tumors or vascular diseases, such as aneurysms. Other areas include ear, nose and throat (ENT), plastic and reconstructive (P&R) and dental surgery, as well as spinal surgery. Innovative add-on functions, such as cutting-edge video technology, three-dimensional imaging or intraoperative fluorescence

options, offer the surgeon assistance in complex treatments, by delivering diagnostic data and information during the procedure in the eyepiece or on monitors. In surgical oncology, the innovative INTRABEAM® irradiation device enables the Company to offer patients a gentle, intraoperative treatment option for certain types of tumor.

Group strategy

The Carl Zeiss Meditec Group's strategy is to achieve sustainable, profitable growth as market and technology leader in the field of ophthalmology and microsurgery. The aim of the product range is to improve the treatment result and reduce treatment costs through efficient and effective approaches, and thus to contribute to medical progress. Key success factors are: customer focus, innovation and integrated solutions for diagnosis and treatment.

Customer focus

Customers of the Carl Zeiss Meditec Group are facing major challenges in managing rising case numbers, limited public funding and more demanding expectations of patients with respect to the treatment outcome. Integrated products and solutions can help customers to increase workflow efficiency and reduce costs, for example by providing clinical decision aids for the physician and options for easy outsourcing of routine tasks to medical auxiliary staff. Digitalization offers massive opportunities here, for example in the field of data management solutions. A key prerequisite for the long-term success of the Carl Zeiss Meditec Group is having a deep understanding of the customers' challenges and a service offering that is tailored to overcoming these challenges.

Innovation

One of the goals is to make cutting-edge technology in medical application accessible for customers. The Group is therefore striving to establish its products as new gold standards in medical diagnostics and therapy. The Group ensures itself technology leadership by working closely with its customers and by continuing to invest heavily in research and development (R&D).

Integrated solutions

Based on the large number of diagnostic and therapeutic devices typically found in a practice or clinic, customers are being given the opportunity to make their workflows more efficient by logically networking devices and systems, and to improve clinical outcomes through integrated availability and evaluation of the data. Comprehensive system integration, including IT-assisted analysis functions, is a key prerequisite for this.

Corporate governance

The central governing bodies within the Carl Zeiss Meditec Group are the Management Board and the Executive Committee. The Executive Committee is made up of the members of the Management Board of Carl Zeiss Meditec AG and the heads of the two strategic business units, Ophthalmic Devices and Microsurgery. The management levels below the Executive Committee perform their management responsibilities in accordance with the organizational structure within the strategic business units across regions and company locations. Cross-organizational functions, such as Finance, Communications or Human Resources, for example, are managed centrally. The strategies and projects are implemented locally at the regional companies themselves in accordance with prevailing laws and legislation, rules of procedure and articles of association, as well as the corporate values and principles applied globally within the Group.

As a company of the Carl Zeiss Group, the Carl Zeiss Meditec Group is also subject to the globally applicable Code of Conduct, which defines the basic principles of good and fair conduct in the competitive environment and in dealing with our employees and customers, and according to which business is carried out worldwide. This Code of Conduct sets out the fundamental ethical principles of good conduct and values which govern the actions of both management and employees in their day-to-day work at the Company.

Corporate management

The aim of corporate management is to achieve a long-term increase in value by consistently implementing the strategy. The tools for the financial management of the Carl Zeiss Meditec Group comprise a comprehensive system of key performance indicators. The greatest importance is attached to Economic Value Added® (EVA®)[7], Free Cash Flow (FCF)[8], the EBIT margin and revenue growth. These control ratios define the balance between growth, profitability and financial power, upon which sustainable growth of the Company is built. These are supplemented by strategic measures and projects in the areas of customer excellence, people/performance culture and operational excellence.

BUSINESS REPORT

Underlying conditions for business development

Macroeconomic environment[9]

During the reporting period, the global economy grew at a slightly higher rate than forecast. Market growth in the industrialized countries was moderate in fiscal year 2016/17, but developed better than expected. In addition to the solid, if slightly more restrained, market growth in the USA, momentum for growth came from Japan and the eurozone. The rapidly developing economies in Asia, such as India, for example, continued to grow at above-average rates. Growth in China remained steady at the high level of the prior year. The development of the markets of Latin America was inconsistent: after a marked recession, Brazil began to show initial signs of growth again, while there was a moderate increase in growth in Mexico.

Risks that could lead to a slowdown of the global economy, such as a significant decline in economic growth in China, for example, or protectionist measures with a lasting effect on world trade, did not materialize.

Future situation in the medical technology industry

The Company sees medical technology as a steadily growing industry in the medium to long term. Growth drivers are medical progress and megatrends, such as the aging population due to the demographic development and global population growth. A distinction should be made here, in terms of the course of development and the significance of these trends, between the rapidly development economies (RDEs) and the western industrialized nations. While a rising per-capita income is increasing demand for basic healthcare in

[7] Calculation: EVA® = operating result (EBIT) after taxes minus capital costs of €56.9m for 2016/17 (calculation of capital costs: average committed business assets 2016/17 (€611.6m) multiplied by capital cost rate 2016/17 (9.3%)).
[8] Calculation Free Cash Flow: FCF = EBIT +/- changes in trade receivables +/- changes in inventories, including advance payments +/- changes in provisions (excluding provisions for pensions and tax provisions) +/- changes in current accrued liabilities +/- changes in trade payables + change in advance payments received - increase in investments in property, plant and equipment and intangible assets + write down of investments in property, plant and equipment and intangible assets.
[9] International Monetary Fund, "World Economic Outlook", July 2017, Washington D.C.

rapidly developing economies, people in western regions are becoming increasingly willing to pay more for better-quality services. Furthermore, the Company expects the number of patients suffering from age-related illnesses to rise continuously. At the same time, it is anticipated that the need for comprehensive, high-quality health care will also increase.

The traditional selling markets of western industrialized nations will see further growth in demand for medical technology innovations and a higher quality of treatment. This is due to ever-increasing consumer and patient demands and a greater willingness to use premium services as a self-paying patient. At the same time, the cost pressure in the health care systems is increasing price pressure. Tighter regulations and different regional regulatory requirements pose a growing challenge with regard to product development and approval. Equally high are the requirements for manufacturers and for products and solutions that both increase workflow efficiency for customers and offer more effective treatment methods for patients.

The demand for health care goods and services in the rapidly developing economies (RDEs) is laying the foundations for considerable growth potential in the medical technology industry in future. This is mainly due to the rising per capita income and the associated growth in prosperity in these countries. An increasingly important role is played in particular by the growing prevalence of standard medical devices and basic medical care.

It is assumed that the demand for diagnostic and therapeutic devices and systems, as well as implants and consumables, will continue to grow in the long term, both in microsurgery and in ophthalmology.

a) Market for ophthalmic products

The market for ophthalmic products in the broader sense includes devices and systems for the diagnosis, treatment and post-treatment of eye diseases, implants for ophthalmic surgery and ophthalmic pharmaceuticals, contact lenses, contact lens care products, consumables – with the exception of glasses and glasses frames. According to the Company's estimates, the market had a global volume of around US$39.0b (about €35.1b)[10] in 2016. The Group's product range includes devices and systems, implants, consumables and instruments for ophthalmology and ophthalmic surgery. According to the Group's estimates, these sub-markets had a volume of around US$10.1b (around €9.1b[10]) in 2016.

The Carl Zeiss Meditec Group estimates its share of the part of the "devices and systems for ophthalmology" market segment traditionally served by the Company – with a volume of around US$3.3b (around €3.0b[10]) – at about 21% in 2016. In the market segment "implants, consumables and instruments for ophthalmic surgery", the Carl Zeiss Meditec Group estimates its global market share in 2016 at about 6%. However, our regional market shares in the countries the Company is currently focusing on range between 5% and 30%.

The Carl Zeiss Meditec Group expects the market for ophthalmic products to continue to grow in the medium term, irrespective of year-to-year fluctuations.

Overall, based on the information at hand, the Group calculates a slight increase in its market share in the market segments it addresses compared with the prior year.

[10] At average rate for fiscal year 2015/16 (€1 = US$1.1105)

b) Market for microsurgery products

Besides ophthalmology, the Company also operates in the market for microsurgery, particularly in the field of neuro/ENT surgery. The overall neuro/ENT surgery market is divided into three market segments: "Implants", "Surgical instruments" and "Visualization". In the "Visualization" market segment served by the Company a distinction can be made between the sub-segments "Surgical Microscopes" and "Other Visualization". According to the Group's estimates, these sub-markets had a total volume of around US$1.7b in 2016 (around €1.5b[6]). With a market share that it estimates to be almost 20%, the Carl Zeiss Meditec Group is therefore one of the largest providers in this segment and the clear market leader in the “Surgical microscopes” sub-segment.

The Carl Zeiss Meditec Group expects the market for microsurgery products to continue to grow in the medium term, irrespective of year-to-year fluctuations.

Overall assertion on the financial position of the Group at the end of the fiscal year

With revenue of €1,189.9m and growth of 9.3%, the Carl Zeiss Meditec Group achieved the forecast range of €1,150m to €1,200m for fiscal year 2016/17. The Ophthalmic Devices SBU and the Asia/Pacific (APAC) region, in particular, contributed to this positive development of business. Currency effects had no noticeable impact.

The **Ophthalmic Devices** SBU achieved growth of 11.2% (adjusted for currency effects: 11.2%), thus significantly exceeding the forecast of growth in the low to mid-single-digit percentage range. A strong refractive lasers business, in particular, contributed to this increase; however, Surgical Ophthalmology and Diagnostics also made good contributions to revenue growth. Nevertheless, the situation in Ophthalmic Diagnostics remains tense due to the strong competitive pressure.

The **Microsurgery** SBU achieved growth of 4.4% (adjusted for currency effects: 4.3%) year-on-year, thus meeting the low-single-digit percentage growth forecasts. The SBU also maintained its leading market position, as anticipated. Crucial to this was growth in the areas of both visualization and intraoperative radiotherapy.

Earnings before interest and taxes (EBIT) increased to €180.8m. Relative to revenue, the Group achieved an EBIT margin of 15.2% (prior year: 14.2 %). This included, among other things, a positive effect of €7.5m, which is discussed in more detail on page 39. Excluding this effect, the EBIT margin would have been within the forecast range for fiscal year 2016/17 of 13 – 15%. The significant increase in the EBIT margin is primarily attributable to a more favorable product mix with a higher proportion of case-number-dependent revenue.

The EBIT margin in the **Ophthalmic Devices** SBU improved year-on-year, particularly as a result of the positive development in the area of refractive lasers, but was slightly below the Group average, as expected. This was due to a positive development of the product mix, with a higher proportion of case-number-dependent revenue. The EBIT margin of the **Microsurgery** SBU increased only slightly compared with the prior year, due, among other things, to higher research and development costs, and somewhat restrained revenue growth, but remained above the Group average, as expected.

At €37.7m in fiscal year 2016/17, the Group's cash flow from operating activities is significantly lower than in the prior year (prior year: €111.8m).

Free cash flow amounted to €112.4m (prior year: €146.0m). EVA® rose to €69.9m, compared with €64.7m in the prior year.

In order to maintain its innovative strength and ensure future growth, the Company has up to now invested around 10% to 11% of its revenue each year in research and development, as budgeted. In the fiscal year under review the ratio of R&D expenditure to revenue was 12.3%, which corresponds to a slight increase compared with the prior year (11.3%).

The Carl Zeiss Meditec Group's financial position remained stable. This is also contributing toward the achievement of the Company's objectives, which are geared to sustainable growth, and gives the Group additional stability.

Comparison of actual business development with forecast development in fiscal year 2016/17

	Results 2016/17	Forecast 2016/17
Group revenue	€1,189.9m	€1,150 - 1,200m
Ophthalmic Devices	11.2%	Growth in low to mid-single-digit percentage range
Microsurgery	4.4%	Growth in low to mid-single-digit percentage range
EBIT margin	15.2%[11]	13% - 15%
Cash flow from operating activities	€37.7m	Amount in high double-digit millions
Research and development expenses/revenue	12.3%	10% - 11%
Free cash flow (FCF)	€112.4m	Amount in high double-digit millions
Economic Value Added® ("EVA®")	€69.9m	slight improvement (prior year: €64.7m)

Results of operations

Presentation of results of operations

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

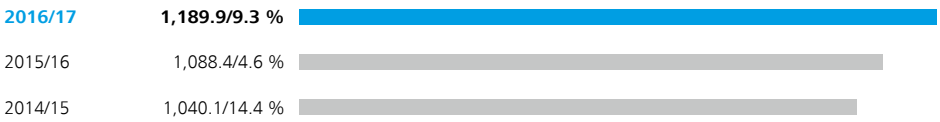
	2016/17	2015/16	Change
	€m	€m	in %
Revenue	1,189.9	1,088.4	+9.3%
Gross margin	55.2%	53.2%	+2.0% pts
EBITDA	205.1	174.6	+17.5%
EBITDA margin	17.2%	16.0%	+1.2% pts
EBIT	180.8	154.3	+17.2%
EBIT margin	15.2%	14.2%	+1.0% pts
Earnings before income taxes	188.6	142.0	+32.8%
Tax rate	28.0%	29.6%	-1.6% pts
Consolidated profit after non-controlling interests	134.4	98.3	+36.7%
Earnings per share after non-controlling interests	€1.57	€1.21	+29.8%

[11] Includes a one-time special effect of €7.5m in connection with the disposal of assets at the Ontario site in the first quarter of 2016/17.

Revenue

In fiscal year 2016/17 the Carl Zeiss Meditec Group increased its revenue by 9.3%, to €1,189.9m (prior year: €1,088.4m), thus achieving the forecast range of €1,150m - €1,200m. Currency effects had no noticeable impact on growth. In particular Ophthalmic Devices and the APAC region contributed to this growth.

Consolidated revenue in €m/Growth in %



a) Consolidated revenue by strategic business unit

The **Ophthalmic Devices** strategic business unit generated almost three quarters of total revenue in the past fiscal year (74.0%; prior year: 72.8 %). The **Microsurgery** strategic business unit contributed 26.0% (prior year: 27.2%) of consolidated revenue.

Share of strategic business units in consolidated revenue in fiscal year 2016/17

Revenue growth in the **Ophthalmic Devices** strategic business unit amounted to 11.2% for fiscal year 2016/17 Currency effects had no noticeable impact on growth. Revenue amounted to €880.5m (prior year: €791.9m).

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 fiscal year. Measures to improve competitiveness continued in the past fiscal year. The area of surgical ophthalmology, with its intraocular lens and consumables business for cataract surgery, biometry and ophthalmic surgery microscopes performed well.

With growth of 4.4%, business development in the **Microsurgery** strategic business unit was also positive (adjusted for currency effects: 4.3%). Both the Visualization and the Intraoperative Radiotherapy segments contributed to this growth.

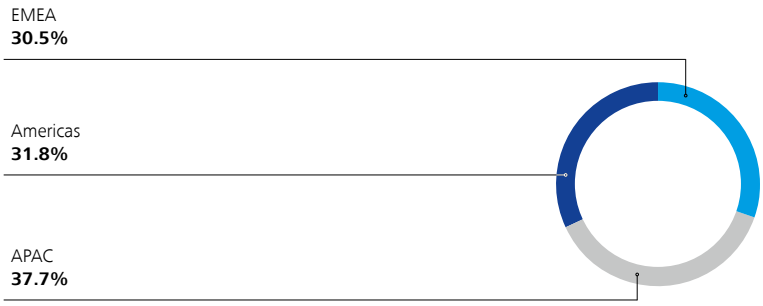
Revenue by strategic business unit

	2016/17	2015/16	Change in %	
	€m	€m		Adjusted for currency effects
Ophthalmic Devices	880.5	791.9	11.2	11.2
Microsurgery	309.4	296.5	4.4	4.3
Carl Zeiss Meditec Group	**1,189.9**	**1,088.4**	**9.3**	**9.3**

b) 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 past fiscal year, the region **Europe, Middle East and Africa (EMEA)** accounted for 30.5% (prior year: 32.4%) of consolidated revenue; the Americas region accounted for 31.8% (prior year: 32.5%) and the **Asia/Pacific (APAC)** region accounted for 37.7% (prior year: 35.1 %). Once again, the APAC region delivered the highest contribution to revenue and also achieved the highest revenue growth of 17.4% (adjusted for currency effects: 17.1%) (prior year: 19.5%, adjusted for currency effects: 15.5%).

Share of regions in consolidated revenue in fiscal year 2016/17



At €363.4m, revenue in the **EMEA** region was 3.0% (adjusted for currency effects: 3.9% higher than the prior year (€352.7m, adjusted for currency effects: €349.8m). Business in the individual markets continued to be very heterogeneous, however. Although the core markets were largely positive or stable, business in the UK and some regions of Southern Europe continued to be weak.

Business in the **Americas** region grew by 6.8%, or 6.4% after adjustment for currency effects, which accelerated growth compared with the prior year. Revenue amounted to €378.2m (prior year: €354.0m, adjusted for currency effects: €355.6m). There was positive growth in the USA. South America also achieved good growth during the reporting period.

The **APAC** region made a substantial contribution to growth within the Group, increasing revenue by 17.4%, to €448.2m (prior year: €381.7m). Adjusted for currency effects, growth was of a similar magnitude of 17.1%, The largest contribution to revenue, with strong growth once again, came from China. India, Southeast Asia and South Korea also achieved high growth rates.

Consolidated revenue by region

	2016/17	2015/16	Change in %	
	€m	€m		Adjusted for currency effects
EMEA	363.4	352.7	3.0	3.9
Americas	378.2	354.0	6.8	6.4
APAC	448.2	381.7	17.4	17.1
Carl Zeiss Meditec Group	**1,189.9**	**1,088.4**	**9.3**	**9.3**

Gross profit

In fiscal year 2016/17, gross profit increased from €579.6m to €656.7m. The gross margin for the reporting period increased to 55.2% (prior year: 53.2 %). This growth is mainly due to the positive effect had by a more favorable product mix with a higher proportion of case-number-dependent business, particularly in the Ophthalmic Devices strategic business unit.

Functional costs

Functional costs for the reporting year amounted to €483.4m (prior year: €425.2m), thus increasing by 13.7% and disproportionately to revenue. Their share of revenue increased year-on-year, from 39.1% to 40.6%.

» **Selling and marketing expenses:** In the fiscal year under review, selling and marketing expenses increased by 13.4%, relative to revenue growth, from €255.3m to €289.6m. Relative to revenue, selling and marketing expenses were 0.8 percentage points higher than the prior year's level, at 24.3% (prior year: 23.5 %). This was due in particular to strategic investments in the expansion of ophthalmic distribution, for example in the area of refractive lasers.

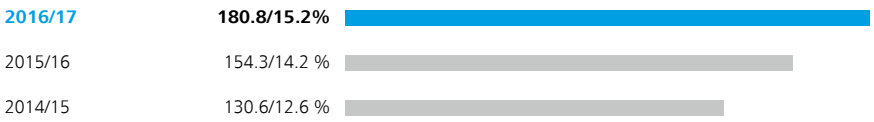
» **General administrative expenses:** Expenses in this area increased by 3.5%, to €48.1m (prior year: €46.5m). The ratio of these expenses to revenue decreased from 4.3% in the prior year, to 4.0%.

» **Research and development expenses:** The Carl Zeiss Meditec Group continuously invests in R&D, in order to further develop its product portfolio and ensure further growth. R&D expenses increased by 18.1% in the reporting period, to €145.8m (prior year: €123.4m). The R&D ratio increased year-on-year, to 12.3% (prior year: 11.3 %).

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 €180.8m (prior year: €154.3m). This corresponds to an EBIT margin of 15.2% (prior year: 14.2 %). The increase in the EBIT margin is attributable to a more favorable product mix with a higher proportion of case-number-dependent revenue.

EBIT in €m/EBIT margin in %



EBIT in fiscal year 2016/17 included positive effects from acquisitions and restructuring to the volume of €4.6m. A major role in this was played by disposal proceeds from the first quarter of 2016/17, with a positive effect of €7.5m, which resulted from the sale of non-strategic assets at the Ontario site. Scheduled write-downs from the purchase price allocation had an adverse effect on earnings.

Overview of effects from acquisitions and restructuring included in EBIT

	2016/17	2015/16	Change
	€m	€m	in %
EBIT	180.8	154.3	+17.2
Acquisition-related effects[12]	+4.6	-3.8	
Restructuring/reorganization[13]	0.0	-1.4	
Total effects	**+4.6**	**-5.2**	

The development of the EBIT margin within the **Ophthalmic Devices** SBU was positive. This is attributable, among other things, to a more favorable product mix, which primarily resulted from a higher amount of procedure-dependent revenue in the refractive laser business as well as operating economies of scale. The EBIT margin in the **Microsurgery** SBU was only slightly higher compared with the prior year, with higher functional costs.

Earnings before interest, taxes, depreciation and amortization **(EBITDA)** amounted to €205.1m for the past fiscal year (prior year: €174.6m). The **EBITDA margin** therefore increased to 17.2% compared with the prior year's level (prior year: 16.0 %).

The balance of **interest income and interest expenses** amounted to €-0.7m in the reporting period (prior year: €-1.1m).

Currency effects arose within the financial result as of 30 September 2017 as a result of hedges, primarily in the form of unrealized foreign currency gains in the amount of €9.0m (prior year: foreign currency losses of €9.3m).

The **tax rate** for the reporting period was 28.0% (prior year: 29.6 %). A positive effect was had by the disposal proceeds from the sale of non-strategic assets at the Ontario site, which were recognized as tax-free income. As a general rule, an average annual tax rate of slightly above 30% is assumed.

Consolidated profit attributable to shareholders of the parent company for fiscal year 2016/17 amounted to €134.4m, thus increasing by 36.7% (prior year: €98.3m). Non-controlling interests accounted for €1.3m (prior year: €1.6m). In fiscal year 2016/17, basic **earnings per share of the parent company** amount to €1.57 (prior year: €1.21).

[12] The sale of non-strategic assets at the site in Ontario, USA, which was taken over in fiscal year 2013/14 in the course of the acquisition of Aaren Scientific Inc., gave rise to a positive special effect of around €7.5m in fiscal year 2016/17. A negative effect was had by write-downs on intangible assets from the purchase price allocation (PPA), also mainly in connection with the acquisition of Aaren Scientific Inc. in fiscal year 2013/14.

[13] Restructuring costs mainly relate to the reorganization of the Ophthalmic Diagnostics unit within the Ophthalmic Devices strategic business unit in fiscal year 2015/16.

Financial position

Objectives and principles of financial management

A primary objective of financial management at the Carl Zeiss Meditec Group is to ensure the solvency of the Company and to manage this efficiently throughout the Group. The Group's main source of liquidity comes from the business operations of the individual business units, upon which the financial activities and the strategic orientation of the Group are also based. The Company therefore operates a global financial management system that encompasses all of its subsidiaries and is centrally organized at Group level. The Company also strives to continuously improve its financial power and reduce financial risks by keeping a constant check on the solvency of its debtors, which also involves the use of financial instruments.

The Company deposits any liquidity it does not require at normal market conditions with the Group treasury of the Carl Zeiss Group. When investing surplus liquidity, short-term availability generally comes before the goal of maximizing earnings, so that funds can be accessed quickly if, for example, acquisition opportunities arise. The Group has production plants in the USA and Europe. This minimizes the effect of currency fluctuation. The remaining currency risk is hedged by simple futures trading. Details on this can be found in the notes to the consolidated financial statements under "(2) (h) Financial instruments", "(27) Additional disclosures on financial instruments", "(35) Financial risk management", "(2) (t)" and "(33) Related party disclosures" and in the annual financial statements of Carl Zeiss Meditec AG under 5 "Information and explanatory notes on accounting and valuation principles", paragraph "Derivative financial instruments" and 9 "Receivables from affiliated companies".

Financial management

The ratio of borrowed capital to equity amounts to 30.7% as of 30 September 2017 (prior year: 46.6 %).

The Group's dynamic gearing ratio stands at -6.7 years for fiscal year 2016/17 (prior year: 0.3 years)[14].

The interest coverage ratio, i.e., the coverage of interest income by the operating result before depreciation and amortization (EBITDA), amounted to 116.6 (prior year: 69.4).

In March 2017 Carl Zeiss Meditec AG implemented a capital increase against cash contributions. A total of 8,130,960 new shares were placed at a price of €38.94 per share. Gross issue proceeds of around €317m accrued to the Company from the capital increase. The net capital proceeds amounted to around €314m The capital increase was carried out with partial utilization of the authorized capital of €40,654,805 created pursuant to Art. 4 (5) of the Company's Articles of Association. This increased the Company's share capital from €81,309,610 to €89,440,570 (no-par value shares). The net issue proceeds from the capital increase shall serve to finance the Company's growth strategy, particularly for acquisitions, as well as general business purposes.

Cash inflows generated from operating activities provide another important source of financing for the Carl Zeiss Meditec Group. Furthermore, the Company has the option to assume loans, either from treasury of Carl Zeiss Group or from banks.

[14] Calculation: borrowings excluding non-controlling interests, less cash and cash equivalents and less treasury receivables/cash flow from operating activities.

For further information on the financial liabilities of the Carl Zeiss Meditec Group please refer to note "(24) Non-current financial liabilities", "(25) Current accrued liabilities" and "(26) Other current non-financial liabilities" in the accompanying notes to the consolidated financial statements and in the annual financial statements of Carl Zeiss Meditec AG in sections 9 “Receivables from affiliated companies” and 17 “Liabilities”.

As the Group possesses sufficient funds to finance its operating and strategic objectives, changes in credit conditions do not currently have any material effect on its financial position.

Separate reporting on financial instruments

The Carl Zeiss Meditec Group is exposed to currency fluctuation risks, due to its international business activities in numerous different currencies. Significant currency risks are hedged against with hedging transactions, based on a rolling business plan.

Hedges are mainly transacted centrally by Carl Zeiss Financial Services GmbH. The services provided by Carl Zeiss Financial Services GmbH to Carl Zeiss Meditec AG and its subsidiaries are regulated by corresponding general agreements. The hedges are processed by Carl Zeiss Financial Services GmbH with external business banks. Hedges are entered into solely via banks with high credit ratings given by leading agencies. The business transactions are executed with strict separation of functions between the front office (trade), middle office (financial risk management, controlling) and back office (processing, documentation).

Value-at-risk analyses, together with scenario, sensitivity and stress test analyses, are implemented in risk control and monitoring, to quantify the currency risks. Hedging rates are specified for operative control of all relevant currencies. In addition, limits were defined to limit risks relating to contracting parties and transaction types. Derivative financial instruments are not used for speculative purposes.

Statement of cash flows

The Carl Zeiss Meditec Group's statement of cash flows shows the origin and utilization of the cash flows within a fiscal year. A distinction is made between cash flows from operating activities and cash flows from investing and financing activities.

Changes in individual items in the income statement and the statement of financial position are recorded in the statement of cash flows. In contrast, the consolidated statement of financial position presents the figures as they stood at the end of the reporting period on 30 September 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 €37.7m in the reporting period (prior year: €111.8m). Inventories increased as of 30 September 2017, due to a number of current product launches since the end of the past fiscal year, as well as to ensure delivery capacity for a number of top-selling products. There was also a decline in provisions and other financial liabilities, as well as an increase in trade receivables in fiscal year 2016/17, compared with the prior year.

Cash flow from investing activities was negative in fiscal year 2016/17, amounting to €–55.9m (prior year: €+77.3m). This result is mainly due to investments in property, plant and equipment and other intangible assets, as well as to the acquisition of shares in affiliated companies.

Cash flow from financing activities in the past fiscal year amounts to €+14.5m (prior year: €-195.0m). This amount includes the proceeds from the capital increase in March 2017.

Free cash flow amounted to €112.4m (prior year: €146.0m). This is attributable to the increase in inventories 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.

Net cash[15] in the past fiscal year amounted to €565.0m (prior year: €334.6m). This corresponds to an increase of almost 70%, which is due to the capital increase implemented in March 2017 and to the positive cash flow from operating activities.

Investment and depreciation policy

Continuous investments are required to further consolidate the Company's good market position in the medical technology sector and strengthen its leading market position. A distinction is made between two types of investment: capacity expansions and replacement investments. These investments are primarily financed from cash flow from operating activities.

In terms of the production of devices and systems, the Company mainly confines itself to the integration of individual components to create system solutions. For this reason, investments in property, plant and equipment are comparatively low. One exception, however, is the production of intraocular lenses, which generally demands higher investments due to a larger vertical range of manufacture.

Nevertheless, the required investment of capital in real assets is limited within the Group, which is evident from the development of the capex ratio – the ratio of total investments in property, plant and equipment (cash)[16] to consolidated revenue. In fiscal year 2016/17, it was 1.1% (prior year: 1.2%).

At Carl Zeiss Meditec AG and its subsidiaries intangible assets and property, plant and equipment are subject to scheduled, straight-line amortization and depreciation, respectively, over their estimated useful lives. Further details on this can be found in note "(2) (f) Other intangible assets" and "(2) (g) Property, plant and equipment" in the accompanying notes to the consolidated financial statements and in note 6 "Fixed assets" in the annual financial statements of Carl Zeiss Meditec AG.

[15] Includes receivables from and liabilities to the treasury of the Carl Zeiss Group, as defined on page 27 et seq..
[16] In fiscal year 2016/17, investments in property, plant and equipment (cash) totaled €13.7m, compared with €12.8m the prior year.

Key ratios relating to financial position

Key ratios relating to financial position

Key ratio	Definition	30 Sep. 2017	30 Sep. 2016	Change
		€m	€m	in %
Cash and cash equivalents	Cash-in-hand and bank balances	3.9	8.7	-55.2
Net cash	Cash-in-hand and bank balances + treasury receivables from the Carl Zeiss AG ./. treasury payables treasury of Carl Zeiss Group	565.0	334.6	+68.9
Net working capital	Current assets including financial investments ./. cash and cash equivalents ./. treasury receivables from Group treasury of Carl Zeiss Group./. current liabilities excl. liabilities treasury of Carl Zeiss Group	326.8	237.0	+37.9
Working capital	Current assets ./. current liabilities	891.8	571.6	+56.0

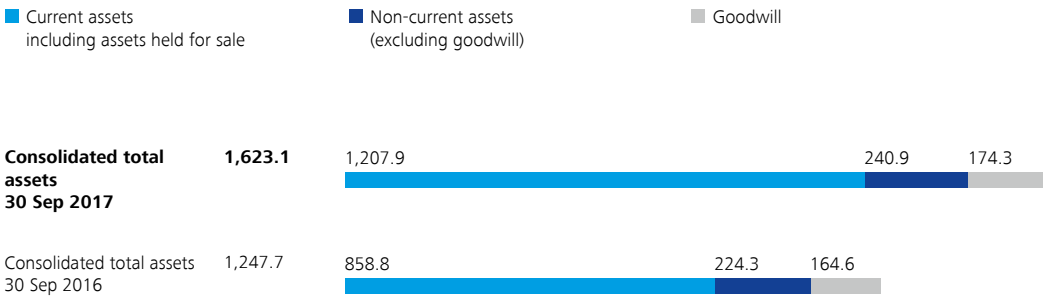
Key ratio	Definition	2016/17	2015/16	Change
Cash flow per share	Cash flow from operating activities	€ 0.44	€ 1.37	-67.9%
	Weighted average of shares outstanding			
Capex ratio	Investment (cash) in property, plant and equipment	1.1%	1.2%	-0.1-pts
	Consolidated revenue			

Net assets

Presentation of net assets

Total assets increased to €1,623.1m as of 30 September 2017 (prior year: €1,247.7m).

Structure of statement of financial position – assets in €m



Non-current assets increased to €415.2m as of 30 September 2017 (prior year: €388.9m) due to a variety of factors. On the one hand, there was an increase in goodwill due, among other things, to positive currency effects and to the acquisition of 52% of the shares in Ophthalmic Laser Engines, LLC, Lafayette, USA (OLE). On the other hand, this increase is due to higher other intangible assets and to shares in the unconsolidated company Veracity Innovations, LLC, recently acquired in August 2017.

Current assets increased to €1,207.9m as of 30 September 2017 (prior year: €857.5m), due, among other things, to the development of cash flow from operating activities and the capital increase in March 2017. Inventories also increased as of 30 September 2017, due to a number of current product launches since the end of the past fiscal year, as well as to ensure delivery capacity for a number of top-selling products.

Structure of statement of financial position – liabilities in €m

The **equity** recognized in the Carl Zeiss Meditec Group's statement of financial position amounts to €1,241.7m as of 30 September 2017 (prior year: €851.2m). The equity ratio was 76.5% (prior year: 68.2%) and thus remains high.

Non-current liabilities amounted to €65.3m as of 30 September 2017 (prior year: €110.7m). This is mainly due to declining pension commitments as a result of an adjustment of the discount factor.

As of 30 September 2017, **current liabilities** amounted to €316.1m (prior year: €285.9m). This increase is mainly attributable to the change in trade receivables relating to the end of the reporting period, the increase in inventories to ensure delivery capacity for a number of top-selling products, and to the change in liabilities to related parties.

Key ratios relating to net assets

Key ratios relating to net assets

Key ratio	Definition	30 Sep 2017	30 Sep 2016	Change
		in %	in %	% pts
Equity ratio	Equity (including non-controlling interests) / Total assets	76.5	68.2	+8.3
Inventories in % of rolling 12-month revenue	Inventories (net) / Rolling revenue of the past twelve months as of the end of the reporting period	19.7	19.1	+0.6
Receivables in % of rolling 12-month revenue	Trade receivables at the end of the reporting period (including non-current receivables) / Rolling revenue of the past twelve months as of the end of the reporting period	25.0	23.9	+1.1

Orders on hand

The Carl Zeiss Meditec Group's orders on hand increased by 1.6%. As of 30 September 2017 it amounted to €165.3m (prior year: €162.7m).

Events of particular significance

There were no other events of particular significance during fiscal year 2016/17.

NON-FINANCIAL PERFORMANCE INDICATORS

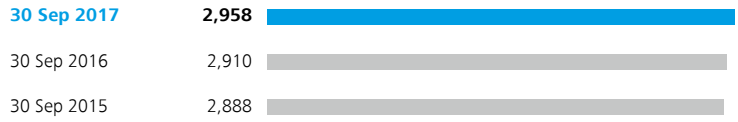
Responsibility

Traditionally, the Carl Zeiss Meditec Group has always been particularly committed to public welfare and the environment. Social responsibility does not just shape the corporate culture within, but also plays and important role externally. The Company wants to give as many people as possible access to modern medical care and contribute to the improvement of medical care for people in all regions of the world. It also goes without saying that the Carl Zeiss Meditec ZEISS Group believes in responsible and state-of-the-art handling of natural resources.

Employees

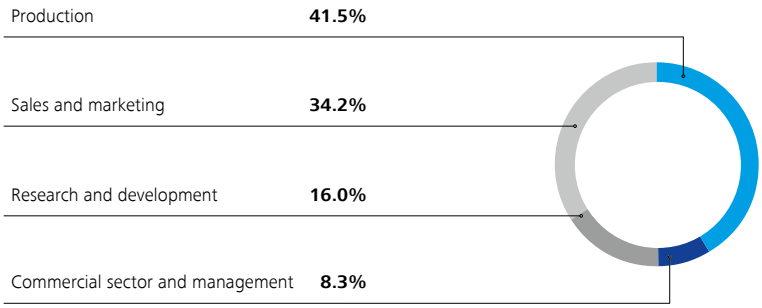
Highly qualified and motivated employees are a necessity for ensuring the long-term success of a company. Responsible human resources development and continuous improvement play a crucial role in this. As of 30 September 2017 the Carl Zeiss Meditec Group had 2,958 employees worldwide (prior year: 2,910).

Employees



At 41.5% and 34.2%, respectively, the majority of employees were working in Production or Sales and Marketing as of 30 September 2017. The percentage of employees working in Research and Development was 16.0% at the end of the reporting period. The percentage of employees working in the commercial area as of 30 September 2017 was 8.3%. This includes a total of 542 Service employees, who are spread across various areas.

Employees by function[17] 30 September 2017

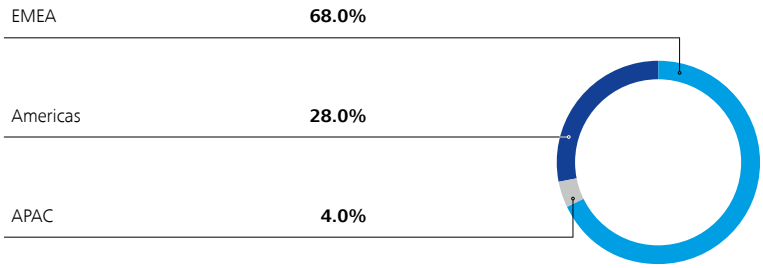


[17] Including Service employees

At 68.0%, the majority of the Carl Zeiss Meditec Group's employees were working in the **EMEA** region as of 30 September 2017. A total of 28.0% of all the Group's employees were working in the **Americas** region and 4.0% in the **APAC** region.

In the APAC region the Carl Zeiss Meditec Group mostly relies on the sales network of the Carl Zeiss Group.

Employees by region 30 September 2017



It is the Company's employees, with their expertise and achievements, who lay the foundations for the Carl Zeiss Meditec Group's global success. The sustainable development and targeted support of employee potential is therefore the core mission of human resources management at the Company. The focus is on employee training and further education and management development. There are also various courses to choose from as part of the internal ZEISS qualification program, as well as secondary training and qualification opportunities to take advantage of. The Company considers this a sound basis for ensuring long-term economic success. The Group aims to increase its attractiveness as an employer through strategic employee development.

Social commitment

Social responsibility is an integral part of corporate culture at ZEISS. The aim is to give people in underprivileged regions access to state-of-the-art medical care. It is for this reason that the Company supports many local initiatives for the community and is involved worldwide in scientific and technological research and sustainable activities.

As sustainability is an important aspect of social commitment, the global commitment to good vision is therefore a focal point of the Company's social activities. One special partner is the Christoffel-Blindenmission (CBM), which is one of the largest global charity organizations working in the area of eyesight. CBM aims to help improve the lives of those with visual impairments, to prevent visual impairments, and break down barriers for people living with visual impairments. Together with CBM, and as part of the VISION 2020 Initiative of the IAPB (International Agency for the Prevention of Blindness), ZEISS has supported a total of five ophthalmology training centers over the past number of years, in South America, Africa and Indonesia. In addition to treating patients, these centers also give doctors training on how to operate new technical equipment. As a partner of the international umbrella organization for ophthalmology (International Council of Ophthalmology, ICO), ZEISS supports the ICO Fellowship Program and the "Teaching the Teacher" program. This fellowship program aims to train particularly talented young ophthalmologists from economically poorer regions. Participants then bring the knowledge and skills they have learned back to their native countries.

Environment

It goes without saying that the Carl Zeiss Group and the Carl Zeiss Meditec Group believe in responsible and state-of-the-art handling of natural resources.

By the end of 2015 a total of 16 production sites and a total of 30 subsidiaries of the Carl Zeiss Group were certified to ISO 14001 standard. An energy management system was successfully introduced and applied for this purpose, in accordance with the prescribed standards. Since December 2015, the Group has been certified in accordance with the internationally recognized energy management standard ISO 50001 in the European Union.

Good examples of sustainable and careful handling of resources and the environment are a company building in Oberkochen that is particularly sustainable to run, and the more than 4,000 solar panels on the roof of Carl Zeiss Meditec Inc. in Dublin, USA.

In December 2014 the company building in Oberkochen became the first building to be certified by the German Sustainable Building Council (Deutsche Gesellschaft für Nachhaltiges Bauen e.V., DGNB) in the category "Administrative and Production Building" and awarded the gold seal. The new building was ranked among the top ten of all buildings built in Germany and certified by the DGNB.

Since 2012 the more than 4,000 solar panels on the roof of Carl Zeiss Meditec Inc. in Dublin, USA, have been converting solar energy into around 1.7 million kilowatt hours of electricity per year, thus ensuring that the location produces the majority of the power it requires itself.

Compliance

As a company of the Carl Zeiss Group, integrity and compliance are of paramount importance for the global reputation of the Carl Zeiss Meditec Group. Having business partners, customers, the authorities, the public and competitors trust that all employees will conduct themselves in a responsible, law-abiding and ethical manner is a basic prerequisite for growth and success. As a company of the Carl Zeiss Group, Carl Zeiss Meditec AG has joined the compliance management system Carl Zeiss AG. The compliance management system ensures compliance with laws and regulations and adherence to internal policies by stipulating processes and guidelines. A centralized and a decentralized approach is taken for this. Guidelines and training documents are developed at the level of Carl Zeiss AG, which are applied at the level of the subsidiaries (i.e., also at Carl Zeiss Meditec AG). In the event of a breach of the compliance requirement or if there are grounds for suspecting such a breach, all ZEISS employees are asked to report the breach or suspicions. The whistleblower system for compliance incidents guarantees the anonymity of each informant and regulates the review, documentation and intervention in substantiated allegations. In addition, since 2007, the globally applicable ZEISS Code of Conduct has defined the basic rules of good and fair conduct in competition and in dealing with our employees and customers. This Code of Conduct sets out the fundamental ethical principles of good conduct and values which govern the actions of both management and employees in their day-to-day work at the Company. Compliance was defined as an essential component of ZEISS Policy, which every business activity must conform to.

Production

Production plants

The Carl Zeiss Meditec Group manufactures its products in Jena, Oberkochen and Berlin in Germany, Dublin, Ontario in the USA and La Rochelle in France. The Group also has a number of smaller sites, some with their own brand, in Besançon, France, Livingston, Scotland, and Goodlands, Mauritius. Systems and devices for ophthalmology are manufactured in Dublin and in Jena. The Group manufactures surgical microscopes and microsurgical visualization solutions in Oberkochen; intraocular lenses are manufactured in La Rochelle, Berlin and Ontario.

Production concept
When manufacturing its devices and systems, the Carl Zeiss Meditec Group focuses on the assembly of system components, most of which it purchases from external suppliers. The vertical range of manufacture for intraocular lenses is higher, however. Production of these largely takes place in-house at the Company. Only a number of specific steps in the production process are outsourced to external companies. When selecting suppliers, the Carl Zeiss Meditec Group continuously strives to qualify additional suppliers for key components and product groups, as appropriate, in order to reduce its dependence on individual suppliers.

The main focus in terms of production processes is to be able to respond quickly to customer inquiries and requirements, to implement short chains of command and to be able to quickly and efficiently carry innovations over into production. Shorter throughput times play a major role in this, as well as reducing inventories, while simultaneously optimizing production costs and improving product quality and delivery performance.

Production planning
Production planning in Jena, Oberkochen and Dublin is based on the rolling forecast method, mostly on a monthly or quarterly basis. The sales forecast is then translated into a demand forecast for production units, taking inventory changes into account. In order to keep stocks to a minimum, products are usually assembled to customer order (series production of individual items).

In the area of refractive lasers, inventories are kept for consumables for the planned sales volume for at least three months, in order to ensure uninterrupted supplies for customers who cannot use their equipment without such consumables. The customers are served from the stock according to the first-in-first-out principle.

The rolling forecast method described above is also applied for the manufacture of intraocular lenses. Limited quantities of the finished products are stockpiled, as customers expect very short delivery times for implants. To this end, replenishment orders are forwarded by the customers to a central warehouse; these, in turn, trigger a new order directly at the production site, thus ensuring customers are served as quickly as possible. The Carl Zeiss Meditec Group also operates consignment warehouses in clinics and hospitals, which – depending on consumption – are continuously restocked.

Research and development

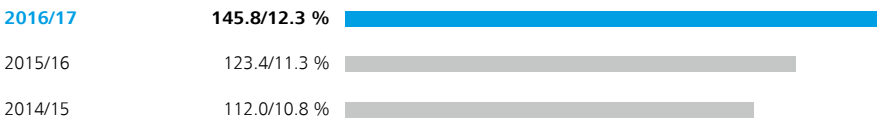
Objectives and focus of research and development
Research and development plays an important role within the Carl Zeiss Meditec Group. Pursuant to its strategy, innovations are a key driver of future growth. The Carl Zeiss Meditec Group has the necessary resources to secure the Company's future earnings 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.

For this reason the Company is aiming to continuously expand its product portfolio and continuously improve products that are already on the market. At the same time, the Group is striving to establish products as new gold standards in medical diagnostics and therapy. The focus is to make the customer’s workflows more efficient by integrating solutions, and to improve clinical results. A key element of the research and development work within the Carl Zeiss Meditec Group is close cooperation with customers and continuously high investments in research and development.

In fiscal year 2016/17 research and development expenses increased by 18.1%, to €145.8m (prior year: €123.4m). The R&D ratio also increased compared with the prior year, to 12.3% (prior year: 11.3%), which

is slightly above the medium to long-term target range of 11% to 12%. The ratio of capitalized development costs to total research and development expenses was 10.1% Further information can be found in Appendix.

R&D expenses in €m/ratio of R&D to consolidated revenue in %



In the reporting period 16.0% (prior year: 15.2%) of the Carl Zeiss Meditec Group's entire workforce were working in Research and Development. To a certain extent, research and development services are procured from Carl Zeiss AG, Oberkochen and its subsidiaries. In fiscal year 2016/17 the expenses incurred for this amounted to around 13.5% of the overall research and development expenses of €145.8m.

Focus of research and development activities in the reporting period
Research and development at the Company mainly focuses on:

» examining new technological concepts in terms of their clinical relevance and effectiveness,
» the continuous development of the existing product portfolio,
» the development of new products and product platforms based on the available basic technologies and
» networking systems and equipment to increase the efficiency of diagnosis and treatment and to improve treatment results for patients.

Customer focus

As medical suppliers, customers of the Carl Zeiss Meditec Group are faced with a variety of challenges worldwide, such as the continuously growing number of patients due to the progressive aging of society, the higher expectations of patients, and increasing competitive pressure. The global position of the Group, its capacity for innovation and customer proximity enable it to find differentiated solutions in the fields of ophthalmology and microsurgery.

Customer solutions in ophthalmology
The Carl Zeiss Meditec Group is constantly striving to make cutting-edge technology in medical application accessible for customers and to establish new standards in medical diagnostics and therapy. The offering of software solutions make it possible to merge data and information from various devices and view several points of the treatment process at the same time. One example of this is the ZEISS Retina Workplace, which provides easy access to important clinical data for the management of macular diseases, assists ophthalmologists with the treatment of retinal diseases and helps them to monitor patients undergoing anti-VEGF therapy, and ultimately contributes to a better quality of treatment. The Retina Workplace is based on FORUM®, a scalable and flexible data management system, which manages the relevant examination data centrally. This enables fast and reliable access to clinically relevant patient data, which simplifies the daily work of physicians and can significantly increase the efficiency of ophthalmic practices. Another important milestone in the area of digitalization is to be achieved through the acquisition of Veracity Innovations, LLC, an intelligent, cloud-based platform in the area of ophthalmology. This supports the workflow by providing specific, context-sensitive information and relevant patient data, to help achieve an optimum treatment outcome and an efficient workflow.

An innovative product has also been launched in the area of fundus imaging – CLARUS™ 500 – which displays natural colors in HD quality and also offers an ultra-wide-angle view right out to the periphery of the retina. This enables ophthalmologists to identify early signs of eye diseases faster and more reliably.

The growing expectations of patients regarding therapy and ultimately the treatment outcome must be considered in the Company's research and development work. Responses to this include the AT LISA® tri and AT LISA® tri toric, as well as microincision-capable intraocular lenses, which enable less-invasive operations for patients and freedom from glasses at all distances. This portfolio is rounded off by the AT LARA®. This intraocular lens, which is based on the optical concept of extended depth of focus, distinguishes itself from conventional multifocal IOLs by causing fewer visual side effects.

The minimally invasive SMILE technology in refractive laser surgery also enables a gentler procedure for patients. 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. Since its launch in 2011, approximately one million eyes have now been successfully treated worldwide using this minimally invasive method. The procedure has also had regulatory approval in the USA since September 2016 and was launched in the U.S. market in March 2017.

Customer solutions in Microsurgery
The Carl Zeiss Meditec Group also offers highly innovative solutions in the field of microsurgery. These include, among others, state-of-the-art surgical microscopes for disciplines such as neurosurgery, ear, nose and throat (ENT) surgery, plastic and reconstructive (P&R) surgery, and spinal and dental surgery.

The KINEVO® 900 is a new robotic visualization system in the field of neurosurgery, which was presented in April 2017 during the Annual Scientific Meeting of the American Association of Neurological Surgeons in Los Angeles. This system is a highly innovative technology that avoids the need for manual repositioning and broadens the surgeon’s line of sight considerably. It also enables the use of digital visualization during surgery, which avoids the surgeon having to work in an uncomfortable position and makes it possible to transmit a high-resolution, digital image to assistant physicians, operating theater staff and doctors in training, which, in turn, has a learning and training effect. Another product in the area of microsurgery – EXTARO® 300 – was presented at this year’s International Dental Show in Cologne. This dental microscope combines optical magnification with a fluorescence-based technology for identifying tooth decay, which makes the dental treatment process much simpler.

Customer solutions in rapidly developing economies
Product requirements in rapidly developing economies such as India or China are often very different to the requirements in established markets. That is why it is necessary to develop a market-specific product range. The Carl Zeiss Meditec Group aims to provide physicians in these regions with efficient workflows. Given the particularly high numbers of patients, ease of use and versatility of the devices and systems, as well as cost, play a crucial role. Determining customer needs requires a strong on-site presence. The presence of the ZEISS-run "CARIn" Center of Application and Research in India means that targeted investments are being made in research and development projects in the immediate vicinity of our customers.

Brands and patents

The Company invests in innovations and solutions and protects its innovative edge with patents. The Carl Zeiss Meditec Group currently owns more than 850 patent families worldwide. An average of two patents a week were granted for the Carl Zeiss Meditec Group in fiscal year 2016/17. Although the protection for a patent varies from country to country, the Company still strives to protect products in the various markets as comprehensively as possible with patents. As a number of products have already been on the market for some time, patent protection does not only extend to the basic functionality of these products, but also to specific features and enhancements that protect beneficial solutions. As a result, the Group is able to successfully and permanently maintain its position in the market.

The Company also has more than 610 registered brands and brand registrations (as of 30 September 2017). These include, among others, product names, slogans, images, logos and other specific characteristics of the Company.

ANNUAL FINANCIAL STATEMENTS OF CARL ZEISS MEDITEC AG

Carl Zeiss Meditec AG is the parent company of the Carl Zeiss Meditec Group. Its results are influenced to a large extent by its subsidiaries. The development of its business is generally subject to the same opportunities and risks at those of the Carl Zeiss Meditec Group. The outlook for the Group also largely mirrors the expectations for Carl Zeiss Meditec AG, due to the links between Carl Zeiss Meditec AG and its subsidiaries and due to the importance of Carl Zeiss Meditec AG within the Group. The foregoing explanations for the Carl Zeiss Meditec Group therefore also apply for Carl Zeiss Meditec AG.

The aim of controlling at Carl Zeiss Meditec AG is to ensure the solvency of the Company and to manage this efficiently throughout the Group. The EBIT margin and sales growth carry the most weight in this respect. The Company's primary source of liquidity comes from the business operations of the individual business units, upon which the financial activities and the strategic orientation of the Company are also based.

Preparation of the financial statements

Contrary to the consolidated financial statements, which are prepared in accordance with the International Financial Reporting Standards (IFRSs), the following annual financial statements of Carl Zeiss Meditec AG have been prepared in accordance with the German Commercial Code (*Handelsgesetzbuch*, HGB).

Summary of business development

Carl Zeiss Meditec AG has brought fiscal year 2016/17 to a successful close, thus continuing its growth trend of the previous fiscal years.

Sales increased by 11.1% year-on-year (adjusted for currency effects: 10.6%). Both strategic business units contributed to this growth to varying degrees. The increase in currency-adjusted sales is therefore higher than the forecast for market growth in the low to mid-single-digit percentage range. The EBIT margin increased from 14.3% in the prior year to 15.6%.

Income statement according to HGB

	Appendix		2016/17		2015/16	Change
		€k	€k	€k	€k	in %
Revenue	(21)		**766,162**		**689,643**	**11.1%**
Cost of sales			(368,701)		(353,287)	4.4%
Gross profit			**397,461**		**336,356**	**18.2%**
Sales and marketing expenses			(118,620)		(107,554)	10.3%
General administrative expenses			(34,657)		(33,110)	4.7%
R&D costs		(120,603)		(87,828)		
minus subsidies received		-	(120,603)	23	(87,805)	37.4%
Other operating income	(24)		43,504		32,554	33.6%
Other operating expenses	(25)		(46,336)		(48,523)	-4.5%
Income from investments	(26)		27,335		-	100.0%
thereof from affiliated companies			27,335		-	100.0%
Income from profit transfer	(27)		5,888		-	100.0%
Income from investments and long-term loans			2,388		2,505	-4.7%
thereof from affiliated companies			2,388		2,505	-4.7%
Other interest and similar income			751		749	0.3%
thereof from affiliated companies			702		157	347.1%
Amortization of financial assets and short-term investments/marketable securities	(28)		-		(20,500)	-100.0%
Interest and similar expenses			(3,278)		(768)	326.8%
thereof from affiliated companies	(29)		-		-	
Earnings before income taxes			**153,833**		**73,904**	**108.2%**
Income taxes	(30)		(43,060)		(30,904)	39.3%
Profit after tax			**110,773**		**43,000**	**157.6%**
Other taxes	(31)		(306)		(253)	20.9%
Net income for the year			**110,467**		**42,747**	**158.4%**
Retained profits brought forward from prior year			115,564		103,714	11.4%
Dividend			(37,565)		(30,897)	21.6%
Net retained profits			**188,466**		**115,564**	**63.1%**

Results of operations

Sales increased by 11.1% compared with the prior year (€689.6m), to €766.2m. This includes slightly positive effects from foreign currency translation. The new legal definition of section 277 (1) HGB was implemented in the reporting year. This means that service revenue, which was previously recognized under other operating income, is now recognized as sales. In fiscal year 2016/17 these sales amounted to €4.5m. Once again in fiscal year 2016/17, ophthalmology was the main contributor to sales growth. Notable products in this area include in particular femtosecond laser technology, the innovative intraocular lenses and multifocal and toric premium lenses for minimally invasive cataract surgery.

In fiscal year 2016/17, gross profit on sales increased from €336.4m to €397.5m. The corresponding margin increased to 51.8%, due to a more favorable product and regional mix (prior year: 48.8 %).

Selling expenses in the fiscal year amounted to €118.6m; general and administrative expenses amount to €34.7m. Compared with sales, therefore, selling and general administrative expenses remained on the level of a year ago. Research and development expenses of Carl Zeiss Meditec AG amounted to €120.6m (prior year: €87.8m) in fiscal year 2016/17. Detailed information on the Carl Zeiss Meditec Group's research and development activities can be found on pages 48 et seqq.

The increase in other operating income is primarily the result of higher exchange rate gains. Conversely, the increase in other operating costs is in particular attributable to exchange rate losses.

The increase in interest and similar expenses within the financial result is mainly due to the interest expense on provisions for pensions.

The earnings before taxes increased from €80.9m in the prior year, to €153.8m in fiscal year 2016/17. Net income for the fiscal year under review amounted to €110.5m (prior year: €42.7m).

Balance sheet

	30 Sep 2017	30 Sep 2016		Change
	€k	€k	€k	in %
ASSETS				
A. Fixed assets	**496,526**	**496,273**	**253**	**0.1%**
I. Intangible assets	131,245	143,133	(11,888)	-8.3%
II. Property, plant and equipment	19,067	17,993	1,074	6.0%
III. Financial assets	346,214	335,147	11,067	3.3%
B. Current assets	**864,715**	**500,472**	**364,243**	**72.8%**
I. Inventories	115,134	96,085	19,049	19.8%
II. Receivables and other assets	749,512	404,314	345,198	85.4%
III. Cash-in-hand and bank balances	69	73	(4)	-5.5%
C. Deferred income	**808**	**701**	**107**	**15.3%**
D. Asset-side difference arising from asset offsetting	**18,627**	**10,022**	**8,605**	**85.9%**
Total assets	**1,380,676**	**1,007,468**	**373,208**	**37.0%**
EQUITY AND LIABILITIES				
A. Equity	**1,235,789**	**846,268**	**389,521**	**46.0%**
I. Share capital	89,441	81,310	8,131	10.0%
II. Capital reserve	954,942	646,454	308,488	47.7%
III. Retained earnings	2,940	2,940	-	0.0%
IV. Net retained profits	188,466	115,564	72,902	63.1%
B. Special reserve for investment subsidies	**48**	**81**	**(33)**	**-40.7%**
C. Provisions	**47,529**	**70,763**	**(23,234)**	**-32.8%**
D. Liabilities	**95,164**	**86,817**	**8,347**	**9.6%**
E. Deferred income	**2,146**	**2,167**	**(21)**	**-1.0%**
F. Deferred tax liabilities	**-**	**1,372**	**(1,372)**	**-100.0%**
Total liabilities	**1,380,676**	**1,007,468**	**373,208**	**37.0%**

Net assets and results of operations

Pursuant to German commercial law (HGB), the total assets of Carl Zeiss Meditec AG amounted to €1,380.7m as of 30 September 2017. This corresponds to an increase of 37.0% compared with the prior year (€1,007.5m).

Inventories increased from €96.1m in the prior year, to €115.1m, due in particular to the increase in the inventory of existing products to ensure delivery capacity and stockpiling for new products. The increase in receivables and other assets is mainly attributable to receivables from the Group treasury of the Carl Zeiss Group, which increased from €236.4m in the prior year, to €576.0m in the year under review. A large part of this increase is due to the issue proceeds from the capital increase in March 2017.

Cash and cash equivalents consist exclusively of bank balances. Term deposit balances are deposited with the Group treasury of the Carl Zeiss Group and are recognized under "Receivables from affiliated companies".

Net retained profits increased by the net income for the fiscal year of €110.5m, less the dividend paid of €37.6m.

Provisions decreased compared with the prior year, to €47.5m (prior year: €70.8m). This is mainly due to lower tax provisions and other provisions, particularly for foreign exchange transactions carried as liabilities, and for outstanding invoices. Further information can be found in the notes to the annual financial statements of Carl Zeiss Meditec AG in the section entitled "Provisions".

The debt ratio (ratio of borrowed capital to equity) decreased to 11.5% as of 30 September 2017 (30 September 2016: 18.8 %).

Cash inflows generated from operating activities provide an important source of financing for Carl Zeiss Meditec AG. The Company can also create additional liquidity by issuing new shares on the capital market. Furthermore, the Company has the option to assume loans, either from treasury of Carl Zeiss AG or from banks. As Carl Zeiss Meditec has enough cash funds at its disposal to finance its operating and strategic objectives, changes in interest rates and credit conditions are not currently having any material effect on the Company’s financial position.

The Carl Zeiss Meditec AG's net assets and financial position remained stable. This is also contributing toward the achievement of the Company's objectives, which are focused on sustainable growth.

Employees

As of 30 September 2017, Carl Zeiss Meditec AG had 1,268 employees. This number does not include any Management Board members.

Appropriation of profits

Fiscal year 2016/17 closes with net income for the year of €110,467,237.09. The Management Board proposes utilizing the net retained profits of €188,465,912.90 for fiscal year 2016/17 as follows:

» Payment of a dividend of €0.55 per no-par value share for 89,440,570 no-par-value shares: €49,192,313.50.
» Carryforward of residual profit to new account: € 139,273,599.40.

Declaration on corporate governance (pursuant to Section 289A HGB, 315 (4) HGB) and corporate governance report

The declaration on corporate governance (pursuant to Section 289a HGB and 315 (5) HGB) includes the declaration of conformity pursuant to Section 161 AktG, relevant information on corporate governance practices applied which go beyond the statutory requirements, in addition to information of where these are publicly accessible and a description of how the Management and Supervisory Boards work, as well as the composition and mode of working of their committees. You will find this information on our website at www.zeiss.com/meditec-ag/investor-relations/erklaerung-zur-unternehmensfuehrung.

REMUNERATION REPORT

Remuneration of the Management Board

The members of the Management Board are remunerated based on Section 87 German Stock Corporation Act (Aktiengesetz). According to this, the Supervisory Board determines the remuneration, which comprises fixed and variable components, and payments in kind. The Supervisory Board's General Committee proposes the amount and structure of the remuneration to be paid to the Management Board, and these are then approved by the Supervisory Board as a whole. The appropriateness of the Management Board remuneration is based on the duties and the personal contribution of the individual members of the Management Board, as well as the Company's overall financial position and market environment.

At its meeting on 5 December 2016, the Supervisory Board addressed the achievement of objectives by the Management Board members for fiscal year 2015/2016, and stipulated the relevant variable remunerations. At its meeting on 2 February 2017 the Supervisory Board resolved an extension of the employment contracts expiring on 30 September 2017 of the two Management Board members, for a period of five years from 1 October 2017 to 30 September 2022.

In addition, the amount of remuneration payable to the members of the Management Board was reviewed, in the same meeting on 2 February 2017, based on the salary situation compared to the market, general price and salary trends and achievements demonstrated and expected in future, and adjusted for Management Board member Dr. Christian Müller, effective from 1 October 2016, and for President and CEO, Dr. Ludwin Monz, effective from 1 January 2017.

Structure and amount of remuneration paid to the Management Board

The remuneration paid to the Management Board of Carl Zeiss Meditec AG consists of a fixed and a variable portion. The variable portion is split into two components: the first component is contingent upon the achievement of certain targets for the respective current fiscal year and the second bears a long-term incentive effect.

The **fixed portion** of the remuneration paid to the Management Board is not contingent upon the achievement of certain targets. It is paid monthly.

The **variable portion of the remuneration**, which relates to targets set for the respective fiscal year, is contingent upon the achievement of certain quantitative and qualitative targets. The main quantitative targets are Economic Value Added® (EVA®)and free cash flow. Certain strategic targets agreed individually with the members of the Management Board are also taken into consideration. This portion of the remuneration is paid after the end of the respective fiscal year. The amount is contingent upon the degree of target fulfillment.

In addition to the two components of Management Board remuneration described above, there is also a so-called Long Term Incentive Program (LTI), which was redesigned and published in 2011.

This program offers a remuneration component with a long-term incentive, which allows the members of the Management Board to earn an additional annual income after a three-year period. This amounts to 50% of the individual short-term variable remuneration for the fiscal year that precedes the beginning of the term of an LTI tranche, plus interest. This is based on the Carl Zeiss Group's profit-participation certificate model. A precondition for payment of this remuneration is that the members of the Management Board have not handed in their notice at the end of the applicable three-year period per tranche, and the equity ratio of the Carl Zeiss Group is higher than 20% at this point. The first payment was made in December 2014. The next payment is forecast for December 2017.

Contrary to the general LTI regulation, a different regulation applies for the Chairman of the Management Board with respect to the long-term variable remuneration. Pursuant to this regulation, it shall be possible, after a three-year period, for Dr. Monz to attain an additional annual income amounting to no more than a basic salary, depending on the achievement of certain financial and personal objectives at the end of this three-year period.

Itemized breakdown of the remuneration paid to the members of the Management Board of Carl Zeiss Meditec AG (figures in €k)

	Management Board remuneration						
	Fiscal year	Fixed remuneration	Remuneration in kind and other remuneration[18]	Variable remuneration[19]	Total remuneration paid directly	LTIP	Total remuneration pursuant to Section 314 (1) No. 6a) HGB
Dr. Ludwin Monz	**2016/17**	375.0	16.3	387.5	778.8	305.0	1,083.8
	2015/16	300.0	16.2	416.2[20]	732.4	155.6	888.0
Dr. Christian Müller	**2016/17**	324.0	18.5	235.2	577.7	130.0	707.7
	2015/16	252.0	18.4	198.0[20]	468.4	126.1	594.5
Thomas Simmerer	**2016/17**	-	-	-	-	-	-
	2015/16	280.8	44.0	269.5[20]	594.3	123.8	718.1

Directors & Officers (D&O) liability insurance has been taken out for the members of the Management Board of Carl Zeiss Meditec AG, which provides for an excess that is also specified in the Management Board contracts. This complies with the excess that has been prescribed by the German Stock Corporation Act (AktG) since 5 August 2009 of at least 10% of the damages up to at least one-and-a-half times the fixed annual remuneration.

Pension scheme for members of the Management Board

The appropriation to the pension provisions or pension funds should be stated annually with respect to the retirement benefit commitments for the members of the Management Board. The expenses relating to pension commitments attributable to the individual members of the Management Board – or, in the case of Dr. Monz, the proportionate oncharged service cost – are presented in the following overview.

[18] Remuneration in kind and other remuneration include e.g non-cash benefits like the provision of a company car and the reimbursement of employer contributions to the statutory pension and unemployment insurance schemes, as well as contributions to group accident insurance.
[19] Variable remuneration corresponds to the amounts paid in the respective fiscal year.
[20] Variable remunerations in the prior year include both the formation of a provision for the bonus for the current fiscal year and payments for the bonus for the prior year, insofar as this differs from the prior year's figure.

Itemized breakdown of the pension commitments to the members of the Management Board of Carl Zeiss Meditec AG (figures in €k)

	Fiscal year	Current service cost	Present value of pension commitment, total
Dr. Ludwin Monz[21]	**2016/17**	277.1	-
	2015/16	155.1	-
Dr. Christian Müller	**2016/17**	42.6	639.2
	2015/16	32.2	694.9
Thomas Simmerer	**2016/17**	-	-
	2015/16	30.8	356.1

In connection with the appointment of Dr. Monz as a member of the Group Management Board of Carl Zeiss AG, effective 1 January 2014, Carl Zeiss AG became responsible for the pension commitment to Dr. Monz, both for the past and for the future. The pension provision previously set up at Carl Zeiss Meditec AG has accordingly been transferred to Carl Zeiss AG. The proportionate service cost arising from the annual appropriation to the pension provision for Dr. Monz's function as President and CEO of Carl Zeiss Meditec AG shall be passed on to Carl Zeiss Meditec AG, effective from 1 January 2014.

Projected unit credits for pensions for other former members of the Management Board of Carl Zeiss Meditec AG amounted to €1,139.8k (prior year: €990.7k).

Value of benefits granted for fiscal year 2016/17 and allocation amount

The value of the benefits granted for the fiscal year under review, including single-year and multi-year variable components of remuneration, shall continue to be presented and compared with the actual allocation amount. The minimum compensation for the reporting year, as well as the maximum attainable remuneration shall also be stated.
Tranche 2015/16 of the benefits granted in fiscal year 2015/16 shows the proportionate interest cost, which was paid out with the previous year's values (underlying and interest yield) in fiscal year 2015/16.

Value of benefits granted and tendered for the fiscal year Dr. Ludwin Monz

Dr. Ludwin Monz President and CEO Member of the Management Board since 8 October 2007			Minimum achievable value	Maximum achievable value
	2016/17	2015/16	**2016/17**	**2016/17**
Value of benefits granted	€k	€k	€k	€k
1. Fixed remuneration	375.0	300.0	375.0	375.0
2. Fringe benefits	16.3	16.2	16.3	16.3
3. Total	**391.3**	**316.2**	**391.3**	**391.3**
4. Single-year variable compensation (VCS)	292.5	270.0	-	585.0
5. Multi-year variable compensation (LTI)	**860.1**	**418.6**	**-**	**1,522.7**
2015/16	-	11.4	-	-
2016/17	305.0	145.3	-	447.5
2017/18	203.5	126.9	-	372.1
2018/19	168.8	135.0	-	337.5
2019/20	182.8	-	-	365.6
6. Pension cost	277.1	155.1	277.1	277.1

[21] Proportionate oncharged service cost of the pension commitment to Dr. Monz.

Allocation amount in fiscal year Dr. Ludwin Monz

Dr. Ludwin Monz
President and CEO
Member of the Management Board since 8 October 2007

	2016/17	2015/16
Allocation amount for the fiscal year	€k	€k
1. Fixed remuneration	375.0	300.0
2. Fringe benefits	16.3	16.2
3. Total	**391.3**	**316.2**
4. Single-year variable compensation (VCS)	387.5	416.2
5. Multi-year variable compensation (LTI)	305.0	155.6
6. Total	**1,083.8**	**888.0**
7. Pension cost	277.1	155.1
8. Total remuneration	**1,360.9**	**1,043.1**

Value of benefits granted and tendered for the fiscal year Dr. Christian Müller

Dr. Christian Müller
CFO
Member of the Management Board since 15 December 2009

			Minimum achievable value	Maximum achievable value
	2016/17	2015/16	2016/17	2016/17
Value of benefits granted	€k	€k	€k	€k
1. Fixed remuneration	324.0	252.0	324.0	324.0
2. Fringe benefits	18.5	18.4	18.5	18.5
3. Total	**342.5**	**270.4**	**342.5**	**342.5**
4. Single-year variable compensation (VCS)	216.0	168.0	0	567.0
5. Multi-year variable compensation (LTI)	**428.6**	**272.9**	**0**	**567.0**
2015/16	-	9.3	0	-
2016/17	130.0	111.8	0-	145.4
2017/18	76.6	64.8	0	94.2
2018/19	104.4	87.0	0	139.2
2019/20	117.6	-	0	188.2
6. Pension cost	42.6	32.2	42.6	42.6

Allocation amount in reporting year Dr. Christian Müller

Dr. Christian Müller
CFO
Member of the Management Board since 15 December 2009

	2016/17	2015/16
Allocation amount for the fiscal year	€k	€k
1. Fixed remuneration	324.0	252.0
2. Fringe benefits	18.5	18.4
3. Total	**342.5**	**270.4**
4. Single-year variable compensation (VCS)	235.2	174.0
5. Multi-year variable compensation (LTI)	130.0	126.1
6. Total	**707.7**	**570.5**
7. Pension cost	42.6	32.2
8. Total remuneration	**750.3**	**602.7**

Departure of members of the Management Board

In the event of premature termination of the employment relationship, the contracts for members of the Management Board do not contain any explicit promise of a severance payment. A severance payment may, however, ensue from a severance agreement concluded on an individual basis.

Remuneration of the Supervisory Board

The remuneration of the Supervisory Board is composed of a fixed basic remuneration and remuneration for work on the committees. The basic remuneration for each member of the Supervisory Board amounts to €30k. The Chairman of the Supervisory Board shall receive double this amount; the Deputy Chairman and the Chairman of the Audit Committee shall receive one-and-a-half times this amount. With the exception of the members of the Nominating Committee and the Chairman and Deputy Chairman of the General Committee, members of committees receive an additional, fixed remuneration of € 5,000.

The following overview provides an itemized breakdown of the total remuneration paid to each Supervisory Board member:

Itemized breakdown of remuneration paid to the Supervisory Board of Carl Zeiss Meditec AG pursuant to Art. 19 of the Articles of Association of Carl Zeiss Meditec AG (figures in €k)

	Fiscal year	Basic remuneration	Committees	Total remuneration
Prof. Dr. Michael Kaschke (Chairman)	**2016/17**	60.0	-	60.0
	2015/16	60.0	2.6	62.6
Dr. Carla Kriwet (Deputy Chairwoman)	**2016/17**	45.0	-	45.0
	2015/16	37.3	-	37.3
Dr. Markus Guthoff	**2016/17**	45.0	5.0	50.0
	2015/16	52.7	2.4	55.1
Thomas Spitzenpfeil[22]	**2016/17**	30.0	5.0	35.0
	2015/16	30.0	5.0	35.0
Cornelia Grandy	**2016/17**	30.0	-	30.0
	2015/16	30.0	-	30.0
Jörg Heinrich	**2016/17**	30.0	5.0	35.0
	2015/16	30.0	5.0	35.0

The Company did not pay members of the Supervisory Board any additional remunerations or benefits for personally rendered services (in particular consultancy and agency services) in fiscal year 2016/17.

Directors & Officers (D&O) liability insurance has been taken out for the members of the Supervisory Board of Carl Zeiss Meditec AG, which provides for an excess that is also specified in the Company's Articles of Association. This corresponds to at least 10% of the damage up to at least one-and-a-half times the fixed annual remuneration.

OPPORTUNITY AND RISK REPORT

Groups with global operations face a large number of entrepreneurial risks and opportunities that can have a sustained impact on business success. The assessment of opportunities and risks and conscientious handling of entrepreneurial uncertainty are an important part of corporate governance at Carl Zeiss Meditec.

[22] Mr. Thomas Spitzenpfeil waived his entitlement to remuneration for fiscal year 2016/17 by way of a waiver declaration as in the prior year.

Risk management

The central risk management system of the Carl Zeiss Meditec Group stipulates uniform regulations and processes for the early detection, assessment and management of risks. In the subsidiaries and on Group level, risk management coordinators are responsible for applying the policies and procedures. The management of the subsidiaries detects and manages operating and strategic risks. Overall responsibility lies with the Management Board, which regularly assesses risks and their management at Group level together with the Group Risk Manager. The Management Board and Supervisory Board review the appropriateness and monitoring of the risk management system.

Risk management is an integral part of corporate governance within the Carl Zeiss Meditec Group, and is based on the following two key components: a **risk reporting system** and an **internal control system**.

Risk reporting system

This is a clearly structured, traceable feedback loop which encompasses all of the Company's activities, is integrated in its organizational structure and its control and reporting processes, and comprises a systematic and ongoing process for the identification, assessment, management/control, as well as the documentation and communication of any risks. Any relevant information can therefore be immediately passed on to the responsible decision makers. The main features of this system are as follows:

» The risk management system exclusively records risks. It integrates all fully consolidated subsidiaries.
» The business risks are assessed and categorized according to their potential implications over the period of their existence, and according to their probability of occurrence and damage potential. The period of assessment is a maximum of five years.
» Regular risk reports are provided to the Management Board, the management of the subsidiaries and other decision-makers within the Company on the basis of specified thresholds. Significant risks arising at very short notice are reported to this responsible group immediately.
» On this basis, appropriate steps are taken and evaluated to avoid identified risks or reduce the probability of their occurrence, and to minimize the potential financial losses. The measures to reduce risks, the early warning indicators and the residual risks derived from these are regularly updated and documented.

Internal control system

The internal control system of the Carl Zeiss Meditec Group is based on the COSO Enterprise Risk Management Model (COSO ERM model). The Group's integrated enterprise risk management system covers strategic and operational risks, i.e., risk assessment goes beyond mere financial risks. For central processes, there are key risks and defined control mechanisms, which are regularly evaluated with regard to their effectiveness. The Group's Management Board ensures that an adequate and effective internal control system is in place and that is it continuously enhanced. The Supervisory Board's Audit Committee monitors the effectiveness of internal auditing, risk management and the internal control system, as well as the financial reporting process.

The **accounting-related** part of the internal control system is a system structured within the sphere of responsibility of and under the supervision of the CFO, which ensures that the preparation of the consolidated annual financial statements is in line with the International Financial Reporting Standards (IFRSs), and that external financial reporting is reliable.

Significant risks

The Carl Zeiss Meditec Group analyzes and assesses risks systematically. Special emphasis is placed on potential economic effects and on probability of occurrence. In this way, the risks are quantified and classified. Due to the broad portfolio and the Group's global presence, the strategic and operational risks are widely spread.

Quantitative data is based on a net perspective after application of measures, and relates to the risk assessment period.

Innovation risks
The business success and reputation of the Group are heavily dependent on the rapid development of innovative products and solutions. New trends and current scientific and research findings can trigger technology shifts and new customer requirements, and make new business models necessary.

Should the Group lose touch with technological developments on the market, react too late to trends or technological advancements, this could weaken its competitive position. There is also a risk of the Group's products being completely superseded by alternative technologies, procedures or treatment methods, thus reducing demand for certain products, which could result in losses in sales and earnings. The potential impact on earnings of these risks equates to an amount in the mid-single-digit to the low double-digit million euro range.

In order to exploit opportunities in this area early and keep the probability of occurrence and the economic impact of this risk low in all segments, the Group invests heavily in research and development and upstream areas of products with a technological edge and unique selling points.

Personnel risks
Demographic change and the shortage of skilled staff for technical jobs as well as the differing training and qualifications standards around the globe are creating new challenges when it comes to filling job vacancies. Unfilled positions could limit the technological advancement and sale of the products and services it offers in all segments. The Group is countering this with a global recruitment strategy and active employee development and successor planning, thus keeping the probability of occurrence low. In order to retain skilled employees in the long term, the Group offers various employee benefits depending on the location – these include, for example, offers for health promotion or child care. At the current time, the management does not expect these risks to have any material effects on the Group's net assets, financial position or results of operations.

Risks in procurement and production
ZEISS ensures conformity with national and international standards, guidelines and statutory provisions by means of an integrated management system that addresses the issues of quality, the environment, and occupational health and safety.

To a very large extent Carl Zeiss Meditec Group uses components from external suppliers to manufacture its products in all business segments. The increase in the prices of commodities, energy and materials, the growing complexity of purchased parts and the limited number of suppliers (single source) for certain technologies could have negative implications for the production, sale and quality of the Company's products. The Group continues to work on stabilizing supply chains and reducing the dependence on individual suppliers in order

to minimize the associated economic impact, among other things. The Company systematically leverages opportunities that arise from bundling procurement activities. Furthermore, the Carl Zeiss Meditec Group selects its suppliers carefully. By implementing consistent supply chain measures, such as qualifying its suppliers, identifying secondary suppliers and preparing a strategic inventory plan, the Carl Zeiss Meditec Group protects itself as best it can against supplier dependencies and changes on the commodities market.

The Carl Zeiss Meditec Group and the Carl Zeiss Group have close contractual relationships in some areas. This is particularly the case in the procurement of IT services, the licensed use of the ZEISS brand and agreements with distribution companies of the Carl Zeiss Group. This distribution network provides major opportunities, which are rooted particularly in the close-meshed coverage worldwide, a high level of professional distribution expertise, and an efficient market development approach.

The potential effect of supplier risks on earnings is in the higher single-digit to low double-digit million euro range.

Risks of information technology

The Carl Zeiss Meditec Group continuously reviews and exploits the opportunities of digitalization. This creates many new possibilities to offer customers additional services. At the same time, the Group constantly updates its existing information technology (IT) systems, as well as its IT protection and security systems. Functioning and adequately documented IT systems are also a prerequisite for obtaining product approvals in certain countries. Risks that, in the event of damage, could result in an interruption of business processes due to IT system failures or the loss or falsification of data, are therefore identified and evaluated across the entire life cycle of the applications and IT systems. Measures were taken in this area in particular during the fiscal year under review, to prevent damage from cyber attacks and virus attacks to the IT infrastructure and medical devices at the customer. Some of the Group's IT systems are operated by external partners. The Group has defined high standards for these service providers with regard to the hardware and software used, as well as data security. The Group continuously monitors the implementation of and compliance with these standards. The management does not expect this to have any material effects on the Group's net assets, financial position or results of operations.

Risks from acquisitions

Acquisitions or investments offer the Carl Zeiss Meditec Group the opportunity to expand its portfolio of expertise and technology, or to increase its access to regional markets. Acquisitions bear the entrepreneurial risk of the acquired company not performing as well economically as expected in the market, or of the sales and earnings targets being pursued with its acquisition not being reached, or of intended synergy effects with the Carl Zeiss Meditec Group not being achievable. The Group systematically reviews the associated risks and opportunities. A key element prior to execution of a transaction is a standardized process for mergers & acquisitions, including a due diligence review to assess the business development that can be expected. The economic impact and probability of occurrence are therefore small.

Goodwill totaling €174.3m from acquisitions is shown in the consolidated statement of financial position. This goodwill is tested annually for impairment in accordance with IAS 36. A total of €172.6m of this goodwill is attributable to the Ophthalmic Devices SBU, and €1.7m to the Microsurgery SBU. The impairment tests carried out during the fiscal year under review did not give any indication of impairment of the goodwill-bearing cash-generating units (CGUs). Based on the development of business, the Group also anticipates positive results from subsequent tests. Due to changes in general economic conditions or changes in business models, impairment losses cannot be ruled out on goodwill recognized for individual or all companies acquired in the past.

Legal risks, patents and intellectual property

The Company's competitiveness depends on the protection of its technological innovations against exploitation by third parties. Violations of intellectual property and patent protection may compromise the Company's technological lead and thus its competitive advantage in all business segments. The expiry of property rights, particularly patents, as well as the geographical limitation of property rights could result in new or existing competitors exploiting the inventions of the Carl Zeiss Meditec Group to enter the market or strengthen their market position. Furthermore, in spite of the measures taken, third parties may still attempt to copy or partly copy products of the Group, since the unauthorized use of intellectual property is generally difficult to monitor and copyright laws only provide for limited protection.

The Group safeguards its technologies and products with a comprehensive industrial property rights strategy. If ZEISS patent and brand rights are infringed by third parties, the Group takes legal steps to counter the associated high financial risk. Such cases tend to be rare. However, in light of the Company's high level of innovation, there is a certain probability of infringements occurring in future. When developing new products and technologies, the Group systematically checks whether the rights of a third party could be affected, develops non-protected solutions, if necessary, and acquires the requisite licenses and rights, or seeks other solutions by legal contract. Overall, the management does not expect risks in the area of patents and intellectual property to have any material effects on the Group's net assets, financial position or results of operations.

Legal risks may arise due, among other things, to changes in general legal conditions in the relevant markets and to legal disputes with competitors, business associates or customers. There is no pending litigation that poses any risk to the continued existence of the Group at present. Should it be necessary, adequate provisions will be set up as a precaution. Further details on litigation and arbitration proceedings involving the Carl Zeiss Meditec Group can be found in note "(29) Contingent liabilities and other financial commitments" in the accompanying notes to the consolidated financial statements.

As a listed medical technology company with global activities, the Carl Zeiss Meditec Group is subject, in the countries in which the Group operates, to a large number of laws, regulations and guidelines. In order to ensure compliance with these regulations, these are regularly analyzed for any changes and internal processes and guidelines are adjusted, if necessary. The Group has set out the basic principles of correct conduct in business activities in a Code of Conduct, which applies to all employees. In order to avoid breaches of compliance and minimize risks to the Group's reputation, the Group has established a corporate-wide compliance organization. Regular training measures are also in place to familiarize the employees with internal guidelines and make them aware of the negative effects breaches could have. The management does not expect this to have any material effects on the Group's net assets, financial position or results of operations.

Financial risks

As a result of the European debt crisis there is a latent credit risk concerning business banks at which the Carl Zeiss Meditec Group holds deposits. However, the Group has taken various measures to mitigate risks. For example, it has introduced a monitoring procedure to monitor the current situation in the capital markets.

The Company has categorized its financial risks as moderate. The basis for this categorization is the sound financing structure with an equity ratio of 76.5%, the large reserve of cash and cash equivalents, and a strong cash flow from operating activities. Cash and cash equivalents at the Carl Zeiss Meditec Group are kept in reserve based on a rolling monthly cash forecast within a fixed planning period, and are managed as part of a Group-wide ZEISS cash pool.

The financial risks also include liquidity risks, price fluctuation risks for financial instruments and risks associated with fluctuations in cash flows. These risks and their management are adequately described in note "(35) Financial risk management" in the accompanying notes to the consolidated financial statements.

Economic environment
As a company with global operations, the Carl Zeiss Meditec Group is particularly exposed to developments that pose a risk to the global economy. Therefore, the general global political situation, major natural disasters, macroeconomic development and market trends in individual regions of the world may have diverse effects on the Carl Zeiss Meditec Group's chances of success in all business segments.

In particular the underlying conditions in the global economy have become more volatile over the past few years, which has heightened economic risks overall. Economic growth may be curbed significantly by the euro crisis, the debt situation in the USA and a slowdown in growth in China. This trend in the overall economic situation may have an adverse effect on the economic situation of our customers and their demand for Carl Zeiss Meditec's products, which may have an adverse effect on sales and earnings. Thanks to the early-warning system established within the Company, these risks are recognized in good time and can be countered accordingly. In addition, the Group's international presence means it is less affected by regional crises, and the highly differentiated product and customer structure of the Company limits its sales risks. According to current assessments, the Company is not exposed to any significant risks.

Market and competition
The Carl Zeiss Meditec Group is exposed to intense competitive pressure in both segments. Besides the market entry of new competitors, there is also a risk, in the event of significant exchange rate fluctuations, of competitors from the beneficiary countries being able to offer their products at considerably lower prices in the market, and therefore improving their competitive position. Some competitors are better at dealing with competitive pressure, due to their higher total turnover and the financial resources they have at their disposal. In addition, existing competitors may be bought up by large, financially strong companies, or form alliances with each other, which may lead to even greater competitive pressure, lower selling prices, margin pressure and/or the loss of market shares. The Company prepares itself for such risks by continuously observing and analyzing the market, in order to be able to react with the necessary foresight.

Health insurance funds, insurance companies or government health schemes reimburse the costs of certain medical treatments carried out using products of the Carl Zeiss Meditec Group. Changes in health care and reimbursement policy in Germany or abroad may lead to the denial or reduction of reimbursements, which could reduce the demand for Carl Zeiss Meditec products. In the case of new products for which reimbursement cannot yet be predicted with certainty, demand may be considerably dampened by the financial situation of consumers.

In addition, on the customer side, and particularly in the private healthcare sector, there is a noticeable increase in the formation of regional and national purchasing alliances, as well as clinic chains. Such a trend may lead to falling selling prices in this customer segment.

Collectively, these market and competition-related risks may impact the Group's earnings by an amount in the low double-digit million euro range. On the other hand, the demographic trend in industrialized countries and economic development in the RDEs, as well as the increasing requirements placed on medical devices for diagnosing and treating age-related eye diseases, present growth opportunities for the Company.

Product approval and political environment
As the Group sells its products worldwide, statutory regulations have to be taken into consideration when manufacturing and launching products in the market, especially where explicit regulatory approvals and certifications are required.

Although these requirements are incorporated into all stages of development, production and distribution, there is no guarantee that such approvals will be granted at all or in time for the planned launch in the market, or that the Group's numerous registrations will still exist or be renewed in the future. This may lead to sales losses and, in the case of delayed product launches, to competitive disadvantages. Furthermore, registration requirements could become more stringent in the future.

In order to be able to identify such developments in good time and respond appropriately, the Group monitors developments and approval procedures in this area very closely as part of its quality management system. This is especially the case right now with regard to the new EU medical devices directive, which entered into force in 2017. Any residual risks that remain lie within the mid to high-single-digit million euro range.

Certified quality management
A vital part of early risk detection is the Group's certified quality management system. Clearly structured and documented quality management processes ensure not only transparency, but are now a prerequisite in most markets for obtaining regulatory approval for medical devices. The quality assurance system employed by the Carl Zeiss Meditec Group was certified by *DQS GmbH Deutsche Gesellschaft zur Zertifizierung von Managementsystemen* and complies with the U.S. standard for Good Manufacturing Practice (GMP), 21 C.F.R. part 820, Quality System Regulation.

Product liability risk
There is a fundamental risk with some of the medical devices and system solutions and implants manufactured by the Company that, in spite of all reasonable measures being taken by the certified quality management system and compliance with all legal requirements, malfunctions may result in injury to or adverse effects for the patient. This may be due, among other things, to components and raw materials purchased from external suppliers not meeting the specified quality requirements. Although no significant product liability claims have been made against the Company to date, no assurance can be given that Carl Zeiss Meditec will not be faced with such claims in the future. This may damage the Group’s reputation in the long term and lead to considerable legal costs, irrespective of whether a claim for damages ultimately materializes. Risk liability claims can be particularly high, especially in the USA, not to mention the costly recall campaigns that may be required.

The Company covers itself against potential product liability claims by taking out product liability insurance. The possibility cannot be completely excluded that the Carl Zeiss Meditec Group's existing insurance coverage may not be sufficient to cover potential claims. The potential negative impact these risks could have on earnings equates to an amount in the low to mid-single-digit million euro range.

Infrastructure risks
Uncontrollable environmental influences, such as natural disasters or terrorist attacks, may result in the loss of employees or an interruption to business operations at the affected locations, and may prevent the Company from providing regular production, distribution and other services in these regions and generating the expected earnings. All business segments could be affected by this. In addition, it could have adverse effects on the Company's customers domiciled in the affected region and on their willingness to invest, as well as the local suppliers there and their willingness to supply.

The Group's headquarters, with major research and development departments and other key Group functions, are located in Germany, a region with a low risk of natural disasters. A second major production site is located in the Greater San Francisco area in the USA, a region with an increased risk of earthquakes. In order to minimize potential damage, the Carl Zeiss Meditec Group has set up a crisis management system, and has also developed local and central plans for maintaining the functionality of critical business processes (business continuity plans). For this reason the Company does not expect any material adverse effects on its net assets, financial position or results of operations.

Risks relating to the Group accounting process

The main risks in the accounting process are that the financial statements may not provide a true and fair view of the net assets, financial position and results of operations as a result of unintentional errors or willful actions, or that there is a delay in publishing these. The accounting would not present a true and fair view of the Company in this case. Deviations are classified as significant if they could individually or collectively influence the economic decisions taken by the recipients of the financial statements based on the financial statements.

In the area of accounting and Group accounting, processes ensure the completeness and accuracy of the financial statements with regularly reviewed, integrated, preventive and detective controls. All of the Group's internal accounting and valuation guidelines are collated in an accounting manual, which is available via the Group's intranet to all of the relevant organizational units and all of the Company's employees, along with the Group-wide financial reporting calendar. In addition, supplementary procedures, standardized reporting formats, IT systems and IT-assisted reporting and consolidation processes support the process for uniform and proper consolidated accounting.

The operative, timely implementation of the systemic requirements is effected by the affected areas of Carl Zeiss Meditec AG and its subsidiaries. These are supported and monitored by Carl Zeiss Meditec's Finance Group department. The Finance Group department is responsible for consolidated reporting, including Group-wide financial and management information, forecasts, budgets and risk reporting. Acts of law, accounting standards and other pronouncements are continuously analyzed with regard to their relevance for and impact on the consolidated and annual financial statements.

Additional disclosures pursuant to Section 289 (2) No. 1 HGB, Section 315 (2) No. 1 HGB

In principle, price fluctuation risks cannot be ruled out. However, the Carl Zeiss Meditec Group counters these risks by focusing on product innovations and optimizing its production costs through cost-cutting and efficiency-enhancing measures.

Potential risks of default on trade receivables – particularly given the euro and debt crisis and the generally greater risk of bad debt losses that comes with it – are minimized by means of an active credit control system. The Group also regularly sets up adequate provisions to cover such risks. On the whole, however, we consider this to be a limited risk. The ratio of value adjustments of trade receivables to consolidated revenue was 0.9% in the year under review (prior year: 0.8 %).

The Carl Zeiss Meditec Group's financial situation can be considered sound. Cash and cash equivalents amounted to €3.9m as of the balance sheet date 30 September 2017. Added to this are credit balances recognized as receivables from the treasury of the Carl Zeiss Group, in the amount of €630.7m. The Group also generated cash flows from operating activities of €37.7m in the year under review. From a current perspective there are therefore no significant liquidity risks.

All cash and cash equivalents, including the balances with the Group treasury of Carl Zeiss Group, are deposited at banks. Should it come to a loss of individual banks – due in particular to the euro and debt crisis – the balances held there may be endangered. The Carl Zeiss Meditec Group counters this risk by continuously monitoring the solvency of the banks with which it has a business relationship and by spreading its assets among several banks via the treasury of Carl Zeiss AG.

As a company with global operations, the Carl Zeiss Meditec Group is exposed to the effects of exchange rate fluctuations. In order to hedge against this currency risk, the Carl Zeiss Meditec Group concludes currency forward contracts based on planned transactions in foreign currency. These contracts generally span a period of up to one year. Based on current exchange rate fluctuations, currency effects may continue to impact the financial result depending on the extent of the fluctuations. The notes to the financial statements contain further details on forward exchange contracts.

Overall assessment of the Company's risk situation
At the time of preparation of this report, there were no discernible risks that could jeopardize the continued existence of the Carl Zeiss Meditec Group. There are no significant differences in the overall assessment compared with the prior year. The Management Board sees a solid foundation for further development of the Group and uses a systematic strategy and planning process to provide the necessary resources to exploit any opportunities that arise.

DISCLOSURES PURSUANT TO SECTION 289 (4) AND SECTION 315 (4) HGB

Carl Zeiss Meditec AG's subscribed capital amounts to €89,440,570.00 and is composed of 89,440,570.00 no-par value ordinary bearer shares (no-par value shares), each with a theoretical interest in the share capital of €1.00 per no-par value share. Each share entitles the bearer to one voting right and an equal share in Company profits.

Other shares or shares with special rights that grant supervisory powers do not exist. Nor are there restrictions on the part of Carl Zeiss Meditec AG concerning the voting rights or transfer of shares. Furthermore, the Management Board is not aware of any other agreements concluded, for example, between individual shareholders.

Carl Zeiss Meditec AG is aware of the following direct and indirect holdings in the capital of Carl Zeiss Meditec AG that exceed ten percent of the voting rights. Carl Zeiss AG, Oberkochen, Germany, holds, both directly and indirectly, a total of 59.1% of the voting rights in Carl Zeiss Meditec AG. This corresponds to 52,893,270 no-par value shares. These include 6.8% of the voting rights, or 6,074,256 no-par value shares in Carl Zeiss Meditec AG, which Carl Zeiss AG holds indirectly via its wholly owned subsidiary Carl Zeiss Inc., Thornwood, USA.

Employees of Carl Zeiss Meditec AG or its affiliated companies pursuant to Section 15 et seqq. AktG, who participated in the Company via employee share plans concerning the share capital of Carl Zeiss Meditec AG in prior years, exercise their control rights directly like all other shareholders of the Company.

Pursuant to Section 179 and Section 133 AktG, an amendment to the Articles of Association requires a resolution by the Annual General Meeting which, in turn, requires a simple majority of the votes cast and a majority comprising at least three quarters of the share capital represented at the time the resolution is

passed. The Articles of Association may specify a different capital majority; in the case of an amendment to the purpose of the Company, however, only a larger capital majority may be specified. Art. 25 of Carl Zeiss Meditec AG's Articles of Association states that in cases for which the law requires a majority of the share capital represented at the time of resolution, a simple majority of the share capital represented is sufficient, provided that a greater majority is not mandatory by law. Pursuant to Art. 28 of the Articles of Association of Carl Zeiss Meditec AG, the Supervisory Board is authorized to resolve amendments to the Articles of Association that only affect the version. This complies with Section 179 (1) Sentence 2 AktG.

The legal provisions concerning the appointment and dismissal of members of the Management Board are set forth in Section 84 and Section 85 AktG. In compliance with this, Art. 6 (2) of the Articles of Association of Carl Zeiss Meditec AG stipulates that the Supervisory Board shall be responsible for appointing and dismissing the members of the Management Board. Pursuant to statutory provisions, a member of the Management Board may only be dismissed for compelling reasons.

Pursuant to Art. 4 (5) of the Articles of Association of Carl Zeiss Meditec AG, the Company has an Authorized Capital. Accordingly, the Management Board is authorized, subject to the approval of the Supervisory Board, to increase the share capital, on one or several occasions in the period until 5 April 2021, by up to € 40,654,805.00. New no-par value bearer shares may be issued against cash and/or contributions in kind for this. The Management Board is authorized, subject to the approval of the Supervisory Board, to exclude the statutory subscription right of shareholders in the following cases:

» to balance out fractional amounts,
» if the capital increase is effected against cash contributions and the new shares, for which the subscription rights are excluded, are equivalent to no more than 10% of the share capital, neither on the date the increase becomes effective, nor on the date this authorization is exercised, and the issuing price of the new shares is not significantly lower than the market price of shares of the same type and structure already publicly quoted. Sales of own shares on the basis of other authorizations pursuant to Section 186 (3) sentence 4 AktG must be taken into account in the restriction to 10% of the share capital;
» for capital increases against contributions in kind to grant shares for the purpose of acquiring companies, parts thereof or interests in a company. This authorization was partly utilized in March 2017 by way of the share capital increase by €8,130,960.00, with the exclusion of the subscription right. The remaining authorized capital amounts to €32,523,845.00.

The Management Board is authorized, with the consent of the Supervisory Board, to specify the further details of capital increases from Authorized Capital.

The Management Board is authorized, with the consent of the Supervisory Board, to increase the share capital on one or several occasions up until 29 May 2022, by issuing new no-par value shares against cash and/or contributions in kind, up to a total value of €12,196,440.00 (Authorized Capital 2017). Shareholders shall be granted a subscription right, with the following restrictions. The Management Board shall be authorized, with the consent of the Supervisory Board, to exclude fractional amounts from the shareholders' subscription right and also to exclude the subscription right to the extent necessary to grant the bearers of warrants and convertible bonds issued by Carl Zeiss Meditec AG or its subsidiaries a subscription right to new shares in the scope to which they would be entitled after exercising such warrant or convertible bond. The Management Board shall furthermore be authorized, with the consent of the Supervisory Board, to exclude the subscription right, in the case of a capital increase against cash contributions, for an amount of up to 10% of the share capital existing at the time the Authorized Capital 2017 enters into effect or – if lower – the share capital existing at the time of the resolution on the appropriation of the Authorized Capital 2017, if the issuing amount of the new shares is not significantly lower than the market price of the Company shares already listed at the

date of final specification of the issue amount, which should occur as close as possible to the date of placement of the shares. This upper limit of 10% of the share capital shall take into account the pro rata amount of the share capital that is attributable to shares issued from Authorized Capital 2017 since granting of this authorization up until utilization of this authorization pursuant to Section 186 (3), sentence 4 AktG, with the exclusion of subscription rights, either on the basis of an authorization of the Management Board to exclude subscription rights in direct or analogous application of Section 186 (3), Sentence 4 AktG, or sold as acquired own shares in accordance with Section 186 (3), sentence 4 AktG, as well that pro rata amount of the share capital attributable to shares to which conversion and/or option rights or conversion obligations arising from bonds apply, which are issued up until utilization of this authorization, with the exclusion of subscription rights, pursuant to Section 186 (3), sentence 4 AktG. The Management Board shall also be authorized, with the consent of the Supervisory Board, to exclude the subscription right for a capital increase against contributions in kind to grant shares for the purpose of acquiring companies, parts of companies or investments in companies or other investable assets, including receivables. In addition, the Management Board shall be authorized to stipulate the further details of the capital increase and its implementation, with the consent of the Supervisory Board.

Pursuant to the resolution of the Annual General Meeting of Carl Zeiss Meditec AG on 18 March 2015, the Management Board is authorized to purchase treasury shares. This authorization is valid until 17 March, 2020. The shares may be purchased, with the consent of the Supervisory Board:

» to offer them for purchase to employees of the Company and the companies affiliated with the Company within the meaning of Section 15 et seqq. German Stock Corporation Act (AktG) – noting that the right of shareholders to subscribe to treasury shares is excluded – or
» to use them within the scope of mergers with companies or to purchase companies, parts of companies or shares in companies – noting that the right of shareholders to subscribe to treasury shares is also excluded in this case – or
» to recall them.

This authorization is limited to the acquisition of shares equivalent to share capital of €8,130,000.00. The shares shall be purchased at the stock exchange. The consideration paid by the Company per share (excluding incidental purchase costs) may not be more than 10% above or below the closing rate of the shares in Xetra trading (or an equivalent successor system to the Xetra trading system) at the Frankfurt Stock Exchange on the previous day of trading. At no time may the purchased shares, together with other own shares held by the Company and ascribable to it pursuant to Section 71a et seqq. AktG, exceed 10% of the share capital.

The Company has not entered into any significant agreements contingent upon a change of control following a takeover bid.

Nor has the Company concluded any compensation agreements with the members of the Management Board or employees for the event of a takeover offer.

SUPPLEMENTARY REPORT

The development of business at the beginning of fiscal year 2017/18 validates the statements made in the "Outlook" below.

We refer here to the information in the notes to the financial statements under section 37 "Events after the end of the reporting period".

OUTLOOK

Corporate strategy

As market and technology leader in the field of ophthalmology and microsurgery, Carl Zeiss Meditec AG's aim is to achieve sustainable, profitable growth, by improving the diagnosis and treatment of diseases with innovative products and solutions. Key success factors here include: Innovation, the development of integrated solutions and customer focus. Innovation, in particular, plays a key role.

Customer focus

The customers of the Carl Zeiss Meditec Group are facing major challenges in managing rising case numbers, limited public funding and more demanding expectations of patients with respect to the treatment outcome. Integrated products and solutions can help to increase workflow efficiency and reduce costs, e.g. by providing clinical decision aids for the physician and options for easy outsourcing of routine tasks to medical auxiliary staff. Digitalization offers massive opportunities here, for example in the field of data management solutions. For the Company, a key prerequisite for long-term success is having an exact understanding of our customers' requirements and offering a range of services that is tailored to these requirements. In fiscal year 2016/17, the service share of Group revenue amounted to approximately 9.1%. A further moderate increase in the service share of consolidated revenue is expected in the medium term.

Innovation

The goal is to make cutting-edge technology in medical application accessible for the customers of Carl Zeiss Meditec AG. The Company is therefore striving to establish products as new gold standards in medical diagnostics and therapy. Technology leadership is ensured by continuously high investments in research and development.

Integrated solutions

Based on the large number of diagnostic and therapeutic devices typically found in a medical practice or clinic, customers are being given the opportunity to make their workflows more efficient and improve clinical outcomes by logically networking devices and systems. A comprehensive system integration including IT-assisted analysis functions is essential for this.

Future conditions for business development

Macroeconomic environment[19]

At the current time, fiscal year 2017/18 is expected to bring continuous moderate economic growth. The emerging economies shall continue to provide considerable impetus for growth, while growth rates in the industrialized nations will remain almost the same. According to forecasts, economic growth in the USA will be at a similar level, while a moderate decline is expected in Japan and Europe. Growth in the emerging Asian markets shall continue, although growth rates are expected to flatten off in China and increase slightly in India. Growth in Latin America is back on the increase, also due to the rise in growth following the recession in Brazil.

At the present time, there are hardly any potential risk factors clouding growth prospects for the global economy. Credit-financed investments are creating impetus for growth; however, a mounting debt also harbors risks. In addition, the possibility of adverse effects due to protectionist and politically motivated measures cannot be ruled out. The as yet unforeseeable effects of Brexit, a possible escalation in the Middle East, the Ukraine and North Korea, as well as ongoing structural problems, may have an adverse effect on industry and public sector investing activities.

[19] International Monetary Fund, „World Economic Outlook", July 2017, Washington D.C.

Future situation in the medical technology industry
The Company's management forecasts further growth for the medical technology market, as the factors responsible for this still hold true. In addition to a growing global population, key growth drivers include an increasing proportion of elderly people and a growing percentage of the global population with access to medical care.

Furthermore, the greater requirements being placed on innovation performance in the medical technology industry play an important role from an efficiency and cost perspective. Consequently, the products and procedures of medical technology manufacturers shall no longer be measured based solely on their effectiveness and safety, but also on their cost-efficiency. Integrated system solutions for simplified workflows at the customer are an important distinguishing feature.

The medical technology sector has also not been left untouched by digitalization. This presents a major opportunity for companies to help design products and solutions in health care and to thus contribute to better treatment outcomes. In the Company's view, the integration of medical technology and information technology shall continue to proceed at a fast pace.

Last but not least, the development of the global economy influences the growth of the medical technology industry inasmuch as private customers or public authorities make the timing of their investment decisions dependent on this to a certain degree.

At the present time the medical technology industry is expected to grow in the coming years in the low to mid-single-digit percentage range.

Future development in the strategic business units of the Carl Zeiss Meditec Group

Strategic business unit Ophthalmic Devices
Revenue in the **Ophthalmic Devices** SBU developed positively in the past fiscal year. Further growth is anticipated in 2017/18. Both the products already established on the market for diagnosing and treating ophthalmic diseases, as well as other innovations launched in the course of the past fiscal year shall contribute to this growth. These include, among others, the widefield fundus imaging system CLARUS™ 500, the innovative premium intraocular lens AT LARA®, as well as a further spread of the minimally invasive vision correction procedure ReLEx® SMILE to the USA and worldwide.

The Company is confident that it will grow at least to the same extent as the underlying market in the new fiscal year. From a current perspective, and excluding currency effects, this corresponds to growth in the low to mid-single-digit percentage range. The EBIT margin is expected to remain below the Group average.

Strategic business unit Microsurgery
In the past fiscal year, the **Microsurgery** SBU achieved slight revenue growth and thus maintained its already exceptionally strong market position. The new robotic visualization system KINEVO® 900 and the dental microscope EXTARO® 300 are expected to make a positive contribution over the course of the next fiscal year.

The Company also expects continued significant earnings contributions in the **Microsurgery** SBU in future and is optimistic that it will achieve growth that is at least on a par with the underlying market in the coming fiscal year. 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.

Future selling markets

As a global Group, our continued aim in the years ahead shall be to maintain as balanced a distribution of revenue as possible across our individual markets. The Carl Zeiss Meditec Group currently generates around one third of its revenue in all three of its strategically important business regions: EMEA, the Americas and APAC. The Company sees particularly promising business prospects for the long term in the APAC region, due to the rapid economic growth there. The research centers of the Carl Zeiss Group in India and China, which the Carl Zeiss Meditec Group uses for product development, shall help to expand and secure this growth. The aim in future shall be to exploit the potential in these countries to an even greater extent and generate further sales growth.

Future research and development activities

The Carl Zeiss Meditec Group invests considerable funds in research and development projects, with efficient and targeted development processes playing a key role. Upstream from this is the search for new technologies and market trends, in order to subsequently become established on the market with new solutions. The important thing is to consider the regional market conditions and the needs of the customers in the development process from the outset. The aim for fiscal year 2017/18 is to invest around 11% to 12% of revenue in research and development.

Future investments

Investments are a basic requirement for maintaining technology leadership in future. The investment ratio at the Carl Zeiss Meditec Group has been largely constant over the past few years. Even the investments required to realize growth targets shall not significantly change the current investment ratio in the coming fiscal year. The Company plans to invest around 1% to 2% of revenue in property, plant and equipment in fiscal year 2017/18, which is about the same as in prior years.

Future dividend policy

Carl Zeiss Meditec AG pursues a long-term and earnings-oriented dividend policy. The Company's management plans to propose to the Annual General Meeting the distribution of a dividend of €0.55 per share for the past fiscal year. The dividend ratio would therefore be 35.0% (prior year: 34.7%). The share capital was increased in March 2017, with gross issue proceeds of €317m. The Company’s objective with this step is to accelerate the growth strategy, to serve in particular acquisitions and general business purposes.

Future employee development

Qualified and highly motivated employees are essential for the Company's success: we need them to be able to continue to work innovatively and profitably in future. It is crucial to keep investing in the further development of existing employees in future, as well as to recruit well qualified specialists and managers for the Company. Employee growth that correlates with the Company’s business development is therefore anticipated in the coming periods.

Future financial position

Interest income and expenses depend on changes in interest rates on the financial markets. At present, the Company does not expect any marked improvements in investment conditions in the next two years. Interest income and interest expenses are thus expected to remain around the prior year's level. As of 30 September

2017 current cash and cash equivalents of €565.0m were 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 funding capacity to be adequate. In 2017/18 we aim to achieve operative cash flow in the high double-digit millions, based on active working capital management.

Future opportunities

The global medical technology market is characterized by fundamentally sustainable growth. This applies to both ophthalmology and microsurgery and assures us of good selling conditions for the Company. Additional opportunities are provided by our innovative and broad product range, which shall continue to expand in the coming fiscal year. Our strong financial profile, which safeguards the Company's development against external influences, should also have a positive effect. Future development shall also include external growth opportunities in some areas. In a systematic process Carl Zeiss Meditec AG continuously looks for strategically meaningful acquisitions. It is not possible at this point to gauge how feasible such opportunities might be.

Overall assertion on future development

At the time of publication of this Annual Report the management of the Carl Zeiss Meditec Group considers the outlook for the coming fiscal year to be positive. This assumption is based on the persistent long-term trends already described above.

Given the favorable conditions for market development in the medium and long term, and the Carl Zeiss Meditec Group's good strategic position, the Company's management currently assumes that revenue will continue to grow in the coming fiscal year, provided that general economic conditions remain stable. It is anticipated that revenue growth will be at least on a par with the market growth expected for the industry. From a current perspective, and excluding currency effects, this corresponds to growth in the low to mid-single-digit percentage range.

A crucial advantage for even greater stability of our overall business is a higher proportion of revenue with case-number-dependent products and services, since there is generally less fluctuation in these areas than in the capital goods business, for example. In fiscal year 2016/17 we achieved a share of around 33%. From a current perspective, we expect a further increase in fiscal year 2017/18 and in the medium term.

In fiscal year 2016/17 the EBIT margin increased from 14.2% in the prior year, to 15.2%. Even excluding one-time disposal proceeds of €7.5m in the first quarter of 2016/17, the EBIT margin would have increased further in fiscal year 2016/17. Due in particular to the positive development of revenue, the improved product mix and the increased proportion of case-number-dependent revenue, Carl Zeiss Meditec AG anticipates – on a comparable basis – an EBIT margin of between 14% and 16% in fiscal year 2017/18 and in the medium term

In terms of free cash flow for fiscal year 2017/18, Carl Zeiss Meditec AG anticipates a figure that is still at least in the high double-digit millions. We expect Economic Value Added® (EVA®) in the coming fiscal year to be on a similar level to fiscal year 2016/17.

Should there be any significant changes in the economic environment currently forecast over the course of the fiscal year, 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.

FINAL DECLARATION OF THE MANAGEMENT BOARD ON THE DEPENDENT COMPANY REPORT PURSUANT TO SECTION 312 (3) AKTG

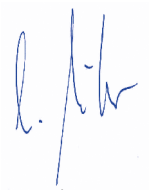
As a group company within Carl Zeiss AG, Carl Zeiss Meditec AG has prepared a dependent company report pursuant to Section 312 German Stock Corporation Act (AktG). In light of the circumstances known to the Management Board at the time the legal transactions were concluded, the companies of Carl Zeiss Meditec AG received an appropriate consideration for each of the transactions listed in this report concerning relations with affiliated companies. No other reportable transactions pursuant to Section 312 (1) Sentence 2 AktG were entered into by the Company.

DECLARATION ON CORPORATE GOVERNANCE (PURSUANT TO SECTION 289A, 315 (5) HGB) AND CORPORATE GOVERNANCE REPORT

The declaration on corporate governance (pursuant to Section 289a HGB and 315 (5)) includes the declaration of conformity pursuant to Section 161 AktG, relevant information on corporate governance practices applied which go beyond the statutory requirements, in addition to information of where these are publicly accessible and a description of how the Management and Supervisory Boards work, as well as the composition and mode of working of their committees. In addition, disclosures are made concerning the stipulation of targets for the proportion of women on the Management Board and within the next two levels of management, including the deadlines for attaining these targets, and concerning compliance with the minimum proportions of women and men on the Supervisory Board.

The Declaration on Corporate Governance is available under www.zeiss.com/meditec-ag/ir "Declaration on Corporate Governance".

Jena, 24 November 2017



Dr. Ludwin Monz
Chairman of the Management Board

Dr. Christian Müller
Member of the Management Board

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Consolidated income statement (IFRS)
from 1 October 2016 to 30 September 2017

	Note	2016/17 1 Oct 2016 to 30 Sep 2017	2015/16 1 Oct 2015 to 30 Sep 2016
		€k	€k
Revenue	**(2p) (4)**	**1,189,896**	**1,088,365**
Cost of sales		(533,163)	(508,819)
Gross profit		**656,733**	**579,546**
Selling and marketing expenses		(289,555)	(255,328)
General administrative expenses		(48,092)	(46,480)
Research and development expenses	(33)	(145,792)	(123,406)
Other operating result	(5)	7,536	-
Earnings before interest, taxes, depreciation and amortization		205,065	174,558
Depreciation and amortization		(24,235)	(20,226)
Earnings before interest and taxes		**180,830**	**154,332**
Result from investments accounted for using the equity method	(7)	-	(810)
Interest income	(7)	937	1,081
Interest expenses	(7)	(1,676)	(2,155)
Net interest from defined benefit pension plans	(7)	(1,020)	(1,440)
Foreign currency gains/(losses), net	(2c) (2v) (7)	9,029	(9,341)
Other financial result	(7)	456	294
Earnings before income taxes		**188,556**	**141,961**
Income taxes	(8)	(52,778)	(41,991)
Consolidated profit		**135,778**	**99,970**
Attributable to:			
Shareholders of the parent company		134,445	98,330
Non-controlling interests		1,333	1,640
Profit/(loss) per share attributable to the shareholders of the parent company in the fiscal year (in €):			
– Basic/diluted	**(2r) (10)**	**1.57**	**1.21**

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

Consolidated statement of comprehensive income (IFRS)
from 1 October 2016 to 30 September 2017

	Note	2016/17 1 Oct 2016 to 30 Sep 2017	2015/16 1 Oct 2015 to 30 Sep 2016
		€k	€k
Consolidated profit		**135,778**	**99,970**
Gains/(losses) on foreign currency translation	(2c) (21)	(23,478)	15,992
Derivative financial instruments	(2h) (27)	3,881	(7,201)
Total of items that may subsequently be reclassified to consolidated profit		**(19,597)**	**8,791**
Remeasurement from defined benefit pension plans	(2n) (22)	20,197	(24,150)
Total of items that will not subsequently be reclassified to consolidated profit		**20,197**	**(24,150)**
Other comprehensive income		**600**	**(15,359)**
Comprehensive income for the period		**136,378**	**84,611**
Attributable to:			
Shareholders of the parent company		140,700	74,877
Non-controlling interests		(4,322)	9,734

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

Consolidated statement of financial position (IFRS)

as of 30 September 2017

	Note	30 Sep 2017	30 Sep 2016
		€k	€k
ASSETS			
Non-current assets			
Goodwill	(2e) (11)	174,313	164,578
Other intangible assets	(2f) (12)	68,491	53,746
Property, plant and equipment	(2g) (13)	58,696	64,509
Other loans	(27)	1,824	2,348
Investments in affiliated non-consolidated companies	(3)	19,178	-
Investments	(27)	122	124
Deferred taxes	(2i) (14)	77,365	89,621
Non-current trade receivables	(17)	12,741	11,097
Other non-current assets	(15)	2,490	2,874
		415,220	**388,897**
Current assets			
Inventories	(2j) (16)	234,303	208,309
Trade receivables	(17)	195,256	189,244
Trade receivables from related parties	(2t) (33)	89,835	60,216
Treasury receivables	(2t) (33)	630,721	354,528
Tax refund claims		2,814	5,816
Other current financial assets	(2h) (18)	31,126	9,962
Other current non-financial assets	(19)	19,908	20,678
Cash and cash equivalents	(2l) (20)	3,925	8,710
		1,207,888	**857,463**
Assets held for sale		-	1,370
		1,623,108	**1,247,730**
EQUITY AND LIABILITIES			
Equity			
Share capital	(21)	89,441	81,310
Capital reserve	(21)	620,137	313,863
Retained earnings	(21)	555,215	458,335
Other components of equity	(2m) (21)	(49,416)	(55,671)
Equity before non-controlling interests		1,215,377	797,837
Non-controlling interests	(21)	26,358	53,326
		1,241,735	**851,163**
Non-current liabilities			
Provisions for pensions and similar obligations	(2n) (22)	37,866	81,134
Other non-current provisions	(2o) (23)	10,139	5,380
Non-current financial liabilities	(24)	593	1,610
Non-current leasing liabilities	(2k) (28)	2,995	6,126
Other non-current non-financial liabilities		4,784	6,023
Deferred taxes	(2i) (14)	8,918	10,397
		65,295	**110,670**
Current liabilities			
Current provisions	(2o) (23)	23,181	22,691
Current accrued liabilities	(25)	72,237	71,168
Current financial liabilities	(2h)	5,733	22,720
Current portion of non-current leasing liabilities	(2k) (28)	2,819	2,854
Trade payables		64,870	57,105
Current income tax payables		8,367	15,863
Trade payables to related parties	(2t) (33)	35,593	29,426
Treasury payables	(2t) (33)	69,642	28,656
Other current non-financial liabilities	(26)	33,636	35,414
		316,078	**285,897**
		1,623,108	**1,247,730**

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

Consolidated statement of changes in equity (IFRS)

	Note	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	(2c) (21)	-	-	-	7,714	7,714	8,278	15,992
Derivative financial instruments	(2h) (27)	-	-	-	(7,201)	(7,201)	-	(7,201)
Remeasurement from defined benefit pension plans	(2n) (22)	-	-	-	(23,966)	(23,966)	(184)	(24,150)
Changes in value recognized directly in equity	**(2m) (21)**	**-**	**-**	**-**	**(23,453)**	**(23,453)**	**8,094**	**(15,359)**
Consolidated profit		-	-	98,330	-	98,330	1,640	99,970
Comprehensive income for the period	**(2m) (21)**	**-**	**-**	**98,330**	**(23,453)**	**74,877**	**9,734**	**84,611**
Dividend payment	(10)	-	-	(30,898)	-	(30,898)	-	(30,898)
As of 30 Sep 2016		**81,310**	**313,863**	**458,335**	**(55,671)**	**797,837**	**53,326**	**851,163**
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	(2c) (21)	-	-	-	(17,749)	(17,749)	(5,729)	(23,478)
Derivative financial instruments	(2h) (27)	-	-	-	3,881	3,881	-	3,881
Remeasurement from defined benefit pension plans	(2n) (22)	-	-	-	20,123	20,123	74	20,197
Changes in value recognized directly in equity	**(2m) (21)**	**-**	**-**	**-**	**6,255**	**6,255**	**(5,655)**	**600**
Consolidated profit		-	-	134,445	-	134,445	1,333	135,778
Comprehensive income for the period	**(2m) (21)**	**-**	**-**	**134,445**	**6,255**	**140,700**	**(4,322)**	**136,378**
Issuance of shares for contribution in cash	(21)	8,131	306,274	-	-	314,405	-	314,405
Increase in scope of consolidation	(3)	-	-	-	-	-	3,618	3,618
Dividend payment	(10)	-	-	(37,565)	-	(37,565)	(26,264)	(63,829)
As of 30 Sep 2017	**(2m) (21)**	**89,441**	**620,137**	**555,215**	**(49,416)**	**1,215,377**	**26,358**	**1,241,735**

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

Consolidated statement of cash flows (IFRS)

from 1 October 2016 to 30 September 2017

	Note	2016/17 1 Oct 2016 to 30 Sep 2017	2015/16 1 Oct 2015 to 30 Sep 2016
		€k	€k
Cash flows from operating activities:			
Consolidated profit		**135,778**	**99,970**
Adjustments to reconcile consolidated profit to net cash provided by/(used in) operating activities			
Income taxes	(8)	52,778	41,991
Interest income/expenses	(7)	1,759	2,514
Result from investments accounted for using the equity method	(7)	-	810
Results from other investments	(7)	(39)	(34)
Result from disposal of hydrophilic IOL business Aaren Inc.	(3) (5)	(7,478)	-
Depreciation and amortization	(12) (13)	24,235	20,226
Gains/losses on disposal of fixed assets	(12) (13)	249	303
Dividends received		25	34
Interest received		770	630
Interest paid		(1,559)	(1,565)
Refunded income taxes		8,700	772
Income taxes paid		(63,430)	(43,020)
Changes in working capital:			
Trade receivables	(17)	(48,981)	(2,562)
Inventories	(16)	(33,381)	(15,183)
Other assets	(15) (18) (19)	(18,874)	(4,391)
Trade payables		15,271	19,158
Provisions and financial liabilities	(22) (23) (25)	(26,704)	(2,958)
Other liabilities	(26)	(1,387)	(4,925)
Total adjustments		(98,046)	11,800
Net cash provided by/(used in) operating activities		**37,732**	**111,770**
Cash flows from investing activities:			
Investment in property, plant and equipment	(13)	(13,656)	(12,796)
Investment in other intangible assets	(12)	(25,366)	(15,121)
Proceeds from fixed assets		489	338
Purchase of investments and assets accounted for using the equity method		-	(4,131)
Proceeds from sale of investments		16	-
Payments for other loans		(4,074)	(958)
Proceeds from fixed-term deposits		-	110,000
Investments in securities	(18)	(4,413)	-
Purchase of shares in affiliated non-consolidated companies	(3)	(12,181)	-
Purchase of shares in affiliated consolidated companies, net of cash acquired	(3)	(6,035)	-
Proceeds from disposal of hydrophilic IOL business Aaren Inc.	(3)	9,289	-
Net cash provided by/(used in) investing activities		**(55,931)**	**77,332**
Cash flows from financing activities:			
Proceeds from/(repayment of) current liabilities to banks		219	(32)
Proceeds from/(repayment of) non-current liabilities to banks	(24)	(466)	(391)
(Increase)/decrease in treasury receivables	(2t) (33)	(277,249)	(153,383)
Increase/(decrease) in treasury payables	(2t) (33)	45,234	(7,505)
Increase/(decrease) in liabilities due to finance lease	(28)	(2,876)	(2,812)
Dividend payment to shareholders of Carl Zeiss Meditec AG	(10)	(37,565)	(30,898)
Dividend payments to non-controlling interests		(26,264)	-
Proceeds from capital increase	(21)	315,036	-
Payments of costs in connection with capital increase	(21)	(1,575)	-
Net cash provided by/(used in) financing activities		**14,494**	**(195,021)**
Effect of exchange rate changes on cash and cash equivalents		(1,080)	1,588
Increase/(decrease) in cash and cash equivalents		**(4,785)**	**(4,331)**
Cash and cash equivalents, beginning of reporting period	(20)	8,710	13,041
Cash and cash equivalents, end of reporting period	**(20)**	**3,925**	**8,710**

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

Consolidated notes
for fiscal year 2016/17 (IFRS)

GENERAL INFORMATION, ACCOUNTING AND VALUATION PRINCIPLES

1 The Company

(a) Description of operations

Carl Zeiss Meditec AG, Jena, Germany, is the parent company of the Carl Zeiss Meditec Group (the "Company", the "Group"), which comprises additional subsidiaries. The Group offers end-to-end solutions for the diagnosis and treatment of ophthalmic diseases, including implants and consumables. In microsurgery, the Group provides innovative visualization solutions. The Group's customers are physicians in various fields and hospitals worldwide.

Carl Zeiss Meditec AG's headquarters are located in 07745 Jena, Germany (Göschwitzer Straße 51-52), Germany's traditional center of excellence for optical and optical-related technologies. The Company has major subsidiaries in the USA, France, Japan, Spain, the United Kingdom, Turkey and Germany.

Carl Zeiss Meditec AG is recorded in the commercial register of Jena Local Court under HRB 205623.

The consolidated financial statements will be published on the Internet and in the Federal Gazette *(Bundesanzeiger)*.

Consolidated financial statements for the largest group of companies are prepared by Carl Zeiss AG, which is domiciled in 73447 Oberkochen, Germany (Carl-Zeiss-Straße 22). These are published in the Federal Gazette.

(b) Basis of presentation

The consolidated financial statements of Carl Zeiss Meditec AG are based on the going concern assumption. They were prepared in accordance with the International Financial Reporting Standards ("IFRSs") promulgated by the International Accounting Standards Board ("IASB"), London, and take into account all accounting standards and interpretations adopted by 30 September 2017 for which application is mandatory, as they are to be applied in the EU. The present version of the consolidated financial statements complies with the provisions of Section 315a of the German Commercial Code (Handelsgesetzbuch, HGB).

The fiscal year of Carl Zeiss Meditec and its subsidiaries ends on 30 September.

2 Accounting policies

(a) Principles of consolidation

The consolidated financial statements comprise the statements of Carl Zeiss Meditec AG and its major subsidiaries. Subsidiaries are all companies controlled by Carl Zeiss Meditec AG. A company is controlled if the Group is subject to variable returns from its relationship with a company, or has rights to these returns, and can control the relevant activities that influence these returns. Normally, the possibility of control at subsidiaries is based on an indirect or direct voting majority of Carl Zeiss Meditec AG.

All major intragroup transactions, balances and interim results from transactions between Group companies were eliminated within the scope of consolidation. Non-controlling interests in the net assets of consolidated subsidiaries were calculated and shown in the consolidated statement of financial position separate from the equity attributable to stockholders of the parent company.

Major subsidiaries with non-controlling interests in the Meditec Group are Carl Zeiss Meditec Co. Ltd., Tokyo, Japan, whose non-controlling interest amounts to 49%, and Ophthalmic Laser Engines, LLC, Lafayette, USA, (OLE) recently acquired in this fiscal year, whose non-controlling interest amounts to 48%. Due to the fact that OLE is treated for tax purposes in the USA like a German partnership, the earnings presented here for Ophthalmic Laser Engines have no tax effect. This is recognized, according to the company form, on a pro rata basis at the respective shareholders.

The financial information of major consolidated subsidiaries with non-controlling interests, before Group eliminations, is as follows.

Condensed income statement and other result:

	2016/17		2015/16	
	Carl Zeiss Meditec Co. Ltd.	Ophthalmic Laser Engines LLC	Carl Zeiss Meditec Co. Ltd.	Ophthalmic Laser Engines LLC
	€k	€k	€k	€k
Revenue	105,545	-	103,082	-
Net income	5,438	(2,775)	3,347	-
» thereof profit/loss attributable to non-controlling interests	2,665	(1,332)	1,640	-
Other result (recognized in other comprehensive income)	(11,470)	(73)	16,518	-
Comprehensive income	(6,032)	(2,848)	19,865	-
» thereof comprehensive income attributable to non-controlling interests	(2,955)	(1,367)	9,734	-

Condensed statement of financial position:

	30 Sep 2017		30 Sep 2016	
	Carl Zeiss Meditec Co. Ltd.	Ophthalmic Laser Engines LLC	Carl Zeiss Meditec Co. Ltd.	Ophthalmic Laser Engines LLC
	€k	€k	€k	€k
Non-current assets	5,843	1,620	7,724	-
Current assets	70,336	5,071	127,874	-
Non-current liabilities	6,760	-	9,250	-
Current liabilities	22,252	2,002	19,550	-
Equity	47,167	4,689	106,798	-
» thereof equity attributable to non-controlling interests	24,107	2,251	53,326	-

Condensed statement of cash flows:

	2016/17		2015/16	
	Carl Zeiss Meditec Co. Ltd.	Ophthalmic Laser Engines LLC	Carl Zeiss Meditec Co. Ltd.	Ophthalmic Laser Engines LLC
	€k	€k	€k	€k
Cash flows from operating activities	2,226	(2,173)	9,415	-
Cash flows from investing activities	(25)	(4,466)	(27)	-
Cash flows from financing activities	(7,823)	-	(10,198)	-
Effect of exchange rate changes on cash and cash equivalents	(727)	(217)	1,302	-
Increase/(decrease) in cash and cash equivalents	**(6,349)**	**(6,856)**	**492**	**-**

(b) Business combinations

Capital consolidation takes place in accordance with the acquisition method pursuant to IFRS 3 *"Business combinations"*. This means that the identifiable assets and liabilities are measured for the first time at their respective fair values at acquisition date. Non-controlling interests are thus stated as a proportion of the fair values of the assets and liabilities. The acquisition costs of the acquired interests are offset against the Group's share in the subsidiary's equity measured at fair value. Incidental acquisition costs are recorded as an expense as they are incurred. Insofar as an asset-side difference remains after this offsetting, this is reported as goodwill.

The figures for the significant acquired subsidiaries are incorporated in the consolidated income statement according to their affiliation with the Group, i.e., from their effective date of acquisition (possibility to be controlled). Subsidiaries that are insignificant at their acquisition date shall be included in the consolidated income statement from the date on which they exceed certain thresholds and become significant for the Group. A subsidiary is deconsolidated as soon as Carl Zeiss Meditec loses its control over the company. Third-party equity interests are recorded in the consolidated financial statements as part of consolidated equity under the item "Non-controlling interests".

Jointly controlled entities within the meaning of IFRS 11 *"Joint Arrangements"* are reported according to the equity method of accounting pursuant to IFRS 11.24. When applying the equity method pursuant to IAS 28 "Investments in Associates and Joint Ventures", equity investments are initially recorded at cost in the statement of financial position and are subsequently adjusted to reflect the Group's share in the equity (net assets, including changes to other result) after acquisition and for losses due to impairment. Insofar as the acquisition of shares results in goodwill, this is included in the investment book value and is not subject to scheduled amortization.

(c) Foreign currency translation

The consolidated financial statements have been prepared in euros, as the majority of the Group's transactions are executed in this currency, and because the euro is the functional currency of Carl Zeiss Meditec AG. Unless otherwise specified, all amounts are stated in thousands of euros (€k). Figures are rounded according to proper commercial standards. This may result in slight discrepancies.

The assets and liabilities of those foreign subsidiaries whose functional currency is one other than the euro are translated using the exchange rate at the date of the transaction. Equity transactions are translated at historic rates of exchange at the transaction date. The items in the income statement, on the other hand, are converted at the average exchange rate for the fiscal year. Differences arising from currency translation are carried under "Other components of equity".

Transactions executed in foreign currencies are converted using the effective exchange rate at the transaction date. Monetary assets and liabilities denominated in foreign currency, such as cash and cash equivalents, trade receivables or payables, are revalued at each reporting date until settlement. The resulting income or expenses are shown in the income statement under "Foreign currency gains/(losses), net".

The following table shows the principal exchange rates applied in the preparation of the consolidated financial statements:

	Exchange rate at end of reporting period as of 30 Sep 2017	Exchange rate at end of reporting period as of 30 Sep 2016	+/- %	**Average exchange rate 2016/17**	Average exchange rate 2015/16	+/- %
USD	0.8470	0.8960	-5.5	0.9053	0.9005	0.5
JPY	0.0075	0.0088	-14.8	0.0081	0.0081	0.0
GBP	1.1341	1.1614	-2.4	1.1473	1.2787	-10.3
AUD	0.6633	0.6823	-2.8	0.6899	0.6627	4.1
BRL	0.2657	0.2762	-3.8	0.2827	0.2484	13.8
TRY	0.2380	0.2978	-20.1	0.2573	0.3074	-16.3
KRW	0.0007	0.0008	-9.0	0.0008	0.0008	0.0
CNY	0.1273	0.1343	-5.2	0.1330	0.1378	-3.5

(d) Use of estimates

The preparation of the consolidated financial statements in accordance with the IFRSs requires the use of certain assumptions and estimates that relate to the measurement and recognition of assets and liabilities, income and expenses, and contingent liabilities. The assumptions and estimates are mainly based on the determination of values in use of cash-generating units, particularly for the purposes of the goodwill impairment test, the accounting and valuation of provisions and inventories, as well as the realizability of future tax charges and tax relief. Actual values may vary in individual cases from the assumptions and estimates made. Changes are shown at the time the true value became known. There were no discretionary decisions that had material effects on the net assets, financial position and results of operations of the Company.

(e) Goodwill and other intangible assets with an indefinite useful life

Goodwill and other intangible assets with an indefinite useful life are not subject to scheduled amortization but are reviewed regularly for impairment (impairment test).

To do this, Carl Zeiss Meditec determines: (i) the cash-generating units, (ii) the respective net assets of the cash-generating units and (iii) the recoverable amounts of the cash-generating units.

The cash-generating units of goodwill correspond to the business segments pursuant to IFRS 8.5, which constitute the lowest level at which goodwill is monitored for internal management purposes.

Insofar as the recoverable amount of the asset – which corresponds to the higher of fair value less costs to sell and the value in use – falls below the carrying amount, an impairment shall be carried out. If the reason for previous impairment no longer applies, assets, with the exception of goodwill, are written up to a maximum of the amortized cost.

The recoverable amount of the cash-generating units – in the periods presented this was the value in use in each case – is determined on the basis of cash flow forecasts. These forecasts are based on financial forecasts approved by the Company's management and modified to the current state of knowledge in each case. These financial forecasts, or management forecasts, relating to the development of sales, costs and earnings, which are taken as a basis for the impairment test, are, in turn, based on a planning horizon of five years. They are determined based on historical values, budgets for the following year and the future strategic orientation of the business unit or cash-generating unit (medium-term planning). In addition, external information sources, such as market studies and the results of market surveys and publications are used in order to take macroeconomic trends into account to a reasonable extent.

Sales planning takes into account a growth rate that is at least in line with the market growth rate anticipated for the industry, which, from a current perspective and excluding currency effects, corresponds to growth in the low to mid-single-digit percentage range. In spite of fluctuations, currency effects are negligible overall. It is expected that the new strategic business unit (SBU) Ophthalmic Devices will grow at least to the same extent as the underlying market. From a current perspective, and excluding currency effects, this corresponds to growth in the low to mid-single-digit percentage range. The EBIT margin is expected to remain below the average for the Group. The Microsurgery SBU is expected to continue making significant contributions to earnings in future. The Group is optimistic that it will grow at least to the same extent as the underlying market in the coming fiscal year, which, from a current perspective and without taking currency effects into account, would equate to growth in the low single-digit percentage range. The EBIT margin is also expected to remain significantly above the Group average. Cost planning also considers strategic aspects as well as price trends in the procurement markets. Due in particular to the positive development of revenue, the improved product mix and the increased proportion of case-number-dependent revenue, the Group anticipates – on a comparable basis – an EBIT margin of between 14% and 16% in fiscal year 2017/18 and in the medium term. The cash flow projections resulting from the management's financial forecasts, to determine the value in use, do not contain any cash flows from future restructuring measures or enhancements or improvements to increase earnings power. In order to determine the future development of working capital, specific ranges are currently applied for each SBU. At the same time, the earnings for the respective planning year are adjusted, for the calculation of free cash flow, for the expected depreciation and amortization, as well as asset additions – insofar as the investments for this had already begun at the time of the impairment test. The value in use of the cash-generating unit is derived from the sum of discounted future cash flows at a standard, risk-adjusted capitalization interest rate.

The capitalization interest rate is calculated from the parameters risk-free base rate, risk premium (market risk premium and beta factor), borrowed capital spread and tax effect, and reflects the capital structure customary within the industry of the cash-generating unit under review. For the purposes of the impairment test, a growth rate of 0.95% (prior year: 0.95%) is applied for the cash flows, for the perpetuity period. The pre-tax discount rate applied for cash flow forecasts is 13% (prior year: 11%). The carrying amount of a cash-generating unit includes all assets that stimulate the flow of cash, i.e., that contribute to the creation of a salable service. This means that all non-operating items and interest-bearing borrowings are excluded from the calculation.

The Carl Zeiss Meditec Group reviews its goodwill for impairment at least once a year or at the onset of major events or changed circumstances which indicate that the fair value of a reporting unit of the Group has fallen below its carrying amount. In addition, capitalized intangible assets with an indefinite useful life and intangible assets not yet available for use are examined at least once a year for impairment.

The Group completed its annual impairment testing of goodwill and capitalized intangible assets with an indefinite useful life, and intangible assets not yet available for use on 30 June 2017. The results of these tests, based on values in use, did not give any indication of a need for impairment of goodwill or intangible assets not yet available for use. Nor did any events arise up until the end of the reporting period that could lead to a change in the assessment as of the end of June.

(f) Other intangible assets
Intangible assets acquired separately are valued at cost less accumulated amortization and impairment.

Research expenses are recorded as expenses in the period in which they arise.

A self-constructed intangible asset, which results from development activities (or from the development phase of an internal project), is recognized if evidence can be provided that the recognition criteria according to IAS 38.57 are fulfilled. Essentially, fulfillment of these criteria is based on certain milestones in the internal development process. These expenses are recognized from the date on which the intangible asset meets the above criteria, in the amount that corresponds to the total expenses incurred. If a self-constructed intangible asset cannot be capitalized, the development costs are recognized in income in the period in which they arise, and are not capitalized retrospectively at a later date.

In subsequent periods, self-constructed intangible assets are valued at cost less accumulated amortization and impairment.

Intangible assets acquired as part of a business combination are recorded separately from goodwill, insofar as they conform to the definition of an intangible asset and can be individually identified. The acquisition cost of such intangible assets corresponds to their fair value at the acquisition date. In subsequent periods, intangible assets acquired as part of a business combination shall be valued in exactly the same way as intangible assets acquired individually – at cost less accumulated amortization and accumulated impairment.

All other intangible assets that are ready for use shall be amortized either over their expected useful life or on a straight-line basis over the following periods, unless an indefinite useful life is assumed:

Brand names and trademarks	2 to 15 years
Software	1 to 7 years
Licenses	1 to 10 years
Patents and other industrial property rights	2 to 19 years
Development costs	3 to 10 years
Miscellaneous other intangible assets	3 to 10 years

The amortization amounts for other intangible assets may be recognized in the income statement under both cost of goods sold and other operating costs. Assets are each allocated individually with respect to their intended purpose or assignment to certain business groups. These assets are also reviewed regularly for impairment (impairment test). The results of these tests did not give any indication of a need for impairment of capitalized other intangible assets in the current fiscal year.

(g) Property, plant and equipment
Property, plant and equipment are measured at cost, net of accumulated depreciation and impairment. In the case of property, plant and equipment acquired within the scope of a business combination, the acquisition costs correspond to the fair values of the assets at their acquisition date. Depreciation is calculated using the straight-line method over the expected useful life of each asset. The following depreciation periods were applied:

Buildings and leasehold improvements	2 to 40 years
Plant and machinery	2 to 21 years
Other office equipment, fixtures and fittings	1 to 25 years

Leasehold improvements are depreciated over their estimated useful life or the term of the rental or lease agreement, if shorter. Estimated useful life is reviewed regularly by the Company's management, taking current technological advancement into account. Maintenance and repairs are expensed as incurred, while renewals and improvements that extend the expected useful life or increase capacity are capitalized if they fulfill the general recognition criteria under IAS 16. Property, plant and equipment are also reviewed for impairment (impairment test), if indicated. Upon the sale or retirement of property, plant and equipment, the accounts are relieved of the cost and the related accumulated depreciation and impairments, and any resulting gain or loss is recognized through profit or loss. The scheduled depreciation amounts and any impairment losses and write-ups recorded in the period on property, plant and equipment are recognized in the consolidated income statement according to the functions for which the assets are used.

(h) Financial instruments
Financial assets and financial liabilities are recognized in the consolidated statement of financial position from the date on which the Group becomes a contracting party to the financial instrument. Regular way purchases and sales of financial assets are generally recognized on the settlement date.

Financial assets and liabilities in the sense of IAS 39 are classified either as loans and receivables (LaR), financial assets available for sale (AfS), financial assets/liabilities at fair value through profit or loss (FVTPL), or as financial liabilities at amortized cost (FLAC). The classification depends on the type and the intended purpose of the financial assets and liabilities and occurs upon addition.

Financial assets and liabilities are generally carried at their gross amounts. Netting only occurs if Carl Zeiss Meditec currently has a legally enforceable right to offset the amounts and netting is actually intended.

Primary financial instruments
The Company's primary financial instruments mainly consist of cash and cash equivalents, financial assets, treasury receivables and payables (group cash management [treasury] of Carl Zeiss Financial Services GmbH, Oberkochen), trade receivables and payables, current loans, non-current liabilities and other financial assets and liabilities.

Loans and receivables and current and non-current financial liabilities are carried at amortized cost. The amortized cost of a financial asset or financial liability is the term used to describe that amount at which a financial asset or liability was valued when first recorded, less any repayments using the effective interest method and losses for impairment.

The amortized cost of current assets and liabilities is generally equivalent to the nominal or repayment amount.

Trade receivables are disclosed at their nominal value, net of any allowance for accounts presumed to be uncollectible.

The Group calculates valuation allowances on doubtful receivables and loans with discernible collection risks based on regular, systematic reviews and credit control assessments. This control measure takes into account historical bad debt losses, the size and adequacy of securities, as well as other relevant factors. Impairments are carried out based on objective indicators and take account of the default risk. Objective indicators can include, for example, major financial difficulties of the debtor, a breach of contract, such as default on or arrears in interest or redemption payments owed, or the high probability of insolvency proceedings being brought against the debtor. Receivables and loans are written off against these valuation allowances, if they are considered uncollectible.

Primary financial assets which are not classified as either loans or receivables, held to maturity investments, financial assets or liabilities held for trading, or as financial liabilities at amortized cost, shall be allocated to the category financial assets available for sale. Existing financial assets are allocated to this category. Due to the fact that the non-controlling interests are not listed on a stock exchange, meaning that their fair values cannot be reliably determined, these financial assets are carried at cost. There are no plans to dispose of these financial instruments at the present time.

Non-current, non-interest-bearing receivables and loans are discounted based on market conditions; interest is shown as income according to the effective interest method.

Derivative financial instruments and hedging

The Group is a company with global operations, and as such it is subject to the effects of exchange rate fluctuations. In order to hedge against this currency risk, it concludes currency forward contracts based on planned transactions in foreign currency. These contracts generally span a period of up to one year. Derivative financial instruments that have a positive fair value are carried in the statement of financial position, depending on their time to maturity, under the item "Other current financial assets" and derivative financial instruments with a negative fair value are carried in the statement of financial position, depending on their time to maturity, under the item "Current financial liabilities". The sole purpose of the derivative financial instruments is currency hedging.

Net income from the financial instruments recognized at fair value through profit and loss would, if relevant, also include income from interest and dividends.

If the hedge accounting requirements are met and the company has made a corresponding designation, the derivatives will be qualified as a hedging instrument within a hedging relationship. This will ensure that the effects on income of the hedge and the underlying transaction are synchronized as far as possible.

Within the Carl Zeiss Meditec Group hedge accounting was applied to hedge a net investment, in this case the net investment in Japanese Yen, which expired in the fiscal year under review. To the extent that changes in the fair value of the hedging instrument relate to the effective portion of the hedge, they are recognized under other components of equity. The ineffective portion of the hedge would have been be recognized immediately in profit or loss. The gains or losses recognized directly in equity remain under equity until the disposal or partial disposal of the net investment.

(i) Income taxes
Current taxes are recognized for taxes owed on income at the time the Group companies incur them. Income taxes are calculated in accordance with the Asset and Liability Method pursuant to the provisions of IAS 12 "Income Taxes". All liabilities or claims relating to taxes on income and earnings arising during a fiscal year are reflected in the consolidated financial statements pursuant to the relevant tax laws.

In order to take account of the tax effects of differences between the carrying amounts of assets and liabilities in the consolidated statement of financial position and the corresponding tax bases, and of differences arising from consolidation processes, and loss carryforwards, deferred taxes are calculated each year, if these differences are expected to be offset over time. In addition, deferred tax liabilities are carried for net retained earnings. This is based on those tax rates that are expected to apply in the years in which these temporary differences are reversed or settled. The effects of changes in tax rates on deferred tax assets and liabilities are recognized in income in the period in which the change was legally enacted or pronounced.

Deferred tax assets are written down as necessary to reflect the net amount that is likely to be realized. Income tax expense comprises the taxes payable to or refundable by the tax authorities for the reporting period, plus or minus the changes in deferred taxes (to be recognized through profit or loss).

Deferred tax claims for tax losses carried forward are carried at the amount at which the associated tax benefits are expected to be realized as a result of future tax profits.

Deferred tax assets and liabilities are carried net, insofar as a right exists to offset actual income tax receivables and liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same tax authorities and are owed to the same Group companies.

(j) Inventories
Inventories are measured at the lower of cost or net realizable value. Costs are determined using the weighted-average cost method. Production costs include materials and labor, as well as direct manufacturing and material overheads, including depreciation. In addition, the costs of company retirement benefits, the Company's social establishments and the Company's voluntary social benefits are also included to the extent that these can be allocated to the production area. Administrative costs are taken into account to the extent that these are attributable to production. Production costs do not include any borrowing costs.

Write-downs are recorded on inventories when the costs of purchase or conversion exceed the estimated net realizable value. The net realizable value is the estimated price that could be obtained in the ordinary course of business, less the estimated costs of completion and selling costs.

(k) Leasing
The Group has leased certain assets under long-term contracts. Leases are classed as finance leases if the lessee bears the majority of the risks and opportunities associated with ownership. All properties under arrangements that qualify as finance leases are capitalized from the beginning of the lease as non-current assets pursuant to IAS 17 "Leases" at the lower of fair value and the present value of minimum lease payments. The corresponding leasing obligations are carried as current or non-current liabilities according to their time to maturity. The lease payments to be paid are divided into a redemption component and an interest component. The redemption component reduces the liability, while the interest component is carried as an interest expense. The capitalized assets are amortized in conformance with IAS 16. IAS 36 is observed with regard to possible impairment. The leasing obligations are carried at the present value identified at the end of the respective reporting period. Conversely, the Group also acts as lessor for finance leases.

Other leasing transactions are treated as operating leases. The total payments required under operating lease agreements are reported as an expense on a straight-line basis over the term of the lease. Conversely, the Group also acts as lessor for operating leases.

(l) Cash and cash equivalents
Cash on hand and at the bank, as well as all financial investments with an original maturity of up to three months, which are only subject to minor risks of valuation changes, are disclosed as cash and cash equivalents. Because of their short maturity, the carrying amounts of cash and cash equivalents are approximately equal to their fair values.

(m) Other components of equity
The item "Other components of equity" includes the other changes in equity recognized in other comprehensive income that are not associated with transactions with shareholders. For the Group, this currently relates to both currency translation, gains and losses on the effective portion of the hedge in a net investment, and the actuarial effects of pension commitments and the taxes levied on these.

(n) Pension commitments
The Company pension scheme of the Carl Zeiss Meditec Group comprises various defined contribution and defined benefit obligations arising from current pensions and future pension entitlements, primarily in Germany, the USA and Japan. Provisions for pensions also include liabilities of the US company for post-employment health care benefit obligations.

Defined benefit plans within the Group are financed partly with provisions and partly with funds from external sources.

Pension commitments and related costs are calculated according to the prescribed projected unit credit method pursuant to IAS 19 "Employee benefits". This takes into account both the pensions and acquired future pension entitlements known as of the end of the reporting period, as well as the salary and pension increases expected in the future. The interest rate used to calculate the present value of the commitments is generally determined on the basis of the returns on premium, fixed-rate corporate bonds in the relevant currency zone. In principle, this includes bonds with at least an "AA" rating. The expected return on plan assets and expenses from the interest cost of the commitments are recognized in interest income.

The service cost is classified as an operating expense.

Actuarial gains or losses that may arise from changes in the valuation assumptions or a deviation in actual circumstances from the basis of valuation are recognized in full in other comprehensive income in the period in which they occur.

(o) Provisions
Provisions are formed if the Group has a current (de facto or statutory) commitment as a result of a past event, the outflow of resources with an economic benefit to fulfill the commitment is probable and it is possible to reliably estimate the amount of the commitment. To the extent that the Group expects at least a partial reimbursement for a provision carried as a liability (as is the case, for example, in insurance policies), the reimbursement is only recorded as a separate asset if the reimbursement is as good as certain. The expense for the formation of provisions is disclosed in the consolidated income statement after deduction of the reimbursement.

If the interest impact is material, provisions are discounted using a pre-tax interest rate, which reflects the specific risks for the liability. In the event of discounting, the increase in the provision over time is carried as an interest expense. Provisions are broken down according to their expected maturities; therefore, provisions which are due in less than one year are carried as current provisions and provisions which are due in more than one year are carried as non-current provisions.

(p) Revenue recognition
The Group generates revenue from selling products on the basis of corresponding contracts. The sale takes place once all the parts of the product have been supplied, the risks have passed, the payment can be reliably determined and there are no major contractual obligations towards the customer and the payment of the receivable is deemed probable. Revenue from services is recorded according to the percentage of completion, if this can be reliably determined.

Maintenance revenue from service contracts is realized on a proportionate basis throughout the contractual period of performance.

Revenue is reflected net of trade discounts, customer bonuses and rebates.

(q) Government grants
Pursuant to IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance", government grants are only recognized, if there is sufficient assurance that the associated conditions will be fulfilled and the grants will be allocated.

The Group received subsidies from various public bodies within the scope of government economic stimulus programs, for example for the construction of production facilities, research and development activities and advanced training programs.

Grants related to income are offset against the corresponding expenses in the period in which the expenses are incurred.

(r) Earnings per share
Earnings per share were calculated by dividing the consolidated profit attributable to shareholders of the parent company by the weighted-average number of ordinary shares issued during each individual accounting period. There were no conversion or option rights in circulation. As in the prior fiscal year there were no dilution effects in the year under review.

(s) Borrowing costs
Borrowing costs are recognized as expenses in the period in which they are incurred, since there are not usually any qualified assets pursuant to IAS 23.5.

(t) Related party disclosures
The parent company of Carl Zeiss Meditec AG is Carl Zeiss AG, which is controlled by the Carl Zeiss Foundation (Carl-Zeiss-Stiftung). The Carl-Zeiss-Stiftung (Carl Zeiss Foundation), Heidenheim and Jena, Carl Zeiss AG, Oberkochen, and its subsidiaries, excluding the Carl Zeiss Meditec Group (the "Carl Zeiss Group"), Schott AG, Mainz, including its subsidiaries (the "Schott Group"), as well as the associated and joint venture companies, are regarded as related parties.

The Group sells some of its products via the distribution companies of the Carl Zeiss Group. For the purposes of furnishing the Group with short-term funds and investing surplus liquidity, Carl Zeiss Meditec cooperates with the group cash management system of Carl Zeiss Financial Services GmbH, Oberkochen. Loans granted and monies invested within the scope of this business relationship are shown as liabilities to or receivables from treasury, and are usually due or available daily. Pursuant to the cash pooling agreement, the companies of the Carl Zeiss Meditec Group are authorized to utilize liquidity to finance their ongoing business activities, so that, from the Group's perspective, the cash pool transactions have the character of financing, are thus to be classified as financing activities and are therefore carried in the statement of cash flows under cash flow from financing activities. Since the treasury receivables are also cash pool transactions, these are also carried in the statement of cash flows under cash flows from financing activities, thus ensuring the consistency of the accounting.

In addition to financial services, the Group procures various services from the Carl Zeiss Group, including Carl Zeiss AG. These include research and development services, HR and administrative services, as well as the licensed use of the ZEISS brand, logistics, distribution and IT services provided on the basis of contractual agreements. In addition, some preliminary products are procured from companies of the Carl Zeiss Group and the Schott Group.

The members of Management Board and Supervisory Board of Carl Zeiss Meditec AG, and their next of kin, are considered to be related parties (management in key positions). The Management Report (Remuneration Report) contains further information on this.

(u) 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 statutory regulation
30 Jan 2014	IFRS 14 *"Regulatory Deferral Accounts"*[23]	Interim standard for regulation of regulatory deferral accounts for transition to IFRS accounting
6 May 2014	Amendment to IFRS 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 IAS 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, IFRS 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.

[23] Not applied and not endorsed in the EU, as the standard would only be relevant for a very small number of companies

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

Date of issue	Standard/Interpretation	Amendment/new statutory regulation	Effective date	endorsed by the EU
28 May 2014	IFRS 15 *"Revenue from Contracts with Customers"*	Combination of existing standards and interpretations on revenue recognition (IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC-31)	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	Yes
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	Yes
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	Yes
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	Yes
20 Jun 2016	Amendment 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	Yes
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
18 May 2017	IFRS 17 *"Insurance Contracts"*	Principles for the recognition, measurement, presentation and disclosure of insurance contracts (supersedes IFRS 4)	Fiscal years beginning on or after 1 January 2021	No
7 Jun 2017	IFRIC 23 *"Uncertainty over Income Tax Treatments"*	Clarification of the accounting for uncertainties in income taxes	Fiscal years beginning on or after 1 January 2019	No
12 Oct 2017	Amendment to IFRS 9 *"Financial Instruments"*	Prepayment features with negative compensation to address the concerns about how IFRS 9 classifies particular prepayable financial assets	Fiscal years beginning on or after 1 January 2019	No
12 Oct 2017	Amendment to IAS 28 *"Investments in Associates and Joint Ventures"*	Clarification that IFRS 9 is to be applied to long-term interests in an associate or joint venture	Fiscal years beginning on or after 1 January 2019	No

The IASB published IFRS 9 *"Financial Instruments"* on 24 July 2017. In terms of classification, IFRS 9 defines three instead of the previous four measurement categories for financial assets. This categorization is based, firstly, on the Company's business model and, secondly, on the features of the contractual cash flows from the respective financial asset. The classification of financial liabilities under IFRS 9 shall be largely unchanged from the current accounting policies under IAS 39 *"Financial Instruments*: *Recognition and Measurement"*. According to current assessments, Carl Zeiss Meditec does not expect the reclassification of existing financial

assets to significantly change the measurement results from the allocation to the individual categories compared with the present classification. Differing valuations may only arise for non-consolidated subsidiaries, in cases where the carrying amounts may not correspond to the fair values.

At the same time, IFRS 9 also contains changes to the calculation of impairment. The basic principle of the expected loss model shall in future be to recognize expected losses right from the point of first-time recognition of a financial asset and before the occurrence of a loss event. Currently, Carl Zeiss Meditec intends to apply the simplified impairment model to all trade receivables, treasury receivables and all other receivables with negligible financing components. Based on previous analyses, this method will have specific effects on treasury receivables and receivables from related parties, as appropriate. To date, both items in the statement of financial position were not impaired, based on historical data. In the context of IFRS 9, the forward-looking assessment of the probability of default could pose a slight risk, however. Currently, the Group assumes that any effect will not exceed the low single-digit millions range. However, no conclusive assessment has been made yet.

The new regulations also require additional quantitative and qualitative disclosures in the notes. This standard shall be applicable for the first time for Carl Zeiss Meditec from fiscal year 2018/19. The Group will not apply the standard early.

The IASB published the standard IFRS 15 *"Revenue from Contracts with Customers"*, on 28 May 2014, which combines the existing standards and interpretations on revenue recognition (IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC-31). IRFS 15, which is mandatory for the Carl Zeiss Meditec Group from fiscal year 2018/19, provides for two possible transition methods for implementing the new regulations: (1) retrospective application for each prior period presented pursuant to IAS 8 or (2) modified retrospective application with recognition of the cumulative adjustments from the first-time application of the standard at the date of first adoption. At the current time, the Group plans to apply the standard using the modified retrospective method, so that any transition effects are recognized cumulatively under revenue reserves as of 1 October 2018 and the comparative period is presented in line with existing regulations. The future accounting guideline on revenue recognition according to IFRS 15 is currently being developed and the relevant business processes adapted. There is a Group-wide project for this, during which an analysis of the affected contracts and business models was carried out. The effects of this have not yet been conclusively determined. Based on the analyses conducted to date, however, no material effects are anticipated. The new requirements shall, however, lead to additional quantitative and qualitative disclosures in the notes.

The standard IFRS 16 *"Leases"* was published by the IASB on 13 January 2016 and supersedes the previous standards and interpretations on the accounting treatment of leases (IAS 17, IFRIC 4, SIC-15, SIC-27). IRFS 16, which is mandatory for the Carl Zeiss Meditec Group from fiscal year 2019/20, provides for two possible transition methods for implementing the new regulations: (1) retrospective application for each prior period presented pursuant to IAS 8 or (2) modified retrospective application with recognition of the cumulative adjustments from the first-time application of the standard at the date of first adoption. At the present time the Group intends to apply the standard early for the first time, from 1 October 2018, in conjunction with IFRS 15, using the modified retrospective method, so that any transition effects as of 1 October 2018 are recognized cumulatively in revenue reserves and the comparative period is presented in line with previous regulations. The future accounting guideline on leases pursuant to IFRS 16 is currently being developed and the relevant business processes adjusted. There is a Group-wide project for this, during which an analysis of the affected contracts and business models was carried out. In line with IFRS 16 a right of use is recognized

on the asset side of the statement of financial position, as a well as a lease obligation in the same amount for the leased assets, of which the Group is the beneficial owner as lessee. At the current time, the Group assumes that the effect of this in its statement of financial position will be in the low to mid-double-digit million range. The minimum lease payments arising from operating leases referred to in section 28 are partly reflected in the statement of financial position in the sense of the right of use mentioned or a lease obligation. The effects have yet to be conclusively determined, however.

The other new or amended regulations mentioned in the table above have no material effects according to current assessments.

(v) Calculation of fair values
A large number of the consolidated accounting principles and notes to the financial statements require a definition of the fair values of the respective financial and non-financial assets and liabilities involved. The fair values are calculated in accordance with the methods described below. If required, additional information on the assumptions made for the calculation of the fair values is provided in the specific notes on the respective items described in the statement of financial position and the income statement.

Other intangible assets
The fair values of trademark, patent and technology rights or similar, which were acquired within the scope of a business combination, are determined according to the relief from royalty method. In this method an analogy is used, whereby the financial contributions (cash flows) from an intangible asset due to royalties are estimated, which the owner of this asset is then spared from paying, contrary to the alternative of licensing a similar asset with an equivalent use. The method thus calculates the fictitious licensing fees that would be payable if the respective intangible asset were to be owned by a third party.

The fair values of intangible assets consisting of customer relationships acquired within the scope of a business combination are determined according to the multi-period excess earnings method. Customer relationships generally only generate cash flows in conjunction with other tangible or intangible assets. The planning of excess earnings is thus based on a collection of assets. The calculation of the relevant excess earnings received thus regards fictitious payments made for these "supporting" assets as fictitious user fees. It is assumed that the supporting assets are fictitiously rented or leased by a third party to the extent necessary to generate the cash flows.

Trade receivables and other receivables
The fair value of trade receivables and other receivables is calculated as the present value of future cash flows, discounted by a standard market interest rate. The fair value of current trade receivables and other receivables basically corresponds to their nominal value, due to their short-term nature.

Investments and securities
The fair value of financial assets, which are measured either at fair value through profit or loss or classified as available for sale, is based, if an active market exists, on listed stock prices. If there is no active market, the fair value is measured using an appropriate valuation method, e.g. based on current market prices of similar financial instruments, or the discounted cash flow method.

Derivative financial instruments

The fair value of derivative financial instruments is based on the prevailing market or stock market value. The market value of a financial instrument is estimated as the amount that could be obtained in a business transaction between independent contracting partners under prevailing market conditions. The market values are calculated on the basis of market conditions as of the end of the reporting period – interest rates, foreign exchange rates, commodity prices – and the evaluation methods described below.

If there is no active market, the fair value is determined using recognized valuation methods (present value method or option pricing model). Current market volatilities are used in option pricing models. The interest rates applied across the various maturities and foreign currencies range from -0.8% to +4.7% (prior year: -1.0% to +3.4%).

The Group exclusively holds currency forward contracts as derivative financial instruments. The financial assets and liabilities held for trading (FVTPL) are carried at fair value, although changes in market value are recognized through profit or loss in the income statement. Similarly, the hedge for a net investment in Japanese yen that cannot be allocated to any category under IAS 39 will be carried at fair value. The fair value of forward currency transactions is calculated based on the average spot exchange rate at the end of the reporting period, adjusted for forward premiums and discounts for the respective residual term of the contract, compared to the contracted forward exchange rate.

Financial liabilities

The fair value of financial liabilities is calculated based on the present value of future capital and interest payment flows – discounted by a standard market interest rate – as of the end of the reporting period. An interest rate of 0.9% was applied (prior year: range between 0.9% and 1.0%).

3 Purchase and sale of business operations in fiscal year 2016/17

Disposal 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 (Aaren) and Aaren Laboratories, LLC, USA, a third party, concluded an agreement pertaining to the disposal of assets associated with Aaren's hydrophilic intraocular lens business.

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 €7.5m. These amounts were 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 of the legal entity was to take place within a fifteen-month period beginning on 16 November 2016, and was executed on 1 October 2017. The proceeds from the sale amount to around €2.5m and shall be recognized under other financial result for fiscal year 2017/18. The sale is accompanied by a name change and the company shall in future operate under the name Carl Zeiss Meditec Production LLC, Ontario, USA. All shares in the subsidiary Hexavision S.A.R.L., Paris, France, were also sold at the same time.

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

On 24 February 2017 Carl Zeiss Meditec Inc., Dublin, California, USA, acquired 52% of the shares in Ophthalmic Laser Engines, LLC, Lafayette, Colorado, USA (OLE). Carl Zeiss Meditec has control, as the Group has the power to make decisions in the company's decisionmaking executive bodies. The main aim of acquiring these shares is to develop and produce an low-motion source of radiation for ophthalmology, and the associated OCT system elements.

The preliminary purchase price is €19.1m and is composed of a fixed amount of €18.4m and a performance-related component of €0.7m. The performance-related component is based on a profit distribution that deviates from the shareholdings for the first 5 years in favor of the seller, and shall be paid in the next 5 years in accordance with the resulting net income. It has no upper or lower limit and is based on the estimate that is realistic at the current time based on the business plan. During the first six months of the current fiscal year an amount of €13.6m was paid to acquire the shares and an amount €2.4m was issued to the seller as loans as part of a development cooperation, which were offset against the purchase price upon acquisition. A further €2.4m was offset against loans issued to the Seller in previous years, also within the scope of the development cooperation. A purchase commitment was also concluded as part of the development cooperation and the relevant advance payment on inventories of €1.8m was made. This still applies and was transferred from the seller to OLE along with the know-how necessary for production.

At the date of publication of Carl Zeiss Meditec AG's annual financial statements as of 30 September 2017 the allocation of the purchase price to the assets and liabilities of the acquired company was not yet complete, as not yet all information on the assets and liabilities was available. The preliminary fair values of the identified assets and liabilities at acquisition date are as follows:

	Fair value
	€k
Other non-current non-financial assets	1,750
Cash and cash equivalents	8,135
Total assets	**9,885**
Other non-current non-financial liabilities	1,750
Total liabilities	**1,750**
Net assets	**8,135**
Net assets attributable to non-controlling interests	3,905
Goodwill from acquisition	14,922
Total costs of acquisition	**19,152**
Cash received	8,135
Past cash outflow for purchase price components	(18,443)
Net capital outflow as of 24 February 2017	**(10,308)**

The identified goodwill from the acquisition of OLE is mainly the result of the anticipated synergy effects of the company's integration into the existing Ophthalmic Devices business, and was calculated using the partial goodwill method. As expected, goodwill shall not be deductible for tax purposes.

Incidental acquisition costs amounting to €0.2m were incurred in the first six months of fiscal year 2016/17. These were recognized under general administrative expenses.

Effect of OLE on Carl Zeiss Meditec's result
Since its acquisition OLE has not yet contributed any revenue to the Group's revenue recognized in the income statement. The acquired company's share of consolidated net income amounted to €-2.2m, included the tax effect recognized at Carl Zeiss Meditec Inc.

OLE is a start-up company. The main effects on earnings were not seen until the last quarter of the fiscal year under review, which is why there is no pro-forma account of the acquisition.

Acquisition of Veracity Innovations, LLC, Temple, USA
On 18 August 2017 Carl Zeiss Meditec Inc., Dublin, USA, acquired 100% of the shares in Veracity Innovations, LLC, Temple, USA (Veracity). This acquisition expands the Group's offering to its customers to include a cloud-based product that optimizes routine clinical workflows. Along with FORUM, both products are able to meet the customers' extremely varied needs and bring Carl Zeiss Meditec closer to achieving its goal of becoming the leading provider of clinical software solutions in ophthalmology.

The preliminary purchase price is €19.4m and is composed of a fixed amount of €12.2m and two performance-related components of €2.6m and €4.6m. The fixed part was paid in August of the current fiscal year. The first earnout component is user-dependent at the time one year from the acquisition date. The contractual range shall amount to either €0 or €2.6m. The second earnout component, which is performance-related and based on the realistic estimate at the current time on the basis of the business plan, shall be due in a single tranche after a period of six years, starting from the end of the fiscal year in which the acquisition was made (30 September 2017). The contractual range of the second earnout component has a lower limit of €0 and theoretically no upper limit. At the current time, we do not expect any significant fluctuations in the business plan.

Veracity is a start-up 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 it in its consolidated financial statements, and recognizes the acquired shares in its statement of financial position as "Shares in associated non-consolidated companies".

Incidental acquisition costs amounting to €0.1m 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

4 Revenue

Group earnings for fiscal years 2016/17 and 2015/16 mainly consist of sales revenues. The table below shows a breakdown of revenue:

	2016/17	2015/16
	€k	€k
Income from the sale of merchandise	1,074,532	977,970
Income from the provision of services (incl. sale of replacement parts)	114,116	108,846
Income from royalties/licenses	1,248	1,549
Total	**1,189,896**	**1,088,365**

5 Other operating result

The other operating result is composed of other income and expenses for fiscal years 2016/17 and 2015/16 as follows:

	2016/17	2015/16
	€k	€k
Proceeds from sale of hydrophilic business of Aaren Scientific Inc.	9,053	-
Sale of property, plant and equipment in connection with sale of hydrophilic business of Aaren Scientific Inc.	(524)	-
Other	58	-
Other income, total	**8,587**	-
Sale of inventories in connection with sale of hydrophilic business of Aaren Scientific Inc.	(1,051)	-
Other expenses, total	**(1,051)**	**-**
Other operating result	**7,536**	**-**

In total, the sale of the hydrophilic IOL business of Aaren Scientific Inc. resulted in a profit of €7.5m.

6 Personnel expenses

Personnel expenses for fiscal years 2016/17 and 2015/16 are as follows:

	2016/17	2015/16
	€k	€k
Wages and salaries	239,791	217,128
Social security contributions	43,913	41,593
Pension costs	10,799	8,041
Total	**294,503**	**266,762**

The employer's statutory pension contribution is included under social security costs. Total expenses from all additional defined contribution plans in the current fiscal year amounted to €3,777k (prior year: €3,415k).

The table below shows employee numbers and the personnel structure of the Group:

	30 September 2017	30 September 2016	Average 2016/17	Average 2015/16
Production	1,228	1,273	1,239	1,252
Sales & Marketing	1,011	938	1,001	929
Research & Development	472	442	456	426
Administration	247	257	247	251
Total	**2,958**	**2,910**	**2,943**	**2,858**
Trainees	12	15	13	16

7 Financial result

The financial result comprises the following:

	2016/17	2015/16
	€k	€k
Extraordinary write-down of the investment	-	(810)
Result from investments measured at equity	**-**	**(810)**
Interest income	937	1,081
Interest expenses	(1,676)	(2,155)
Net interest from defined benefit pension plans	(1,020)	(1,440)
Net interest income/loss	**(1,759)**	**(2,514)**
Currency gains	46,943	19,993
Currency losses	(37,914)	(29,334)
Foreign currency gains/(losses), net	**9,029**	**(9,341)**
Other financial result	**456**	**294**
Total financial result	**7,726**	**(12,371)**

8 Income taxes

Income taxes comprise the following:

	2016/17	2015/16
	€k	€k
Current taxes:		
Germany	45,358	43,572
Other countries	7,395	5,141
	52,753	**48,713**
(thereof prior-period)	(637)	(206)
Deferred taxes:		
Germany	1,972	(4,011)
Other countries	(1,947)	(2,711)
	25	**(6,722)**
Total	**52,778**	**41,991**

In accordance with the tax law applicable in fiscal year 2016/17, the income of Group subsidiaries in Germany is subject to a corporation tax rate of 15% (prior year: 15%). Taking into account the solidarity surcharge and the varying trade income tax rates, companies in Germany are subject to a tax rate of between 27.73% and 31.58% (prior year: 27.73% to 31.58%). The nominal tax rates applicable outside Germany in the fiscal year ranged between 19.50% and 37.71% (prior year: 20.00% and 38.18%).

The tax rate applied for the tax reconciliation account is the nominal tax rate of the parent company, Carl Zeiss Meditec AG, Jena, of 29.87%, which applied in the past fiscal year (prior year: 29.87%). Deferred taxes on interim profits are calculated in each case using the current or future tax rate applicable for the receiving Group company. This results in a tax rate ranging from 19.50% to 37.71% (prior year: 20.00% to 38.18%). For the sake of simplicity, other deferred taxes are calculated using the applicable nominal tax rate for the parent company, Carl Zeiss Meditec AG, Jena, of 29.87% (prior year: 29.87%).

The reconciliation of the expected income tax expense in relation to earnings before income taxes to the actual income tax expense is as follows:

	2016/17	2015/16
	€k	€k
Expected income tax expense	56,322	42,403
Non-deductible expenses	1,629	423
Tax-free income	(749)	(1,146)
Effect of changes in tax rates	487	(263)
Taxes prior years	637	206
Foreign tax rate differential	(362)	(874)
Net retained earnings of subsidiaries intended for disbursement	86	466
Recognition and measurement of deferred tax assets	(5,228)	991
Other	(44)	(215)
Actual income tax expense	**52,778**	**41,991**
Effective tax rate	28.0 %	29.6 %

9 Earnings per share

The following table shows the calculation of earnings per share:

	2016/17	2015/16
Net income attributable to shareholders of the parent company (€k)	134,445	98,330
Weighted average of issued shares	85,586,718	81,309,610
Earnings per share (in €)	**1.57**	**1.21**

10 Dividend

During the period under review, a dividend of 42 cents per share (prior year: 38 cents per share) was paid to the shareholders of Carl Zeiss Meditec AG for fiscal year 2016/17. The dividend was paid both to shareholders of the shares already in circulation at the beginning of the year, and to shareholders of the new shares issued within the scope of the capital increase.

	2016/17		2015/16	
	€ cent per share	€kTotal	€ cent per share	€kTotal
Dividend paid	**42**	**37,565**	**38**	**30,898**

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

11 Goodwill

The table below shows the development of the Group's recognized goodwill and its allocation to the respective strategic business units (SBUs) for fiscal years 2016/17 and 2015/16:

	Ophthalmic Devices SBU	Microsurgery SBU	Total
	€k	€k	€k
As of 30 Sep 2015	**162,319**	**2,026**	**164,345**
Currency effects	216	17	233
As of 30 Sep 2016	**162,535**	**2,043**	**164,578**
Additions	13,825	-	13,825
Currency effects	(3,736)	(354)	(4,090)
As of 30 Sep 2017	**172,624**	**1,689**	**174,313**

The recognized book values correspond to the acquisition costs. Accumulated impairment losses of the capitalized goodwill do not exist. The allocation of existing goodwill to cash-generating units conforms to IAS 36.80. Accordingly, the relevant goodwill is allocated within the Group independently of other individual assets and liabilities; rather, it is allocated to the smallest cash-generating unit, which is expected to benefit from the synergy effects of the business combination. The cash-generating unit is determined based on the Group's internal reporting system.

The change in goodwill is due to the acquisition of Ophthalmic Laser Engines, LLC in the cash-generating unit SBU Ophthalmic Devices, and to currency effects.

12 Other intangible assets

Other intangible assets developed as follows in fiscal years 2016/17 and 2015/16:

	Brand names and trade-marks	Software	Licenses, royalties	Patents and other industrial property rights	Development expenses	Miscellaneous other intangible assets	Total
	€k	€k	€k	€k	€k	€k	€k
Acquisition and production costs as of 1 Oct 2016	**8,644**	**25,176**	**9,852**	**32,678**	**39,069**	**36,615**	**152,034**
Additions	-	2,282	53	4,110	16,330	4,215	26,990
Reclassifications	-	314	-	-	-	(314)	-
Disposals	-	(46)	-	(13)	-	(5)	(64)
Currency effects	(79)	(992)	(69)	(207)	(2,563)	(1,739)	(5,649)
As of 30 Sep 2017	**8,565**	**26,734**	**9,836**	**36,568**	**52,836**	**38,772**	**173,311**
Depreciation and amortization as of 1 Oct 2016	**8,525**	**15,767**	**2,495**	**29,577**	**12,397**	**29,527**	**98,288**
Additions	65	2,627	1,217	1,423	3,392	646	9,370
Disposals	-	(39)	-	(11)	-	-	(50)
Currency effects	(77)	(705)	(33)	(163)	(614)	(1,196)	(2,788)
As of 30 Sep 2017	**8,513**	**17,650**	**3,679**	**30,826**	**15,175**	**28,977**	**104,820**
Net carrying amount as of 30 Sep 2017	**52**	**9,084**	**6,157**	**5,742**	**37,661**	**9,795**	**68,491**

	Brand names and trademarks	Software	Licenses, royalties	Patents and other industrial property rights	Development costs	Miscellaneous other intangible assets	Total
	€k	€k	€k	€k	€k	€k	€k
Acquisition and production costs as of 1 Oct 2015	**8,635**	**16,967**	**1,621**	**32,474**	**36,553**	**40,321**	**136,571**
Additions	4	5,546	3,822	565	2,407	3,689	16,033
Reclassifications	-	2,861	4,415	-	-	(7,276)	-
Disposals	-	(216)	-	-	-	(225)	(441)
Currency effects	5	18	(6)	(361)	109	106	(129)
As of 30 Sep 2016	**8,644**	**25,176**	**9,852**	**32,678**	**39,069**	**36,615**	**152,034**
Depreciation and amortization as of 1 Oct 2015	**8,478**	**13,800**	**1,615**	**28,802**	**10,232**	**28,279**	**91,206**
Additions	42	2,147	881	1,142	2,154	1,346	7,712
Disposals	-	(216)	-	-	-	(147)	(363)
Currency effects	5	36	(1)	(367)	11	49	(267)
As of 30 Sep 2016	**8,525**	**15,767**	**2,495**	**29,577**	**12,397**	**29,527**	**98,288**
Net carrying amount as of 30 Sep 2016	**119**	**9,409**	**7,357**	**3,101**	**26,672**	**7,088**	**53,746**

Miscellaneous other intangible assets include assets identified via purchase price allocations (PPA) for customer relationships with a carrying amount of €709k (prior year: €1,575k). The remaining useful lives of customer relationships range between 2 and 3 years.

As of 30 September 2017 the Group does not hold any other intangible assets with an indefinite useful life.

13 Property, plant and equipment

Property, plant and equipment developed as follows in fiscal years 2016/17 and 2015/16:

	Land, buildings and leasehold improvements	Technical plant and machinery	Other office equipment, fixtures and fittings	Payments on account and assets under construction	Total
	€k	€k	€k	€k	€k
Acquisition and production costs as of 1 Oct 2016	**50,121**	**40,588**	**79,120**	**1,219**	**171,048**
Additions	295	2,950	9,551	2,106	14,902
Reclassifications	36	414	584	(1,034)	-
Disposals	-	(1,983)	(4,871)	-	(6,854)
Currency effects	(1,780)	(885)	(2,044)	(41)	(4,750)
As of 30 Sep 2017	**48,672**	**41,084**	**82,340**	**2,250**	**174,346**
Depreciation and amortization as of 1 Oct 2016	**31,375**	**24,969**	**50,195**	**-**	**106,539**
Additions	3,594	4,215	7,056	-	14,865
Disposals	-	(1,694)	(843)	-	(2,537)
Currency effects	(1,371)	(521)	(1,325)	-	(3,217)
As of 30 Sep 2017	**33,598**	**26,969**	**55,083**	**-**	**115,650**
Net carrying amount as of 30 Sep 2017	**15,074**	**14,115**	**27,257**	**2,250**	**58,696**

	Land, buildings and leasehold improvements	Technical plant and machinery	Other office equipment, fixtures and fittings	Payments on account and assets under construction	Total
	€k	€k	€k	€k	€k
Acquisition and production costs as of 1 Oct 2015	**50,306**	**41,850**	**71,380**	**1,058**	**164,594**
Additions	448	2,564	16,680	1,120	20,812
Reclassifications	11	269	675	(955)	-
Reclassification to assets held for sale	-	(1,279)	-	-	(1,279)
Disposals	(132)	(2,000)	(10,076)	-	(12,208)
Currency effects	(512)	(816)	461	(4)	(871)
As of 30 Sep 2016	**50,121**	**40,588**	**79,120**	**1,219**	**171,048**
Depreciation and amortization as of 1 Oct 2015	**29,199**	**23,070**	**44,944**	**-**	**97,213**
Additions	2,700	4,432	5,382	-	12,514
Reclassifications	(3)	-	3	-	-
Reclassification to assets held for sale	-	(907)	-	-	(907)
Disposals	(117)	(1,005)	(350)	-	(1,472)
Currency effects	(404)	(621)	216	-	(809)
As of 30 Sep 2016	**31,375**	**24,969**	**50,195**	**-**	**106,539**
Net carrying amount as of 30 Sep 2016	**18,746**	**15,619**	**28,925**	**1,219**	**64,509**

Property, plant and equipment – mainly land, buildings and leasehold improvements – includes leased property with a net carrying amount of €3,167k (prior year: €4,637k).

Property, plant and equipment with a net carrying amount of €3,879k (prior year: €4,107k) serve as collateral for liabilities.

In addition to the scheduled write-downs for the period, the additions to the depreciation and amortization of property, plant and equipment in fiscal year 2016/17 also include an extraordinary write-down in the amount of €817k.

14 Deferred taxes

Deferred tax assets and liabilities comprise the following items in the statement of financial position:

	30 Sep 2017		30 Sep 2016	
	Deferred tax assets	**Deferred tax liabilities**	Deferred tax assets	Deferred tax liabilities
	€k	€k	€k	€k
Loss carryforwards	10,135	-	6,790	-
Other intangible assets	3,550	9,949	4,350	9,882
Fixed assets	625	2,594	1,363	1,928
Financial assets	-	-	355	-
Inventories	20,598	556	19,224	415
Trade receivables	3,345	-	1,698	158
Other assets	209	5,802	638	1,247
Provisions	38,981	113	46,856	109
Trade payables	-	34	76	38
Other liabilities	10,298	160	12,161	44
Retained earnings	-	86	-	466
Total	**87,741**	**19,294**	**93,511**	**14,287**
Deferred tax assets (net)	**68,447**		**79,224**	

The consolidated statement of financial position contains deferred tax assets, after offsetting pursuant to IAS 12, totaling €77,365k (prior year: €89,621k) and deferred tax liabilities of €8,918k (prior year: €10.397k).

Deferred tax liabilities are carried in the amount of €86k (prior year: €466k) for net retained earnings of subsidiaries intended for disbursement in the amount of €14,628k (prior year: €36,986k). Deferred tax liabilities of €6,025k (prior year: €6,473k) on retained earnings at subsidiaries in the amount of €381,484k (prior year: €413,831k) were not carried as liabilities.

The table below shows the reconciliation of deferred taxes:

	€k
Deferred tax assets (net) as of 30 Sep 2015	**61,202**
Effects recognized through profit or loss	6,721
Effects recognized in other comprehensive income	10,250
Currency effects	1,051
Deferred tax assets (net) as of 30 Sep 2016	**79,224**
Effects recognized through profit or loss	(25)
Effects recognized in other comprehensive income	(8,733)
Currency effects	(2,019)
Deferred tax assets (net) as of 30 Sep 2017	**68,447**

15 Other non-current assets

Other non-current assets comprise the following:

	30 Sep 2017	30 Sep 2016
	€k	€k
Plan assets for accrued flexitime	1,106	985
Other	1,384	1,889
Total other non-current assets	**2,490**	**2,874**

16 Inventories

Inventories comprise the following:

	30 Sep 2017	30 Sep 2016
	€k	€k
Raw materials and supplies	105,472	91,264
Unfinished goods	33,139	29,597
Finished goods	128,383	115,143
Total inventories, gross	**266,994**	**236,004**
Valuation allowances	(32,691)	(27,695)
Total inventories, net	**234,303**	**208,309**

Inventories were written up/down as follows:

	2016/17	2015/16
	€k	€k
Beginning of fiscal year	**27,695**	**26,277**
Additions recognized as expenses	17,861	13,293
Currency effects	(447)	74
Reversals/utilization	(12,418)	(11,949)
End of fiscal year	**32,691**	**27,695**

The carrying amount of inventories carried at their net realizable value totaled €137,025k as of 30 September 2017 (prior year: €125,556k) Write-ups in the amount of €2,865k (prior year: €1,425k) were recognized through profit or loss. The write-ups are mainly attributable to the adjustment of parameters for depreciation routines to new empirical values. The cost of materials totaled €433,954k and €372,329k, respectively, in fiscal years 2016/17 and 2015/16. These expenses are calculated according to the total cost format and include the costs of raw materials and supplies and purchased goods and services, plus any valuation allowances and changes in inventories. No inventories have been pledged as collateral for liabilities.

17 Trade receivables

Trade receivables comprise the following:

	30 Sep 2017	30 Sep 2016
	€k	€k
Current trade receivables	206,526	197,466
Non-current trade receivables	12,743	11,097
Trade receivables, gross	**219,269**	**208,563**
Valuation allowances	(11,272)	(8,222)
Trade receivables, net	**207,997**	**200,341**

18 Other current financial assets

Other current financial assets comprise the following:

	30 Sep 2017	30 Sep 2016
	€k	€k
Credit card receivables	2,417	2,744
Derivative financial instruments	19,380	3,470
Securities	4,390	-
Receivables from ZEISS Group	2,854	2,105
Debit balances of accounts payable	922	725
Loans to employees	46	61
Other receivables	1,117	857
Other current financial assets	**31,126**	**9,962**

19 Other current non-financial assets

Other current non-financial assets comprise the following:

	30 Sep 2017	30 Sep 2016
	€k	€k
Prepaid expenses	8,165	8,948
Receivables from tax office/other tax receivables	9,437	10,248
Advance payments	1,821	1,014
Other receivables	485	468
Other current non-financial assets	**19,908**	**20,678**

Receivables from the tax office mainly include receivables from advance sales tax payments.

20 Cash and cash equivalents

Cash and cash equivalents comprise the following:

	30 Sep 2017	30 Sep 2016
	€k	€k
Cash	14	21
Bank balances	3,911	8,689
Cash and cash equivalents	**3,925**	**8,710**

21 Equity

Share capital

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 by €8,130,960 in the reporting period, from €81,309,610 to €89,440,570, by way of the issue of 8,130,960 no-par value shares bearing equal rights, each with a proportionate interest in the share capital of €1. The capital increase was entered in the commercial register on 23 March 2017. The cash capital increase resulted in net proceeds (after tax) of €314,405k. This comprises gross proceeds totaling €316,620k and issuing costs (after taxes) of €2,215k. The New Shares were admitted to trading by way of a resolution of the Frankfurt Stock Exchange on 27 March 2017. Ownership of the shares is linked to voting rights at the General Meeting and profit participation rights for resolved disbursements.

Authorized capital
Pursuant to a resolution of the Annual General Meeting on 6 April 2016 and the entry in the commercial register dated 29 April 2016, the Management Board is authorized, with the approval of the Supervisory Board, to increase the share capital of the Company, on one or several occasions until 5 April 2021, by up to a total of €40,655k, by issuing new no-par value bearer shares with a theoretical nominal value of €1 per share (40,654,805 shares) against cash and/or contributions in kind (Authorized Capital). The Management Board took advantage of this authorization as part of the capital increase of €8,131k described above. As a result, in addition to the existing authorized capital of €32,524k, it was resolved to create an additional authorized capital in the amount of up to €12,196k. Pursuant to the resolution of the Annual General Meeting on 30 May 2017 and the entry in the commercial register dated 23 June 2017, the Management Board is authorized, with the consent of the Supervisory Board, to increase the share capital, on one or several occasions until 29 May 2022, by up to a total of €12,196k, by issuing new, no-par value bearer shares, each with a theoretical nominal value of €1 (12,196,440 shares) against cash and/or contributions in kind (Authorized Capital 2017). As with the original authorized capital, the Management Board shall be authorized, with the consent of the Supervisory Board, to exclude shareholders' statutory subscription rights in certain cases.

Capital reserve
The capital reserve contains the amounts obtained in excess of the theoretical value from the share issue.

Retained earnings
Under the German Stock Corporation Act (Aktiengesetz), the dividend available for distribution to the shareholders is dependent upon equity as reported in the single-entity financial statements of Carl Zeiss Meditec AG in accordance with the German Commercial Code (HGB). Dividends may only be declared and paid from any retained earnings that exist (after transfer to statutory reserves). As of 30 September 2017, the annual financial statements of Carl Zeiss Meditec AG showed a net profit of €188,466k (prior year: €115,564k).

Non-controlling interests
The item non-controlling interests comprises the holdings of other shareholders in the equity of Carl Zeiss Meditec Co. Ltd., Tokyo, Japan and Ophthalmic Laser Engines, LLC, Lafayette, USA. The change in this item is mainly attributable this fiscal year to the distribution of a dividend by Carl Zeiss Meditec Co. Ltd., Tokyo, Japan, to the minority shareholder.

Other components of equity
The amounts recorded under "Other components of equity" resulting from foreign currency translation developed as follows:

	€k
Currency translation as of 30 Sep 2015	**9,164**
Development in fiscal year 2015/16	7,714
Currency translation as of 30 Sep 2016	**16,878**
Development in fiscal year 2016/17	(17,749)
Currency translation as of 30 Sep 2017	**(871)**

22.Pension obligations

The obligations arising from defined benefit plans are mainly attributable to retirement benefit obligations in Germany, the USA and Japan. The features and the risks thus associated with the defined benefit plans vary, depending on the general legal, tax and economic conditions of the respective country.

Defined benefit plans

Germany

The currently applicable benefit regulation for employees in Germany is an employer-funded benefit comprising retirement, disability and survivor benefits. As a general rule, employees are entitled to these benefits after they have been with the company for at least five years.

The benefit plan is a modular system, in which a pension module is calculated and defined for each fiscal year. The size of the contribution is determined based on the respective employee's income and the success of the company in that fiscal year, with a guaranteed basic contribution. The contribution is converted into a pension module according to age-related factors. The pension modules acquired are aggregated and paid out as a life-long pension.

In order to reduce the risks associated with defined benefit pension plans, in particular longevity, pay increase, and inflation, benefits are funded via external plan assets. Since 2006 the Company has had a Contractual Trust Arrangement (CTA) with the independent trustee Carl Zeiss Pensions-Treuhand e.V. for the pension entitlements of the active employees at that time. Allianz Global Investors Advisory GmbH, whom the trustee commissioned to manage the special fund, invests the special fund in the capital market according to the investment principles prescribed by the trustee.

In addition to the employer-funded benefit, employees in Germany also have the option to participate in the Deferred Compensation plan. This is a defined contribution plan funded by the deferral of a certain amount of salary, for which the company takes out reinsurance policies.

USA

The benefit entitlement for employees in the USA is regulated via three pension schemes. These are employer-funded benefits which, depending on how they are structured, include retirement and survivor benefits, as well as medical benefits.

The most comprehensive plan at present relates exclusively to retirement benefits and was drawn up on 31 December 2012 for new employees, as well as to serve additional claims. This is a commitment based on the average salary immediately prior to drawing up the plan. The general legal and regulatory terms and conditions of the plan are based on the U.S. Employee Retirement Income Security Act (ERISA). There is a regulatory requirement in this defined benefit plan, to ensure a minimum level of funding in the amount of the administrative costs and other anticipated costs, in order to avoid benefit limitations.

The second major plan regulates medical and survivor benefits. Similar to the plan described above, this plan has also been drawn up already and consists only of benefits to beneficiaries who entered the retirement phase up until 31 October 2006. This plan is not subject to any kind of statutory or regulatory minimum funding requirements.

These defined benefit plans give rise to actuarial risks, including an investment risk, an interest rate risk and a longevity risk.

The plan assets are managed in a trust. As the funding employer, the Group has delegated supervision of the assets to an investment committee. The members of this investment committee have the fiduciary responsibility, pursuant to U.S. law and the trust agreement, to act solely in the interests of the beneficiaries. The committee has defined the principles and objectives of asset management in an investment strategy, including the stipulation to diversify the investment of the trust, in order to adequately mitigate concentration risks. The trustee of the trust, who is responsible for managing the assets within the confines of the law, acts only according to the specifications of the investment committee and has no autonomous decision-making authority over the plan assets.

Japan

The Group provides employees in Japan with an employer-funded benefit plan offering retirement benefits within the scope of a Retirement Allowance Plan. This benefit plan is a modular system, in which a pension module is calculated and defined for each fiscal year. The size of the contribution is determined based on the respective employee's income and the success of the company in that fiscal year. The benefit is paid in the form of a one-time payment upon retirement.

This defined benefit plan gives rise to actuarial risks, such as an interest rate risk and a longevity risk, as well as the risk associated with pay increases.

The amount disclosed in the statement of financial position on the basis of the Company's obligation from defined benefit plans is based on the following:

	30 Sep 2017	30 Sep 2016
	€k	€k
Present value of obligations not financed by plan assets	11,874	13,968
Present value of obligations wholly or partly financed by plan assets	156,633	174,544
Total value of defined benefit obligation (DBO)	**168,507**	**188,512**
Fair value of plan assets	130,641	107,378
Net obligation/amount recognized	**37,866**	**81,134**

The defined benefit obligation comprises the following:

	30 Sep 2017			30 Sep 2016		
	Defined benefit obligation (DBO)	Fair value of plan assets	Net obligation	Defined benefit obligation (DBO)	Fair value of plan assets	Net obligation
	€k	€k	€k	€k	€k	€k
Germany	139,920	111,781	28,139	154,479	89,047	65,432
USA	20,014	18,860	1,154	23,194	18,331	4,863
Japan	6,760	-	6,760	9,250	-	9,250
Other	1,813	-	1,813	1,589	-	1,589
Net amount recognized	**168,507**	**130,641**	**37,866**	**188,512**	**107,378**	**81,134**

The following amounts are recognized in the income statement for defined benefit plans:

	2016/17	2015/16
	€k	€k
Current service cost	7,022	4,626
Net interest expense	1,020	1,440
Net expenditure in the fiscal year recognized in the income statement	**8,042**	**6,066**
(Income)/loss from plan assets, excluding amounts already included in interest	(4,590)	(2,979)
Actuarial (gains)/losses	(24,383)	37,380
Expenses and income recognized in other comprehensive income	**(28,973)**	**34,401**
Actual (income)/expense on plan assets	(6,318)	(5,094)

The current service cost of €7,022k (prior year: €4,626k) is included under both cost of goods sold and functional costs, depending on the allocation of personnel expenses to the functional areas.

The present value of the defined benefit obligations developed as follows:

	2016/17	2015/16
	€k	€k
Defined benefit obligation (DBO) at beginning of fiscal year	**188,512**	**144,477**
Current service cost	7,022	4,626
Interest expense	2,748	3,554
Benefit payments	(4,135)	(3,540)
Actuarial (gains)/losses based on demographic assumptions	(465)	(530)
Actuarial (gains)/losses based on financial assumptions	(28,412)	39,121
Actuarial (gains)/losses based on empirical assumptions	4,494	(1,211)
Additions/disposals	1,160	509
Currency translation differences from foreign plans	(2,417)	1,506
Defined benefit obligation (DBO) at end of fiscal year	**168,507**	**188,512**

The changes in the fair value of the plan assets are as follows:

	2016/17	2015/16
	€k	€k
Fair value of plan assets at beginning of fiscal year	**107,378**	**79,612**
Interest income	1,728	2,114
Revaluations (income from plan assets, excluding amounts already included in interest)	4,590	2,979
Employer contributions	19,467	24,711
Employee contributions	105	36
Pension payments from plan assets	(1,520)	(2,124)
Currency translation differences from foreign plans	(1,107)	50
Fair value at end of fiscal year	**130,641**	**107,378**

For the coming fiscal year the Group intends to pay a contribution of €324k (prior year: €346k) into the defined benefit plans.

These plan assets are used exclusively to settle the defined benefit obligations. The funding of these benefit obligations serves to cover future cash outflows as required by law in some countries and made on a voluntary basis in others.

The Group's objective is to cover the pension obligations in Germany in full, within a medium-term period, by means of additions to capital and a positive capital market return. To this end, the Group shall make regular annual contributions to the plan assets. The Carl Zeiss Meditec Group controls and monitors the financial risks arising from the outsourcing of pension obligations. Mainly pensions, shares and similar securities are employed, which, due to a broad spread in terms of currency and investment region, should generate an attractive return, as well as an appropriate reduction of risk. The outsourced funds are allocated by asset category based on analyses conducted by the trustee in concert with the Group and the appointed asset management company. In order to review the external funding strategy at regular intervals and make adjustments, an Asset-Liability-Matching (ALM) study is also regularly prepared in collaboration with an external consultant.

The main investment categories of the plan assets were as follows at the end of the reporting period:

	30 Sep 2017	30 Sep 2016
	€k	€k
Developed markets	33,759	22,003
Growth markets	6,755	6,124
Equity instruments (shares)	**40,514**	**28,127**
Government bonds	7,692	12,134
Corporate bonds	30,656	24,677
Other	12,369	5,462
Debt instruments (bonds and debentures)	**50,717**	**42,273**
Real estate	**229**	**319**
Alternative instruments	**15,676**	**10,971**
Cash	**23,505**	**25,652**
Other	**-**	**36**
Total plan assets	**130,641**	**107,378**

The following average valuation factors were used to calculate benefit obligations:

	Germany		USA		Japan	
	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16
	in %	in %	in %	in %	in %	in %
Discount factor	2.00	1.30	3.60	3.18	0.42	0.36
Long-term salary increase	2.75	2.75	0.00	0.00	3.13	4.01
Future pension increase	1.75	1.75	0.00	0.00	0.00	0.00

The calculation of pensions is linked to employee turnover. Depending on the respective plan, the pensionable age was set at 62 to 65. As in the prior year, benefit obligations in Germany were calculated based on Prof. Dr. Klaus Heubeck's 2005 G life expectancy tables. Country-specific mortality tables were used in other countries. The calculation of the underlying discount factor also took market changes into account.

Changes in the definitive actuarial assumptions by half a percentage point would have affected the defined benefit obligation as of 30 September 2016 as follows:

	Increase	Decrease
	€k	€k
Discount rate	20,645	(17,546)
Remuneration trend	2,590	(2,320)
Rate of pension progression	5,165	(4,679)

The sensitivity analyses presented take into account ceteri paribus the change of a parameter, while retaining the calculation method. The variation ranges set for the valuation assumptions were selected such that the respective assumption will not move outside the range within one year, with a probability of 60% to 90%.

In order to examine the sensitivity of the DBO to a change in the assumed life expectancy, the projected mortality rates were reduced, within the scope of a comparative calculation, to the extent that the reduction leads to an increase in life expectancy by roughly one year. The DBO as of 30 September 2017 would thus have been €5,611k higher.

The weighted duration of the pension obligations was 22.9 years as of 30 September 2017 (prior year: 24.8 years).

The following pension payments are projected for the next ten years for the defined benefit plan obligations existing as of the end of the reporting period:

Fiscal year ending 30 September	Expected benefit payments
	€k
2018	2,795
2019	3,174
2020	3,503
2021	3,920
2022	3,606
2023 - 2027	23,679

23 Provisions

The table below shows the development of current and non-current provisions:

	Personnel and social	Ongoing operations	Others	Total
	€k	€k	€k	€k
As of 1 Oct 2016	**3,417**	**15,051**	**9,603**	**28,071**
Additions	1,579	14,271	11,997	27,847
Interest yield	76	-	79	155
Reversals	(461)	(1,749)	(3,146)	(5,356)
Utilization	(1,732)	(12,481)	(1,666)	(15,879)
Currency effects	(74)	(551)	(893)	(1,518)
As of 30 Sep 2017	**2,805**	**14,541**	**15,974**	**33,320**
Current provisions	65	14,119	8,997	23,181
Non-current provisions	2,740	422	6,977	10,139
Provisions as of 30 Sep 2017	**2,805**	**14,541**	**15,974**	**33,320**
Current provisions	225	14,584	7,882	22,691
Non-current provisions	3,192	467	1,721	5,380
Provisions as of 30 Sep 2016	**3,417**	**15,051**	**9,603**	**28,071**

Personnel and social commitments

The provisions for personnel and social commitments mostly relate to commitments for partial retirement and anniversary expenses.

The provisions for partial retirement and anniversaries are measured using a projected unit credit method based on actuarial surveys. Actuarial gains and losses are recognized immediately through profit or loss. The measurement parameters correspond to the economic assumptions for financing the pension commitments. Plan assets for partial retirement obligations were offset at their fair value at the end of the reporting period with the provision for partial retirement.

The fair value of the plan assets was offset against the provision at the end of the reporting period as follows:

	30 Sep 2017	30 Sep 2016
	€k	€k
Present value of partial retirement obligations	788	746
Fair value of plan assets	628	524
Reported net liability for partial retirement obligations	**160**	**222**

Commitments from ongoing operations
Commitments from ongoing operations primarily include warranty provisions. The Company furnishes the buyer with a warranty for the perfect functioning of sold products for the contractually guaranteed period of up to two years, depending on the product. Provisions are set up for this purpose based on the average values of warranty claims made in the past. These provisions are regularly adjusted to reflect actual experience. The appropriation to these warranty provisions is recorded under cost of goods sold.

Other commitments
The provisions for other commitments relate to identifiable individual risks and uncertain obligations, for example for earnout components as part of company acquisitions, or process risks.

24 Non-current financial liabilities

Non-current financial liabilities comprise the following:

	30 Sep 2017	30 Sep 2016
	€k	€k
Annuity loans	482	851
Other non-current financial liabilities	1,186	1,251
Total non-current financial liabilities	**1,668**	**2,102**
Less current portion of non-current financial liabilities	1,075	492
Non-current financial liabilities less current portion	**593**	**1,610**

The variable-interest annuity loan of one Group company has a term of 18 years and is redeemed in quarterly installments of €124k, each including interest. In fiscal year 2016/17 this loan bore interest at an average rate of 0.63% p. a..

Other non-current financial liabilities result from the acquisition of non-current assets and will be repaid within the next two years.

As of 30 September 2017 the Company's non-current liabilities had the following maturities:

Fiscal year ending 30 September	Liabilities
	€k
2018	1,075
2019	593
Thereafter	-
Non-current liabilities, total	**1,668**

25 Current accrued liabilities

Current accrued liabilities include the following items:

	30 Sep 2017	30 Sep 2016
	€k	€k
Outstanding invoices	19,754	26,911
Christmas bonus, special payments, and other personnel-related liabilities	43,952	37,445
Commissions/bonuses	5,599	4,051
Year-end costs	808	706
Consultancy fees	242	231
Insurance	-	21
Other accrued liabilities	1,882	1,803
Current accrued liabilities	**72,237**	**71,168**

26 Other current non-financial liabilities

Other current non-financial liabilities comprise the following:

	30 Sep 2017	30 Sep 2016
	€k	€k
Deferred income	18,377	19,810
Payments received on account of orders	6,090	6,190
Liabilities from taxes not related to income	3,238	4,249
Liabilities from social security	2,427	1,878
Wage withholding tax	2,292	2,388
Other liabilities	1,212	899
Other current non-financial liabilities	**33,636**	**35,414**

27 Additional disclosures on financial instruments

The following table shows the book values, carrying amounts and fair values by valuation category of the financial instruments as of 30 September 2017 and 30 September 2016.

	30 Sep 2017						
	Carrying amount, statement of financial position acc. to IAS 39						
	Valuation category according to IAS 39	Carrying amount	Amortized cost	Fair value recog-nized through profit or loss	Carrying amount cash reserve	Carrying amount statement of financial position IAS 17	Fair value*
		€k	€k	€k	€k	€k	€k
Primary financial instruments							
Assets							
Trade receivables	LaR	**207,997**	207,997	-	-	-	**207,997**
Receivables from related parties	LaR	**89,835**	89,835	-	-	-	**89,835**
Treasury receivables	LaR	**630,721**	630,721	-	-	-	**630,721**
Investments	AfS	**122**	122	-	-	-	**122**
Loans	LaR	**1,824**	1,824	-	-	-	**1,824**
Investments in affiliated non-consolidated companies	AfS	**19,178**	19,178	-	-	-	**19,178**
Other non-current financial assets	LaR	**1,175**	1,175	-	-	-	**1,175**
Other current financial assets	LaR	**7,356**	7,356	-	-	-	**7,356**
Securities	AfS	**4,390**	-	4,390	-	-	**4,390**
Cash	LaR	**3,925**	-	-	3,925	-	**3,925**
Equity and liabilities							
Trade payables	FLAC	**64,870**	64,870	-	-	-	**64,870**
Liabilities to related parties	FLAC	**35,593**	35,593	-	-	-	**35,593**
Treasury payables	FLAC	**69,642**	69,642	-	-	-	**69,642**
Loans from banks	FLAC	**872**	872	-	-	-	**872**
Other financial liabilities	FLAC	**3,581**	3,581	-	-	-	**3,581**
Financial liabilities which cannot be allocated to any category within the meaning of IAS 39:							
Leasing liabilities	n.a.	**5,814**	-	-	-	5,814	**6,460**
Derivative financial instruments							
Assets							
Currency hedging contracts	FVTPL	**19,380**	-	19,380	-	-	**19,380**
Equity and liabilities							
Currency hedging contracts	FVTPL	**1,873**	-	1,873	-	-	**1,873**
Thereof aggregated by valuation category pursuant to IAS 39							
Loans and receivables (LaR)		**942,833**	938,908	-	3,925	-	**942,833**
Available-for-sale financial assets (AfS)		**23,690**	19,300	4,390	-	-	**23,690**
Financial assets/liabilities through profit or loss (FVTPL)		**21,253**	-	21,253	-	-	**21,253**
Financial liabilities measured at amortized cost (FLAC)		**174,558**	174,558	-	-	-	**174,558**

* Insofar as no fair value can be calculated, carrying amount is stated

	30 Sep 2016							
	Carrying amount, statement of financial position acc. to IAS 39							
	Valuation category according to IAS 39	Carrying amount	Amortized cost	Fair value recognized in other comprehensive income	Fair value recognized through profit or loss	Carrying amount cash reserve	Carrying amount statement of financial position IAS 17	Fair value*
		€k	€k	€k	€k	€k	€k	€k
Primary financial instruments								
Assets								
Trade receivables	LaR	**200,341**	200,341	-	-	-	-	**200,341**
Receivables from related parties	LaR	**60,216**	60,216	-	-	-	-	**60,216**
Treasury receivables	LaR	**354,528**	354,528	-	-	-	-	**354,528**
Investments	AfS	**124**	124	-	-	-	-	**124**
Loans	LaR	**2,348**	2,348	-	-	-	-	**2,348**
Other non-current financial assets	LaR	**1,042**	1,042	-	-	-	-	**1,042**
Other current financial assets	LaR	**6,492**	6,492	-	-	-	-	**6,492**
Cash	LaR	**8,710**	-	-	-	8,710	-	**8,710**
Equity and liabilities								
Trade payables	FLAC	**57,105**	57,105	-	-	-	-	**57,105**
Liabilities to related parties	FLAC	**29,426**	29,426	-	-	-	-	**29,426**
Treasury payables	FLAC	**28,656**	28,656	-	-	-	-	**28,656**
Loans from banks	FLAC	**1,134**	1,134	-	-	-	-	**1,134**
Other financial liabilities	FLAC	**7,335**	7,335	-	-	-	-	**7,335**
Financial liabilities which cannot be allocated to any category within the meaning of IAS 39:								
Leasing liabilities	n.a.	**8,980**	-	-	-	-	8,980	**10,316**
Derivative financial instruments with hedge relationship	n.a.	**7,201**	-	7,201	-	-	-	**7,201**
Derivative financial instruments								
Assets								
Currency hedging contracts	FVTPL	**3,470**	-	-	3,470	-	-	**3,470**
Equity and liabilities								
Currency hedging contracts	FVTPL	**8,660**	-	-	8,660	-	-	**8,660**
Thereof aggregated by valuation category pursuant to IAS 39								
Loans and receivables (LaR)		**633,677**	624,967	-	-	8,710	-	**633,677**
Available-for-sale financial assets (AfS)		**124**	124	-	-	-	-	**124**
Financial assets/liabilities through profit or loss (FVTPL)		**12,130**	-	-	12,130	-	-	**12,130**
Financial liabilities measured at amortized cost (FLAC)		**123,656**	123,656	-	-	-	-	**123,656**

* Insofar as no fair value can be calculated, carrying amount is stated

The following reclassifications should be noted for comparison of the valuation categories with items in the statement of financial position:

Classification acc. to IFRS 7	Category according to IAS 39	Statement of financial position item
Trade receivables	LaR	Non-current trade receivables
		Trade receivables
Receivables from related parties	LaR	Trade receivables from related parties
Treasury receivables	LaR	Treasury receivables
Investments	AfS	Investments
		At-equity investments
Loans	LaR	Loans to investments measured at equity
		Other loans
Investments in affiliated non-consolidated companies	AfS	Investments in affiliated non-consolidated companies
Non-current loans to employees	LaR	Other non-current assets
Other non-current financial assets	LaR	
Other current financial assets	LaR	Other current financial assets
Securities	AfS	Other current financial assets
Asset-side currency hedging contracts	FVTPL	Other current financial assets
Cash	LaR	Cash and cash equivalents
Trade payables	FLAC	Trade payables
Liabilities to related parties	FLAC	Trade payables to related parties
Treasury payables	FLAC	Treasury payables
Other financial liabilities	FLAC	Non-current financial liabilities
	FLAC	Current financial liabilities
Loans from banks	FLAC	Non-current financial liabilities
	FLAC	Current financial liabilities
Liabilities-side currency hedging contracts	FVTPL	Current financial liabilities
Leasing liabilities	n.a.	Non-current leasing liabilities
		Current portion of non-current leasing liabilities
Derivative financial instruments with hedge relationship	n.a.	Current financial liabilities

As of 30 September 2017 the Company had currency hedging contracts with a total nominal value of €537,036k (prior year: €469,072k). Gains and losses on the valuation of derivative financial instruments not yet due totaling €+18,175k (prior year: €-5,191k) are recorded in the income statement under "Foreign currency gains/(losses), net". As in the prior year the Group does not hold any financial instruments to be allocated to the categories "held-to-maturity" or, based on the respective designation, "assets or liabilities to be measured at fair value through profit or loss".

Net results by valuation category

The following table shows the distribution of income from interest, the subsequent valuation of financial instruments at fair value, and from currency translation among the individual categories of financial instruments in the sense of IAS 39, and how the respective net result is calculated.

		Interest effects	From subsequent valuation			Amortization	Other comprehensive income	Net income
			at fair value	Foreign currency translation	Valuation allowance			
		€k	€k	€k	€k	€k	€k	€k
From loans and receivables	30 Sep 2017	566	n.a.	(9,027)	(4,001)	(13)	n.a.	(12,475)
	30 Sep 2016	618	n.a.	3,298	(3,105)	(26)	n.a.	785
From available-for-sale financial assets	30 Sep 2017	-	-	-	-	-	-	-
	30 Sep 2016	-	-	-	(810)	-	-	(810)
From held-for-trading financial assets and liabilities	30 Sep 2017	-	18,175	(1,059)	-	-	-	17,116
	30 Sep 2016	-	(5,191)	(6,988)	-	-	-	(12,179)
From financial liabilities carried at amortized cost	30 Sep 2017	(879)	n.a.	940	n.a.	n.a.	n.a.	61
	30 Sep 2016	(713)	n.a.	(460)	n.a.	n.a.	n.a.	(1,173)
Other	30 Sep 2017	(1,446)	-	-	456	-	-	(990)
	30 Sep 2016	(2,419)	-	-	294	-	-	(2,125)
Total	**30 Sep 2017**	**(1,759)**	**18,175**	**(9,146)**	**(3,545)**	**(13)**	**-**	**3,712**
	30 Sep 2016	**(2,514)**	**(5,191)**	**(4,150)**	**(3,621)**	**(26)**	**-**	**(15,502)**
thereof through profit or loss	30 Sep 2017	(1,759)	18,175	(9,146)	(3,545)	(13)	-	3,712
	30 Sep 2016	(2,514)	(5,191)	(4,150)	(3,621)	(26)	-	(15,502)
thereof selling and marketing expenses	30 Sep 2017	-	-	-	(4,001)	(13)	-	(4,014)
	30 Sep 2016	-	-	-	(3,105)	(26)	-	(3,131)

Interest from financial instruments is carried under "Interest income", effects arising from the currency translation and fair value measurement of financial assets and liabilities held for trading are carried under "Foreign currency gains/losses, net", and dividends are carried under "Other financial result". The Carl Zeiss Meditec Group also records the other components of net income under "Other financial result", with the exception of the valuation allowances on trade receivables attributable to the valuation category "Loans and receivables", which are carried under "Selling expenses". In addition, the income statement also takes into account all factors that cannot be allocated to financial instruments. The Company did not make use of the option under IAS 39.9 (b), to recognize financial assets or liabilities at fair value through profit or loss upon first recognition.

Hedge accounting

In order to hedge against the currency risk arising from the net investment in Japanese yen, a forward exchange contract with the same term was concluded in the prior fiscal year, which expired in April 2017. This forward exchange contract was designated as a net investment hedge in compliance with the hedge accounting regulations. There were no significant ineffective portions in the current fiscal year.

Financial assets carried at fair value by valuation category

The following table shows the financial assets and liabilities carried at fair value by valuation category. 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.

Carl Zeiss Meditec AG reviews 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.

		Category 1	Category 2	Category 3	Total
		€k	€k	€k	€k
Securities	30 Sep 2017	4,390	-	-	4,390
	30 Sep 2016	-	-	-	-
Financial assets recognized at fair value through profit or loss	30 Sep 2017	-	19,380	-	19,380
	30 Sep 2016	-	3,470	-	3,470
Financial liabilities recognized at fair value through profit or loss	30 Sep 2017	-	(1,873)	-	(1,873)
	30 Sep 2016	-	(8,660)	-	(8,660)
Derivative financial instruments with hedge relationship	30 Sep 2017	-	-	-	-
	30 Sep 2016	-	(7,201)	-	(7,201)

Offsetting of financial assets and liabilities

The following table shows the offset amounts of trade receivables and trade payables as of 30 September 2017.

	Gross amount	Offsetting	Net amount recognized
	€k	€k	€k
Trade receivables	204,234	(8,978)	195,256
Trade payables	73,848	(8,978)	64,870

OTHER DISCLOSURES

28 Leases

Operating leases and rental agreements - Group as lessor
The Group leases technical equipment as well as other office equipment, fixtures and fittings.

The future accumulated minimum lease and rental payments from binding operating lease agreements amount to the following:

	Lease and rental payments
	€k
Up to 1 year	554
Between 1 and 5 years	1,772
More than 5 years	18
Total minimum lease and rental payments	**2,344**

Operating leases and rental agreements - Group as lessee
The Company leases buildings and office equipment under lease and rental agreements which may not be canceled during the basic term. The leases have different conditions and extension and purchase options.

The lease and rental expenses recorded in the income statement for fiscal years 2016/17 and 2015/16 amounted to €15,608k and €13,986k, respectively.

The future accumulated minimum rental and lease payments based on binding operating leases amount to the following:

	Lease and rental payments
	€k
Up to 1 year	12,139
Between 1 and 5 years	29,045
More than 5 years	10,082
Total minimum lease and rental payments	**51,266**

The future minimum lease payments for the leasing of buildings include the rental payments for the subsequent binding rental period. Extension options exist for these rental agreements.

Finance leases – Group as lessor
In some cases the Company offers financing models within the scope of selling its products, in the form of lease agreements, which, due to their nature, must be classified as finance leases.

The outstanding minimum rental and lease payments from finance leases are as follows:

	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16
	€k	€k	€k	€k	€k	€k
	Present value of future lease payments		Interest portion of future lease payments		Total future lease payments	
Due within 1 year	1,202	953	98	37	1,300	990
Due within 1 to 5 years	4,529	3,795	370	91	4,899	3,886
Due after more than 5 years	667	723	56	-	723	723
Total	**6,398**	**5,471**	**524**	**128**	**6,922**	**5,599**

In the fiscal year just ended there was no outstanding financial income, no non-guaranteed residual values accruing to the lessor, no valuation allowances for uncollectible outstanding minimum lease payments, and no contingent rental payments recognized as income.

Finance leases – Group as lessee

On 28 September 1999 Carl Zeiss Meditec Inc. sold and leased back buildings and leasehold improvements in Dublin, USA, for €34,081k. This sale-and-lease-back arrangement is categorized as a finance lease pursuant to IAS 17, whereby the buildings and leasehold improvements continue to be carried and depreciated on the lessee's books, and any profit from the transaction is to be distributed. The lease agreement has a term of 20 years. After the original term of the lease expires in 2019, the lessee will have two opportunities to extend the lease by five years in each case. The lease also includes a clause to increase the lease installments by 13% every five years.

In addition, the land and buildings of the French subsidiary Carl Zeiss Meditec S.A.S. in Périgny/La Rochelle are financed via a finance lease. This lease agreement comprises three contracts: the basic lease agreement was concluded in 2001 and was extended in 2002 and 2003 by additional agreements. Each of these agreements has a term of 15 years. After the original term expires, the leased assets can be acquired for a price of €1 each. The leases do not include any price adjustment clauses; however, they are subject to variable interest rates.

There are also finance lease agreements pertaining to company vehicles.

The obligations from finance leases are as follows:

	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16
	€k	€k	€k	€k	€k	€k
	Present value of future lease payments		Interest portion of future lease payments		Total future lease payments	
Due within 1 year	2,819	2,854	433	681	3,252	3,535
Due within 1 to 5 years	2,995	6,126	221	691	3,216	6,817
Due after more than 5 years	-	-	-	-	-	-
Total	**5,814**	**8,980**	**654**	**1,372**	**6,468**	**10,352**

29 Contingent liabilities and other financial commitments

Guarantees
As in the prior year, no guarantees have been assumed on behalf of external third parties.

Purchase commitments
The Carl Zeiss Meditec Group has purchase commitments towards suppliers for property, plant and equipment amounting to €1,868k (prior year: €971k) and for intangible assets totaling €428k (prior year: €648k).

Litigation and arbitration proceedings
With the exception of the proceedings described below, the Carl Zeiss Meditec Group is not currently involved in any litigation or arbitration proceedings which, in the Company's current estimation, could individually have a material effect on the financial position of Carl Zeiss Meditec AG. Nor are such proceedings pending or to be expected to the Company's knowledge.

There is still a litigation risk in connection with the claim of a former distribution partner in Egypt for compensation and damages. In the Company's opinion, there is no sufficient basis for this claim; the Company is therefore contesting the claim.

Provisions have been set up for the expected costs.

30 Securities

Assets pledged as security
Borrowings in the amount of €482k (prior year: €851k) are secured by land and buildings, plant and machinery. There are no restrictions on rights of disposal.

Assets held as security
The Group does not hold any assets pledged as security.

31 Segment reporting

Pursuant to IFRS 8, the Group publishes its operating segments based on the information that is reported internally to the Management Board, which is also Chief Operating Decision Maker. The Group has two operating segments, which are simultaneously the Group's Strategic Business Units (SBUs). All activities relating to ophthalmology, such as intraocular lenses, surgical visualization solutions and medical laser and diagnostic systems are 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 in this Annual Report.

Internal management reports are evaluated regularly by the Management Board for each of the strategic business units with regard to making decisions on resource allocation and performance. In addition to publishing the results at segment level, any write-downs and appropriations to provisions are also published for each SBU.

	Ophthalmic Devices		Microsurgery		Total	
	2016/17	2015/16	**2016/17**	2015/16	**2016/17**	2015/16
	€k	€k	€k	€k	€k	€k
External revenue	**880,459**	**791,866**	**309,437**	**296,499**	**1,189,896**	**1,088,365**
Gross profit	457,054	397,807	199,679	181,739	656,733	579,546
Selling and marketing expenses	(202,656)	(181,279)	(86,899)	(74,049)	(289,555)	(255,328)
General administrative expenses	(38,235)	(35,461)	(9,857)	(11,019)	(48,092)	(46,480)
Research and development expenses	(113,698)	(93,670)	(32,094)	(29,736)	(145,792)	(123,406)
Other operating result	7,536	-	-	-	7,536	-
Earnings before interest and taxes	**110,001**	**87,397**	**70,829**	**66,935**	**180,830**	**154,332**
Depreciation and amortization	20,311	18,170	3,924	2,056	24,235	20,226
Appropriation to provisions	24,640	18,520	3,207	1,514	27,847	20,034

Reconciliation of segments' comprehensive income to the Group's period-end result		
Comprehensive income of the segments	**180,830**	**154,332**
Consolidated earnings before interest and taxes (EBIT)	**180,830**	**154,332**
Financial result	7,726	(12,371)
Consolidated earnings before income taxes	**188,556**	**141,961**
Income tax expense	(52,778)	(41,991)
Consolidated profit	**135,778**	**99,970**
attributable to:		
Shareholders of the parent company	134,445	98,330
Non-controlling interests	1,333	1,640

As a general rule there were no intersegment sales.

The information on geographic regions is based on the regions of Germany, the USA, Japan, Europe (excluding Germany) and Rest of world according to the registered office of the subsidiary that recognizes the revenue or holds the non-current assets. Each region essentially offers the same type of products and services.

	2016/17		2015/16	
	Revenue	**Non-current assets**	Revenue	Non-current assets
	€k	€k	€k	€k
Germany	598,094	73,971	522,857	63,359
USA	374,348	130,897	345,641	120,031
Japan	105,536	989	102,991	1,293
Europe (excluding Germany)	111,918	97,673	116,876	100,585
Other	-	460	-	439
Total	**1,189,896**	**303,990**	**1,088,365**	**285,707**

Segment assets comprise the non-current assets of the segment less deferred income taxes of €77,365k (prior year: €89,621k), investments in affiliated non-consolidated companies of €19,178k (prior year: €0), investments of €122k (prior year: €124k), other loans of €1,824 (prior year: €2,348k and non-current trade receivables of €12,741k (prior year: €11,097k).

Major customers
Carl Zeiss AG and its subsidiaries (except Carl Zeiss Meditec Group) constitute one of the Carl Zeiss Meditec Group's major customers, accounting for more than 10% of total revenue. Revenue is generated with Carl Zeiss AG and its subsidiaries in all segments.

32 Government grants

Grants allocated for fiscal year 2016/17 and 2015/16 were as follows:

	2016/17	2015/16
	€k	€k
Research and development subsidies	68	87
Grants for assets	96	281
Wage subsidies	320	279
Total	**484**	**647**

Grants received in the amount of €96k (prior year: €281k) were carried as a liability. Specifically, the investment grant is subject to the respective property, plant and equipment remaining in the assisted area for five years. The Group has not identified any risks of repayment for which a provision has not been set up. The subsidies awarded for research and development costs were recognized under "Research and development expenses".

Wage subsidies were recognized in cost of goods sold and functional costs.

33 Related party disclosures

The following transactions and outstanding balances arise from various agreements with related parties:

	Transaction amount			
	2016/17		2015/16	
	ZEISS Group	thereof Carl Zeiss AG	ZEISS Group	thereof Carl Zeiss AG
	€k	€k	€k	€k
Sale of merchandise	437,110	5	360,478	15
Purchase of merchandise	50,857	-	42,217	88
Services rendered without financial income	6,318	3,654	4,047	2,744
Services procured without financial expense	94,516	47,232	92,228	47,319
Financial income	33,768	-	9,306	-
Financial expense	14,263	-	30,751	-
including:				
Lease and rental costs	5,214	3,373	5,260	3,546
Research and development expenses	19,687	8,307	19,231	8,723
Licensing costs and expenses for other rights of use	12,456	2,675	11,158	2,145

The financial income and financial expenses shown above primarily include effects from the realization and measurement of forward exchange contracts, including the amounts from derivative financial instruments offset against equity, in the amount of €3,881k (prior year: €7,201k).

Licensing costs and expenses for other rights of use include patent and trademark costs.

	Outstanding balance			
	30 Sep 2017		30 Sep 2016	
	ZEISS Group	thereof Carl Zeiss AG	ZEISS Group	thereof Carl Zeiss AG
	€k	€k	€k	€k
Receivables	723,923	3,247	417,277	2,199
Liabilities	106,421	12,690	61,085	11,517

The amounts presented above include receivables from Carl Zeiss Financial Services GmbH of €630,721k (prior year: €354,528k) and liabilities to Carl Zeiss Financial Services GmbH of €70,263k (prior year: €28,656k).

The loans granted by Carl Zeiss Financial Services GmbH and funds invested are subject to variable interest at normal market conditions.

The remuneration paid to the Group's management in key positions (Management Board and Supervisory Board) comprises the following:

Remuneration of key personalities within the Group

	2016/17	2015/16
	€k	€k
Short-term payments due	2,135	2,477
Payments due after termination of employment contract	221	455
Other long-term payments due	352	264
Total remuneration paid to key personalities within the Group	**2,708**	**3,196**

There were no transactions with the Carl Zeiss Foundation in the fiscal year just ended; there were no outstanding items at the end of the reporting period.

34 Notifiable transactions in the reporting period

During the past fiscal year no members of the Management Board or Supervisory Board executed any notifiable securities transactions pursuant to Section 15a of the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG).

At the current time, no Company shares are held by members of the Management Board or Supervisory Board of Carl Zeiss Meditec AG.

The details of the above-mentioned securities transactions were published immediately after their disclosure on the Company's website at www.zeiss.com/meditec-ag/ir – Corporate Governance – Directors' Dealings in accordance with the legal requirements of Section 15b WpHG. The publication documents and the relevant disclosures were forwarded to the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, BaFin).

35 Financial risk management

The Group operates a global financial risk management system, which comprises all subsidiaries and is organized centrally at Group level. The prime objective of the financial risk management system is to provide the necessary liquidity for the operations of companies within the Group and to limit the financial risks.

Due to its use of a range of financial instruments, the Group is exposed to risks which arise particularly as a result of fluctuation in exchange rates, interest rates and changes in the creditworthiness of the contracting partners involved.

The Group's exposure to each of the risks listed above is described below. The Group's objectives, strategies and procedures for controlling, and methods for measuring the risks are also described. The risk report in the management report also contains information about the risk management system.

Market risk

Interest fluctuation risk

The Group holds interest-bearing financial instruments mainly via its short-term cash and cash equivalents, loans and treasury receivables - from Carl Zeiss group cash management of Carl Zeiss Financial Services GmbH, Oberkochen. The Group also holds non-current, interest-bearing financial receivables and liabilities and leasing liabilities.

An interest sensitivity analysis is based on the following assumptions: changes in market interest rates on primary financial instruments with fixed interest rates will only have an effect on income if these are measured at fair value. As a result, all financial instruments carried at amortized cost with fixed interest are not subject to any risks of interest rate changes within the meaning of IFRS 7. In addition, forex derivatives are not subject to any major risk of interest rate changes and thus do not impact interest rate sensitivities. Variable-interest financial instruments with an original term of less than 91 days are not subjected to an interest sensitivity analysis, since the interest fluctuation risk of these financial instruments can be considered negligible, due to their short maturity.

As in the prior year, the Group did not hold any fixed-interest financial instruments measured at fair value at the end of the reporting period. It is therefore assumed that the Group is only exposed to interest fluctuation risks associated with variable-interest financial instruments with an original term of more than 90 days.

The table below shows the Company's interest-bearing, non-derivative financial instruments with a term of more than 90 days.

	30 Sep 2017	30 Sep 2016
	€k	€k
Variable-interest financial assets	-	-
Fixed-interest financial assets	-	-
Total interest-bearing assets	**-**	**-**
Variable-interest financial liabilities	488	889
Fixed-interest financial liabilities	5,808	8,875
Total interest-bearing liabilities	**6,296**	**9,764**

A change in the average variable interest rate by 100 base points would have increased (decreased) the result as of the end of the reporting period as follows. This analysis assumes that all other variables remained constant.

			Result		Equity	
			+100 BP	-100 BP	+100 BP	-100 BP
		€k	€k	€k	€k	€k
Variable-interest financial instruments	30 Sep 2017	488	(8)	8	-	-
	30 Sep 2016	889	(27)	27	-	-

The interest fluctuation risk is countered within the scope of the overall financial risk management system, by regularly monitoring key items and their inherent interest fluctuation risks, in order to limit these, if necessary. At the present time, this risk can be considered negligible.

Other price risks

As in the prior year, there were no material risks of this kind within the Group as of 30 September 2017.

Currency risk

The currency risk for the Group in the sense of IFRS 7 results from its financial instruments, which arose from its business operations and investing and financing activities. The Group counters a risk that remains after compensation of payments made and received in the same foreign currency mainly by concluding simple currency forward contracts. These transactions mainly relate to the currencies listed in the following table. Carl Zeiss Meditec AG and its subsidiaries are linked to the currency hedging processes of Carl Zeiss AG, Oberkochen via its treasury company, Carl Zeiss Financial Services GmbH. The total foreign currency payments made and received and reported to the treasury by the Group's subsidiaries on a monthly basis are thus hedged against the euro by means of currency forward contracts with a term of max. 1 year at the rate fixed.

The carrying amounts of the Group's financial assets and liabilities denominated in foreign currencies reflect the level of risk exposure as of the end of the reporting period. The tables below provide an overview of the Group's foreign currency financial instruments.

The fair values are calculated exclusively using recognized actuarial methods and based on publicly accessible market information.

		Total	Thereof: in the following currencies – translated to € -							
		€	€	US$	JPY	GBP	KRW	CNY	AUD	BRL	Other
Assets		€k	€k	€k	€k	€k	€k	€k	€k	€k	€k
Loans	30 Sep 2017	1,824	-	1,824	-	-	-	-	-	-	-
	30 Sep 2016	2,348	-	2,348	-	-	-	-	-	-	-
Trade receivables	30 Sep 2017	207,997	206,031	1,862	-	104	-	-	-	-	-
	30 Sep 2016	200,341	199,256	1,085	-	-	-	-	-	-	-
Receivables from related parties	30 Sep 2017	89,835	21,512	8,304	-	2,479	6,032	19,163	4,857	20,379	7,109
	30 Sep 2016	60,216	21,375	20,070	-	1,751	529	145	2,971	8,183	5,192
Asset-side currency hedging contracts	30 Sep 2017	19,380	-	11,796	3,964	663	10	1,796	617	-	534
	30 Sep 2016	3,470	-	1,451	31	1,707	140	1	-	-	140
Total assets	**30 Sep 2017**	**319,036**	**227,543**	**23,786**	**3,964**	**3,246**	**6,042**	**20,959**	**5,474**	**20,379**	**7,643**
	30 Sep 2016	**266,375**	**220,631**	**24,954**	**31**	**3,458**	**669**	**146**	**2,971**	**8,183**	**5,332**
Equity and liabilities											
Trade payables	30 Sep 2017	64,870	55,841	6,296	813	88	-	-	-	-	1,832
	30 Sep 2016	57,105	48,518	6,597	1,068	40	-	-	-	-	882
Liabilities to related parties	30 Sep 2017	35,593	31,327	406	-	96	-	3,118	-	74	572
	30 Sep 2016	29,426	27,252	285	-	5	-	1,615	-	107	162
Liabilities-side currency hedging contracts	30 Sep 2017	1,873	-	969	43	261	7	52	173	3	365
	30 Sep 2016	8,660	-	1,938	5,063	8	6	524	756	-	365
Derivative financial instruments with hedge relationship	30 Sep 2017	-	-	-	-	-	-	-	-	-	-
	30 Sep 2016	7,201	-	-	7,201	-	-	-	-	-	-
Total liabilities	**30 Sep 2017**	**102,336**	**87,168**	**7,671**	**856**	**445**	**7**	**3,170**	**173**	**77**	**2,769**
	30 Sep 2016	**102,392**	**75,770**	**8,820**	**13,332**	**53**	**6**	**2,139**	**756**	**107**	**1,409**

In order to better present the currency risks that exist, the effects of hypothetical fluctuations in the relevant currencies on net income for the year and equity are presented below based on a currency sensitivity analysis. If, hypothetically, the euro had been 10% stronger (weaker) as of the end of the reporting period against the main foreign currencies used by the Group – ceteris paribus – earnings before taxes and equity would have been affected as follows:

		Carrying amount	Effects of currency risks on			
			Result		Equity	
		€	+10 %	-10 %	+10 %	-10 %
Assets		€k	€k	€k	€k	€k
Loans	30 Sep 2017	1,824	(182)	182	-	-
	30 Sep 2016	2,348	(235)	235	-	-
Trade receivables	30 Sep 2017	207,997	(20)	20	-	-
	30 Sep 2016	200,341	(109)	109	-	-
Receivables from related parties	30 Sep 2017	89,835	(6,721)	6,721	-	-
	30 Sep 2016	60,216	(3,884)	3,884	-	-
Asset-side currency hedging contracts	30 Sep 2017	19,380	34,345	(34,345)	-	-
	30 Sep 2016	3,470	5,528	(5,528)	-	-
Effect of financial instruments before taxes	**30 Sep 2017**	**319,036**	**27,422**	**(27,422)**	**-**	**-**
	30 Sep 2016	**266,375**	**1,300**	**(1,300)**	**-**	**-**
Equity and liabilities						
Trade payables	30 Sep 2017	64,870	815	(815)	-	-
	30 Sep 2016	57,105	859	(859)	-	-
Liabilities to related parties	30 Sep 2017	35,593	388	(388)	-	-
	30 Sep 2016	29,426	217	(217)	-	-
Liabilities-side currency hedging contracts	30 Sep 2017	1,873	12,371	(12,371)	-	-
	30 Sep 2016	8,660	25,474	(25,474)	-	-
Derivative financial instruments with hedge relationship	30 Sep 2017	-	-	-	-	-
	30 Sep 2016	7,201	-	-	5,748	(5,748)
Effect of financial instruments before taxes	**30 Sep 2017**	**102,336**	**13,574**	**(13,574)**	**-**	**-**
	30 Sep 2016	**102,392**	**26,550**	**(26,550)**	**5,748**	**(5,748)**

As the previous table shows the most significant effect as of 30 September 2017 is attributable to currency risks arising from the asset-side and liabilities-side currency hedging contracts for US$. Within the items receivables from and liabilities to affiliated companies the effects of currency risks presented here are particularly attributable to BRL and CNY.

Share price risk

The funds invested in securities are classified as available for sale (AfS) and are measured at fair value. As the only securities affected are those that are exclusively traded on active markets, the listed stock prices of the respective securities serve as a basis for calculating the fair value. Fluctuations in stock market prices and indices mean pose a share price risk. This risk is generally countered by having as wide a spread as possible. Possible risk variables for the hypothetical presentation of changes include, in particular, stock market prices and indices. Had the share prices been 10% higher as of 30 September 2017, the result would have been €439k higher. Had the share prices been 10% lower as of 30 September 2017, the result would have been €439k lower.

Credit risk

The Group is exposed to a default risk due to its business operations and financing activities. The following applies to all performance relationships underlying the primary financial instruments: depending on the type and level of the respective service, collateral is required, credit information/references are obtained and historical data from the previous business relationship is used, in particular regarding payment behavior, in order to minimize the default risk. To the extent that default risks can be identified for the individual financial assets, these risks are covered by valuation allowances. The management is routinely involved in such decisions on risk provisioning. The default risk arising from the derivative financial instruments used is not believed to be material, based on credit checks, among other things. There is no discernible concentration of default risks arising from business relationships with individual debtors or groups of debtors. The maximum default risk is reflected by the carrying amounts of the financial assets recognized in the statement of financial position. It is assumed that default rates will not change significantly in the future. No significant financial assets were individually impaired at the end of the reporting period, nor were the terms and conditions of the financial assets re-negotiated, as they would otherwise have been past due or impaired.

The risks associated with trade receivables are adequately covered by valuation allowances. Valuation allowances developed as follows:

	Valuation allowance on trade receivables	
	2016/17	2015/16
	€k	€k
As of 1 Oct 2016	**8,222**	**5,534**
Appropriation	5,960	3,749
Utilization	(779)	(411)
Reversal	(1,960)	(644)
Exchange rate differences	(171)	(6)
As of 30 Sep 2017	**11,272**	**8,222**
Gross carrying amount of impaired trade receivables	67,418	52,586
Net carrying amount of impaired trade receivables	56,146	44,364

The credit risks remaining after the individual valuation allowance for trade receivables are presented using the following age analysis:

		Carrying amount	thereof neither impaired nor past due as of the end of the reporting period	thereof not impaired at the end of the reporting period, but past due in the following periods				
				up to 30 days	from 31 to 90 days	from 91 to 180 days	from 181 to 360 days	more than 360 days
		€k	€k	€k	€k	€k	€k	€k
Loans	30 Sep 2017	1,824	1,824	-	-	-	-	-
	30 Sep 2016	2,348	2,348	-	-	-	-	-
Trade receivables	30 Sep 2017	207,997	105,947	18,754	11,547	6,233	2,710	4,367
	30 Sep 2016	200,341	107,443	13,747	9,966	5,977	2,766	7,856
Receivables from related parties	30 Sep 2017	89,835	67,924	1,298	4,216	5,064	8,256	3,077
	30 Sep 2016	60,216	53,092	962	1,724	2,328	1,937	173
Treasury receivables	30 Sep 2017	630,721	630,721	-	-	-	-	-
	30 Sep 2016	354,528	354,528	-	-	-	-	-

The majority of the trade receivables result from sales with companies of the Carl Zeiss Group and public authorities. In addition, large orders are subject to an independent credit check. For this reason and from past experience it is assumed that there is no need for impairment for receivables that are not past due.

Liquidity risk

In order to ensure solvency and financial flexibility within the Group, Carl Zeiss Meditec AG forecasts, within a fixed planning period, the funds it will require using a cash forecast, and holds a corresponding liquidity reserve in the form of cash and unused lines of credit at the treasury of Carl Zeiss AG. Due to the high amount of cash and cash equivalents and treasury receivables within the Group, as well as the Group's sound financing structure with an equity ratio of 76.5%, the risk of insolvency is currently considered negligible.

As in the prior year, the primary financial liabilities of the Group mainly had a short maturity as of 30 September 2017, with the exception of leasing liabilities.

As of 30 September 2017 the Group's derivative financial liabilities had the following maturities.

	End of reporting period	Undiscounted cash flows from derivative financial liabilities with settlement on a gross basis			
		Total	up to 1 year	from 1 to 5 years	due after more than 5 years
		€k	€k	€k	€k
Cash outflows	30 Sep 2017	143,735	143,735	-	-
	30 Sep 2016	330,662	330,662	-	-
Cash inflows	30 Sep 2017	147,321	147,321	-	-
	30 Sep 2016	348,807	348,807	-	-

36 Additional disclosures on capital management

The Group manages its capital with the aim of minimizing the Group's capital costs and, at the same time, maintaining the balance between cash flow volatility and financial flexibility. In order to achieve this goal, the ratio of equity to borrowed capital, among other things, must be optimized accordingly. Currently the Company is moving within the specified target corridor. The main decisions relating to the financing structure are made by the Management Board. The key ratios "equity ratio" and "net debt" are used as a control ratio for the ratio between equity and borrowings. Carl Zeiss Meditec AG calculates these key ratios regularly and reports them to the Management Board to allow the Management Board to introduce any measures necessary. The key ratio "equity ratio" is defined as the percentage ratio of equity, including non-controlling interests, to total capital. Net debt is calculated from the Group's borrowings less cash and cash equivalents and treasury receivables (Group treasury of Carl Zeiss AG). In the past fiscal year, the equity ratio stood at 76.5% (prior year: 68.2%) Net debt amounted to €-253,273k (prior year: €33,329k). The Company is not subject to any external minimum capital requirements. The table below shows the above key ratios in the reporting period:

	30 Sep 2017	30 Sep 2016
	€k	€k
Equity (incl. non-controlling interests)	1,241,735	851,163
Borrowed capital	381,373	396,567
Total assets	**1,623,108**	**1,247,730**
Cash and cash equivalents	3,925	8,710
Treasury receivables	630,721	354,528
Equity ratio in percent	76.5 %	68.2 %
Net debt	**-253,273**	**33,329**

The dynamic gearing ratio of the Group, i.e., the ratio of net debt to cash flow from operating activities, amounts to -6.7 years in the course of fiscal year 2016/17 (prior year: 0.3 years). As in the prior year, therefore, existing debts could be settled immediately using cash flow from operating activities. The interest coverage ratio, i.e., the coverage of interest income by the operating result before depreciation and amortization (EBITDA), amounted to 116.6 in fiscal year 2016/17 (prior year: 69.4).

The Group's overall strategy with regard to capital management remained the same as the prior year.

37 Subsequent events

Dividend payments
The Management Board and Supervisory Board propose a dividend payment of €49,192k (€0.55 per share). Based on fiscal year 2015/16, a dividend of €37,565k (€0.42 per share) was proposed in the fiscal year under review and distributed to the shareholders.

Sale of legal entity Aaren Scientific Inc.
Effective 1 October 2017, Carl Zeiss Meditec Inc., Dublin, USA, executed the sale agreed in the past fiscal year of the legal entity Aaren Scientific Inc., Ontario, USA. The company has been operating under the name Carl Zeiss Meditec Production LLC as of this date. The subsidiary of Aaren Scientific Inc., Hexavision S.A.R.L., Paris, France, was also sold at the same time.

Renaming of Veracity Innovations LLC
Effective 3 October 2017, the newly acquired Veracity Innovations LLC, Temple, USA, was renamed Carl Zeiss Meditec Digital Innovations LLC.

38 Other mandatory disclosures pursuant to Section 315a HGB

Disclosures on executive bodies of the parent company

Management Board

The following were appointed as members of the Management Board of Carl Zeiss Meditec AG in fiscal year 2016/17 and entered in the commercial register:

Member of Management Board	Membership of statutory supervisory boards and similar supervisory bodies at companies of the Carl Zeiss Group	Membership of statutory supervisory boards and similar supervisory bodies at other companies
Dr. Ludwin Monz Chairman of the Management Board of Carl Zeiss Meditec AG Physics graduate, MBA Area of responsibility: SBU Ophthalmic Systems, SBU Microsurgery, strategic business development, Group functions Human Resources, Corporate Communications, MarCom, Digital Year of first appointment 2007 In addition: Member of the Executive Board of Carl Zeiss AG, Oberkochen Germany	» Chairman of the Board of Directors of Carl Zeiss Meditec Inc., Dublin, USA » Member of the Board of Directors of Carl Zeiss Meditec Co. Ltd., Tokyo, Japan » Chairman of the Board of Directors of Carl Zeiss S.A.S., Marly-le-Roi, France (until 31 Jan 2017) » Chairman of the Board of Directors of Carl Zeiss Ltd., Cambridge, United Kingdom (until 31 Dec 2016) » Chairman of the Board of Directors of Carl Zeiss Meditec Iberia S.A., Tres Cantos, Spain » Chairman of the Board of Directors of Carl Zeiss Meditec Iberia , S.A., Tres Cantos, Spain (since 1 Oct 2016) » Member of the Board of Directors of Carl Zeiss Co. Ltd., Tokyo, Japan (since 31 Dec 2016)	» Member of the university council of Friedrich Schiller University, Jena, Germany » Member of the board of trustees of the Leibniz Institute of Photonic Technology, Jena, Germany (since 1 Jan 2017)
Dr. Christian Müller Dipl.-Kaufmann (MBA) Area of responsibility: Group functions Finance and Controlling, Investor Relations, IT, Legal Affairs, Taxes, Quality Year of first appointment 2009	» Member of the Board of Directors of Carl Zeiss Meditec France S.A.S., Marly-le-Roi, France » Member of the Board of Directors of Carl Zeiss Meditec, Inc., Dublin, USA » Member of the Board of Directors of Carl Zeiss Meditec Iberia S.A., Tres Cantos, Spain » Chairman of the Board of Directors of Aaren Scientific, Inc., Ontario, USA (from 1 Oct 2017 Carl Zeiss Meditec Production, LLC) » Member of the Board of Directors of Carl Zeiss Meditec Co. Ltd., Tokyo, Japan	» Member of the Board of Directors of Oraya Therapeutics, Inc., Newark, USA (until its liquidation on 29 Apr 2017)

The total remuneration paid to the active members of the Management Board pursuant to Section 314 (1) No. 6a HGB amounted to €1,792k in fiscal year 2016/17 (prior year: €2,201k). Details of this remuneration are contained in the remuneration report in the management report. Projected unit credits for pensions for active members of the Company's Management Board amounted to €639k (prior year: €1,051k). The service cost of active Management Board members was €320k (prior year: €218k)[24]. Furthermore, projected unit credits for pensions for former members of the Management Board of Carl Zeiss Meditec AG amounted to €1,140k (prior year: €991k).

[24] as in the prior year, includes oncharged service cost of the pension commitment to Dr. Monz.

Supervisory Board

The Supervisory Board of Carl Zeiss Meditec AG had the following members in fiscal year 2016/17:

Member of Supervisory Board	Membership of statutory supervisory boards and similar supervisory bodies at companies of the Carl Zeiss Group	Membership of statutory supervisory boards and similar supervisory bodies at other companies
Prof. Dr. Michael Kaschke Chairman Chairman of the Supervisory Board since 2002 Suspended mandate pursuant to Section 105 AktG between 22 July 2008 and 21 July 2009. Re-elected Chairman of the Supervisory Board since 2010 Chairman of the Executive Board of Carl Zeiss AG, Oberkochen, Germany	» Chairman of the Supervisory Board of Carl Zeiss Microscopy GmbH, Jena, Germany » Chairman of the Board of Directors of Carl Zeiss Pte. Ltd., Singapore, Singapore » Chairman of the Board of Directors of Carl Zeiss Pty. Ltd., North Ryde, Australia » Chairman of the Board of Directors of Carl Zeiss Far East Co., Ltd., Kwai Chung/Hong Kong, China » Chairman of the Board of Directors of Carl Zeiss India (Bangalore) Private Limited, Bangalore, India » Chairman of the Supervisory Board of Carl Zeiss SMT GmbH, Oberkochen, Germany » Chairman of the Board of Directors of Carl Zeiss (Pty.) Ltd., Randburg, South Africa » Chairman of the Supervisory Board of Carl Zeiss Industrielle Messtechnik GmbH, Oberkochen, Germany » Chairman of the Board of Directors of Carl Zeiss Inc., Thornwood, USA » Chairman of the Board of Directors of Carl Zeiss Co. Ltd., Seoul, South Korea (since 1 Jan 2017) » Member of the Board of Directors of Carl Zeiss (Shanghai) Co. Ltd., Shanghai, China (since 19 Jun 2017)	» Member of the Supervisory Board, Audit Committee, of Henkel AG & Co. KGaA, Düsseldorf, Germany » Member of the Supervisory Board, Audit Committee, of Deutsche Telekom AG, Bonn, Germany » Member of the Supervisory Board of Robert Bosch GmbH, Stuttgart, Germany
Dr. Markus Guthoff Deputy Chairman (until 6 April, 2016) Member of the Supervisory Board since 2004 Member of the Executive Board (CFO) of ALBA Group plc & Co. KG, Berlin, Germany (until 28 Feb 2017) Chief Executive of National-Bank AG, Essen, Germany (since 1 Mar 2017)	none	none
Thomas Spitzenpfeil Dipl.-Wirtsch.-Ing. Member of the Supervisory Board since 2011 Member of the Executive Board (CFO) of Carl Zeiss AG, Oberkochen, Germany	» Chairman of Carl Zeiss Pensions-Treuhand e.V., Oberkochen, Germany » Chairman of the Administrative Board of Carl Zeiss AG., Feldbach, Switzerland » Chairman of the Board of Directors of Carl Zeiss AB, Stockholm, Sweden » Member of the Board of Directors of Carl Zeiss Inc., Thornwood, USA » Chairman of the Board of Directors of Carl Zeiss Co., Ltd., Tokyo, Japan (until 31 Dec 2016) » Chairman of the Supervisory Board of Carl Zeiss Jena GmbH, Jena, Germany » Chairman of the Board of Directors of Carl Zeiss Ltd., Cambridge, United Kingdom (since 1 Jan 2017) » Member of the Management Board of Carl Zeiss Pensions Trust Properties, Thornwood, USA (since 14 July 2017)	none

Member of Supervisory Board	Membership of statutory supervisory boards and similar supervisory bodies at companies of the Carl Zeiss Group	Membership of statutory supervisory boards and similar supervisory bodies at other companies
Dr. Carla Kriwet Deputy Chairwoman (since 6 April 2016) Member of the Supervisory Board since 2014 Executive Vice President Philips Healthcare, Andover, USA	none	» Member of the Advisory Board of the Hamburgische Investitions- und Förderbank IFB, Hamburg, Germany » Member of the Supervisory Board of Save the Children e.V., Berlin, Germany
Cornelia Grandy* Member of the Supervisory Board since 2011 Chairwoman of the Works Council of Carl Zeiss Meditec AG, Oberkochen, Germany, and member of the General Works Council of Carl Zeiss Meditec AG, Jena, Germany	none	none
Jörg Heinrich* Member of the Supervisory Board since 2011 Chairman of the Works Council of Carl Zeiss Meditec AG, Jena, Germany, and Chairman of the General Works Council of Carl Zeiss Meditec AG, Jena, Germany	none	none

*elected employee representatives

Committees of the Supervisory Board

	Members
General and Personnel Committee	Prof. Dr. Michael Kaschke, Chairman Dr. Carla Kriwet Dr. Markus Guthoff
Audit Committee	Dr. Markus Guthoff, Chairman Jörg Heinrich Thomas Spitzenpfeil
Nominating Committee	Thomas Spitzenpfeil, Chairman Dr. Markus Guthoff Prof. Dr. Michael Kaschke

The total remuneration paid to the active members of the Supervisory Board amounted to €255k in fiscal year 2016/17 (prior year: €255k)[25]. Details of this remuneration are contained in the remuneration report in the management report. The remuneration of Supervisory Board members is governed by Art. 19 of the Articles of Association of Carl Zeiss Meditec AG.

Advances/loans and contingent liabilities in favor of members of executive bodies

No advances or loans were granted to members of the executive bodies. The Company did not enter into any contingent liabilities in favor of members of the Management Board or Supervisory Board.

[25] Mr. Thomas Spitzenpfeil waived his entitlement to remuneration for fiscal year 2016/17 by way of a waiver declaration as in the prior year.

Auditors' fees

The total fee charged by the Group auditor comprises the following:

	2016/17	2015/16
	€k	€k
Auditing of financial statements	323	313
Other auditing services, other countries	303	-
Other audit expenses	-	6
Total	**626**	**319**

Information on shareholdings (consolidated companies)

Name and registered office of the company	Currency	Share of voting capital (in %)	Equity as of 30 Sep 2017 translated at the market rate at the end of the reporting period*	thereof profit/loss for fiscal year 2016/17 at average annual exchange rate*
Carl Zeiss Meditec Inc., Dublin, USA	US$k €k	100	186,278 157,782	6,530 5,912
Aaren Scientific Inc., Ontario, USA	US$k €k	100	13,499 11,434	7,900 7,152
Carl Zeiss Meditec Production LLC, Ontario, USA	USDk €k	100	- -	- -
Carl Zeiss Meditec Asset Management Verwaltungsgesellschaft mbH, Jena, Germany	€k	100	68,394	-
Carl Zeiss Meditec Iberia S.A., Tres Cantos, Spain	€k	100	4,341	-1,311
Carl Zeiss Meditec Co. Ltd. Tokyo, Japan	JPYk €k	51	6,197,672 46,662	592,932 4,824
Carl Zeiss Meditec Medikal Çözümler Ticaret ve Sanayi A.S., Ankara, Turkey	TRYk €k	100	22,260 5,298	7,722 1,987
Carl Zeiss Meditec Vertriebsgesellschaft mbH, Oberkochen, Germany	€k	100	23,428	-
Atlantic S.A.S., Périgny/ La Rochelle, France	€k	100	62,023	-27,055
HYALTECH Ltd., Livingston, United Kingdom	GBPk €k	100	9,331 10,582	2,181 2,503
France Chirurgie Instrumentation S.A.S., Paris, France	€k	100	5,477	1,097
Carl Zeiss Meditec France S.A.S., Marly-le-Roi, France	€k	100	7,488	669
Carl Zeiss Meditec S.A.S., Périgny/La Rochelle, France	€k	100	10,295	1,254
France Chirurgie Instrumentation SUD Ltd., Quatre Bornes, Mauritius	€k	100	2,281	201
France Chirurgie Instrumentation Ophthalmics Inc., Pembroke, USA	US$k €k	100	6,224 5,272	1,186 1,074
Ophthalmic Laser Engines LLC, Lafayette, USA	US$k €k	52	5,536 4,689	-3,065 -2,775

* The figures show the values recognized under the respective national accounting standards.

Information on shareholdings (non-consolidated companies)

Name and registered office of the Company	Currency	Share of voting capital (in %)	Equity as of 30 Sep 2017 translated at the market rate at the end of the reporting period*	thereof profit/loss for fiscal year 2016/17 at average annual exchange rate*
Hexavision S.A.R.L, Paris, France	US$k €k	100	13 11	- -
Veracity Innovations LLC, Temple, USA (from 3 Oct 2017 Carl Zeiss Meditec Digital Innovations LLC, Temple, USA)	US$k €k	100	1,665 1,410	-335 -303

* The information differs from the fiscal year of Carl Zeiss Meditec AG 1 January 2017 to 30 September 2017.

Based on revenue and profit, all non-consolidated companies together are negligible for the Group. The insignificant minority interest in S&V Technologies AG, Hennigsdorf, was sold during the fiscal year under review.

Disclosures pursuant to Section 160 (1) No. 8 AktG
All voting rights announcements can be inspected on the Company's website athttp://www.zeiss.com/meditec-ag/ir – Corporate Governance - Vote Rights Disclosures.

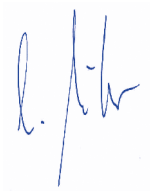
German Corporate Governance Code/Declaration according to Section 161 AktG (German Stock Corporation Act)
The declaration prescribed under Section 161 German Stock Corporation Act (AktG) has been issued by the Management and Supervisory Boards and made permanently available to the shareholders on the Company's website at: http://www.zeiss.com/meditec-ag/ir.

39 Clearance for publication

The Management Board of Carl Zeiss Meditec AG cleared these IFRS consolidated financial statements for handover to the Supervisory Board on 24 November 2017. The Supervisory Board's task is to review the consolidated financial statements and declare whether it approves the consolidated financial statements.

Jena, 24 November 2017
Carl Zeiss Meditec AG

Dr. Ludwin Monz
President and Chief Executive Officer



Dr. Christian Müller
Member of the Management Board

Responsibility statement

pursuant to Section 297 (2) Sentence 4 HGB and Section 315 (1) Sentence 6 HGB

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated annual financial statements of Carl Zeiss Meditec AG give a true and fair view of the assets, liabilities, financial position and profit or loss 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.

Jena, 24 November 2017
Carl Zeiss Meditec AG

Dr. Ludwin Monz
President and Chief Executive Officer

Dr. Christian Müller
Member of the Management Board

Auditor’s report

We have issued the following auditor’s report on the consolidated financial statements and the report on the position of the Company and the Group:

Auditor’s report by the independent auditor

To Carl Zeiss Meditec AG

Statement on the audit of the consolidated financial statements and the report on the position of the Company and the Group

Audit opinions
We have audited the consolidated financial statements of Carl Zeiss Meditec AG and its subsidiaries (the Group) – comprising the consolidated income statement, consolidated statement of comprehensive income for the fiscal year from 1 October 2016 to 30 September 2017, the consolidated statement of financial position as of 30 September 2017, the consolidated statement of changes in shareholders' equity and the consolidated statement of cash flows for the fiscal year from 1 October 2016 to 30 September 2017, as well as the consolidated notes to the financial statements, including a summary of key accounting policies. We have also audited the report on the position of the Company and the Group of Carl Zeiss Meditec AG for the fiscal year from 1 October 2016 to 30 September 2017. According to our assessment, based on the findings of our audit,

» the accompanying consolidated financial statements comply, in all material respects, with the IFRSs, as adopted by the EU, as well as the additional requirements of German commercial law pursuant to Section 315a (1) HGB, and provide a true and fair view of the net assets and financial position of the Group as of 30 September 2017, in accordance with these requirements, and of its results of operations for the fiscal year from 1 October 2016 to 30 September 2017, and
» the accompanying report on the position of the Company and the Group conveys an accurate picture of the position of the Group overall. In all material respects this report on the position of the Company and the Group is consistent with the consolidated financial statements, complies with the requirements of German commercial law and accurately presents the opportunities and risks of future development.

Pursuant to Section 322 (3) Sentence 1 HGB, we declare that our audit did not raise any objections to the correctness of the consolidated financial statements or the report on the position of the Company and the Group.

Basis for the audit opinions
We conducted our audit of the consolidated financial statements and the report on the position of the Company and the Group in compliance with Section 317 HGB and the EU Audit Regulation (No. 537/ 2014) in accordance with the German generally accepted principles for auditing financial statements promulgated by the Institute of Auditors (Institut der Wirtschaftsprüfer, IDW). Our responsibility pursuant to these requirements and principles is described
in further detail in the section entitled “Responsibility of the auditor for the audit of the consolidated financial statements and the report on the position of the Company and the Group”. We are independent from the companies of the Group in conformance with the requirements of European law and German commercial and professional law, and fulfilled our other professional duties as stipulated in Germany in accordance with these requirements. In addition, we declare, pursuant to Art. 10 (2) section f) EU Audit Regulation, that we did not provide any prohibited non-audit services pursuant to Art. 5 (1) EU Audit Regulation. In our opinion, the audit evidence we obtained is adequate and appropriate to serve as a basis for our audit opinions on the consolidated financial statements and the report on the position of the Company and the Group.

Key audit matters in the audit of the consolidated financial statements
Key audit matters are those matters which, according to our best judgment, were the most significant in our audit of the consolidated financial statements for the fiscal year from1 October 2016 to 30 September 2017. These matters were taken into consideration in connection with our audit of the consolidated financial statements as a whole and in the formation of our audit opinion on these consolidated financial statements; we shall not be giving a separate audit opinion on these matters.

In the following we describe what we consider to be the key audit matters:

1. Accrual basis accounting of revenue
Reasons for the designation as a key audit matter:

Due to the diversity of customers in the various countries and the associated diversity of terms of delivery and agreement, which are monitored by implemented manual controls, there is an increased risk for the Group of revenue not being reported in the appropriate period in the consolidated financial statements.

Audit procedure:
in recognition of the diversity of terms of delivery and agreement and the associated higher risk of incorrect information in the accounting, we have addressed the revenue recognition processes established by the legal representatives and tested the implemented manual controls.

Our audit included substantive and analytical audit procedures, among others. These included, for example:
» assessment of the control environment for accrual basis recognition of revenue, including the implemented manual controls.
» Based on mathematical and statistical selection procedures, we determined in random inspections whether the revenue was presented in the correct period in line with the transfer of risks in the respective underlying terms of delivery and agreement.
» Inspection of the general ledger for unusual entries, to identify abnormalities, also with respect to period-end accruals at the end of the fiscal year, by
» conducting analytical prior-year comparisons at the product and profit center level concerning economies of scale
» performing gross margin analyses on a monthly basis
» conducting correlation analyses between revenue and trade receivables

Our audit activities did not raise any material objections in terms of the accrual basis accounting of revenue.

Reference to related disclosures:

For information on the criteria for accrual basis accounting of revenue, please refer to the disclosures of the Company in section 2 (p) of the accompanying notes to the consolidated financial statements.

2. Value adjustment on inventories
Reasons for the designation as a key audit matter:

The amount of value adjustments on inventories, which include both medical devices and medical consumables, is, depending on the type of medical devices, dependent on product-specific valuation risks concerning the minimum shelf lives of medical devices and marketability discounts.

In addition, spare parts have to be kept in stock for the medical devices for longer periods, even after the end of series production. Within the scope of the inventory valuation, the legal representatives have to make assumptions regarding the future usability of the spare parts. These mainly concern estimates of the necessary stock levels, as well as the duration of the technical usefulness of spare parts.

Furthermore, certain medical devices are provided to the customer for test use (loan equipment). The loan equipment is based, in particular, on assumptions of sale over the short-term saleability and on the realizable proceeds from the sale of the equipment.

Given the underlying complexity of the respective write-down routines, the recalculation of marketability discounts in fiscal year 2016/ 2017 and the associated higher risk of error, the value adjustments on inventories were one of the key matters within the scope of our audit.

Audit procedure:
During our audit we addressed the processes and internal controls set up by the Company for determining value adjustments on inventories, and assessed the implemented controls for their effectiveness for significant companies of the Group.

In particular, we retraced the parameters and assumptions underlying the write-down routines with respect to the future usability/technical usefulness, as well as the necessary stock levels and short-term saleability/ amount of realizable sale proceeds, based on the respective write-down routines in comparison with previous fiscal years. In doing so, we compared, on a random basis, the forecast accuracy of the underlying assumptions in previous years, by reconciling the actual value adjustments realized upon movement of the inventories. The result of our comparison was used as a benchmark for our assessment of the value adjustments in the current fiscal year. We computed the recalculation of the marketability discounts.

We also retraced the system-side implementation of the write-down routines in SAP by consulting appropriate IT specialists.

Our audit activities did not raise any material objections in terms of the value adjustments on inventories.

Reference to related disclosures:
For information on the accounting and valuation principles applied for inventories please refer to the note 2 (j) in the notes to the consolidated financial statements and, for disclosures on inventories, to note 16 in the notes to the consolidated financial statements.

Responsibility of the legal representatives and the Supervisory Board for the consolidated financial statements and the report on the position of the Company and the Group

The legal representatives are responsible for the preparation of the consolidated financial statements, which conform, in all material respects, to the IFRSs, as adopted by the EU, and to the additional requirements of German commercial law pursuant to Section 315a (1) HGB, and for ensuring that the consolidated financial statements provide a true and fair view of the net assets, financial position and results of operations of the Group, in accordance with these requirements. The legal representatives are furthermore responsible for the internal controls, which they have deemed necessary for preparing consolidated financial statements that are free from material – intentional or unintentional – misstatements.

When preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue as a going concern. In addition, they are responsible for stating any pertinent issues in connection with the continuation of business activity. Furthermore, they are responsible for preparing the accounts on the basis of the going-concern principle, unless it is intended to liquidate the Group or discontinue business operations, or there is no realistic alternative to this.

The legal representatives are also responsible for preparing the report on the position of the Company and the Group which presents a true and fair view of the position of the Group overall and is consistent, in all material respects, with the consolidated financial statements, complies with the requirements of German commercial law and accurately presents the opportunities and risks of future development. In addition, the legal representatives are responsible for the precautions and measures (systems) that they have deemed necessary to enable the preparation of a report on the position of the Company and the Group in compliance with the provisions of German commercial law and to furnish sufficient and appropriate evidence to substantiate the statements in the report on the position of the Company and the Group.

The Supervisory Board is responsible for monitoring the Group's accounting process for preparing the consolidated financial statements and the report on the position of the Company and the Group.

Responsibility of the auditor for the audit of the consolidated financial statements and the report on the position of the Company and the Group

Our objective is to obtain reasonable assurance as to whether the consolidated financial statements as a whole are free from material – intentional or unintentional – misstatements, and whether the report on the position of the Company and the Group presents a true and fair view of the position of the Group overall and is consistent, in all material respects, with the consolidated financial statements and the findings of the audit, complies with the requirements of German commercial law and accurately presents the opportunities and risks of future development, and to issue an auditor's report that includes our opinions on the consolidated financial statements and the report on the position of the Company and the Group.

Reasonable assurance is a high degree of certainty, but not a guarantee that an audit performed in accordance with Section 317 HGB and the EU Audit Regulation, in compliance with the German generally accepted principles for auditing financial statements promulgated by the Institute of Auditors (Institut der Wirtschaftsprüfer, IDW) will always uncover a material misstatement. Misstatements may result from infringements or inaccuracies, and shall be considered material, if it could reasonably be expected for such misstatements to individually or collectively influence the economic decisions taken by recipients on the basis of these consolidated financial statements and the report on the position of the Company and the Group.

During the audit, we use our best judgment and maintain a critical approach. In addition,

» we identify and evaluate the risks of material – intentional or unintentional – misstatements in the consolidated financial statements and in the report on the position of the Company and the Group, plan and perform audit procedures in response to these risks, and obtain audit evidence that is adequate and appropriate to serve as a basis for our audit opinions. The risk of material misstatements not being uncovered is higher for infringements than
» for inaccuracies, as infringements may include fraudulent collaboration, falsifications, deliberate incompleteness, misleading representations or the overriding of internal controls;
» we gain an understanding of the internal control system relevant for the audit of the consolidated financial statements and the precautions and measures relevant for the audit of the report on the position of the Company and the Group, in order to plan audit procedures that are appropriate in the given circumstances, but not with the aim of giving an audit opinion on the efficacy of these systems;
» we assess the appropriateness of the accounting methods applied by the legal representatives, as well as the tenability of the estimated values and related disclosures presented by the legal representatives;
» we draw conclusions concerning the appropriateness of the going-concern principle applied by the legal representatives, and, based on the audit evidence obtained, as to whether there is a material uncertainty in connection with events or circumstances that may pose significant doubts about the Group's ability to continue as a going concern. If we come to the conclusion that a material uncertainty exists, we are obliged to highlight in our auditor's report the relevant disclosures in the consolidated financial statements and the report on the position of the Company and the Group, or, if these disclosures are inappropriate, to modify our respective audit opinion. We draw our conclusions based on the audit evidence obtained up until the date of our auditor's report. Future events or circumstances may, however, lead to the Group no longer being able to continue as a going concern;
» we assess the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in such a way that the consolidated financial statements prepared in compliance with the IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315a (1) HGB, give a true and fair view of the net assets, financial position and results of operations of the Group;
» we obtain sufficient, appropriate audit evidence for the accounting information of the Company or for business activities within the Group, in order to give opinions on the consolidated financial statements and the report on the position of the Company and the Group. We are responsible for guiding, monitoring and performing the audit of the consolidated financial statements. We bear sole responsibility for our audit opinions;
» we assess the consistency of the report on the position of the Company and the Group with the consolidated financial statements, its compliance with legal requirements and the view it conveys of the position of the Group;
» we conduct audit procedures concerning the forward-looking statements presented by the legal representatives in the report on the position of the Company and the Group. Based on sufficient, appropriate audit evidence, we retrace in particular the significant assumptions underlying the forward-looking statements of the legal representatives and assess the factual derivation of the forward-looking statements from these assumptions. We shall not be giving a separate audit opinion on the forward-looking statements or on the underlying assumptions. There is a significant, unavoidable risk that future events may differ significantly from the forward-looking statements.

We discuss the planned scope and scheduling of the audit with those responsible for monitoring, as well as important audit findings, including any deficiencies in the internal control system that we identify during our audit.

We issue a declaration to those responsible for monitoring, stating that we complied with the relevant independence requirements, and discuss with them all relationships and other matters that might be reasonably assumed to have an effect on our independence, and the protective measures taken in this regard.

Based on the issues discussed with those responsible for monitoring, we determine the issues that were the most significant in the audit of the consolidated financial statements for the current reporting period, and therefore constitute the key audit matters. We describe these matters in the audit opinion, unless laws or other legal requirements preclude the public disclosure of these matters.

Other statutory and other legal requirements
Other disclosures pursuant to Art. 10 EU Audit Regulation
We were appointed as auditor of the consolidated financial statements by the Annual General Meeting on 30 May 2017. We were commissioned by the Supervisory Board on 3 August 2017. We have been working continuously as auditor of Carl Zeiss Meditec AG's consolidated financial statements since fiscal year 2012/13.

We hereby declare that the opinions contained in this auditor's report are consistent with the supplementary report to the Audit Committee pursuant to Art. 11 EU Audit Regulation (Audit Report).

Responsible auditor

The auditor responsible for the audit is Susanne Jäger.

Eschborn/Frankfurt am Main, 24 November 2017

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Jäger	Bätz
German Public Auditor	German Public Auditor

Financial calendar

Financial calendar 2017/18

Publication of 3-month report Q1 and conference call
12 Feb 2018

Annual General Meeting, Weimar
10 Apr 2018

Publication of the First-Half Financial Report and conference call
15 May 2018

Publication of 3-month report Q3 and conference call
10 Aug 2018

Publication of annual financial statements and Analyst Conference
7 Dec 2018

Imprint/Disclaimer

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This report was published on 8 December 2017.

The Annual Report 2016/17 of Carl Zeiss Meditec AG was published in German and English.

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

Disclaimer

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

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

This is a translation of the original German language annual financial report of the Carl Zeiss Meditec Group. Carl Zeiss Meditec shall not assume any liability for the correctness of this translation. If the texts differ, the German report shall take precedence.

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