Seeing beyond

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Annual Report 2018/19 Carl Zeiss Meditec Group

The ZEISS brand gives our customers, the physicians, the promise that we will help them to improve their patients' quality of life. This creates trust, which we consider to be an important basis for working together in partnership.

As a team, we set ourselves the goal of meeting customer needs on a daily basis, thus proving our trustworthiness time and time again. For us, challenges are what drive us to set new standards in medical technology, using our innovative strength and cutting-edge technologies. Our actions are influenced by a particular attitude, which ZEISS defines in its brand identity as "Seeing Beyond".

Seeing beyond

"That's one of ZEISS' strengths:
its power as a team."

Prof. Dr. Stalmans,
Retina Specialist,
University Hospitals Leuven, Belgium

"If we believe in something,
then we'll find a way
to achieve it –
even if there are obstacles."

Dr. Ludwin Monz, President and CEO
Carl Zeiss Meditec AG

Financial highlights
(IFRS)

	2018/19		2017/18		2016/17	
	€m	%	€m	%	€m	%
Revenue	**1,459.3**	**100.0**	1,280.9	100.0	1,189.9	100.0
Research and development expenses	**173.3**	**11.9**	159.6	12.5	145.8	12.3
EBIT	**264.7**	**18.1**	197.1	15.4	180.8	15.2
Consolidated profit[1)]	**160.6**	**11.0**	126.2	9.9	135.8	11.4
Earnings per share[2] (in €)	**1.79**		1.41		1.57	
Dividend per share (in €)	**0.65[3]**		0.55		0.55	
Cash flows from operating activities	**219.6**		187.2		37.7	
Cash flows from investing activities	**(145.8)**		(28.9)		(55.9)	
Cash flows from financing activities	**(58.6)**		(157.2)		14.5	
Total assets	**2,022.1**	**100.0**	1,662.1	100.0	1,623.1	100.0
Property, plant and equipment	**116.8**	**5.8**	62.6	3.8	58.7	3.6
Equity	**1,417.0**	**70.1**	1,314.6	79.1	1,241.7	76.5
Net cash[4]	**677.8**	**33.5**	670.0	40.3	565.0	34.6
Employees at end of reporting period (30 September)	**3,232**		3,048		2,958	

[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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Letter to the shareholders

Ladies and Gentlemen,
dear shareholders,

Carl Zeiss Meditec's goal is to advance and shape medical progress in the fields of ophthalmology and microsurgery. To achieve this goal, we combine technological expertise, on the one hand, with application know-how, customer understanding and trend recognition, on the other. With openness, vision and a huge dose of curiosity, we break new ground and think ahead – an attitude that we at ZEISS call "Seeing Beyond". This attitude has enabled us as technology leaders to actively and decisively shape the medical technology market and to thus help physicians and medical professionals to improve the quality of life of their patients.

Dr. Ludwin Monz

Fiscal year: "Seeing Beyond" is Carl Zeiss Meditec's goal. We live up to this goal by ensuring our strategy is geared to the long term, with a focus on customers. It is a strategy based on the pillars of market-shaping innovations, digital solutions and platforms as well as customer services. Our consistent pursuit of this strategy over many years has played a vital role in ensuring that we ended fiscal year 2018/19 on a successful note, in spite of the rather weak global economic climate at the present time. Once again, we grew considerably faster than our markets. All strategic business units and regions contributed to the revenue growth of currency adjusted 11.7 percent. We are optimistic about the new year, too: right now we can't see any signs that the positive outlook is clouding over. And yet: in order to be prepared for all eventualities, we worked hard during the past fiscal year on making the company future-proof and robust.

Innovations: If we look at the pillar "market-shaping innovations", we can conclude that we continued our success story once again in fiscal year 2018/19. As the inventor of the surgical microscope, we now offer an extensive and innovative product range for microsurgery. Over the past three years, we have launched new visualization systems for neurosurgery, spinal surgery and dentistry. The state-of-the-art robotic visualization system KINEVO® 900 was once again one of the sales drivers of the strategic business unit Microsurgery. This product range has now been further complemented by the TIVATO™ 700 and the EXTARO® 300 for ear, nose and throat surgery.

In ophthalmology, we celebrated 20 years of optical biometry with our customers and partners, because it was ZEISS who introduced the first optical biometer, the IOLMaster®, in 1999. Today, optical biometry is the gold standard for the calculation of intraocular lenses for cataract surgery, one of the most frequently performed procedures in the world.

Digital systems & platforms: Digital components have become an integral part of all innovations in recent times. We consider digitalization to be a massive opportunity and are actively exploiting the possibilities that arise from it. For example, the Company introduced the first digital microscope for surgical ophthalmology in the fiscal year, the ARTEVO® 800. This visualization system was developed by physicians for physicians, with Prof. Dr. Peter Stalmans from Belgium as one of the major contributors. I met the esteemed retina specialist for an expert discussion at Leuven University Hospital. During our meeting he highlighted the potential of digitalization: “However, the challenge is that in the future we don’t have enough resources to analyze all the images by ourselves. What we need is artificial intelligence to analyze the data and warn us if something is wrong with the patient.”

In order for clinical data to be used effectively, we are continuously developing and enhancing the image and data management system FORUM®, among other things. ZEISS introduces the ZEISS EQ Workplace® based on ZEISS FORUM, the latest addition to the ZEISS Cataract Suite offering surgeons a digital solution to connect and streamline the refractive cataract workflow.

Substantial investment funds are necessary to enable us to continue producing innovations in the future. We invest around 12 percent of the revenue we generate in research and development – and we expect this to increase further in the current fiscal year 2019/20. This level of investment is significantly higher than that of comparable competitors. In addition, we selectively purchase technologies and expertise for this purpose, as we did in October 2018 with IanTECH, Inc., which specializes in technical solutions for microinvasive cataract surgery and whose technologies will complement our cataract portfolio.

Customer service is another focus of our activities and it fills us with pride that our service team in China has received an award for the third time at the “China Medical Devices Industrial Data Release Conference” for their surgical microscope service, for quality of service and customer satisfaction. This shows us that we are on the right track. We shall continue to systematically implement the various activities initiated worldwide in this direction.

Dear Shareholders, the success of Carl Zeiss Meditec is not a given, but is based on the many years of trust that our customers, partners and investors have put in us. For that I would like to say a huge thank you on behalf of the entire Management Board. We are working on together with our dedicated employees to ensure that we continue to receive this trust in future.

Seeing Beyond

Dr. Ludwin Monz

Dr. Ludwin Monz
Chairman of the Management Board
Carl Zeiss Meditec AG

Management Board

Jan Willem de Cler
Member of the Management Board

Management Board member responsible for:
» Group functions Human Resources, Global Service and Customer Care, Cultural Development, Training

Dr. Ludwin Monz
Chairman of the Management Board

Management Board member responsible for:
» Strategic business unit Microsurgery
» Strategic business unit Ophthalmic devices
» Strategic business development
» Group functions Corporate Innovation, Communications and Digitalization

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

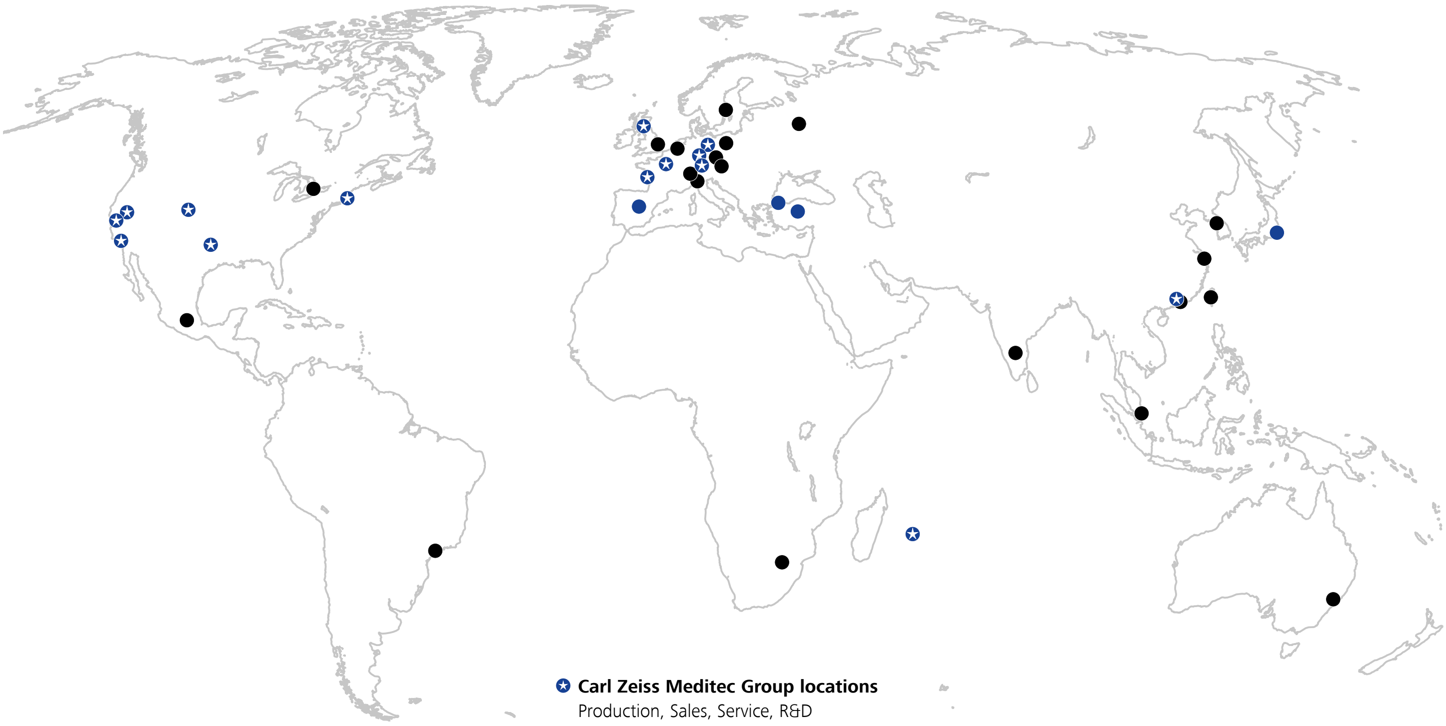
Justus Felix Wehmer
Member of the Management Board

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

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 around 60 sales and service locations and more than 30 production sites. This ensures the Company's customer proximity and gives it 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. 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.



Carl Zeiss Meditec Group locations
Production, Sales, Service, R&D

Carl Zeiss Meditec Group Sales and Service locations
USA, France, Spain, Germany, Japan, Turkey

ZEISS Group Sales and Service locations

Reporting date 30 September 2019

Expert Dialog

"Digitalization has a bright future but is a big change at the same time…" said Dr. Ludwin Monz, President and CEO of Carl Zeiss Meditec AG, when he spoke to Prof. Dr. Peter Stalmans, one of Europe's leading retina specialists, who currently works as a vitreoretinal surgeon at the Ophthalmology Department of the University Hospitals Leuven, Belgium. They discussed innovation processes, digitalization and robotics, as well as how the Moon landing 50 years ago is a great example of "seeing beyond."

Dr Ludwin Monz: The first man on the Moon, Neil Armstrong, is often quoted as saying "That's one small step for a man, one giant leap for mankind." And I agree – it was an outstanding achievement. It is even more impressive to me, when I think of the many technological shortcomings at that time. But the team managed to succeed anyway. They had a vision, the determination and the will to make it happen. What can we learn from this? If we believe in something, then we'll find a way to achieve it - even if there are obstacles. That's seeing beyond.

Prof. Dr. Peter Stalmans: *I am very much into space travel, which is why I recently went to see the movie "Apollo 11." I learned that it took 400,000 people to put a man on the moon. And although it might be a strange comparison, I had a similar feeling when I visited ZEISS in Oberkochen earlier this year. I had worked with ZEISS on the development of a new, fully digital surgical microscope for ophthalmological surgical procedures. It is called ARTEVO. When the development was completed, I visited Oberkochen, gave a presentation to the employees of Carl Zeiss Meditec there, and talked about the project. The moderator asked me "Do you have an idea how many people have worked with you to accomplish this development?" I assumed one or two dozen. He asked everyone involved to come onstage. It were around 140 people. I was overwhelmed. That's one of ZEISS' strengths: its power as a team.*

Monz: Innovation is in our DNA, and it can be traced all the way back to our founder Carl Zeiss. He used science to improve the performance of his products. And he wanted to understand what application his products are used for. More than 170 years later, we still use these two concepts. We work closely with people like you who really understand the application. And we use the finest technologies to meet the user requirements. This is part of the ZEISS spirit – in this case, it helped us develop the ARTEVO with surgeons, for surgeons.

Stalmans: *The fact that we went from an initial idea to the launch of a new microscope in just 18 months was far beyond what I was expecting. Launch dates for new products change frequently, and I'm used to projects like this getting postponed – but in this case the opposite happened.*

Monz: We now use an agile development approach in most of our projects. That means we have a constant dialog with users in order to get feedback on the product even in early development stages. This allows us to run very short improvement cycles. We iterate the product until we're satisfied with the feedback and we are confident that the product will meet the users' needs. Only then do we do the final engineering work.

Stalmans: *This approach impressed me. My main requirements were a perfect image quality as well as a highly flexible microscope configuration. As I often perform mixed surgeries, it's important for me that I can easily switch from oculars for cataract surgery to 3D video*

for vitrectomy during a single surgery. Regarding the video technology, not only perfect image quality in terms of resolution and color are of essence, but also the latency of the system. In other words, there must not be a noticeable delay between what I do and what I see on the screen.

Monz: This is something that we investigated as early as in the late 1990s. But at that time, the resolution of the video system was the problem. So, we had to wait 20 years until the technology had reached a performance level that would be acceptable. But even today, there is still room for improvement.

Stalmans: *We've made tremendous advancements in recent years, also in other fields. For example in ophthalmic*

"The fact that we went from an initial idea to the launch of a new microscope in just 18 months was far beyond what I was expecting."
Prof. Dr. Peter Stalmans

"I believe that artificial intelligence will not only take away work load from the ophthalmologists. It might even lead to more reliable diagnoses."
Dr. Ludwin Monz

diagnostics I can now view the examination results to the patient who is sitting next to me, in order to explain my findings and discuss next steps. I use the ZEISS FORUM retina workplace, which is the ideal solution for this. FORUM is a great advancement in itself as we previously only had paper based patient files.

However, the challenge is that in the future we don't have enough resources to analyze all the images by ourselves. What we need is artificial intelligence to analyze the data and warn us if something is wrong with the patient.

Monz: The importance of data will rise. I believe that artificial intelligence will not only take away work load from the ophthalmologists. It might even lead to more reliable diagnoses. Let's consider how students learn to read retina images. They learn from a book that contains perhaps 1,000 examples. An experienced ophthalmologist might have seen a couple of 10,000 images in a few years. But we can train an artificial intelligence algorithm with 100,000, one million or even more images. This might explain why algorithms have the potential to be better than humans. However, if that is true, there might be big implication on what ophthalmologists do in the future.

Stalmans: *Yes, absolutely! Artificial intelligence allows machines to interpret data in a different way than we as physicians do. Highly reliable.*

Monz: Let's talk about another technology, that is considered to have a big impact on medicine: robotics. There was a first wave in the end of the 1990s when people thought robots would replace physicians. I think this was a dead end street and it is not going to happen in the foreseeable future. Instead, robots

have quite some potential to support doctors. Robots might enable surgeons to perform more delicate procedures. That's a big difference to the early approach.

Stalmans: *I agree. In my clinics we are doing some research with our own robotic system. For the time being, it is a purely*

"The 3D video technology of the ARTEVO is a big help for me. I can now perform the surgeries sitting in a comfortable upright position."
Prof. Dr. Peter Stalmans

academic project. The idea is to improve surgical precision. But we need to demonstrate with a clinical trial that it really works.

Monz: Coming back to the ARTEVO: you mentioned in one of your presentations about the product that an important aspect is product ergonomics.

Stalmans: *Indeed. Two years ago, I thought I would need to give up surgery and take a different career path. I perform surgeries four days a week. When I still used my old microscope, I went home after a day of surgery with neck and back pain, because I had to sit all day in a rigid position. The 3D video technology of the ARTEVO is a big help for me. I can now perform the surgeries sitting in a comfortable upright position and I can even reposition myself without losing sight. This is also applicable to patients, who are less mobile and cannot be positioned ideally for the surgery. In these cases, the ARTEVO can be positioned according to the patients' needs. Now I see myself doing surgeries until I retire.*

Monz: This is interesting because when we initially thought about the video microscope years ago it was not clear to us how to create an ergonomic setup. Your insights were instrumental for getting that right.

Stalmans: *But also other things have changed, since we started using the digital microscope in our operating room. Previously, when working with the old microscope, the surgeon had a good view looking into the oculars. One assistant or resident could use the co-observation tube. However, the rest of the team only had a small video screen on the microscope. Now, we all look at the same large screen and everybody wears 3D goggles. Everybody is involved in the surgery and sees what is going on. I noticed that now, my nurse much better knows what instrument to hand me because she can see what's happening.*

Monz: This is a great interpretation of our brand essence, "seeing beyond." Thanks so much for speaking with us and for your interesting insights.

Highlights in the fiscal year

Carl Zeiss Meditec's goal is to help physicians improve the quality of life of their patients with devices and systems for ophthalmology and microsurgery. Innovations that contributed to this and the partnerships and competencies that developed in fiscal year 2018/19 are shown in a number of highlights.

Tumor workflow opens up new treatment options
ZEISS combines its individual systems for treating tumors to generate a solution. "As a neurosurgeon, I would love to integrate this combination of seeing which means the visualization, then checking that we have immediately a tissue analysis within our operation and then a one-stop treatment in that surgical procedure," says Prof. Dr. Daniel Hänggi, University Hospital Düsseldorf (Germany).

Diagnostic solutions to optimize clinical efficiency
The CIRRUS® 6000 is an ultrafast, 100 kHz system of the next generation. "The speed and quality of the scan allows me to diagnose the patient in less time, maximize flow of the clinic, and provide patients with an optimized and tailored treatment plan," says Dr. I. Paul Singh, Eye Center of Racine & Kenosha (Wisconsin/USA).

Innovations for ophthalmic diagnostics
The premium slit lamp ZEISS SL 800 allows for outstanding visualization extremely high contrast and resolution. "No other slit lamp so far was able to bring up the different structures of the lens so well," enthuses Dr. med. Bianca Apitzsch, Eye Care Center 'Augenzentrum am Johannisplatz', Leipzig (Germany).

Solution provider for the entire spectrum of ophthalmology

With the acquisition of IanTECH (Reno, USA), Carl Zeiss Meditec acquired a company that specializes in technical solutions for microinvasive cataract surgery. The leading portfolio of ZEISS devices and consumables for cataract surgery was expanded with the aim of being able to offer physicians and patients new standards of treatment. The micro-intervention device miLOOP® is the first product to be launched by the Company as a result of this acquisition.

Close cooperation in dental education

The University of Pennsylvania School of Dental Medicine has been working closely with Carl Zeiss Meditec for the past ten years. The university's world-renowned endodontic program was one of the first to include the dental microscope in its teaching and training syllabus. The institution has now switched its equipment to the new EXTARO® 300 dental microscope and a digital workflow.

Young Ophthalmologists Program

Supporting physician early on in their career is the aim of the ZEISS Young Ophthalmologists Program. The program deals specifically with the needs and requirements on the way from being a student to becoming a specialist, and beyond. It also provides support with learning and practicing surgical techniques, for example in cataract wetlabs. "This foundation course in cataract surgery was just perfect. It came along at exactly the right time for me," says Dr. Oana-Elena Cozmei, from Bucharest University Hospital (Romania).

International nominations for specialist career path

The expert career path for research, development and innovation offers ZEISS employees and attractive development opportunity. In fiscal year 2018/19 experts from the field of medical technology were once again selected an accepted onto the specialist career path, also at an international level, for example in the USA and China.

Social commitment

The aim of Carl Zeiss Meditec's social activities is to address preventable blindness and visual impairments. For maximum effect, the Company focuses much of its social commitment on selected, large-scale projects carried out in collaboration with international organizations such as the International Agency of Blindness Prevention (IABP) or the Christoffel Blindenmission (CBM). However, new digital platforms created by ZEISS are also contributing to preventing blindness and treating visual impairments.

Under the motto of helping people to help themselves…

… ZEISS has been equipping diagnostic, therapy and training centers worldwide with ophthalmic devices since 2005. This supports the training of physicians in how to use state-of-the-art medical technology. In turn, physicians can diagnose and treat their patients in their home clinics and practices reliably using up-to-date techniques. A new training center was inaugurated in Pune (India) in 2019. This was realized along with CBM and its cooperation partners.

20 physicians

have already been trained in the new training center at the prestigious H.V. Desai Hospital in Pune in 2019.

Training is an investment in the future

The foundation of the international umbrella organization for ophthalmology (International Council of Ophthalmology, ICO) has enabled more than 1,150 young doctors from developing and emerging countries to complete hospital residencies in Europe since 2001. ZEISS supports two fellowships each year as part of the ICO Fellowship Program and sees this as an effective initiative for the further training of young doctors, who can then apply their newly acquired skills when they return to their home countries.

10 ICO fellows

have been supported by ZEISS since 2012 and once a year participants in the program are invited to visit the Company sites.

Extension of patient access to specialist care

Health care systems are facing the challenge of treating a rising number of patients. This situation is becoming even more acute in populous countries, where patients in remote regions frequently have no or only very limited access to medical specialists. The digital, cloud-based platform VISUHEALTH by ZEISS enables remote retinal diagnosis using a mobile fundus camera and internet access, thus extending patient access to specialist care.

60 mobile screening stations

are now available in India. To date, these have been used to examine more than 300,000 patients in more than 1,000 towns and cities.

Dr. Luis Alberto Pereira Muñoz

Preventing blindness
Dr. Luis Alberto Pereira Muñoz is a glaucoma specialist and has worked for the Fundación Visión for many years. He specializes in diseases of the anterior segment of the eye at the Instituto Nacional de Oftalmología in La Paz, Bolivia. As a young ophthalmologist, he is one of the first doctors to train at the Phaco Training Center in Asunción. ZEISS and CBM expanded their successful cooperation in Paraguay with this specific training center, inaugurated in 2018.

What kind of patients do you treat at your institute?

As the Instituto Nacional de Oftalmología is the only reference center for ophthalmology of its kind in La Paz and El Alto (Bolivia), many cases are handled here, ranging from cataracts, through glaucoma, to eye trauma.

You have been to the Phaco Training Center in Asunción (Paraguay). What did you learn there?

I was among the first physicians to be taught at the Phaco Training Center. I took two modules, in which I improved my skills in cataract surgery and learned the phacoemulsification procedure – a treatment step during eye surgery in which the natural lens of the eye, which has become opaque due to cataracts, is shattered using an ultrasonic device and is then sucked out (editorial note). This training was very important, because now I train doctors in this method.

How important is what you have learned for your work?

In 2015 a study was published in Bolivia, which investigated the cause of blindness. This study revealed that 3.3% of the Bolivian population aged over 50 go blind due to cataracts – blindness that we can prevent. Access to proper health care is therefore incredibly important for our country.

How did you hear about the Phaco Training Center?

I heard in Bolivia that this Phaco Training Center was being built in Asunción. Thanks to the invitation of Dr. Jason Penniecook, a Coordinator at the Training Center, I had the opportunity to train there and to work on the further development of the course at the same time. I am extremely grateful to the Christoffel Blindenmission (CBM) for that.

Report of the Supervisory Board

Dear Shareholders and Friends of the Company,
It has been another highly successful fiscal year for ZEISS Medical Technology. Medical technology continued to develop well, contrary to other industries. Carl Zeiss Meditec AG continued its growth trend at an accelerated pace in fiscal year 2018/19 and achieved a very good result. I would like to take this opportunity to thank our customers for their good collaboration and express my appreciation, also on behalf of the entire Supervisory Board, to our employees and the members of the Management Board for their commitment and dedication.

Prof. Dr. Michael Kaschke
Chairman of the Supervisory Board

This successful development is founded on the Company's innovative strength. ZEISS products have always shaped medical technology through innovations. The primary focus is on adding value for the customer, in terms of providing their patients with the best possible treatment and ensuring an efficient treatment process. More key innovations were launched in fiscal year 2018/19, as highlighted in the letter to the shareholders. As a result, the Company once again grew faster than the markets, both in ophthalmology and in microsurgery. By focusing on the success of its customers, Carl Zeiss Meditec AG has established itself as a competent, solution-oriented partner.

The Supervisory Board worked intensively to support the Management Board in managing business operations. The main focus during the fiscal year under review was on the ongoing discussion with the Management Board concerning the further development of Carl Zeiss Meditec's strategic orientation.

In fiscal year 2018/19, 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 Company's business, as well as its individual strategic business units, including their further strategic development. The Supervisory Board also addresses the position of the Company in terms of the risk situation, risk management, as well as the 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.

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.

No conflicts of interest arose among the members of the Supervisory Board in fiscal year 2018/19.

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 meeting on 21 January 2019 was a conference call.

The regular meetings addressed the revenue and earnings situation and the development of business within the Carl Zeiss Meditec Group, the Company's financial situation and ongoing strategic projects, and future investments and their funding. Additional agenda items were also addressed during the respective meetings.

During the meeting on 5 December 2018 to adopt the consolidated and annual financial statements for fiscal year 2017/18, the declaration of conformity to the recommendations of the German Corporate Governance Code was also resolved.
The proposal to the Annual General Meeting on the utilization of profit was discussed in detail and adopted. The meeting of the Supervisory Board also approved the foundation of a subsidiary of Carl Zeiss Meditec AG in Guangzhou, China. The Supervisory Board discussed and passed a resolution on the remuneration of the Management Board and on an amendment of the Management Board's rules of procedure.

During the conference call meeting of the Supervisory Board on 21 January 2019, it was decided, at the Audit Committee's recommendation, to propose Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft (EY), Stuttgart, for election by the Annual General Meeting on 19 March 2019 as auditor of the annual and the consolidated financial statements for fiscal year 2018/19. At the recommendation of the Nominating Committee, the proposal to nominate Dr. Christian Müller for ordinary election to the Supervisory Board at the Annual General Meeting on 19 March 2019 was accepted. During this meeting the Supervisory Board also passed the agenda for the Annual General Meeting on 19 March 2019.

The Supervisory Board meeting on 18 March 2019 discussed, among other things, the implementation status of the EU Medical Device Regulation (MDR).

At the constituent meeting of the Supervisory Board on 19 March 2019, Dr. Christian Müller, as a newly elected Supervisory Board member, was appointed as a member of the Audit Committee and as Chairman of the Nominating Committee.

The Supervisory Board meeting on 7 May 2019 discussed the business plan of Carl Zeiss Meditec Cataract Technology, Inc. (formerly IanTECH, Inc.).

The Supervisory Board meeting on 9 September 2019 passed the budget for fiscal year 2018/19, among other things. Another agenda item was the issue of digitalization and necessary changes in the organization of the Company for this.

Intense 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 Chairman's 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 two meetings during the past fiscal year. The meeting on 5 December 2018 reviewed, among other things, the remuneration of the Management Board and assessed the target agreements for fiscal year 2017/18. The target agreements for the Management Board for fiscal year 2019/20 were discussed at the meeting on 9 September 2019. The Committee also resolved to engage the Nominating Committee to search for suitable candidates to represent shareholder interests, as part of the expansion of the Supervisory Board to nine members. A corresponding resolution was passed at the Annual General Meeting on 19 March 2019.

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. It also addresses the work of the Company's compliance organization. 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 to the Supervisory Board for its candidate proposals to the Annual General Meeting. The Nominating Committee convened at one meeting during the reporting period, on 9 September 2019, to stipulate the criteria and the process for electing suitable candidates, as part of the expansion of the Supervisory Board to nine members.

Corporate governance and declaration of conformity

During the Supervisory Board Meeting on 5 December 2018 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 Carl Zeiss Meditec AG's website at www.zeiss.com/meditec-ag/investor-relations.html within the "Corporate Governance" section.

Audit of the annual and consolidated financial statements 2018/19
The Annual General Meeting on 19 March 2019 appointed Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft (EY), Stuttgart, 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 24 July 2019, the Supervisory Board engaged EY to audit all financial statements and management reports for fiscal year 2018/19, including the dependent company report on relationships with associated companies of Carl Zeiss Meditec AG, pursuant to Section 312 AktG. The focal points of the audit in fiscal year 2018/19 were approved on 6 August 2019.

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 2018/19, 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 2019, 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 5 December 2018, 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 2 December 2019. 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 2 December 2019.

Dependent company report
Given that Carl Zeiss Meditec AG is a subsidiary of Carl Zeiss AG, the Management Board of Carl Zeiss Meditec AG prepared a report, pursuant to Section 312 AktG, on relations with affiliated companies in fiscal year 2018/19, which states that 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 2 December 2019 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 was one change to the composition of the Supervisory Board during the course of the past fiscal year. Mr. Thomas Spitzenpfeil, who has been a member of the Supervisory Board of Carl Zeiss Meditec AG since 2011, resigned from his office as a member of the Supervisory Board with effect from 18 March 2019. Based on the proposal of the Nominating Committee and the resolution of the Supervisory Board from 17 January 2019, Dr. Christian Müller was proposed for ordinary election at the Annual General Meeting 2019. Dr. Müller was elected as a member of the Supervisory Board in an ordinary election at Carl Zeiss Meditec AG’s Annual General Meeting on 19 March 2019. During the Supervisory Board meeting on 19 March 2019, Dr. Christian Müller was also elected as a member of the Audit Committee and as Chairman of the Nominating Committee.

Effective 1 October 2018, Mr. Justus Felix Wehmer and Mr. Jan Willem de Cler were appointed to the Management Board of Carl Zeiss Meditec AG. Mr. Wehmer was previously Managing Director of Carl Zeiss Microscopy GmbH within the ZEISS Group. He succeeds Dr. Müller as Chief Financial Officer. Mr. de Cler has been working for the ZEISS Group since 2004 and was previously Head of Surgical Ophthalmology within the Carl Zeiss Meditec Group. The Management Board has therefore consisted of three members since 1 October 2018.

Final remarks
In spite of a subdued economic outlook, the medical technology market benefited from underlying trends. These are based, on the one hand, on demographic trends and the associated aging population, as well as an increasing number of people with age-related diseases as a result. On the other hand, patients’ expectations of medical treatments and, consequently, the demands put on medical equipment by physicians, are increasing.

Carl Zeiss Meditec is in a good position, in the Supervisory Board’s opinion, with its innovation-driven and diversified product portfolio, and as a competent partner to physicians, to continue to participate in the growth of medical technology and to keep steadily improving its strong market position in future, too. Digitalization means that the Company is faced, on the one hand, with new challenges. On the other hand, new possibilities are presenting themselves, which need to be treated as opportunities. This is another area where we feel Carl Zeiss Meditec is on the right track with its strategic orientation.

I would like to thank the Management Board and all the members of the Supervisory Board for their good and constructive collaboration. I would like to wish all employees and the members of the Management Board every success, a huge amount of motivation and enthusiasm for the new fiscal year that has already begun, and look forward to continuing to work very closely with you.

Jena, 2 December 2019
On behalf of the Supervisory Board

Prof. Dr. Michael Kaschke
(Chairman)

The Carl Zeiss Meditec AG share

Fiscal year 2018/19

General development of the capital market

There was a slightly positive trend on the global stock markets during fiscal year 2018/19. In spite of economic and political uncertainties, due, among other things, to different positions on trade issues between China and the USA, as well as the unresolved Brexit issue between the UK and the European Union, fiscal year 2018/19 was characterized by a subdued economic and profit trend worldwide.

The German benchmark index, the DAX, only increased marginally in fiscal year 2018/19, rising by 1 %, to 12,428 points. The U.S. benchmark index, S&P 500, also increased slightly, by 2 %, to 2,978 points.

The TecDAX, whose 30 stocks also include the Carl Zeiss Meditec AG share, was down by 0.2 %, to 2,813 points, on 30 September 2019, compared with the start of the fiscal year.

In December 2018, Carl Zeiss Meditec AG was admitted to the MDAX of the German stock exchange, which showed a loss of almost 1 % on 30 September 2019, to 25,887 points, compared with the start of the fiscal year. The SDAX fell by 7 % as of 30 September 2019, to 11,027 points, compared with the start of the fiscal year.

The Carl Zeiss Meditec share price exhibited a significantly positive trend. The Carl Zeiss Meditec AG share finished trading at a closing price[5] of €104.60 on 30 September. The increase in the share's value since the beginning of fiscal year 2018/19 amounted to 44 %.

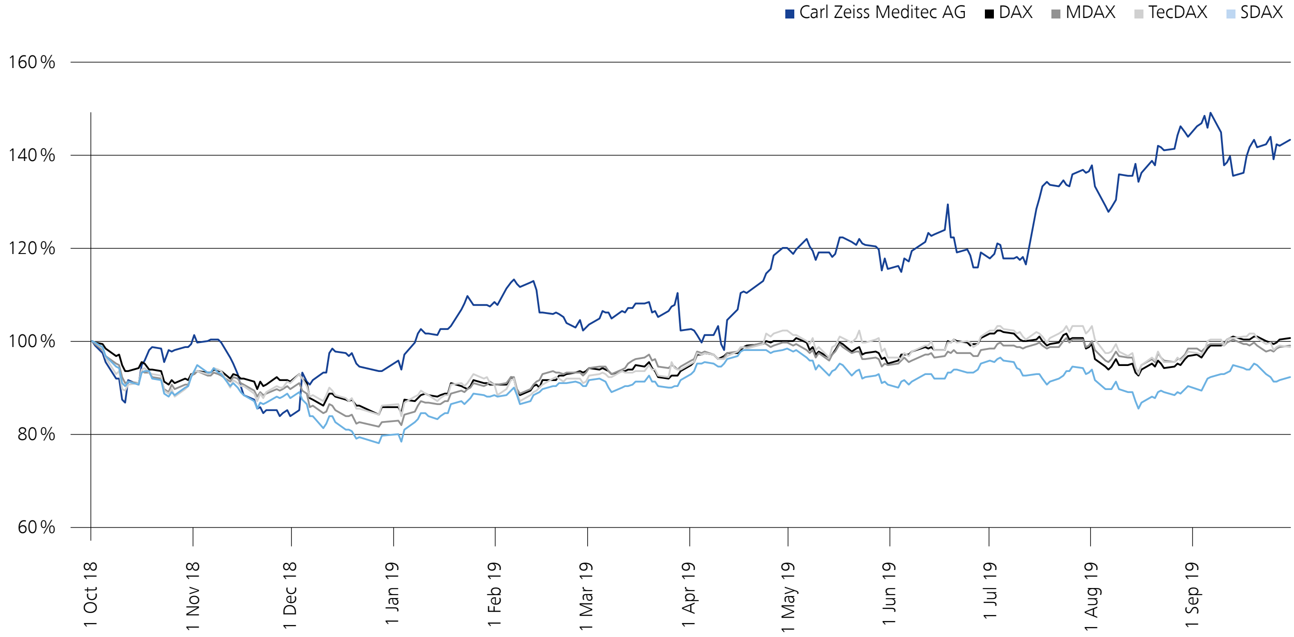
Performance of the Carl Zeiss Meditec share

The share's performance during fiscal year 2018/19 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 €72.50.

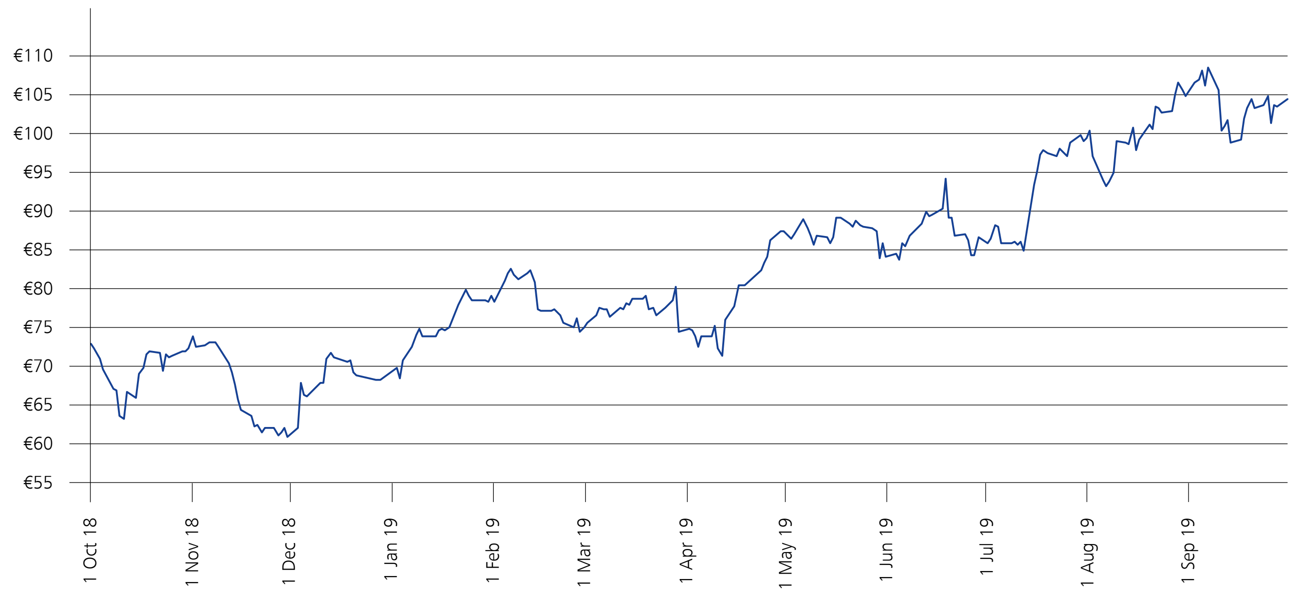
Although the share’s performance in the first quarter of fiscal year 2018/19 was comparable with the TecDAX, it had set itself noticeably apart by the end of the first quarter, reaching a new all-time high of €108.70 on 6 September 2019. At the end of the fiscal year, the Carl Zeiss Meditec AG share was being traded at a closing rate of €104.60.

[5] Share price based on Xetra closing rates (30 September 2019)

Relative performance of the Carl Zeiss Meditec share compared with the DAX, MDAX, SDAX and TecDAX indices
in the period from 1 October 2018 to 30 September 2019



Performance of Carl Zeiss Meditec share
in the period from 1 October 2018 to 30 September 2019



Market capitalization and trading volume

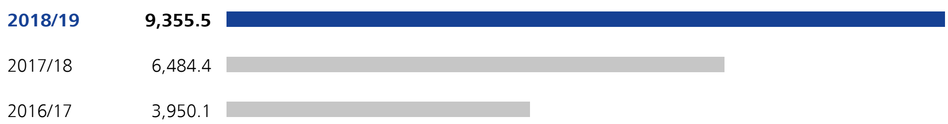
Carl Zeiss Meditec AG's market capitalization (product of shares issued multiplied by share price at the end of the reporting period) increased by more than 44 % year-on-year as of 30 September 2018, from €6,484.4m to €9,355.5m. The trading volume (number of shares traded on XETRA multiplied by the respective closing rate on the date on which they were traded) was €3,330.9m in fiscal year 2018/19 (prior year: €1,250.6m).

During the reporting period, an average of around 162,154 shares (prior year: 85,707 shares) of Carl Zeiss Meditec AG were traded each trading day.

The German TecDAX share index brings together 30 of the 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 9th place in the ranking for market capitalization as of 30 September 2019 (prior year: 10th place). In terms of trading volume, Carl Zeiss Meditec AG was in 12th place (prior year: 24th place).

The German MDAX share index is composed of 60 company stocks that rank below the shares listed on the DAX in terms of market capitalization and trading volume. All company stocks are listed on a quarterly basis. As of 30 September 2019, Carl Zeiss Meditec AG was in 54th place for market capitalization. In terms of trading volume, Carl Zeiss Meditec AG reached 61st place.

Market capitalization of Carl Zeiss Meditec AG as of 30 September, 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 13 analyst firms. Based on the assessments of the past six months, the analysts have put the current average price target at €96.12 (as of: 30 September 2019).

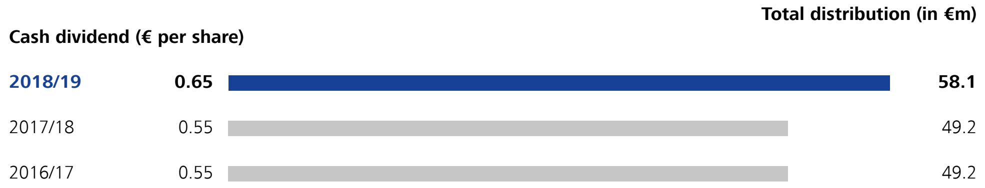
A current overview of the individual analysts’ recommendations can be found on our website at https://www.zeiss.com/meditec-ag/investor-relations/carl-zeiss-meditec-share.html.

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 24 March 2020, therefore, the Management Board and Supervisory Board of Carl Zeiss Meditec AG shall propose to the Annual General Meeting the distribution to shareholders of a regular dividend of €0.65 per share for fiscal year 2018/19 (prior year: €0.55). This would equate to a total distribution of €58.1m (prior year: €49.2m) and a dividend ratio of 36.4 % (prior year: 39.0 %). The dividend return (ratio of dividend per share to closing rate on 30 September) would be 0.6 % (prior year: 0.8 %).

Development of the dividend for the Carl Zeiss Meditec share[6]



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. In the voting rights announcement dated 3 June 2019, Invesco Ltd., Hamilton, Bermuda, informed the Company that the share of voting rights held by its subsidiary Invesco Advisers, Inc. in Carl Zeiss Meditec AG exceeded the reporting threshold of 3 % on 29 May 2019, resulting in a share of 3.57 % (3,197,302 ordinary shares) from this date.

Investor relations

Providing our investors with comprehensive, transparent and up-to-the-minute information was once again the focus of our investor relations work in fiscal year 2018/19, with the aim of boosting confidence in our sustainable corporate governance. This includes the commentary on 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 developments within the Company through quarterly statements, six-monthly and annual reports, as well as ad hoc disclosures and press releases. The Company also strives, in a variety of ways, to meet the high demand for information from all interest groups, both via the Management Board and through the members of the Investor Relations department. Roadshows and conferences were held during the past year in New York, Chicago, San Francisco, London, Paris, Lyon, Frankfurt and Munich, among other places. We also held regular conference calls on the interim financial statements, as well as numerous one-to-one and group meetings with institutional and private investors.

In addition, our Annual General Meeting gives our shareholders the opportunity to exert a direct influence and ask Carl Zeiss Meditec AG's Management Board questions directly. The Annual General Meeting in the fiscal year under review was held on 19 March 2019 in Weimar. Around 86.62 % of the voting share capital was represented at this meeting.

[6] Amount for the dividend 2018/19 proposed by the Supervisory Board and the Management Board of Carl Zeiss Meditec AG

Listing and trading on the MDAX and TecDAX

Carl Zeiss Meditec AG share	
Index	MDAX, TecDAX
Segment	Prime Standard
ISIN	DE 0005313704
Trading volume	avg. of 162,154 shares/trading day
Total shares placed	89,440,570 shares
Price performance	
Share price at beginning of fiscal year 2018/19 (1 Oct 2018)	€72.50
Share price at end of fiscal year 2018/19 (30 Sep 2019	€104.60
Share price on 17 November 2019	€104.00
Highest price in fiscal year 2018/19	€108.70
Lowest price in fiscal year 2018/19	€61.00
Shareholder structure	
Free float	40.9 %
Carl Zeiss AG	59.1 %
Valuation	
Market capitalization of share capital as of 15 November 2019	€9,301.8m
Market capitalization of free float as of 15 November 2019	€3,804.4m
Designated Sponsor	HSBC Trinkhaus & Burkhardt AG

Summary management report
for fiscal year 2018/19

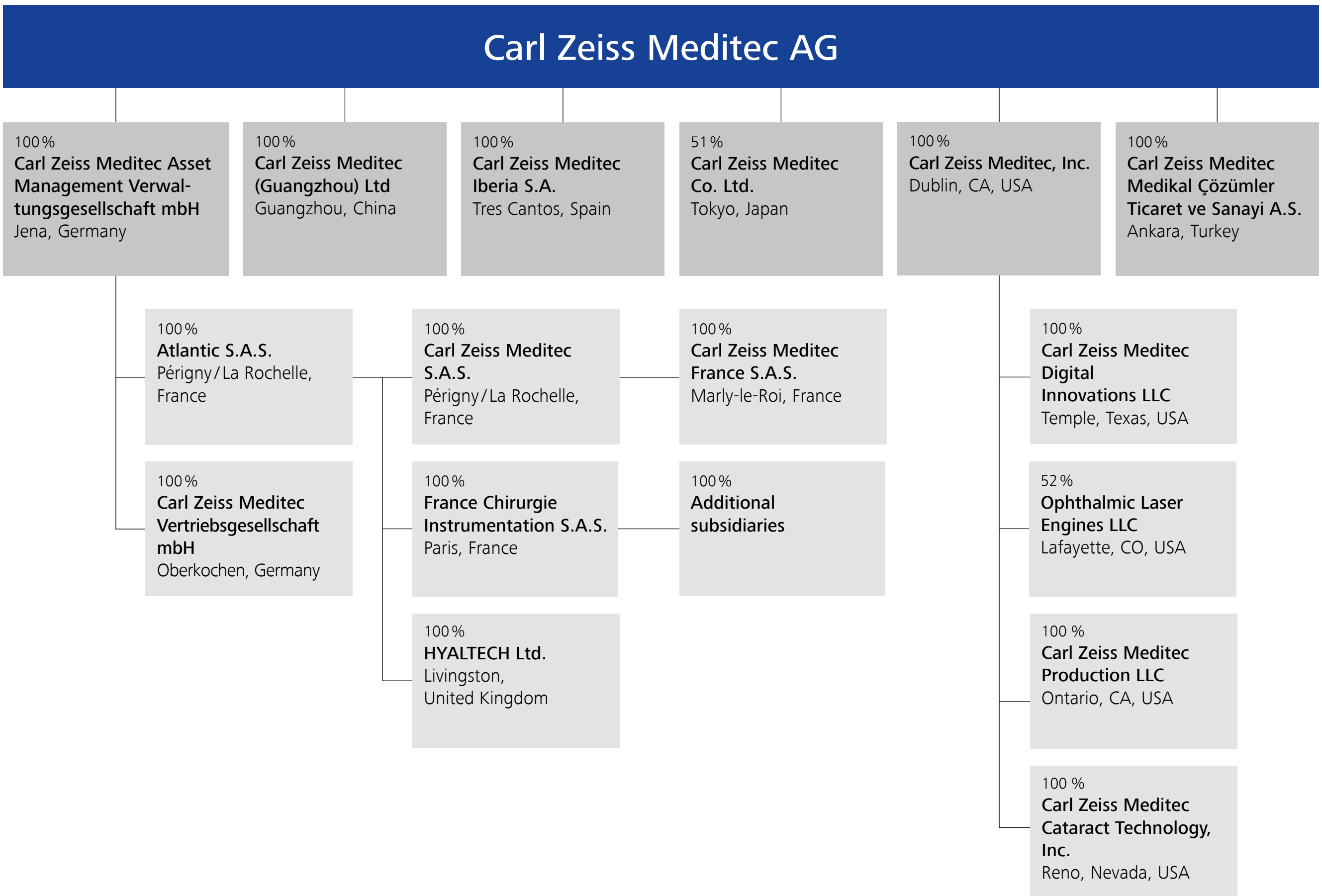
CARL ZEISS MEDITEC GROUP

Group structure

The Carl Zeiss Meditec Group (hereinafter the Company, the Group) 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 in the MDAX and TecDAX on the German Stock Exchange.

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 2019 are presented in the chart below:

Shareholder structure of the Carl Zeiss Meditec Group as of 30 September 2019



The following significant changes were made to the Group's reporting entity and the structure of its consolidated financial statements in fiscal year 2018/19: On 22 October 2018, Carl Zeiss Meditec signed an agreement to acquire IanTECH, Inc. This company is domiciled in Reno, Nevada, USA and is a privately owned company that specializes in consumables for cataract surgery. The transaction agreement was concluded on 14 December 2018. IanTECH, Inc. was simultaneously renamed Carl Zeiss Meditec Cataract Technology, Inc. Carl Zeiss Meditec Cataract Technology, Inc. is to be integrated into the strategic business unit Ophthalmic Devices. This acquisition is an important strategic step for the Carl Zeiss Meditec Group in terms of its technological position in cataract surgery.

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 ZEISS Group, with around 60 sales and service locations and more than 30 production sites. This ensures the Company customer proximity and gives it 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. 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

The field of activity of the Carl Zeiss Meditec Group is essentially divided into 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 our 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

Conditions such as ametropia (refraction), cataracts, glaucoma and retinal disorders, the incidence of which particularly increases with age and can become chronic in many cases, are treated in ophthalmology.

In the **Ophthalmic Devices** strategic business unit the Company 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. Customers here are both practicing ophthalmologists and optometrists, as well as physicians and surgeons in hospitals and outpatient surgery centers.

In the area of ophthalmology, the Company offers an almost comprehensive range of products for investigating all clinical conditions and for surgical therapy. In the field of diagnostics, these are devices for general ophthalmological examinations (slit lamps, refractometers, tonometers), devices for examining the retina (optical coherence tomography (OCT), fundus cameras), as well as functional diagnostics equipment (perimeters). Digital products for the efficient organization of clinical workflows and for the storage and evaluation of clinical data complement the product range. The offering for surgical therapy (particularly for cataracts) includes, among other things, ophthalmic surgery microscopes, biometers 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). The OR workstation is further completed by software-based assistance systems such as CALLISTO eye®, to assist with the implantation of toric intraocular lenses. Surgeons can further increase their efficiency with systems that are precisely tailored to the surgeon's workflow and integrated with each other. One example of this is the ZEISS Cataract Suite markerless.

The product portfolio in the area of refractive surgery primarily includes systems and consumables for refractive surgery. This includes the ReLEx SMILE® solution, a particularly gentle treatment method using a minimally invasive procedure.

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 are essential tools that are used, for example, in the surgical treatment of tumors or vascular conditions, such as aneurysms. The KINEVO® 900, a robotic visualization system for neurosurgeons, is one good example of how physicians are supported by ZEISS when streamlining their workflows. Other key areas include ear, nose and throat (ENT), plastic and reconstructive (P&R) and dental and spinal surgery. Innovative add-on functions, such as cutting-edge video technologies, 3D imaging or intraoperative fluorescence options, offer the physician support for complex treatments. During the procedure, diagnostic data and information can be provided to the physician in the eyepiece or on monitors.

Group strategy

The Carl Zeiss Meditec Group's strategy is to achieve sustainable and profitable growth as market and technology leader in the field of ophthalmology and microsurgery. The product range improves the treatment result and reduces treatment costs through efficient and effective approaches, and thus contributes 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 patient numbers, limited public funding and more demanding expectations of the treatment outcome. Integrated products and solutions can help customers to streamline workflows and cut costs. One example of this is the provision of clinical decision-making aids to the physician and possibilities to easily outsource routine tasks to medical support staff. Digitalization provides major opportunities in this respect, including in the area of data management solutions. A key prerequisite for the long-term success of the Carl Zeiss Meditec Group is a deep understanding of the challenges facing doctors and a service offering that is tailored to overcoming these challenges.

Innovation
The Carl Zeiss Meditec Group strives to make cutting-edge technology in medical application accessible for practitioners and patients and to establish new benchmarks (gold standards) in diagnostics and therapy. Close collaboration with customers and continuously high investments in research and development (F&E) secure the Company's technological leadership.

Integrated solutions
The logical networking of devices and systems in the practice or clinic plays an important role, giving customers the opportunity to make their workflows more efficient, 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 formed from the members of the Management Board of Carl Zeiss Meditec AG, the heads of the two strategic business units Ophthalmic Devices and Microsurgery and the Head of Digital Transformation & Digital Innovation. The management levels below the Executive Committee perform their management responsibilities in accordance with the organizational structure 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 country organizations in accordance with the respective prevailing laws, rules of procedure and bylaws, and the applicable corporate values and principles.

As a company of the ZEISS Group, the Carl Zeiss Meditec Group is also subject to the global Code of Conduct. This stipulates the general rules of good and fair conduct in competition and when 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.

Corporate management

The consistent implementation of the Group strategy ensures a long-term increase in value. A comprehensive system of indicators serves as an instrument for the financial management of the Carl Zeiss Meditec Group. 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 characteristics are therefore defined as control variables. 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

Growth of the global economy slowed considerably in the reporting period. Market growth in the industrialized nations in fiscal year 2018/19 was poorer than originally forecast. The USA boosted growth, while economic growth in the EU slowed significantly. The dynamic markets in Asia were once again a driver of the global economy, in spite of a loss of growth momentum there. Growth impetus from China was also weaker. There was a significant slowdown in economic growth in Latin America.[9]

[7] Calculation: EVA® = operating result (EBIT) after taxes minus capital costs of €65.1m for 2018/19 (calculation of capital costs: average committed business assets 2018/2019 (€857.0m) multiplied by capital cost rate 2018/2019 (7.6 %)).

[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 +/- leasing liabilities IFRS 16 (not included in 2017/18) – increase in investments in property, plant and equipment and intangible assets + write down of investments in property, plant and equipment and intangible assets – acquisition of

[9] International Monetary Fund, “World Economic Outlook”, October 2019, Washington D.C.shareholdings.

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, the aging population due to demographic development and global population growth. A distinction should be made here between western industrialized nations and growth markets. While rising per capita income is increasing the demand for basic medical care in rapidly growing economies, the willingness of people in the western regions to take advantage of better-quality services is also increasing. 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. This is due to ever-growing patient demands and an increasing willingness to use premium services as a self-paying patient. At the same time, the cost pressure in the health care systems is providing for price-driven competition. In terms of product development and licensing, increasing regulation and varying regional regulatory requirements are posing growing challenges. 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.

Further growth can be anticipated in the long term, both in microsurgery and in ophthalmology, as the demand for diagnostic and therapeutic devices and systems and for implants and consumables will increase further due to rising numbers of cases.

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$42.7b (about €35.9b)[10] in 2018. The Company's product range includes devices and systems, implants, consumables and instruments for ophthalmology and ophthalmic surgery. According to the Company's estimates, these sub-markets had a volume of around US$11.5b (around €9.6b[10]) in 2018. Based on this, the Company estimates its market share in 2018 to be around 10 % and therefore sees itself behind the ophthalmic surgery businesses of Alcon and Johnson & Johnson Vision as the third-largest supplier worldwide in this market.

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 Company expects to see an increase in its market share in the product segments it addresses compared with the prior year.

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 product segments: "Implants", "Surgical instruments" and "Visualization". In the "Visualization" product segment served by the Company, a distinction can be made between the sub-segments "Surgical Microscopes" and "Other Visualization". According to the Company's estimates, this product segment had a total volume of around US$1.9b in 2018 (around €1.7b[10]). With an estimated market share of over 20 %, the Carl Zeiss Meditec Group is one of the largest suppliers in this area and the clear market leader in the "Surgical Microscopes" sub-segment.

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

[10] At average rate for fiscal year 2017/18 (€1 = US$1.1281)

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

With revenue of €1,459.3m (prior year: €1,280.9m) and growth of 13.9 %, the Carl Zeiss Meditec Group significantly exceeded the forecast range of €1,350m to €1,420m for fiscal year 2018/19. Both strategic business units contributed to this positive development of revenue, as did all regions, with the highest contributions coming from the regions Asia/Pacific (APAC) and Europe, Middle East and Africa (EMEA).

The **Ophthalmic Devices** SBU achieved revenue of €1,068.6m (prior year: €933.3m), equating to growth of 14.5 % (adjusted for currency effects: 12.4 %), thus significantly exceeding market growth, which is estimated to be in the low to mid-single-digit percentage range. The main contributors to this increase were a strong refractive laser business and the strong demand in Surgical Ophthalmology. The Ophthalmic Diagnostics segment also grew.

The **Microsurgery** SBU generated revenue of €390.7m (prior year: €347.6m), thus growing by 12.4 % (adjusted for currency effects: 9.7 %) compared with the prior year. Once again, therefore, the strategic business unit exceeded market growth significantly, which was estimated to be at least in the mid-single-digit percentage range, and continued to extend its leading market position. Sales of the new visualization system KINEVO® 900 in neurosurgery, in particular, continued to develop well.

Earnings before interest and taxes (EBIT) increased to €264.7m (prior year: €197.1m). Relative to revenue, the Carl Zeiss Meditec Group achieved an EBIT margin of 18.1 % (prior year: 15.4 %), and thus also surpassed the expected forecast range of 15.0 % to 17.5 %, which has been posted in the six-month report 2018/19. The positive development of the EBIT margin is attributable, among other things, to a more favorable product mix with a high proportion of recurring revenue.

The EBIT margin in the strategic business unit **Ophthalmic Devices** increased due to a favorable development of the product mix resulting from a higher proportion of consumables compared with the prior year, but remained below the Group average, as expected. The EBIT margin of strategic business **Microsurgery** increased, due, among other things, to a strong sales trend in the Neurosurgery segment, and remained above the Group average, as expected.

As a result of the strong development of earnings, cash flows from operating activities were significantly higher in fiscal year 2018/19 compared with the prior year, at €219.6m (prior year: €187.2m).

Free cash flow amounted to €236.6m (prior year: €195.6m) in fiscal year 2018/19). EVA® rose to €120.5m, compared with €74.4m in the prior year.

In order to maintain its innovative strength and ensure future growth, the Company has up to now invested around at least 12 % of its revenue each year in research and development, as budgeted. In fiscal year 2018/19, R&D spending amounted to 11.9 % of revenue (prior year: 12.5 %).

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

Comparison of actual business development with forecast development in fiscal year 2018/19

	Results 2018/19	Forecast 2018/19
Revenue of Carl Zeiss Meditec Group	€1.459.3m	€1.350m - 1.420m
Ophthalmic Devices Revenue growth	14.5 %	Growth at least in low to mid-single-digit percentage range
Microsurgery Revenue growth	12.4 %	Growth at least in mid-single-digit percentage range
EBIT margin	18.1 %	15.0 % to 17.5 %
Cash flows from operating activities	€219.6m	At least low three-digit million amount
Research and development expenses/revenue	11.9 %	11 % - 12 %
Free cash flow (FCF)	€236.6m	At least high double-digit million amount
Economic Value Added® (EVA®)	€120.5m	At similar level to prior year (2017/18)

Results of operations

Presentation of results of operations

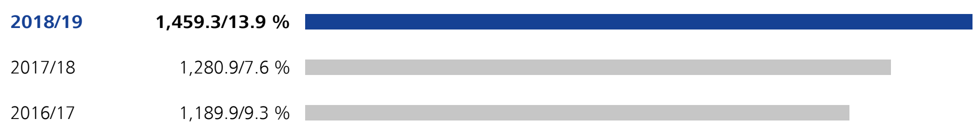
Summary of key ratios in the consolidated income statement
figures in €m, unless otherwise stated

	2018/19	2017/18	Change
Revenue	1,459.3	1,280.9	+13.9 %
Gross margin	57.0 %	55.5 %	+1.5% pts
EBITDA	313.0	228.4	+37.0 %
EBITDA margin	21.5 %	17.8 %	+3.7% pts
EBIT	264.7	197.1	+34.3 %
EBIT margin	18.1 %	15.4 %	+2.7% pts
Earnings before income taxes	229.9	179.2	+28.3 %
Tax rate	30.1 %	26.9 %	+3.2% pts
Consolidated profit after non-controlling interests	159.8	126.5	+26.3 %
Earnings per share after non-controlling interests	€1.79	€1.41	+26.3 %

Revenue

In fiscal year 2018/19, the Carl Zeiss Meditec Group increased its revenue significantly by 13.9 %, to €1,459.3m (prior year: €1,280.9m), thus exceeding its forecast range of €1,350m - €1,420m. Adjusted for currency effects, this growth amounted to 11.7 %. Both strategic business units contributed, as did all regions, although the strongest growth rates were achieved in the APAC and EMEA regions.

Revenue of Carl Zeiss Meditec Group in €m/growth in %

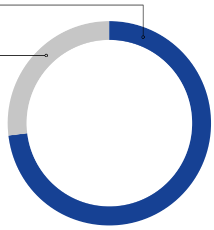


a) Revenue by strategic business unit

The strategic business unit **Ophthalmic Devices** accounted for almost three quarters (73.2 %) of the Carl Zeiss Meditec Group's total revenue in the fiscal year under review (prior year: 72.9 %). The strategic business unit Microsurgery generated 26.8 % (prior year: 27.1 %) of total revenue.

Share of strategic business units in revenue of the Carl Zeiss Meditec Group in fiscal year 2018/19

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



Revenue of the SBU Opthalmic Devices was significantly higher compared with the prior year, increasing by 14.5 % to €1,068.6m (prior year: €933.3m). Adjusted for currency effects, this strategic business unit grew by 12.4 %.

Once again, the refractive lasers business proved to be a growth driver, benefiting in particular from high levels of procedure-dependent revenue, as well as good demand in Surgical Ophthalmology. The segment for devices and systems for diagnostics also made a positive contribution to the development of revenue.

Revenue from consumables, implants and services (recurring revenue), increased further in fiscal year 2018/19. The proportion of recurring revenue in the Carl Zeiss Meditec Group's total revenue amounted to 33.9 % for fiscal year 2018/19 (prior year: 33.5 %).

The Microsurgery SBU also achieved double-digit revenue growth of 12.4 %, to €390.7m (prior year: €347.6m). Adjusted for currency effects, the strategic business unit grew by 9.7 %. Sales of the new KINEVO® 900 visualization system in neurosurgery, in particular, continued to develop well.

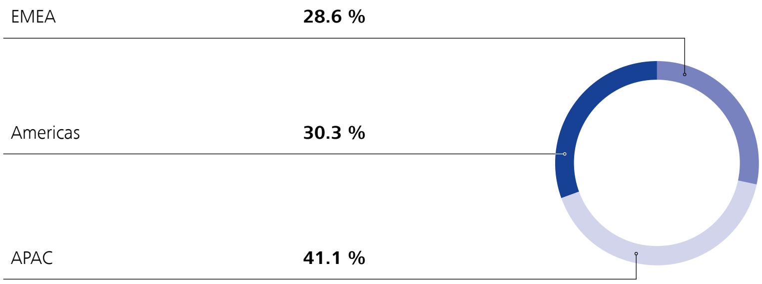
Revenue by strategic business unit

	2018/19	2017/18	Change in %	
	€m	€m		Adjusted for currency effects
Ophthalmic Devices	1,068.6	933.2	+14.5	+12.4
Microsurgery	390.7	347.6	+12.4	+9.7
Carl Zeiss Meditec Group	**1,459.3**	**1,280.9**	**+13.9**	**+11.7**

b) Revenue by region

The Carl Zeiss Meditec Group has a very balanced range of business activities worldwide. Due to the strong development of revenue in the **APAC** region in fiscal year 2018/19, the APAC region now accounts for 41.1 % (prior year: 38.7 %) of total revenue. The **EMEA** region accounted for 28.6 % (prior year: 29.5 %) of total revenue, while the **Americas** region accounted for 30.3 % (prior year: 31.8 %) of total revenue.

Share of the regions in revenue of the Carl Zeiss Meditec Group in fiscal year 2018/19



Revenue in the **EMEA** region increased by 10.3 %, from €378.1m to €417.1m. Adjusted for currency effects, this growth amounted to 10.7 %. Good growth was achieved in all core markets, including Germany, France and the UK.

The **Americas** region also performed well. Revenue increased by 8.9 %, to €442.5m (prior year: €406.5m). Adjusted for currency effects, this growth amounted to 3.9 %. Growth in the USA, in particular, accelerated towards the end of the fiscal year.

The **APAC** region made the greatest contributions to growth, with an increase of 20.8 % to €599.7m (prior year: €496.3m). Adjusted for currency effects, growth was of a similar magnitude, at 19.0 %. Once again, China proved to be the strongest growth driver. Japan also performed well.

Revenue of the Carl Zeiss Meditec Group by region

	2018/19	2017/18	Change in %	
	€m	€m		Adjusted for currency effects
EMEA	417.1	378.1	+10.3	+10.7
Americas	442.5	406.5	+8.9	+3.9
APAC	599.7	496.3	+20.8	+19.0
Carl Zeiss Meditec Group	**1,459.3**	**1,280.9**	**+13.9**	**+11.7**

Gross profit

In fiscal year 2018/19, gross profit increased from €710.4m to €831.9m. The gross margin for the reporting period was to 57.0 % (prior year: 55.5 %). This was primarily attributable to a more favorable product mix with a higher proportion of case-number-dependent business, particularly in the strategic business unit Ophthalmic Devices, as well as a strong demand for products for neurosurgery from the Microsurgery SBU.

Functional costs

Functional costs increased to €567.2m in the year under review, due to the strong sales performance (prior year: €513.3m). This 10.5 % increase thus remained slightly below the increase in revenue. The share of functional costs in revenue declined to 38.9 % compared, with 40.1 % in the year-ago period.

» **Selling and marketing expenses:** In the fiscal year under review, selling and marketing expenses increased from €303.8m to €336.2m. This equates to an increase of 10.7 %.
Relative to revenue, however, selling and marketing expenses were 0.7 percentage points lower than in the prior year, at 23.0 % (prior year: 23.7 %).

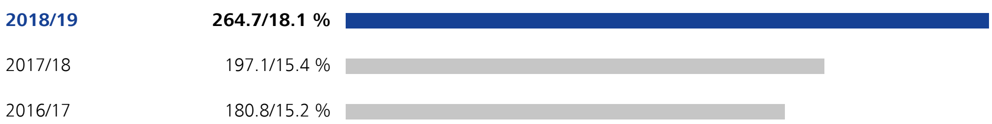
» **General administrative expenses:** Expenses in this area increased by 15.8 %, to €57.7m (prior year: €49.8m). In relation to revenue, the share of general administrative expenses remained largely stable compared with the prior year, at 4.0 % (prior year: 3.9 %).

» **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 8.6 % in the reporting period, to €173.3m (prior year: €159.6m). At 11.9 %, the R&D ratio was between 11 % and 12 %, as expected, and slightly lower than in the prior year (prior year: 12.5 %).

Development of earnings

The Carl Zeiss Meditec Group uses earnings before interest and taxes (EBIT = operating result) as a key performance indicator. The Carl Zeiss Meditec Group increased its earnings before interest and taxes to €264.7m in the reporting period (prior year: €197.1m). The EBIT margin rose to 18.1 %, compared with 15.4 % the prior year.

EBIT **in €m/EBIT margin in %**



EBIT in fiscal year 2018/19 included negative effects due to write-downs from purchase price allocations (PPA), to the volume of €5.1m.

Overview of effects of purchase price allocations included in EBIT

	2018/19	2017/18	Change
	€m	€m	in %
EBIT	264.7	197.1	+34.3
Effects of purchase price allocations[11]	(5.1)	(3.6)	-
Total effects	**(5.1)**	**(3.6)**	**-**

In the SBU Ophthalmic Devices, the EBIT margin increased mainly as a result of a more favorable product mix with a higher proportion of case-number-dependent revenue. It remained below the EBIT margin for the Company as a whole. The EBIT margin in the strategic strategic business unit Microsurgery also increased. This was primarily attributable to a good sales performance in the Neurosurgery segment.

[11] Write-downs on intangible assets arose from the purchase price allocations (PPA), mainly in connection with the acquisitions of IanTECH, Inc. in fiscal year 2018/19 and Aaren Scientific Inc. in fiscal year 2013/14.

Earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to €313.0m for the past fiscal year (prior year: €228.4m). The EBITDA margin increased year-on-year, to 21.5 % (prior year: 17.8 %).

The balance of interest income and interest expenses amounted to €-5.9m in the reporting period (prior year: €-1.1m). This includes scheduled charges in connection with the acquisition of IanTECH, Inc.

Currency effects arose within the financial result as of 30 September 2019 as a result of hedges, primarily in the form of unrealized foreign currency gains in the amount of €-28.6m (prior year: currency effects totaling €-19.4m).

The tax rate for the reporting period was 30.1 % (prior year: 29.6 %). As a general rule, an average annual tax rate of slightly above 30 % is assumed.

Consolidated profit attributable to shareholders of the parent company amounted to €159.8m in fiscal year 2018/19, thus increasing by 26.3 % year-on-year (prior year: €126.5m). Non-controlling interests accounted for €0.8m (prior year: €-0.2m). In fiscal year 2018/19, basic earnings per share of the parent company amount to €1.79 (prior year: €1.41).

Financial position

Objectives and principles of financial management

A key objective of the financial management of the Carl Zeiss Meditec Group is to safeguard liquidity and increase this efficiently throughout the Group.

For the Group, operative business is the main source of liquidity for the individual business units, which is also reflected in its strategic orientation and financial activities. 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 treasury of 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 Carl Zeiss Meditec Group has production plants in the USA and Europe. This means that the influence of exchange rate fluctuations can be reduced. 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", "(26) Additional disclosures on financial instruments", "(36) Financial risk management", "(2) (t)" and "(34) 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 42.7 % as of 30 September 2019 (prior year: 26.4 %).

The Group's dynamic gearing ratio was -0.3 years for fiscal year 2018/19 (prior year: -1.7 years)[12].

The interest coverage ratio, i.e., the coverage of interest income by the operating result before depreciation and amortization (EBITDA), amounted to 48.8 (prior year: 136.0).

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 ZEISS Group or from banks.

For further information on the financial liabilities of the Carl Zeiss Meditec Group please refer to note "(23) Non-current financial liabilities", "(24) Current accrued liabilities" and "(25) 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 cash 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. 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
Carl Zeiss Meditec Group's statement of cash flows shows the origins and utilization of the cash flows during a fiscal year. A distinction is made between cash flows from operating activities and cash flows from investing and financing activities.

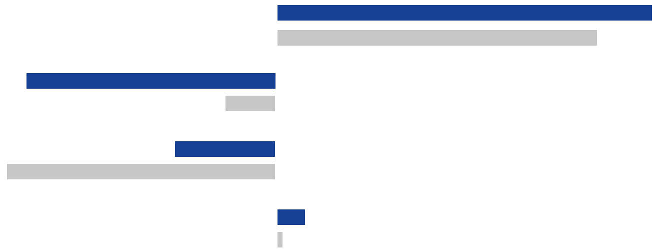
Changes in individual items in the income statement and the statement of financial position are recorded in the statement of cash flows. In contrast, the consolidated statement of financial position presents the figures as they stood at the end of the reporting period on 30 September 2019. As a result, 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.

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

Summary of key ratios in the statement of cash flows, in €m

2018/19 2017/18

	2018/19	2017/18
Cash flow from operating activities	**219.6**	187.2
Cash flows from investing activities	**-145.8**	-28.9
Cash flows from financing activities	**-58.6**	-157.2
Change in cash and cash equivalents	**16.0**	2.8



Cash flow from operating activities achieved €219.6m in the fiscal year under review (prior year: €187.2m). The significant increase is primarily due to the positive development of the operating result. Due to the strong development of revenue, trade receivables increased at a higher rate than in the prior year, which had a curbing effect on cash flows from operating activities. Inventories increased on a par with the prior year in the reporting period.

Cash flow from investing activities amounted to €-145.8m in fiscal year 2018/19 (prior year: €-28.9m). The higher cash outflow in fiscal year 2018/19 was mainly due to the acquisition of IanTECH, Inc.

Cash flow from financing activities amounted to €-58.6m in the fiscal year under review (prior year: €-157.2m). As a result of the newly applicable IFRS 16 (Leases) there was a increase in liabilities from finance leases, which reduced cash flows from financing activities.

Free cash flow increased to €236.6m in fiscal year 2018/19 (prior year: €195.6m). **Net cash**[13] in the past fiscal year amounted to €677.8m (prior year: €670.0m).

Investment and depreciation policy

Continuous investments are required to further consolidate the Company's 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.

The production of devices and systems at the Company is generally restricted 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[14] in property, plant and equipment (cash) to consolidated revenue. In fiscal year 2018/19, it was 1.4% (prior year: 1.3 %).

[13] Includes receivables from and liabilities to the treasury of the ZEISS Group, as defined on page 41.
[14] In fiscal year 2018/19, investments in property, plant and equipment (cash) totaled €20.3m, compared with €16.5m the prior year.

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.

Key ratios relating to financial position

Key ratios relating to financial position

		30 Sep 2019	30 Sep 2018	Change
Key ratio	Definition	€m	€m	in %
Cash and cash equivalents	Cash-in-hand and bank balances	22.6	6.7	> 100
Net cash and cash equivalents	Cash-in-hand and bank balances + treasury receivables from the treasury of Carl Zeiss AG ./. treasury payables to Group treasury of Carl Zeiss AG	677.8	670.0	+1.2
Net working capital	Current assets including financial investments ./. cash and cash equivalents ./. treasury receivables from treasury of Carl Zeiss AG ./. current liabilities excl. treasury payables to Group treasury of Carl Zeiss AG	286.9	300.9	-4.6
Working capital	Current assets ./. current liabilities	964.7	970.9	-0.6

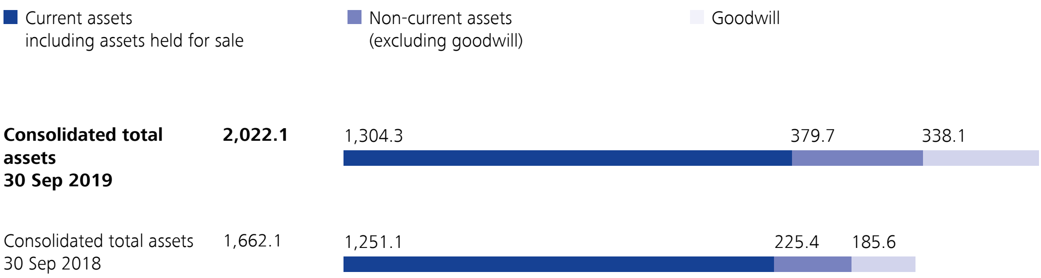
Key ratio	Definition	**2018/19**	2017/18	Change
Cash flow per share	Cash flows from operating activities Weighted average of shares outstanding	€2.46	€2.09	+17.7 %
Capex ratio	Investment (cash) in property, plant and equipment Revenue of Carl Zeiss Meditec Group	1.4 %	1.3 %	+0.1 % pts

Net assets

Presentation of net assets

Total assets increased to €2.022.1m as of 30 September 2019 (prior year: €1.662.1m).

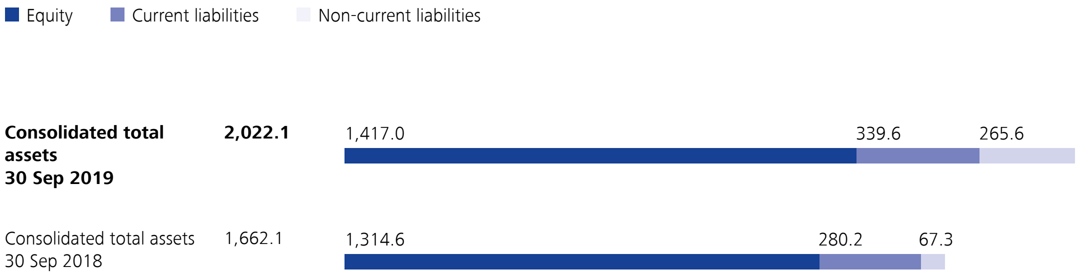
Structure of consolidated statement of financial position – assets in €m



Non-current assets increased from €411.0m as of 30 September 2018, to €717.8m as of 30 September 2019. This is mainly due to an increase in goodwill and intangible assets as a result of the acquisition of IanTECH, Inc. In addition, property, plant and equipment increased as of 30 September 2019, compared with 30 September 2018, due to the early application of IFRS 16 (Leases).

Current assets amounted to €1,304.3m (30 September 2018: €1.251.1m).

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 €1,417.0m as of 30 September 2019 (prior year: €1,314.6m). The equity ratio was 70.1 % (prior year: 79.1 %) and thus remained high.

Non-current liabilities increased to €265.6m as of 30 September 2019 (prior year: €67.3m). This was mainly due to the increase in non-current financial liabilities as a result of the acquisition of IanTECH, Inc. and non-current leasing liabilities due to the transition to IFRS 16 (Leases). The increase in pension obligations due to an adjustment of the underlying interest rates also led to an increase in non-current liabilities.

As of 30 September 2019, **current liabilities** amounted to €339.6m (prior year: €280.2m).

Key ratios relating to net assets

Key ratios relating to net assets

		30 Sep 2019	30 Sep 2018	Change
Key ratio	Definition	in %	in %	% pts
Equity ratio	Equity (including non-controlling interests) / Total assets	70.1	79.1	-9.0
Inventories in % of rolling 12-month revenue[15]	Inventories (net) / Rolling revenue	18.4	19.4	-1.0
Receivables in % of rolling 12-month revenue[15]	Trade receivables at the end of the reporting period (including non-current receivables) / Rolling revenue	22.8	23.3	-0.5

Orders on hand

The Carl Zeiss Meditec Group's orders on hand amounted to €151.9m as of 30 September 2019, a decline of 0.7 % (prior year: €152.9m)

Events of particular significance

There were no other events of particular significance during fiscal year 2018/19.

[15] Revenue of the past twelve months as of the end of the reporting period (30 September 2019)

NON-FINANCIAL PERFORMANCE INDICATORS

Responsibility

Traditionally, the Company attaches great importance to commitment to the common good and the environment. Social responsibility does not just shape corporate culture internally, but also plays an important role externally.

The sustainability management system of the Carl Zeiss Meditec Group is integrated in the sustainability strategy of the ZEISS Group.

Carl Zeiss Meditec AG therefore makes use of the option, pursuant to Section 289b (2) HGB and Section 315b (2) HGB, to exempt itself from issuing a non-financial statement and the non-financial consolidated statement, and refers to the separate summary non-financial report of the parent company, Carl Zeiss AG, into which Carl Zeiss Meditec AG has been incorporated. This separate, non-financial report, which applies for the entire ZEISS Group shall be available for inspection, in German and English, from 31 January 2020 at www.zeiss.com/responsibility.

The ZEISS Group provides information on its further progress in the area of sustainability based on the reporting standard of the Global Reporting Initiative (GRI) and on the pages on sustainability online at www.zeiss.com/responsibility.

An integral part of the corporate culture of ZEISS is social responsibility. 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 of the largest global charities working in the area of eyesight is the Christoffel-Blindenmission (CBM), which is one of our partners. The CBM helps to improve the lives of those with visual impairments, helps to prevent visual impairments, and breaks down barriers for people living with visual impairments. Over the past few years, ZEISS has supported a total of five diagnostic, therapy and training centers for ophthalmology in Indonesia, Nigeria, Tanzania, Paraguay and Sudan in cooperation with CBM and as part of the VISION 2020 Initiative of the International Agency for the Prevention of Blindness (IAPB), with the aim of improving medical care, also for people in underserved regions. In addition, the center in Paraguay was extended and a training center dedicated to cataract surgery was added. This center trains ophthalmologists in the state-of-the-art surgical technique of phacoemulsification. A similar training center for cataract surgery was established in India in fiscal year 2018/19, to train ophthalmologists and nursing staff nationwide in the state-of-the-art surgical technique of phacoemulsification. Besides treating patients, these centers are about creating places where training is given on how to use modern medical technology and put it into practice from there.

In line with the motto "Helping people to help themselves", ZEISS also supports the ICO Fellowship Program as a partner of the international umbrella organization for ophthalmology (International Council of Ophthalmology, ICO).

Using various business models, ZEISS Medical Technology would like to help provide eye care to remote regions, such as rural areas of India, for example, thus giving more people access to state-of-the art eye examinations.

With its VisuHealth remote health solution, ZEISS networks three eye clinics with more than forty screening centers in India using digital technologies. This enables the early detection of diseases such as diabetic retinopathy for people in remote regions. Since fiscal year 2015/16, over 300,000 people have already been examined in this way.

ZEISS medical devices help to drive medical progress, optimize workflows and thus relieve the burden on medical staff and give patients the best treatment possible. Once again in fiscal year 2018/19, many people came into contact with medical devices from ZEISS. In particular the share of consumables, such as intraocular lenses, for example, for the treatment of cataracts, and contact lenses for the correction of vision defects, developed positively, and now account for more than one third of the Carl Zeiss Meditec Group's total revenue together with service. More than 1.4 million intraocular lenses were delivered in the fiscal year under review for the treatment of cataracts. In the same period, almost 1.3 million contact glasses were sold for laser treatments to correct visual acuity using the Company's SMILE and LASIK technology. The number of users of the ZEISS software solution FORUM rose to a figure of over 30,000 in more than 8,000 clinics and practices in fiscal year 2018/19. FORUM® physicians to optimize treatment workflows and contributes to sustainable customer retention.

Like social engagement, responsible and appropriate handling of natural resources also plays an important role for ZEISS.

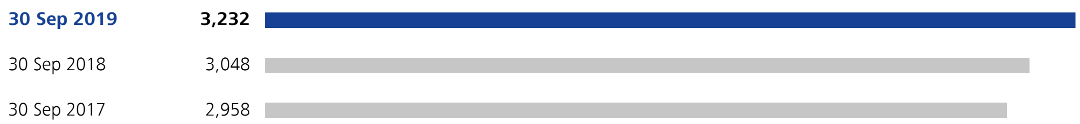
ZEISS participated in CDP (formerly Carbon Disclosure Project) for the second time in fiscal year 2018/19 and made the answers to the questionnaire on climate change publicly visible. In addition, the main ZEISS production plants worldwide work to the international environmental management standard ISO 14001.

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 highly among all buildings constructed in Germany and inspected by the DGNB.

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 2019, the Carl Zeiss Meditec Group had 3,232 employees worldwide (prior year: 3,048).

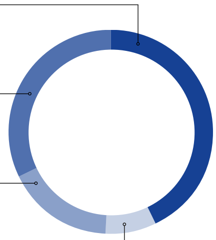
Employees



At 43 % and 32 %, respectively, the majority of employees were working in production or sales and marketing as of 30 September 2019. This includes a total of 572 service employees, who are spread across various areas. The percentage of employees working in research and development was 17 % at the end of the reporting period. The percentage of employees working in the commercial segment as of 30 September 2019 was 8 %.

Employees by function[16] 30 September 2019

Production	**43 %**
Sales and marketing	**32 %**
Research and development	**17 %**
Commercial sector and management	**8 %**

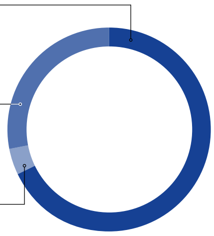


At 68 %, the majority of the Carl Zeiss Meditec Group's employees were working in the EMEA region as of 30 September 2019. A total of 28 % of all the Group’s employees were working in the Americas region and 4 % in the APAC region.

In the APAC region, the Company mostly relies on the distribution network of the ZEISS Group.

Employees by region as of 30 September 2019

EMEA	**68 %**
Americas	**28 %**
APAC	**4 %**



The global success of the Carl Zeiss Meditec Group is based on the expertise and achievements of the Company’s employees. The core task of human resources management is therefore sustainable development and targeted support of potential. The focus is particularly on the further training and education of employees, as well as 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 sees this as a solid foundation for long-term economic success and aims to increase its attractiveness as an employer.

Compliance

As a company of the ZEISS Group, integrity and compliance are of paramount importance for the global reputation of the Carl Zeiss Meditec Group. A basic requirement for growth and success is having the trust of external stakeholders and competitors in responsible, law-abiding and ethical conduct. As a company of the ZEISS Group, Carl Zeiss Meditec AG has joined the compliance management system of 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). ZEISS employees are encouraged to report any breach

[16] Including service employees

of the compliance requirement, or any grounds for suspicion of a breach. The notification management system for compliance incidents guarantees the anonymity of each informant and regulates the review, documentation and intervention in substantiated allegations. In addition, the ZEISS Code of Conduct containing the basic rules of good and fair conduct in competition and in dealing with our employees and customers, which has applied globally since 2007 and was updated in October 2018, is implemented. 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 and Ontario in the USA and La Rochelle in France. The Company also has a number of smaller sites in Besançon, France, Livingston, Scotland, and Goodlands, Mauritius. Systems and devices for ophthalmology are manufactured in Jena and Dublin. The Company manufactures microsurgical visualization solutions and phacoemulsification systems in Oberkochen; intraocular lenses are manufactured in La Rochelle, Berlin and Ontario. Certain product groups are manufactured by partners, who either have favorable cost structures or special production processes, or technologies that can realize economies of scale in purchasing.

Production concept

In production, the Carl Zeiss Meditec Group focuses on the integration of modules and system components, which are largely procured from external partners. In the case of intraocular lenses, however, there is a higher vertical range of manufacture. Production of these largely takes place in-house at the Company. Only a few specific production steps are undertaken by external companies. In order to reduce dependency on individual suppliers, the Company continuously strives to qualify additional suppliers for key components or product groups when selecting suppliers.

The main focus with regard to production processes is primarily on responding quickly to customer inquiries and requirements by using short decision paths and bringing innovations quickly and efficiently into production. Shorter throughput times and reducing inventories, while simultaneously optimizing cost of revenues and improving product quality and delivery performance play a major role in this.

Production planning

Production planning in Jena, Oberkochen and Dublin is based on the rolling forecast method, This is done mostly on a monthly or quarterly basis. This 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, system integration is generally on a make-to-order basis.

In order to ensure uninterrupted supplies for customers in the area of refractive lasers, stocks are maintained for consumables to cover the planned sales volume for at least three months. This is particularly important as customers cannot use their equipment without consumables. They are therefore served from existing stocks in accordance with the first-in-first-out principle.

The rolling forecast method described above is also applied for the manufacture of intraocular lenses. As customers expect very short delivery times for implants, limited quantities of the finished products are stock-piled. For this purpose, replacement orders from customers are serviced from a central distribution center. Replenishment orders are then triggered directly to these production sites, so that other customers can be 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

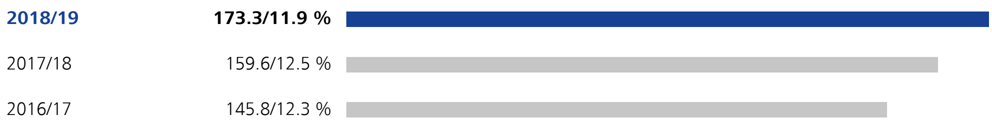
Objectives and focus of research and development

Innovations are a key driver of future growth. Research and development has therefore traditionally played a crucial role within the Carl Zeiss Meditec Group.

The Company is committed to continuously expanding its product range and to improving products that are already on the market. In doing so, the Company strives 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 Company’s research and development work is close collaboration with its customers right from the early stages of product development.

In fiscal year 2018/19, research and development expenses increased by 8.6 %, to €173.3m (prior year: €159.6m). The R&D ratio decreased in the same period compared with the prior year, to 11.9 % (prior year: 12.5 %), and is therefore within the forecast range of around 12 %. The ratio of capitalized development costs to total research and development expenses was 6.9 % Further information can be found in Appendix.

R&D expenses in €m/Share of R&D in revenue of Carl Zeiss Meditec Group, in %



In the reporting period, 17 % (prior year: 17 %) of the Carl Zeiss Meditec Group's entire workforce was 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 2018/19, the expenses incurred for this amounted to around 9.5 % of overall research and development expenses.

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
» digital networking of systems and equipment to increase diagnostic and treatment efficiency and improve treatment outcomes for patients.

Customer service

Maximum reliability and trusting cooperation at all times are the foundation of sustainable customer relationships, and especially in Service.

Carl Zeiss Meditec AG strives to create added value for customers and patients with innovative products and solutions in the medical technology field, combined with smooth and reliable customer service.

Professional customer service requires fast and easy accessibility, short response times, efficient and competent execution of service assignments, consistently demand-driven supply of replacement parts and, not least, professional follow-up.

A high standard in technical service ensures reliable availability of ZEISS devices at the customer, so that the medical workflow is not disrupted and optimum use can be made of resources. Digitalization offers tremendous opportunities to improve service quality and efficiency, for example via remote connectivity. This is the basis for ZEISS Smart Services. ZEISS Smart Services include the remote transmission and preventive monitoring of important device parameters. In the event of a malfunction, technical assistance can be provided quickly via an online connection. In future, automated remote monitoring will make it possible to fix technical faults before the user even notices them.

Particularly in the context of remote monitoring and remote intervention, cyber security plays a vital role in ensuring both the functional safety of the medical device and the protection of patient data at all times.

Carl Zeiss Meditec AG works continuously on further developing its customer services, in order to provide customers with the best possible support and according to their individual requirements. Customer satisfaction and the operative performance of the Service organization are continuously measured and optimized for this purpose.

Customer focus

Innovative and differentiated solutions in ophthalmology and microsurgery are made possible by the global positioning of the Company, as well as its capacity for innovation and customer proximity.

Customer solutions in ophthalmology
All segments within the SBU Ophthalmic Devices reported a growth in demand in fiscal year 2018/19.

In Diagnostics, this positive development is attributable, among other things, to the product CLARUS™ 700, which has been on the market since May 2019. This fundus camera enables ultra-widefield imaging and records highly detailed, precise images of the retina, from the macula to the periphery. The ZEISS CLARUS generates true-color images of the fundus, which match the natural coloring of the fundus, as it is perceived during a clinical examination. This enables ophthalmologists to identify early signs of eye diseases faster and more reliably. The CLARUS™ combines ultra-widefield imaging with high-resolution image quality and a full range of fundus imaging modalities, including fundus angiography.

In September 2019, the product range for optical coherence tomography (OCT) was extended to include the ZEISS CIRRUS 6000. This OCT device enables significant increases in efficiency for ophthalmologists. The ZEISS CIRRUS 6000 offers high speeds and a high throughput, enabling even more patients to be examined more quickly with improved imaging and image quality.

The new slit lamp SL 800 was also launched in September 2019. This lamp enables precise, high-contrast and high-resolution visualization. It delivers true-color images that allow diagnostic details to be identified, and its illumination options cater for all clinical requirements. The ZEISS SL 800 can be operating with one hand due to an integrated tower concept, thus simplifying the user’s workflow.

The demand for software solutions increased again significantly in fiscal year 2018/19. One example of this is FORUM by ZEISS, a scalable and flexible data management system, which can be used to centrally manage the relevant examination data. This enables fast and reliable access to clinically relevant patient data, which simplifies the daily work of physicians and significantly increases the efficiency of ophthalmic practices. ZEISS is continuously expanding its range of digital products. The new addition to the ZEISS Cataract Suite presented in September at the ESCRS, the EQ-Workplace, provides surgeons with a digital solution for networking and streamlining the workflow in refractive cataract surgery. By allowing continuous and location-independent access to data, the EQ-Workplace enables surgeons to increase efficiency, even before surgery.

In surgical ophthalmology, the new ZEISS ARTEVO 800 was introduced in May 2019. A digital microscope which, with a drastically reduced level of illumination, offers a depth of field that gives visual impressions in true color and thus greater certainty.

Demand continued to develop positively for intraocular lenses, both in the standard and in the premium segment. In particular the multifocal lenses AT LISA® tri and AT LISA® tri toric enjoy a high demand.

New milestones were also reached in the area of refractive surgery. The number of procedures carried out using the minimally invasive ReLEx® SMILE technique, which was launched worldwide in 2011, has continued to increase and has now passed the 2.0 million mark of eyes treated. This minimally invasive technology allows for a gentler surgical procedure in laser vision correction. As a result of the regulatory approval granted for the U.S. market in October 2018 for the treatment of patients with astigmatism, the ReLEx® SMILE treatment can now be offered to additional customer groups in fiscal year 2018/19 and beyond. Around 1,100 VisuMax systems have been sold to date. The minimally invasive technology is used by more than 2,000 surgeons in more than 70 countries.

The acquisition of U.S. company IanTECH, Inc. in October 2018 has expanded the technology base in the area of cataract surgery and further enhanced the range of consumables.

Customer solutions in Microsurgery

In Microsurgery, the Carl Zeiss Meditec Group offers innovative solutions, such as state-of-the-art surgical microscopes for neurosurgery, ear, nose and throat (ENT) surgery, plastic and reconstructive (P&R) surgery, as well as spinal and dental surgery.

Since its market launch in 2017, the KINEVO® 900 has enjoyed a continuous rise in demand. This is a robotic visualization system for use in neurosurgery. The device contains innovative robotic technology that avoids the need for frequent manual repositioning and significantly widens the surgeon's line of sight. Digital visualization means the physician avoids having to adopt an unergonomic working posture during surgery. The digital, high-resolution image can be transmitted to assistant doctors, OR staff and doctors in training for learning and training purposes.

EXTARO® 300, a dental microscope that combines optical magnification with a fluorescence-based technology for identifying tooth decay, also made an encouraging contribution to growth in fiscal year 2018/19. In October 2018, the use of EXTARO® 300 in the ENT field and the TIVATO® 700 in spinal surgery was also presented. The TIVATO® 700 makes it possible to assess vessel patency using fluorescence options, for example. In addition, both surgeons and assistant physicians, OR staff and doctors in training can benefit from the outstanding image quality and can follow the procedure. Another advantage of the TIVATO® 700 is its range: an extended working distance makes it easier to use long instruments. The system also offers greater flexibility, due to excellent headroom.

Customer solutions in growth markets

Product requirements in established markets are often very different to the requirements in rapidly developing economies such as India or China. The Carl Zeiss Meditec Group therefore has a market-specific product range. 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 Center of Application and Research in India (CARIn) 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 2018/19. 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 always extend to the basic functionality of these products, but also to specific features and enhancements that protect beneficial solutions. This enables us to sustain our successful position on the market long term.

The Company also has more than 621 registered brands and brand registrations (as of 30 September 2019). These include, among others, product names, slogans, images, logos and other specific characteristics of the Company.

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.

Carl Zeiss Meditec AG's ultimate goal is to secure the Company's long-term and successful development and to ensure the necessary liquidity. A key benchmark for this is the management of profitable growth at Group level.

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 2018/19 to a successful close, thus continuing its growth trend of the previous fiscal years.

Revenue increased by 17.0 % year-on-year (adjusted for currency effects: 15.7 %). The increase in currency-adjusted revenue is therefore higher than the forecast for market growth in the low to mid-single-digit percentage range. The EBIT margin increased by 4 percentage points, from 17.8 % in the prior year, to 21.8 %.

Income statement according to HGB

	Appendix	2018/19		2017/18		Change
		€k	€k	€k	€k	in %
Revenue	(21)		**933,914**		**798,538**	**+17.0**
Production costs of services rendered to generate revenue			(405,811)		(374,488)	+8.4
Gross profit			**528,103**		**424,050**	**+24.5**
Sales and marketing expenses			(133,568)		(125,936)	+6.1
General and administrative expenses			(35,555)		(34,379)	+3.4
R&D costs		(142,330)		(129,618)		-
minus subsidies received		6	(142,324)	10	(129,608)	+9.8
Other operating income	(24)		38,113		50,135	-24.0
Other operating expenses	(25)		(51,225)		(42,053)	+21.8
Income from investments	(26)		5,855		5,778	+1.3
thereof from affiliated companies			5,855		5,778	+1.3
Income from profit transfer	(27)		4,017		4,432	-9.4
Income from investments and long-term loans			609		1,400	-56.5
thereof from affiliated companies			609		1,400	-56.5
Other interest and similar income			1,884		1,275	+47.8
thereof from affiliated companies			1,877		1,252	+49.9
Interest and similar expenses	(29)		(15,042)		(11,403)	+31.9
thereof from affiliated companies			-		-	
Earnings before income taxes			**200,867**		**143,691**	**+39.8**
Income taxes	(30)		(67,761)		(46,484)	+45.8
Profit after tax			**133,106**		**97,207**	**+36.9**
Other taxes	(31)		(347)		(280)	+23.9
Net income for the year			**132,759**		**96,927**	**+37.0**
Retained profits brought forward from prior year			236,201		188,466	+25.3
Dividend			(49,192)		(49,192)	0.0
Net retained profits			**319,768**		**236,201**	**+35.4**

Results of operations

Revenue increased by 17.0 % compared with the prior year (€798.5m), to €933.9m. It should be noted that currency translations had an adverse effect on the increase in sales; adjusted for currency effects, sales would have increased by 15.7 %. Sales include €4.2m in service revenue pursuant to Section 277 (1) HGB.

In fiscal year 2018/19, gross profit on revenue increased from €424.1m to €528.1m. The corresponding margin increased due to the product mix, to 56.6 % (prior year: 53.1 %).

Selling expenses in the fiscal year amounted to €133.6m; general and administrative expenses amount to €35.6m. Due to the significant increase in revenue, selling and general administrative expenses decreased by two percentage points compared to revenue. Research and development expenses of Carl Zeiss Meditec AG amounted to €142.3m in fiscal year 2018/19 (prior year: €129.6m) Detailed information on the Carl Zeiss Meditec Group's research and development activities can be found pages 47 et seqq.

The decline in other operating income is mainly the result of a fall in foreign currency gains. This was offset by increasing write-ups on loans to the subsidiary Carl Zeiss Meditec Iberia S.A. The increase in other operating expense is primarily attributable to the rise in foreign currency losses. The increase in interest and similar expenses within the financial result is mainly due to the interest expense on pensions.

As a result, earnings before taxes increased significantly, from €143.7m in the prior year, to €200.9m. Net income for the fiscal year under review amounted to €132.8m (prior year: €96.9m).

Balance sheet

	30 Sep 2019	30 Sep 2018	Change	
	€k	€k	€k	in %
ASSETS				
A. Fixed assets	**613,970**	**495,602**	**118,368**	**+23.9**
I. Intangible fixed assets	99,594	115,849	(16,255)	-14.0
II. Property, plant and equipment	24,578	20,183	4,395	+21.8
III. Financial assets	489,798	359,570	130,228	+36.2
B. Current assets	**939,285**	**940,319**	**(1,034)**	**-0.1**
I. Inventories	135,102	126,050	9,052	+7.2
II. Receivables and other assets	804,112	814,198	(10,086)	-1.2
III. Cash-in-hand and bank balances	71	71	-	0.0
C. Deferred income	**1,190**	**835**	**355**	**+42.5**
D. Asset-side difference arising from asset offsetting	**5,178**	**9,996**	**(4,818)**	**-48.2**
Total assets	**1,559,623**	**1,446,752**	**112,871**	**+7.8**
EQUITY AND LIABILITIES				
A. Equity	**1,367,091**	**1,283,524**	**83,567**	**+6.5**
I. Subscribed capital	89,441	89,441	-	0.0
II. Capital reserve	954,942	954,942	-	0.0
III. Retained earnings	2,940	2,940	-	0.0
IV. Net retained profits	319,768	236,201	83,567	+35.4
B. Special reserve for investment subsidies	**-**	**16**	**(16)**	**-100.0**
C. Provisions	**88,868**	**63,324**	**25,544**	**+40.3**
D. Liabilities	**102,067**	**97,850**	**4,217**	**+4.3**
E. Deferred income	**1,597**	**2,038**	**(441)**	**-21.6**
F. Deferred tax liabilities	**-**	**-**	**-**	**-**
Total liabilities	**1,559,623**	**1,446,752**	**112,871**	**+7.8**

Net assets and results of operations

Pursuant to German commercial law (HGB), the total assets of Carl Zeiss Meditec AG amounted to €1,559.6m as of 30 September 2019. This corresponds to an increase of 7.8 % compared with the prior year (€1,446.8m).

Inventories increased from €126.1m in the prior year, to €135.1m, due in particular to the increase in the inventory of existing products to ensure delivery capacity and stockpiling for new products. The decline in receivables and other assets is mainly due to a decrease in trade receivables from affiliated companies.

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 €132.8m, less the dividend paid of €49.2m.

Provisions increased to €88.8m (prior year: €63.3m). This is mainly due to higher 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) increased to 14.0 % as of 30 September 2019 (30 September 2018: 12.6 %).

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 the 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 2019, Carl Zeiss Meditec AG had 1,400 employees. This number does not include Management Board members.

Appropriation of profits

Fiscal year 2018/19 closes with net income for the year of €132,758,835.65. The Management Board proposes utilizing the net retained profits of €319,767,498.89 for fiscal year 2018/19 as follows:

» Payment of a dividend of €0.65 per no-par value share for 89,440,570 no-par-value shares: €58,136,370.50.
» Carryforward of residual profit to new account: €261,631,128.39.

Declaration on corporate governance (pursuant to Section 289f HGB, 315d 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/corporate-governance.html.

The sustainability management system of the Carl Zeiss Meditec Group is integrated in the sustainability strategy of the ZEISS Group.

Carl Zeiss Meditec AG therefore makes use of the option, pursuant to Section 289b (2) HGB and Section 315b (2) HGB, to exempt itself from issuing a non-financial statement and the non-financial consolidated statement, and refers to the separate summary non-financial report of the parent company, Carl Zeiss AG, into which Carl Zeiss Meditec AG has been incorporated. This separate, non-financial report, which applies for the entire ZEISS Group shall be available for inspection, in German and English, from 31 January 2019 at www.zeiss.com/responsibility.

The ZEISS Group provides information on its further progress in the area of sustainability based on the reporting standard of the Global Reporting Initiative (GRI) and on the pages on sustainability online at www.zeiss.com/responsibility.

REMUNERATION REPORT

Remuneration report 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 18, the Supervisory Board also addressed the achievement of objectives by the Management Board members for fiscal year 2017/2018, and stipulated the relevant variable remunerations. This meeting also reviewed the remuneration of the members of the Management Board, based on the salary situation compared with the market, general price and salary trends, as well as past and expected future performances, and found it to be appropriate.

Following the departure of Dr. Christian Müller from the Management Board of Carl Zeiss Meditec AG on 30 September 2018, the Supervisory Board of Carl Zeiss Meditec AG appointed Justus Felix Wehmer as the new Chief Financial Officer, effective 1 October 2018. The Management Board of Carl Zeiss Meditec AG was expanded at the same time, from two to three members, with the appointment of Jan Willem de Cler, also effective from 1 October 2018. Pension entitlements and claims from long-term incentive agreements already accrued within the ZEISS Group in previous years were transferred to Carl Zeiss Meditec AG on 1 October 2018. Dr. Christian Müller’s accrued benefit entitlements were accordingly transferred to Carl Zeiss AG at the same time.

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 targets. The main quantitative targets are EVA® and free cash flow. 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).

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. 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 ZEISS Group is higher than 20 % at this point. The first payment was made in December 2014. The next payment is forecast for December 2019.

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

	Management Board remuneration						
	Fiscal year	Fixed remuneration	Remuneration in kind and other remuneration[17]	Variable remuneration[18]	Total remuneration paid directly	LTIP	Total remuneration pursuant to Section 314 (1) No. 6a) HGB
		€k	€k	€k	€k	€k	€k
Dr. Ludwin Monz	**2018/19**	400.0	17.4	496.3	913.7	201.3	1,115.0
	2017/18	400.0	16.3	303.3	719.6	264.6	984.2
Justus Felix Wehmer[19]	**2018/19**	270.0	20.3	143.3	433.6	112.9	546.5
	2017/18	-	-	-	-	-	-
Jan Willem de Cler	**2018/19**	270.0	12.3	197.8	480.1	144.8	624.9
	2017/18	-	-	-	-	-	-
Dr. Christian Müller	**2018/19**	-	-	-	-	-	-
	2017/18	372.0	19.5	419.5	811.0	80.3	891.3

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.

[17] 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.
[18] Variable remuneration corresponds to the amounts paid in the respective fiscal year.
[19] Inflow from the transfer through other comprehensive income by the ZEISS Group from variable remuneration and LTI claims accrued in previous years

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.

Itemized breakdown of the pension commitments to the members of the Management Board of Carl Zeiss Meditec AG

	Fiscal year	Current service cost	Present value of pension commitment, total
		€k	€k
Dr. Ludwin Monz[20]	**2018/19**	318.8	-
	2017/18	318.4	-
Justus Felix Wehmer	**2018/19**	27.6	218.8
	2017/18	-	-
Jan Willem de Cler	**2018/19**	43.6	43.6
	2017/18	-	-
Dr. Christian Müller	**2018/19**	-	-
	2017/18	46.3	717.0

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 to €1,416.3k (prior year: €1,167.4k).

Value of benefits granted for fiscal year 2018/19 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.

[20] Proportionate oncharged service cost from the pension commitment to Dr. Monz (adjustment on 1 January 2014)

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
	2018/19	2017/18	**2018/19**	**2018/19**
Value of benefits granted	€k	€k	€k	€k
1. Fixed remuneration	400.0	400.0	400.0	400.0
2. Fringe benefit	17.4	16.3	17.4	17.4
3. Total	**417.4**	**416.3**	**417.4**	**417.4**
4. Single-year variable compensation (VCS)	496.3	303.3	-	500.0
5. Multi-year variable compensation (LTI)[21]	**621.4**	**803.7**	**-**	**1,215.2**
2017/18	-	264.6	-	-
2018/19	201.3	168.8	-	375.0
2019/20	157.5	182.8	-	315.0
2020/21	131.3	187.5	-	262.6
2021/22	131.3	-	-	262.6
6. Pension cost	318.8	318.4	318.8	318.8

Allocation amount in fiscal year Dr. Ludwin Monz

Dr. Ludwin Monz President and CEO Member of the Management Board since 8 October 2007	**2018/19**	2017/18
Allocation amount for the fiscal year	€k	€k
1. Fixed remuneration	400.0	400.0
2. Fringe benefit	17.4	16.3
3. Total	**417.4**	**416.3**
4. Single-year variable compensation (VCS)	496.3	303.3
5. Multi-year variable compensation (LTI)	201.3	264.6
6. Total	**1,115.0**	**984.2**
7. Pension cost	318.8	318.4
8. Total remuneration	**1,433.8**	**1,302.6**

Value of benefits granted and tendered for the fiscal year Justus Felix Wehmer

Justus Felix Wehmer CFO Member of the Management Board since 1 October 2018			Minimum achievable value	Maximum achievable value
	2018/19	2017/18	**2018/19**	**2018/19**
Value of benefits granted	€k	€k	€k	€k
1. Fixed remuneration	270.0	-	270.0	270.0
2. Fringe benefit	20.3	-	20.3	20.3
3. Total	**290.3**	**-**	**290.3**	**290.3**
4. Single-year variable compensation (VCS)	180.0	-	-	378.0
5. Multi-year variable compensation (LTI)	**357.6**	**-**	**-**	**593.8**
2018/19	112.9	-	-	123.3
2019/20	111.2	-	-	190.5
2020/21	74.8	-	-	149.6
2021/22	58.7	-	-	130.4
6. Pension cost	27.6	-	27.6	27.6

[21] Entitlement if thresholds exceeded

Allocation amount in fiscal year under review, Justus Felix Wehmer

Justus Felix Wehmer CFO Member of the Management Board since 1 October 2018	**2018/19**	2017/18
Allocation amount for the fiscal year	€k	€k
1. Fixed remuneration	270.0	-
2. Fringe benefit	20.3	-
3. Total	**290.3**	**-**
4. Single-year variable compensation (VCS)[22]	143.3	-
5. Multi-year variable compensation (LTI)[22]	112.9	-
6. Total	**546.5**	**-**
7. Pension cost	27.6	-
8. Total remuneration	**574.1**	**-**

Value of benefits granted and tendered for the fiscal year Jan Willem de Cler

Jan Willem de Cler Member of the Management Board since 1 Oct 2018			Minimum achievable value	Maximum achievable value
	2018/19	2017/18	**2018/19**	**2018/19**
Value of benefits granted	€k	€k	€k	€k
1. Fixed remuneration	270.0	-	270.0	270.0
2. Fringe benefit	12.3	-	12.3	12.3
3. Total	**282.3**	**-**	**282.3**	**282.3**
4. Single-year variable compensation (VCS)	180.0	-	-	378.0
5. Multi-year variable compensation (LTI)	**415.8**	**-**	**-**	**687.1**
2018/19	144.8	-	-	158.1
2019/20	107.5	-	-	184.3
2020/21	82.4	-	-	164.8
2021/22	81.1	-	-	179.9
6. Pension cost	43.6	-	43.6	43.6

Allocation amount in fiscal year under review, Jan Willem de Cler

Jan Willem de Cler Member of the Management Board since 1 Oct 2018	**2018/19**	2017/18
Allocation amount for the fiscal year	€k	€k
1. Fixed remuneration	270.0	-
2. Fringe benefit	12.3	-
3. Total	**282.3**	**-**
4. Single-year variable compensation (VCS)	197.8	-
5. Multi-year variable compensation (LTI)	144.8	-
6. Total	**624.9**	**-**
7. Pension cost	43.6	-
8. Total remuneration	**668.5**	**-**

[22] Allocation amount from transfer through other comprehensive income by ZEISS Group from claims accrued in previous years

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

Dr. Christian Müller CFO Member of the Management Board until 30 September 2018			Minimum achievable value	Maximum achievable value
	2018/19	2017/18	**2018/19**	**2018/19**
Value of benefits granted	€k	€k	€k	€k
1. Fixed remuneration	-	372.0	-	-
2. Fringe benefit	-	19.5	-	-
3. Total	**-**	**391.5**	**-**	**-**
4. Single-year variable compensation (VCS)	-	240.0	-	-
5. Multi-year variable compensation (LTI)	**-**	**488.9**	**-**	**-**
2017/18	-	80.3	-	-
2018/19	-	121.8	-	-
2019/20	-	141.1	-	-
2020/21	-	145.7	-	-
6. Pension cost	-	46.3	-	-

Allocation amount in reporting year Dr. Christian Müller

Dr. Christian Müller CFO Member of the Management Board until 30 September 2018	**2018/19**	2017/18
Allocation amount for the fiscal year	€k	€k
1. Fixed remuneration	-	372.0
2. Fringe benefit	-	19.5
3. Total	**-**	**391.5**
4. Single-year variable compensation (VCS)	-	419.5
5. Multi-year variable compensation (LTI)	-	80.3
6. Total	**-**	**891.3**
7. Pension cost	-	46.3
8. Total remuneration	**-**	**937.6**

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 €30,000. 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. In addition to this, the Annual General Meeting on 19 Mar 2019 resolved to pay an attendance fee of €1,000 to each member of the Supervisory Board who attends a Supervisory Board or committee meeting.

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

	Fiscal year	Basic remuneration	Committees and attendance fee	Total remuneration
		€k	€k	€k
Prof. Dr. Michael Kaschke	**2018/19**	60.0	4.0	64.0
(Chairman)	2017/18	60.0	-	60.0
Tania von der Goltz	**2018/19**	45.0	3.0	48.0
(Deputy Chairwoman)	2017/18	21.5	-	21.5
(since 10 April 2018)				-
Dr. Markus Guthoff	**2018/19**	45.0	11.0	56.0
	2017/18	45.0	5.0	50.0
Dr. Christian Müller[23]	**2018/19**	16.1	7.7	23.8
(since 19 March 2019)	2017/18	-	-	-
Cornelia Grandy	**2018/19**	30.0	2.0	32.0
	2017/18	30.0	-	30.0
Jörg Heinrich	**2018/19**	30.0	9.0	39.0
	2017/18	30.0	5.0	35.0
Dr. Carla Kriwet	**2018/19**	-	-	-
(Deputy Chairwoman)	2017/18	11.3	-	11.3
(until 31 Dec 2017)				-
Thomas Spitzenpfeil[24]	**2018/19**	13.9	2.3	16.2
(Deputy Chairman from 22 Jan 2018 to 10 Apr 2018; Supervisory Board member until 18 Mar 2019)	2017/18	33.2	5.0	38.2

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 2018/19.

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 damages up to at least one-and-a-half times the fixed annual remuneration.

OPPORTUNITY AND RISK REPORT

A group with global operations faces 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.

[23] Dr. Christian Müller waived his entitlement to remuneration for fiscal year 2018/19 by way of a waiver declaration.
[24] Mr. Thomas Spitzenpfeil waived his entitlement to remuneration for fiscal year 2017/18 by way of a waiver declaration.

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 these risks could have on earnings equates to an amount in the medium-term single-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
The Group 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 the 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 ZEISS Group have close contractual relationships in some areas. This relates in particular to the procurement of IT services, the licensed use of the "ZEISS" brand and agreements with distribution companies of the 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 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, and 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. In particular the acquisition of Carl Zeiss Meditec Cataract Technology, Inc. in December 2018, a company specializing in technical solutions for microinvasive cataract surgery, will enable the Group to consolidate its technological position and portfolio in cataract surgery over the coming years.

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 €338.1m 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 €336.8m of this goodwill is attributable to the Ophthalmic Devices SBU, and €1.3m 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 Company, since the unauthorized use of intellectual property is generally difficult to monitor and copyright laws only provide for limited protection.

The Company 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 "(30) 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 Company 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 Company 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 70.1 %, 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 "(36) 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 development may be severely dampened by the worsening euro crisis and reduced stability of the EU, a potentially hard Brexit, as well as an economic slowdown in China. Furthermore, an increasingly protectionist economic policy is being observed in key markets in which the Group operates, such as the USA and China, the future structure of which is difficult to predict. Escalating trade tensions between China and the USA may have effects on global growth. There are also local risks and instabilities in emerging markets, such as Turkey or in South America, which may cause global chain reactions.

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. The early warning system for risks established by the company enables these risks to be recognized in good time and countermeasures initiated. 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 estimates, there are risks in the lower double-digit million euro range in the macroeconomic environment.

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 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. Refractive surgery is generally an elective procedure, which patients pay for themselves. Demand therefore depends on general economic development. 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 to mid-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 future.

In order to be able to identify such developments in good time and respond appropriately, the Company 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 low to mid-double-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 Carl Zeiss Meditec was certified by DQS GmbH Deutsche Gesellschaft zur Zertifizierung von Managementsystemen and complies with the US 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. There are no significant risks in this area at the current time.

Infrastructure risks

Uncontrollable environmental influences, such as natural disasters or terrorist attacks, may result in 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 Company'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 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 department. The Group Finance 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 worsening global debt situation and 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 valuation allowances on trade receivables to consolidated revenue was 0.7 % in the fiscal 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 €22.6m as of the balance sheet date 30 September 2019. Added to this are credit balances recognized as receivables from the treasury of the ZEISS Group, in the amount of €665.2m. The Group also generated cash flows from operating activities of €219.6m 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 ZEISS Group, are deposited at banks. Should it come to a loss of individual banks – due in particular to an increasingly unstable macro-economic situation – 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 the ZEISS Group.

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 A AND 315 A HGB

Carl Zeiss Meditec AG's subscribed capital amounts to €89,440,570 and is composed of 89,440,570 no-par value ordinary bearer shares (no-par value shares), each with a theoretical interest in the share capital of €1 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 (Authorized capital 2016). 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.

The existing authorized capital pursuant to Art. 4 (5) of the Articles of Association was utilized in March 2017 in the amount of €8,130,960.00, with the exclusion of shareholders' statutory subscription rights.

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 treasury 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

No events of material significance for the Group's net assets, financial position and results of operations occurred after the end of fiscal year 2018/19.

The development of business at the beginning of fiscal year 2019/20 validates the statements made in the following "Outlook".

We refer here to the information in the notes to the financial statements under No. 38 “Events after the end of the reporting period”.

OUTLOOK

Future conditions for business development

Macroeconomic environment

At the time of preparation of the consolidated financial statements for fiscal year 2018/19, IMF economists still predict a slight revival of global economic growth in the coming year, with regional variations. In the industrialized countries, the current growth rate is expected to continue at a comparatively slow pace, with growth momentum in the U.S. easing off a little. The rapidly developing markets in Asia are expected to continue growing at the current pace, while growth momentum in China will slow again slightly. Slightly stronger impetus for growth is expected from Latin America again in the coming year.

The risks for the global economy and economic growth have not decreased, however. This also evident from the downward-adjusted growth forecasts and falling interest rates. Due to ongoing protectionist and politically motivated measures, the risk of a trade war that has an even greater impact on world trade cannot be ruled out. Credit-financed investments may generate impetus for growth; however, a mounting debt also harbors risks. Uncertainties concerning Brexit, a further escalation of the political conflicts in the Middle East and North Korea, as well as persistent structural problems, may have an adverse effect on industry and public sector investing activities[25].

[25] International Monetary Fund, “World Economic Outlook”, July 2019, Washington D.C. (OECD) https://data.oecd.org/leadind/business-confi

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 the increase in the global population, key growth drivers also include a rising proportion of elderly people and a growing percentage of the global population with access to state-of-the-art medical care. Furthermore, the greater demands being placed on innovative capacity in the medical technology industry play an important role. 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. Digitalization is another aspect that has already transformed the structure of the medical technology industry today. Integrated system solutions for simplified workflows are an important distinguishing feature for customers. 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.

If nothing else, the development of the global economy shall influence the growth of the medical technology industry. Both private customers and public authorities base their investment decisions on it to a certain extent. 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

Ophthalmic Devices strategic business unit
In fiscal year 2018/19, the Ophthalmic Devices strategic business unit increased its revenue significantly. Further growth is anticipated in fiscal year 2019/20. 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™ 700, the OCT system CIRRUS® 6000, as well as a further spread of the minimally invasive vision correction procedure ReLEx® SMILE to the USA and worldwide. In the medium term, the technologies acquired as part of the acquisition of Carl Zeiss Meditec Cataract Technology, Inc. in December 2018 also offer the potential to further improve the quality of treatment outcomes and increase workflow efficiency in cataract surgery. Physicians and surgeons are therefore provided with new and innovative treatment options for the safe removal of the natural lens prior to implantation of an intraocular lens. The development projects initiated in connection with the acquisition are making good progress. The Company expects to see dynamic growth in the cataract surgery market over the next few years. This procedure is already one of the most frequently carried out procedures in world.

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 at least in the low to mid-single-digit percentage range. The EBIT margin is expected to remain slightly below the average for the Carl Zeiss Meditec Group.

Microsurgery strategic business unit
In the past fiscal year, the Microsurgery strategic business unit achieved significant revenue growth and thus maintained its already exceptionally strong market position. During fiscal year 2019/20 the robotic visualization system KINEVO® 900 for neurosurgery and the innovative visualization system TIVATO® 700 for spinal surgery are expected to continue to make a positive contribution.

The Company expects the Microsurgery strategic business unit continue to make significant contributions to earnings in future, too, and is optimistic that it will grow at a faster rate than the underlying market in the fiscal year ahead. In the Company's opinion, the marketing approval obtained for the KINEVO® 900 in China in the fiscal year under review will also make a contribution. From a current perspective, and excluding currency effects, the growth anticipated in fiscal year 2019/20 will be at least in the low to mid-single-digit percentage range. The EBIT margin is also expected to remain significantly above the average for the Carl Zeiss Meditec Group.

Future selling markets

As a global Company, Carl Zeiss Meditec AG’s aim in the years ahead shall be to maintain as balanced a distribution of revenue as possible across the individual markets. 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 ZEISS Group in India and China, which the Carl Zeiss Meditec Group uses for product development, shall help to expand and secure this growth. We aim to exploit the potential in these countries to an even greater extent in future to 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. The Company searches for new technologies and market trends, in order to subsequently become established on the market with new solutions. To achieve this, regional market conditions and the needs of the customers are involved in the development process from the outset. The aim for fiscal year 2019/20 is to invest around 12 % to 13 % of revenue in research and development.

Future investments

Investments are a basic requirement to be able to maintain technology leadership in future. The investment ratio of the Carl Zeiss Meditec Group has been largely consistent 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 2 % to 3 % of its revenue in property, plant and equipment (cash) in fiscal year 2019/20, which is on a par with 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 €0.65 per share for the past fiscal year. The dividend ratio would therefore be 36.4 % (prior year: 39.0 %).

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, and to recruit well qualified specialists and managers. The Company therefore expects employee growth in the coming periods to correlate with the Company’s business development.

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 2019, current cash and cash equivalents of around €677.8m are available for financing. In view of this, as well as the ongoing expectation of positive business development and a positive cash flow from operating activities as a result, and the possibility to use other financial instruments and sources of financing, if required, we consider the Carl Zeiss Meditec Group's funding capacity to be adequate. In 2019/20 we aim to achieve operative cash flow that is at least in low three-digit million range, 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 also 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. Revenue growth is predicted to be at least in line with the market growth expected for the industry, which, from today's perspective and without taking currency effects into consideration, will be at least 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 2018/19, the Company achieved a share of around 34 %. From a current perspective, we expect a further increase in fiscal year 2019/20 and in the medium term.

In fiscal year 2018/19, the EBIT margin increased significantly from 15.4 % in the prior year, to 18.1 %. An EBIT margin of between 17 % and 19 % is expected for the coming fiscal year 2019/20. In the medium term, the Company expects to be able to increase EBIT margin sustainably to a level above 18%.

In terms of free cash flow for fiscal year 2019/20, Carl Zeiss Meditec AG is striving for a figure in at least the low three-digit million range. The EVA® in the coming fiscal year is expected to be at least on a similar level to fiscal year 2018/19.

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 289F, 315D HGB) AND CORPORATE GOVERNANCE REPORT

The declaration on corporate governance (pursuant to Section 289f HGB and 315d 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. 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 at www.zeiss.com/meditec-ag/investor-relations.html under “Corporate Governance".

Jena, 25 November 2019

Dr. Ludwin Monz President and CEO	Justus Felix Wehmer Member of the Management Board	Jan Willem de Cler Member of the Management Board

Consolidated income statement (IFRS)
from 1 October 2018 to 30 September 2019

	Note	2018/19 1 Oct 18 to 30 Sep 19	2017/18 1 Oct 17 to 30 Sep 18
		€k	€k
Revenue	**(2p) (4)**	**1,459,321**	**1,280,860**
Cost of sales		(627,437)	(570,471)
Gross profit		**831,884**	**710,389**
Selling and marketing expenses		(336,234)	(303,819)
General administrative expenses		(57,679)	(49,827)
Research and development expenses	(34)	(173,312)	(159,628)
Other operating result		-	15
Earnings before interest, taxes, depreciation and amortization		313,029	228,412
Depreciation and amortization		(48,370)	(31,282)
Earnings before interest and taxes		**264,659**	**197,130**
Interest income	(6)	1,801	977
Interest expenses	(6)	(7,651)	(2,052)
Net interest from defined benefit pension plans	(6)	(559)	(605)
Foreign currency gains/(losses), net	(2c) (2v) (6)	(28,647)	(19,374)
Other financial result	(6)	255	3,107
Earnings before income taxes		**229,858**	**179,183**
Income taxes	(7)	(69,279)	(52,953)
Consolidated profit		**160,579**	**126,230**
Attributable to:			
Shareholders of the parent company		159,756	126,463
Non-controlling interests		823	(233)
Profit/(loss) per share attributable to the shareholders of the parent company in the fiscal year (in €):			
- Basic/diluted	**(2r) (8)**	**1.79**	**1.41**

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

Consolidated statement of comprehensive income (IFRS)
from 1 October 2018 to 30 September 2019

	Note	2018/19 1 Oct 18 to 30 Sep 19	2017/18 1 Oct 17 to 30 Sep 18
		€k	€k
Consolidated profit		**160,579**	**126,230**
Gains/(losses) on foreign currency translation	(2c) (20)	26,659	5,219
Total of items that may subsequently be reclassified to consolidated profit		**26,659**	**5,219**
Remeasurement from defined benefit pension plans	(2n) (21)	(31,707)	(4,148)
Total of items that will not subsequently be reclassified to consolidated profit		**(31,707)**	**(4,148)**
Other comprehensive income		**(5,048)**	**1,071**
Comprehensive income for the period		**155,531**	**127,301**
Attributable to:			
Shareholders of the parent company		152,544	127,279
Non-controlling interests		2,987	22

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

Consolidated statement of financial position (IFRS)
as of 30 September 2019

	Note	30 Sep 2019	30 Sep 2018
		€k	€k
ASSETS			
Non-current assets			
Goodwill	(2e) (10)	338,094	185,638
Other intangible assets	(2f) (11)	144,336	74,087
Property, plant and equipment	(2g) (12)	116,752	62,632
Other loans	(26)	165	135
Investments	(26)	5,173	122
Deferred taxes	(2i) (13)	96,402	74,249
Non-current trade receivables	(16)	10,796	9,155
Other non-current assets	(14)	6,082	4,978
		717,800	**410,996**
Current assets			
Inventories	(2j) (15)	268,322	248,092
Trade receivables	(16)	205,789	192,330
Trade receivables from related parties	(2t) (34)	116,185	96,503
Treasury receivables	(2t) (34)	655,167	665,003
Tax refund claims		4,718	3,611
Other current financial assets	(2h) (17)	10,012	19,320
Other current non-financial assets	(18)	21,497	19,519
Cash and cash equivalents	(2l) (19)	22,639	6,678
		1,304,329	**1,251,056**
		2,022,129	**1,662,052**
EQUITY AND LIABILITIES			
Equity			
Share capital	(20)	89,441	89,441
Capital reserve	(20)	620,137	620,137
Retained earnings	(20)	744,673	632,486
Other components of equity	(2m) (20)	(55,812)	(48,600)
Equity before non-controlling interests		**1,398,439**	**1,293,464**
Non-controlling interests	(2a) (20)	18,517	21,170
		1,416,956	**1,314,634**
Non-current liabilities			
Provisions for pensions and similar obligations	(2n) (21)	79,537	42,079
Other non-current provisions	(2o) (22)	7,463	6,849
Non-current financial liabilities	(23)	109,009	-
Non-current leasing liabilities	(2k) (27)	42,828	7,321
Other non-current non-financial liabilities		8,538	5,755
Deferred taxes	(2i) (13)	18,198	5,234
		265,573	**67,238**
Current liabilities			
Current provisions	(2o) (22)	20,141	21,137
Current accrued liabilities	(24)	106,735	84,470
Current financial liabilities	(2h) (26)	25,534	15,710
Current portion of non-current leasing liabilities	(2k) (27)	14,661	3,529
Trade payables		83,451	67,425
Trade payables to related parties	(2t) (34)	34,669	34,012
Treasury payables	(2t) (34)	-	1,661
Current income tax payables		20,030	12,909
Other current non-financial liabilities	(25)	34,379	39,327
		339,600	**280,180**
		2,022,129	**1,662,052**

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 2017		**89,441**	**620,137**	**555,215**	**(49,416)**	**1,215,377**	**26,358**	**1,241,735**
Gains/(losses) on foreign currency translation	(2c) (20)	-	-	-	4,999	4,999	220	5,219
Remeasurement from defined benefit pension plans	(2n) (21)	-	-	-	(4,183)	(4,183)	35	(4,148)
Changes in value recognized directly in equity	**(2m) (20)**	**-**	**-**	**-**	**816**	**816**	**255**	**1,071**
Consolidated profit		-	-	126,463	-	126,463	(233)	126,230
Comprehensive income for the period	**(2m) (20)**	**-**	**-**	**126,463**	**816**	**127,279**	**22**	**127,301**
Additions to basis of consolidation/ acquisitions	(3) (20)	-	-	-	-	-	341	341
Dividend payments	(9)	-	-	(49,192)	-	(49,192)	(5,551)	(54,743)
As of 30 Sep 2018	**(2m) (20)**	**89,441**	**620,137**	**632,486**	**(48,600)**	**1,293,464**	**21,170**	**1,314,634**
As of 1 Oct 2018 as reported		**89,441**	**620,137**	**632,486**	**(48,600)**	**1,293,464**	**21,170**	**1,314,634**
Change in accounting method due to IFRS 9		-	-	1,623	-	1,623	(14)	1,609
As of 1 Oct 2018 adjusted		**89,441**	**620,137**	**634,109**	**(48,600)**	**1,295,087**	**21,156**	**1,316,243**
Gains/(losses) on foreign currency translation	(2c) (20)	-	-	-	24,540	24,540	2,119	26,659
Remeasurement from defined benefit pension plans	(2n) (21)	-	-	-	(31,752)	(31,752)	45	(31,707)
Changes in value recognized directly in equity	**(2m) (20)**	**-**	**-**	**-**	**(7,212)**	**(7,212)**	**2,164**	**(5,048)**
Consolidated profit		-	-	159,756	-	159,756	823	160,579
Comprehensive income for the period	**(2m) (20)**	**-**	**-**	**159,756**	**(7,212)**	**152,544**	**2,987**	**155,531**
Additions to basis of consolidation/ acquisitions	(3) (20)	-	-	-	-	-	-	-
Dividend payments	(9)	-	-	(49,192)	-	(49,192)	(5,626)	(54,818)
As of 30 Sep 2019	**(2m) (20)**	**89,441**	**620,137**	**744,673**	**(55,812)**	**1,398,439**	**18,517**	**1,416,956**

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

Consolidated statement of cash flows (IFRS)
from 1 October 2018 to 30 September 2019

	Note	2018/19 1 Oct 18 to 30 Sep 19	2017/18 1 Oct 17 to 30 Sep 18
		€k	€k
Cash flows from operating activities:			
Consolidated profit		**160,579**	**126,230**
Adjustments to reconcile consolidated profit to net cash provided by/ (used in) operating activities			
Income taxes	(7)	69,279	52,953
Interest income/ expenses	(6)	6,409	1,680
Results from other investments	(6)	(34)	(34)
Result from disposal of the legal entity Aaren Scientific Inc.	(6)	-	(2,527)
Depreciation and amortization	(11) (12)	48,370	31,282
Gains/ losses on disposal/ depreciation of fixed assets	(11) (12)	719	2,454
Dividends received		34	34
Interest received		1,774	946
Interest paid		(1,903)	(1,940)
Refunded income taxes		6,003	2,583
Income taxes paid		(71,073)	(50,947)
Changes in working capital:			
Trade receivables	(16)	(20,607)	(113)
Inventories	(15)	(11,349)	(11,758)
Other assets	(14) (17) (18)	6,542	6,515
Trade payables		14,695	921
Provisions and financial liabilities	(21) (22) (24)	14,564	22,393
Other liabilities	(25)	(4,368)	6,535
Total adjustments		59,055	60,977
Net cash provided by/ (used in) operating activities		**219,634**	**187,207**
Cash flows from investing activities:			
Investment in property, plant and equipment	(12)	(20,348)	(16,535)
Investment in other intangible assets	(11)	(26,363)	(18,221)
Proceeds from fixed assets		887	467
Proceeds from other loans		149	-
Payments for other loans		(177)	-
Purchase of investments		(4,857)	-
Investments/ divestitures in securities	(17)	1,196	3,220
Purchase of shares in affiliated consolidated companies, net of cash acquired	(3)	(96,333)	(353)
Proceeds from disposal of the legal entity Aaren Scientific Inc.		-	2,548
Net cash provided by/ (used in) investing activities		**(145,846)**	**(28,874)**
Cash flows from financing activities:			
Proceeds from/ (repayment of) current liabilities to banks	(28)	(103)	(102)
Proceeds from/ (repayment of) non-current liabilities to banks	(23) (28)	-	(482)
(Increase)/ decrease in treasury receivables	(2t) (28) (34)	11,619	(33,663)
Increase/ (decrease) in treasury payables	(2t) (28) (34)	(1,672)	(65,315)
Increase/ (decrease) in liabilities due to finance lease	(27) (28)	(13,663)	(2,932)
Dividend payment to shareholders of Carl Zeiss Meditec AG	(9)	(49,192)	(49,192)
Dividend payments to non-controlling interests		(5,626)	(5,551)
Net cash provided by/ (used in) financing activities		**(58,637)**	**(157,237)**
Effect of exchange rate changes on cash and cash equivalents		810	(345)
Effect of changes in basis of consolidation on cash and cash equivalents		-	2,002
Increase/ (decrease) in cash and cash equivalents		**15,961**	**2,753**
Cash and cash equivalents, beginning of reporting period	(19)	6,678	3,925
Cash and cash equivalents, end of reporting period	**(19)**	**22,639**	**6,678**

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

Consolidated notes
for fiscal year 2018/19 (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 Company'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 2019 for which application is mandatory, as they are to be applied in the EU. In addition, IFRS 16 *Leases* was applied voluntarily and prematurely as permitted. The present version of the consolidated financial statements complies with the provisions of Section 315e 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 subsidiaries. Subsidiaries are all companies controlled by Carl Zeiss Meditec AG. A company is controlled if the Carl Zeiss Meditec 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 Carl Zeiss Meditec Group are Carl Zeiss Meditec Co. Ltd., Tokyo, Japan, whose non-controlling interests amount to 49 %, and Ophthalmic Laser Engines, LLC, Lafayette, USA, (hereinafter: OLE), whose non-controlling interests amount to 48 %. At present, the company mainly provides development services, so that no revenue was generated in the current fiscal year, as in the prior year. 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 significant subsidiaries with non-controlling interests before consolidation effects (such as eliminations) is as follows.

Condensed income statement and other result:

	2018/19		2017/18	
	Carl Zeiss Meditec Co. Ltd.	Ophthalmic Laser Engines LLC	Carl Zeiss Meditec Co. Ltd.	Ophthalmic Laser Engines LLC
	€k	€k	€k	€k
Revenue	116,714	-	103,560	-
Net income	3,616	(1,898)	2,327	(2,778)
» thereof profit/ loss attributable to non-controlling interests	1,772	(911)	1,140	(1,333)
Other result (recognized in other comprehensive income)	4,364	53	547	14
Comprehensive income	7,980	(1,845)	2,874	(2,764)
» thereof comprehensive income attributable to non-controlling interests	3,910	(886)	1,408	(1,327)

Condensed statement of financial position:

	30 Sep 2019		30 Sep 2018	
	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	7,681	2,614	6,435	1,725
Current assets	60,634	24	66,955	1,833
Non-current liabilities	7,229	719	6,838	13
Current liabilities	25,903	1,839	27,840	1,620
Equity	35,183	80	38,712	1,925
» thereof equity attributable to non-controlling interests	18,234	38	19,964	924

Condensed statement of cash flows:

	2018/19		2017/18	
	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	(3,804)	(1,606)	6,219	(3,382)
Cash flows from investing activities	(86)	1,196	(25)	3,125
Cash flows from financing activities	6,446	(61)	(5,507)	32
Effect of exchange rate changes on cash and cash equivalents	385	12	18	8
Increase/ (decrease) in cash and cash equivalents	**2,941**	**(459)**	**705**	**(217)**

(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 acquired subsidiaries are incorporated in the consolidated income statement according to their affiliation to the Group, i.e., from their effective date of acquisition (possibility to be controlled). 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".

(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 not the euro, but, rather, the local currency of the respective subsidiary, 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 from foreign currency translation 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		+/-	Average exchange rate		+/-
	30 Sep 2019	30 Sep 2018	%	**2018/19**	2017/18	%
USD	0.9184	0.8639	6.3	0.8864	0.8398	5.5
JPY	0.0085	0.0076	11.6	0.0081	0.0076	5.9
GBP	1.1290	1.1270	0.2	1.1312	1.1303	0.1
AUD	0.6201	0.6231	-0.5	0.6239	0.6387	-2.3
BRL	0.2208	0.2149	2.8	0.2293	0.2394	-4.2
TRY	0.1626	0.1436	13.3	0.1581	0.1905	-17.0
KRW	0.0008	0.0008	-1.5	0.0008	0.0008	0.2
CNY	0.1286	0.1255	2.4	0.1289	0.1285	0.3

(d) Judgements and use of estimates
The preparation of the consolidated financial statements in accordance with the IFRSs requires the use of certain assumptions and Judgements that relate to the measurement and recognition of assets and liabilities, income and expenses, and contingent liabilities. The assumptions, estimates and Judgements 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. Following the first-time application of IFRS 9, 15 and 16, assumptions, estimates and Judgements concerning, among other things, the default rates for determining the valuation allowances on financial assets, the terms and interest rates for leasing liabilities and the allocation of the expected consideration, were also necessary for the first time in fiscal year under review. Actual values may vary in individual cases from the assumptions and estimates made. Changes are shown at the time the true value became known.

(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 defined 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 revenue, costs and earnings, which are taken as a basis for the impairment test, are based on a planning horizon of three 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 macro-economic 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 at least in the low to mid-single-digit percentage range. In spite of fluctuations, currency effects are negligible overall. It is expected that the 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 at least in the low to mid-single-digit percentage range. The products already established on the market, as well as recently launched product innovations, are expected to contribute to this growth. The EBIT margin is expected to remain slightly below the average of the Carl Zeiss Meditec Group. The "Microsurgery" SBU is expected to continue making significant contributions to earnings in future. Based on its strong market position and the recently launched product innovations, the Company is optimistic that it will grow more than the underlying market in the fiscal year ahead, which, from today's perspective and excluding currency effects, equates to growth in at least the mid-single-digit percentage range. The EBIT margin is also expected to remain significantly above the average of the Carl Zeiss Meditec Group. Cost planning also considers strategic aspects as well as price trends in the procurement markets. An EBIT margin between 17 % and 19 % is expected for the coming fiscal year 2019/20. In the medium term, the Company expects to be able to increase its EBIT margin sustainable to a level above 18 %.

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 flows, 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 1.0 % (prior year: 1.0 %) is applied for the cash flows, for the perpetuity period. The pre-tax discount rate applied for cash flow forecasts is 10 % (prior year: 14 %). 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 Carl Zeiss Meditec 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 2019. 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 until the end of the reporting period that could lead to a change in the assessment as of the end of June.

The sensitivity analyses carried out by the Company for the two SBUs Microsurgery and Ophthalmic Devices relate to the changes in the valuation parameters capitalization interest rate and long-term growth rate deemed possible by the management. An increase in the capitalization interest rate by one percentage point and a reduction in the long-term growth rate for the perpetuity period by half a percentage point were assumed for these analyses. Neither of the sensitivity analyses, nor a combination of both adjustments (simultaneous increase in discount rate and reduction in long-term growth rate) results in a need for impairment.

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

Research and development 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.

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, royalties	1 to 10 years
Patents and other industrial property rights	2 to 19 years
Development expenses	3 to 14 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
Technical equipment 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 expected 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 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 consist of cash and cash equivalents, financial assets, treasury receivables and treasury payables (group cash management [Treasury] with Carl Zeiss Financial Services GmbH, Oberkochen), trade receivables and trade payables, current and non-current loans, as well as other financial assets and liabilities.

When recognized for the first time, financial assets and financial liabilities should be measured at fair value and classified in accordance with the provisions of IFRS 9. As a general rule, the fair value equates to the transaction price.

Fair value generally corresponds to the market or quoted value. If no active market exists, fair value is calculated using generally accepted valuation techniques (for example, using the present value method or option pricing models). The amortized cost corresponds to the acquisition cost adjusted for repayments, write-downs, impairment and the amortization of any discounts or premiums.

Pursuant to IFRS 9, financial assets are to be allocated to the following categories: "measured at amortized cost (AC)", "measured at fair value through profit or loss (FVPL)" and "measured at fair value through other comprehensive income (FVOCI)[26]".

The classification of financial assets in the form of debt instruments depends on the business model under which the Company holds the instruments, as well as on the specific features of the contractual cash flows from the individual instrument. Crucial for the classification is therefore

» whether the underlying business model is designed to hold financial assets for the collection of contractual cash flows (business model "Hold") and

» whether the contractual cash flows are solely payment of principal and interest (SPPI).

The business model is determined based on the corporate management system of Carl Zeiss Meditec AG. The financial instruments are combined into groups for this purpose, each of which is based on a uniform business model. All business models that exist within the Carl Zeiss Meditec Group currently meet the criteria for the "Hold" business model. The characteristics of the contractual cash flows are reviewed at the level of the individual financial instrument.

Financial assets for which the cash flows are solely payment of principal and interest on the capital employed and which are held within the scope of the "Hold" business model, shall be measured at amortized cost (AC). This generally includes all debt instruments held by the Group. These include, for example, trade receivables, receivables from related parties, treasury receivables, loans, cash and other financial assets. The effective interest method shall be applied for subsequent measurement. Gains and losses from impairment or from derecognition shall be recorded in the income statement.

Financial assets for which the cash flow condition is not fulfilled shall be measured at fair value through profit or loss (FVPL). Gains and losses from a change in fair value shall be recognized directly in the income statement. By definition, all derivatives with a positive market value, which are employed within the scope of currency hedges, but are not recognized in accordance with the rules on hedge accounting, fall into this category.

[26] This includes both debt instruments in the category FVOCI and equity instruments allocated to the category FVOCI, due to exercise of the option.

For equity instruments, Carl Zeiss Meditec makes use of the option, in individual cases as appropriate, to recognize these financial instruments at fair value through other comprehensive income. This option has currently been used for the holding acquired in MicroOptx Inc. during the fiscal year under review, as the current intention is to retain the shareholding long term. Due to the short time between the acquisition of the shareholding and the end of the fiscal year, the Company believes that the acquisition costs represent a reasonable estimate of the fair value.

The Group does not currently apply the fair value option under IFRS 9.

Financial assets are subject to default risks, which are taken into account by the recognition of a loan loss provision or, in the case of losses already incurred, by the recognition of an impairment. The default risk is taken into account by the creation of specific valuation allowances and portfolio-based valuation allowances in the amount of the expected loss. IFRS 9 essentially provides for a three-step procedure for this. A loan loss provision is created either on the basis of the 12-month expected credit losses (Step 1) or on the basis of the credit losses expected over the term, if the credit risk has increased significantly since the first-time recognition (Step 2), or if impaired credit is established (Step 3). As a rule, impaired credit is assumed if the debtor is no longer meeting their payment obligations in the short term (indication: overdue > 30 days) or if there are signs of a deterioration in the debtor's business situation. The default of a contracting party leads to a valuation allowance on all open items with the contracting party. The default is determined on the basis of an individual assessment, the first indicator being an overdue payment of more than 90 days or specific indications, such as a bankruptcy declaration.

The simplified procedure is applied for a majority of the financial assets, including trade receivables that do not contain any significant financing components. The expected credit losses are always calculated over the entire term of the financial instruments. The calculation is based on an age structure (days overdue) and the probability of default determined from the past. A financial instrument is derecognized, if it is not reasonable to assume that a financial asset can be realized in full or in part. This may be the case, for example, after the conclusion of insolvency proceedings or depending on other circumstances under local law.

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 Company is a business group 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 according to 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, according to their time to maturity, under the item "Current financial liabilities". The sole purpose of the derivative financial instruments is currency hedging.

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. Hedge accounting is currently not being applied by the Group. The Company reserves the right, for the time being, to continue to apply the regulations set forth under IAS 39, should the decision be taken to apply hedge accounting.

(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. 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. The write-ups are mainly attributable to the adjustment of parameters for depreciation routines to new empirical values.

(k) Leasing
A lease is established by a contract which, for a fee, transfers to the user (lessee) of an identified asset the right to control the use of that asset for a specific period of time. In this sense, the Group is both lessor and lessee. As lessor, Carl Zeiss Meditec offers, on the one hand, financing models in the form of finance leases, under which the main opportunities and risks arising from the use of the leased property are transferred to the customer. Under such leases the present value of the outstanding minimum lease payments is recognized as a receivable. Payments made by the lessee are treated as repayments or interest income and the interest income over the term of the lease is recognized in accordance with the effective interest method. The Group also acts as lessor under operating leases. In these cases, the lease payments are recognized immediately through profit or loss in earnings before interest and tax.

The general rule for leases where the Carl Zeiss Meditec Group acts as lessor is for the present value of future lease payments to be recognized as a financial liability, depending on the time to maturity. The lease payments are divided into principal and interest portions in accordance with the effective interest method. At the beginning of the lease the Group recognizes a right of use to the leased asset in the same amount under property, plant and equipment. This right of use shall be written down over the term of the lease.

Lease agreements may contain renewal and termination options. Renewal options for major contracts are regularly taken into account, if these are to be exercised within the next five years and it is sufficiently likely, from the Company's perspective, that they will be exercised accordingly. For key production and administration buildings, options to be exercised later can also be classified as sufficiently likely, which means they will also be taken into account. In the case of minor contracts for exchangeable goods (e.g. cars), on the other hand, it is regularly assumed that there will be no renewal.

The Group makes use of the simplification rule of recognizing leases with a maximum total term of 12 months (also taking into consideration the reasonably certain exercise of existing contractual options) and leases pertaining to low-value assets in a similar way to the previous operating lease model. The Company classifies assets as low-value assets as defined in the standard, insofar as the acquisition cost of a relevant new device is less than/ equal to €5,000 (or a similar amount in foreign currency).

(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 and the actuarial effects of pension commitments and the taxes levied on these. The fluctuations in value arising from the financial instruments classified as at fair value through other comprehensive income are also recognized under this item at the same time.

(n) Pension commitments
The company's 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 Company 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.

The provisions for obligations under the German phased retirement scheme and long-service awards are determined and measured on the basis of actuarial reports.

(p) Revenue recognition

Carl Zeiss Meditec recognizes revenue when the control over identifiable goods or services is transferred to the customer, in other words, as soon as the customer has the ability to determine the use of the transferred goods and services and essentially derives the residual benefit from those goods and services. A prerequisite is the existence of a contractual agreement that sets forth legally enforceable rights and obligations. The amount of revenue recognized corresponds to the expected consideration to which the Company has a contractual claim. Variable price components such as discounts, concessions, customer bonuses and rebates are measured based on past experience and reduce revenue accordingly. At Carl Zeiss Meditec AG such components are mainly volume-related bonus payments, which are measured based on the estimation of future purchase volumes.

Essentially, Carl Zeiss Meditec recognizes revenue from the sale of goods (including finance leases), operating leases, the provision of services, and from royalties/ licenses. Revenue from the sale of goods is recognized at the point at which control passes to the purchaser, which is generally upon delivery of the goods. Depending on the business unit, these are products for the diagnosis and treatment of eye diseases, including implants and consumables, or visualization solutions in the field of neurosurgery, ear, nose and throat surgery, as well as products for intraoperative radiation therapy. Revenue from services, which mainly consist of services arising, for example, from maintenance contracts, is recognized either on a straight-line basis over a specific period, or – where the service is not provided on a straight-line basis – according to the provision of the services, in other words, the service actually provided in relation to the overall services to be provided. Revenue from operating leases is accounted for in accordance with the provisions of IFRS 16 *Leases*, and is recognized on a straight-line basis over the agreed term of the lease. License fees received by the Group in the form of royalties over the period of use are recognized on an accrual basis in accordance with the economic substance of the underlying contract. In all of the cases described, revenue is recognized according to the output-based method.

In addition to conventional product sales, the Company also offers several performance obligations in so-called multi-component contracts. This can be, for example, the combination of a product sale with a warranty extension or with consumables. Insofar as a single contract with a customer contains several performance obligations (multi-component contracts) and the respective dates of performance differ, the agreed transaction price is allocated to the individual performance obligations in accordance with the relative individual selling prices. The relative individual selling prices generally correspond to the contractually agreed prices for product delivery and service.

In connection with the sale of goods, at least the usual statutory guarantees are also granted; their expected utilization is reflected by the formation of provisions.

Revenue from the sale of extended warranties that can be purchased separately (service type warranties) are recognized on a pro rata basis over the contractually agreed period of the warranty obligation, and are included in revenue from services.

A financing component is not taken into account for the amount and date of revenue recognition, if the period of time between the transfer of the goods or services and payment by the customer is no more than one year. With the exception of finance leasing, the Carl Zeiss Meditec Group generally does not offer any long-term financing options.

Additional costs for contract initiation (mainly sales commissions), for which the amortization period would not be more than one year, are recognized immediately as an expense.

Following the implementation of IFRS 15 in fiscal year 2018/19, the contractual liabilities from contracts with customers are shown separately within the notes to the non-financial liabilities. The Group does not generally offer any product sales with return rights. For this reason, the contractual obligations are mainly advance payments received on orders and deferred revenue due to period-related revenue recognition (e.g. revenue from services or operating leases).

Interest income is recognized pro rata temporis using the effective interest method. Dividends are recognized when the legal right to receive the payment is established.

(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 and for research and development.

Investment grants and investment subsidies for which it is sufficiently certain that the associated conditions are being complied with and that they will be awarded, reduce the costs of the relevant assets. Investment subsidies, such as investment grants and tax-free investment allowances, are recognized through profit or loss over the useful life of the subsidized assets (as a reduction in depreciation of the subsidized property, plant and equipment).

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 "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.

Carl Zeiss Meditec Group sells some of its products through the distribution companies of the ZEISS Group. For the purposes of furnishing the Company with short-term funds and investing surplus liquidity, Carl Zeiss Meditec co-operates 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 Company procures various services from the 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 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
Carl Zeiss Meditec has implemented all accounting standards adopted by the EU and mandatory from 1 October 2018. In addition, the Carl Zeiss Meditec Group voluntarily applies IFRS 16 *Leases* early. With the exception of those described below, there were no significant changes to the accounting and valuation methods for all standards and interpretations applied for the first time, nor are such changes anticipated.

IFRS 9 *Financial Instruments*
As of 1 October 2018, the standard IFRS 9 Financial Instruments was applied for the first time using a modified retrospective method, and the cumulative effects were recognized in other comprehensive income at the date of first-time application, without adjustment of the comparative period. At the same time, when applying IFRS 9 for the first time, the Company exercised its accounting option to continue, for the time being, to account for hedges in accordance with IAS 39 instead of IFRS 9.

IFRS 9 introduces new rules on the classification and measurement of financial assets and contains new rules on the impairment of financial instruments. For a detailed description of the new impairment model, please refer to section 16 "Trade receivables". The classification and measurement of financial liabilities under IFRS 9 is largely unchanged from the current accounting policies under IAS 39 *Financial Instruments*: *Recognition and Measurement*. As anticipated, the reclassification of existing financial assets did not significantly change the measurement results from the allocation to the individual categories.

The first-time application of the new impairment model on 1 October 2018 led to a reduction in the valuation allowances recognized on trade receivables in the amount of €3.2m. For the first time, valuation allowances were made for both receivables from related parties and treasury receivables, totaling €1m.

	IAS 39 category	Carrying amount 30 Sep 2018	IFRS 9 category	Amendment IFRS 9	Carrying amount IFRS 9 1 Oct 2018
		€k		€k	€k
Assets					
Trade receivables	Loans and receivables	201,485	Amortized cost	3,203	204,688
Receivables from related parties	Loans and receivables	96,503	Amortized cost	(375)	96,128
Treasury receivables	Loans and receivables	665,003	Amortized cost	(600)	664,403
Investments	Available for sale	122	Fair value through profit or loss	-	122
Loans	Loans and receivables	135	Amortized cost	-	135
Other non-current financial assets	Loans and receivables	3,520	Fair value through profit or loss	-	3,520
Other current financial assets	Loans and receivables	13,432	Amortized cost	-	13,432
Asset-side currency hedging contracts	Held for trading	4,723	Fair value through profit or loss	-	4,723
Securities	Available for sale	1,165	Fair value through profit or loss	-	1,165
Cash	Loans and receivables	6,678	Amortized cost	-	6,678
Equity and liabilities					
Trade payables	Amortized cost	67,425	Amortized cost	-	67,425
Liabilities to related parties	Amortized cost	34,012	Amortized cost	-	34,012
Treasury payables	Amortized cost	1,661	Amortized cost	-	1,661
Loans from banks	Amortized cost	288	Amortized cost	-	288
Liabilities-side currency hedging contracts	Held for trading	10,510	Fair value through profit or loss	-	10,510
Other financial liabilities	Amortized cost	4,912	Amortized cost	-	4,912

IFRS 15 *Revenue from Contracts with Customers*

Since 1 October 2018 the standard IFRS 15 *Revenue from Contracts with Customers* has been applied for the first time using a modified retrospective method. The standard sets forth a comprehensive framework that stipulates in which amount and at what point revenue is recognized. IFRS 15 provides for a standard five-step model for recognizing revenue, which is generally to be applied to all contracts with customers. Accordingly, revenue shall in future be recognized when the customer obtains power of disposal over the agreed goods and services and can derive benefit from these. Carl Zeiss Meditec has analyzed its customer contracts and business models with regard to a need for amendment, particularly with respect to the handling of returns, combination transactions and extensions of warranty. Based on the analyses carried out there were no significant effects, since the existing procedures for recognizing revenue were already largely in compliance with the new provisions of IFRS 15. Reconciliation of an adjustment effect in the statement of changes in equity was therefore not necessary.

IFRS 16 *Leases*

Carl Zeiss Meditec voluntarily applied the standard IFRS 16 *Leases* early on 1 October 2018 using a modified retrospective method and recognized the cumulative effects at the date of first-time application, without adjusting the comparative period. Pursuant to IFRS 16, lessees must generally account for all leases in the form of a right of use and a corresponding lease liability. This is presented in the income statement as a finance transaction, with the right of use being depreciated on a straight-line basis and the lease liability carried forward using the effective interest method. The Group has made use of the simplification rule pertaining to leases with a total term of twelve months or less and leases for low-value assets, and accounts for these in a similar way as under the previous operating lease model. This also applies for leases that have a remaining term of max. 12 months at the date of first application.

Within the scope of the transition to IFRS 16, leasing liabilities from previous operating leases were recognized in the amount of €54.7m as of 1 October 2018. The Group exercised its option to recognize assets for the rights of use to the leased assets in the same amount under the respective item of "Property, plant and equipment" in the statement of financial position. The recognition of the right of use and the lease liability includes renewal and call options, insofar as they are considered probable, as described under section 2 (k). The average weighted capitalization interest rate used to evaluate the right of use and the lease liability in the opening statement of financial position is 2.7 %.

The reconciliation of the minimum operating rental and lease payments as of 30 September 2018 to the leasing liabilities recognized in the statement of financial position as of 1 October 2018 is as follows:

	1 Oct 2018
	€k
Minimum operating rental and lease payments as of 30 Sep 2018	**44,207**
Current leases with a term of 12 months or less	(876)
Leases of low-value assets	(1,212)
Reasonably certain renewal options	19,946
Reasonably certain termination options	(64)
Other	(101)
Gross leasing liabilities as of 1 Oct 2018	**61,900**
Discounting	(7,213)
Leasing liabilities due to first-time application of IFRS 16 on 1 Oct 2018	**54,687**
Present value of liabilities from finance leases as of 30 Sep 2018	10,850
Leasing liabilities as of 1 Oct 2018	**65,537**

The income statement would look as follows if the leases had been recognized in the fiscal year under review in accordance with the previous standard IAS 17, as in the prior year:

	2018/19 as reported	Adjustments	2018/19 IAS 17
	€k	€k	€k
Cost of sales	(627,437)	(194)	(627,631)
Selling and marketing expenses	(336,234)	(162)	(336,396)
General administrative expenses	(57,679)	(713)	(58,392)
Research and development expenses	(173,312)	(6)	(173,318)
Interest expenses	(7,651)	1,084	(6,567)

Adjustment of the opening values in the statement of financial position

Overall, the first-time application of the standards IFRS 9 and 16 on 1 October 2018 resulted in the following adjustments in the opening statement of financial position.

	Carrying amount	Adjustment due to			Carrying amount
	30 Sep 2018	IFRS 9	IFRS 16	Total	1 Oct 2018
	€k	€k	€k	€k	€k
ASSETS					
Property, plant and equipment	62,632	-	54,687	54,687	117,319
Deferred taxes	74,249	(619)	-	(619)	73,630
Non-current trade receivables	9,155	(4)	-	(4)	9,151
Trade receivables	192,330	3,207	-	3,207	195,537
Trade receivables from related parties	96,503	(375)	-	(375)	96,128
Treasury receivables	665,003	(600)	-	(600)	664,403
EQUITY AND LIABILITIES					
Retained earnings	632,486	1,623	-	1,623	634,109
Non-controlling interests	21,170	(14)	-	(14)	21,156
Non-current leasing liabilities	7,321	-	44,682	44,682	52,003
Current portion of non-current leasing liabilities	3,529	-	10,005	10,005	13,534

According to current assessments, the other new or amended regulations applied for the first time in this fiscal year have no material effects on the consolidated financial statements of Carl Zeiss Meditec.

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**
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	Yes
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	Yes
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	Yes
12 Dec 2017	Improvements to IFRSs (2015 - 2017)	Amendments to standards IAS 12, 23 and IFRS 3	Fiscal years beginning on or after 1 January 2019	Yes
7 Feb 2018	Amendment IAS 19 *Employee Benefits*	Clarification that, in the event of amendments to pension plans, the net benefit obligation must be remeasured	Fiscal years beginning on or after 1 January 2019	Yes
29 Mar 2018	Amendments to the conceptual framework	Revision of definitions and new guidelines on measurement and derecognition, recognition and disclosures	Fiscal years beginning on or after 1 January 2020	No
22 Oct 2018	Amendment to IFRS 3 *Business Combinations*	Changes to the definition of a business for clarification purposes	Fiscal years beginning on or after 1 January 2020	No
31 Oct 2018	Amendment to IAS 1 and IAS 8	Definition of materiality	Fiscal years beginning on or after 1 January 2020	No
26 Sep 2019	Interest rate benchmark reform (amendment to IFRS 9, IAS 39 and IFRS 7)	Changes in interest rates for hedge accounting in connection with IBOR reform	Fiscal years beginning on or after 1 January 2020	No

Carl Zeiss Meditec is not expected to apply any of the standards listed above until the date of mandatory first application. According to the current state of knowledge, the future application of these standards is not expected to have material effects on the accounting and valuation.

(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) of 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 at fair value through profit or loss, 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 -0.7 % to +8.1 % (prior year: -0.7 % to +3.2 %).

The Carl Zeiss Meditec Group exclusively holds currency forward contracts as derivative financial instruments and classifies these as assets and liabilities measured at fair value through profit or loss ("FVPL"). 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.

3 Purchase and sale of business operations in fiscal year 2018/19

Acquisition of IanTECH Inc.
On 22 October 2018, Carl Zeiss Meditec Inc., Dublin, California, USA, signed an agreement for the acquisition of 100 % of the shares in IanTECH Inc., Reno, Nevada, USA. The acquisition took place on 14 December 2018. Effective from the same date, the company was renamed Carl Zeiss Meditec Cataract Technology Inc. (hereinafter: CZM Cataract).

CZM Cataract is a company that specializes in technical solutions for microinvasive cataract surgery. The acquisition will enable the Group to consolidate its technological position and portfolio in cataract surgery.

The purchase price consists of a fixed sum (including escrow amount) of €101.0m and discounted performance-related components totaling €98.8m. The performance-related components reward the achievement of defined sales and development targets. The components include milestones for the successful completion of clinical trials, for obtaining regulatory approval and for achieving a defined manufacturing cost target. In addition, an earn-out component was agreed for the achievement of fixed revenue targets. If these objectives are achieved in full, a maximum sum of €233m will be due. In the event of delays or failure to achieve the objectives, the amount due will be reduced incrementally and may reach the lower limit of zero. As of 30 September 2019 the Group assumes an unchanged expected value for the performance-related components and has recognized this amount under non-current financial liabilities and accrued interest pro rata temporis accordingly.

The fair values of the identified assets and liabilities at the acquisition date are as follows:

	Fair value
	€k
Other intangible assets	60,329
Property, plant and equipment	292
Deferred taxes	6,898
Inventories	544
Trade receivables	229
Other current financial assets	10
Other current non-financial assets	85
Cash and cash equivalents	4,632
Total assets	**73,019**
Non-current leasing liabilities	34
Deferred taxes	13,331
Current accrued liabilities	466
Current financial liabilities	60
Current portion of non-current leasing liabilities	49
Trade payables	460
Total liabilities	**14,400**
Net assets	**58,619**
Goodwill from acquisition	141,187
Total costs of acquisition	**199,806**
Cash received	4,632
Past cash outflow for purchase price components	(100,965)
Net capital outflow to 30 September 2019	**(96,333)**

Other intangible assets mainly comprise the acquired technology and intellectual property. A significant customer base was not identified.

The acquired trade receivables in the amount of €229k do not include any valuation allowances, as they are fully recoverable and the calculation of the expected credit loss did not have a material effect.

The identified goodwill from the acquisition mainly results from the anticipated synergy effects of the company's integration into the existing “Ophthalmic Devices” business. As expected, goodwill shall not be deductible for tax purposes.

Incidental acquisition costs amounting to €0.4m were incurred in fiscal year 2018/19. These were recognized under general administrative expenses.

Effect of CZM Cataract on Carl Zeiss Meditec’s result

The acquired company accounted for a share of €0.7m of the revenue reported in the consolidated income statement for fiscal year 2018/19. CZM Cataract contributed €-5.9m to consolidated earnings.

Pro forma account of the acquisition

Assuming that the presented acquisition had already been completed as of 1 October 2018, pro forma revenue would have amounted to €1,459.6m and pro forma consolidated profit would have amounted to €158.0m.

These pro forma figures were prepared solely for comparison purposes. They provide neither a reliable indication of the operating results that would actually have been generated had the acquisition taken place at the beginning of the period, nor of must future results.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

4 Revenue

Group earnings for fiscal years 2018/19 and 2017/18 mainly consist of sales revenues. The table below shows a breakdown of revenue:

	2018/19	2017/18
	€k	€k
Income from the sale of merchandise	1,324,534	1,160,023
Income from the provision of services (incl. sale of replacement parts)	126,152	114,409
Income from royalties/licenses	1,040	874
Income from operating leases (rent)	1,248	1,692
Income from finance leases	6,347	3,862
Total	**1,459,321**	**1,280,860**

Recognized revenue in the amount of €24,697k was still carried under contract liabilities at the beginning of the reporting period. Contracts currently still included under contract liabilities, in the amount of €24,891k, are expected to result in revenue in the next fiscal year.

Transaction costs allocated to the remaining (wholly or partly unfulfilled) performance obligations from contracts for services with an original term of more than one year are expected to result in revenue of €3,611k in fiscal year 2020/21, and €4,226k in subsequent fiscal years.

For a breakdown of revenue by category please refer to the segment reporting and to the notes on regional development in the accompanying management report.

5 Personnel expenses

Personnel expenses for fiscal years 2018/19 and 2017/18 are as follows:

	2018/19	2017/18
	€k	€k
Wages and salaries	286,144	254,518
Social security contributions	48,364	44,464
Pension costs	13,019	12,259
Total	**347,527**	**311,241**

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 €4,236k (prior year: €4,012k).

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

	30 September 2019	30 September 2018	Average 2018/19	Average 2017/18
Production	1,393	1,264	1,359	1,248
Sales & Marketing	1,022	1,021	1,016	1,019
Research & Development	552	522	539	515
Administration	265	241	262	250
Total	**3,232**	**3,048**	**3,176**	**3,032**
Trainees	19	13	18	11

6 Financial result

The financial result comprises the following:

	2018/19	2017/18
	€k	€k
Interest income	1,801	977
Interest expenses	(7,651)	(2,052)
Net interest from defined benefit pension plans	(559)	(605)
Net interest income/loss	**(6,409)**	**(1,680)**
Currency gains	18,026	22,346
Currency losses	(46,673)	(41,720)
Foreign currency gains/(losses), net	**(28,647)**	**(19,374)**
Other financial result	**255**	**3,107**
Total financial result	**(34,801)**	**(17,947)**

In the prior year, the item other financial result included the proceeds from the sale of the legal entity Aaren Scientific Inc., in the amount of €2.5m.

7 Income taxes

Income taxes comprise the following:

	2018/19	2017/18
	€k	€k
Germany	67,761	47,582
Other countries	3,361	4,644
Current taxes:	**71,122**	**52,226**
(thereof prior-period)	(2,462)	(700)
Germany	(3,259)	(6,449)
Other countries	1,416	7,176
Deferred taxes:	**(1,843)**	**727**
Total	**69,279**	**52,953**

In accordance with the tax law applicable in fiscal year 2018/19, 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 29.87 % (prior year: 29.87 %). The nominal tax rates applicable outside Germany in the fiscal year ranged between 19.00 % and 34.59 % (prior year: 19.00 % and 34.59 %).

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 19.00 % to 34.59 % (prior year: 19.00 % to 34.59 %).

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

	2018/19	2017/18
	€k	€k
Earnings before income taxes	**229,858**	**179,183**
Expected income tax expense	68,659	53,522
Non-deductible expenses	1,696	1,440
Tax-free income	(1,387)	(1,878)
Effect of changes in tax rates	170	3,852
Taxes prior years	2,462	700
Foreign tax rate differential	(405)	(388)
Net retained earnings of subsidiaries intended for disbursement	131	63
Recognition and measurement of deferred tax assets	(2,172)	(2,881)
Other	125	(1,477)
Actual income tax expense	**69,279**	**52,953**
Effective tax rate	30.1 %	29.6 %

The amount of €13,492k (prior year: €1,197k) was recognized through profit or loss.

8 Earnings per share

The following table shows the calculation of earnings per share:

	2018/19	2017/18
Net income attributable to shareholders of the parent company (€k)	159,756	126,463
Weighted average of issued shares	89,440,570	89,440,570
Earnings per share (in €)	**1.79**	**1.41**

9 Dividend

During the period under review, a dividend of 55 cents per share (prior year: 55 cents per share) was paid to the shareholders of Carl Zeiss Meditec AG for fiscal year 2017/18.

	2018/19		2017/18	
	€ cent per share	€k Total	€ cent per share	€k Total
Dividend paid	**55**	**49,192**	**55**	**49,192**

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

10 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 2018/19 and 2017/18:

	Ophthalmic Devices SBU	Microsurgery SBU	Total
	€k	€k	€k
As of 30 Sep 2016	**172,624**	**1,689**	**174,313**
Additions	11,541	-	11,541
Finalization of purchase price allocation	(369)	-	(369)
Currency effects	671	(518)	153
As of 30 Sep 2018	**184,467**	**1,171**	**185,638**
Additions	141,187	-	141,187
Currency effects	11,139	130	11,269
As of 30 Sep 2019	**336,793**	**1,301**	**338,094**

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 the goodwill of the cash-generating unit “Ophthalmic Devices” SBU in 2018/19 results from the acquisition of Carl Zeiss Meditec Cataract Technology, Inc. as well as currency effects, in particular of goodwill in USD.

11 Other intangible assets

Other intangible assets developed as follows in fiscal years 2018/19 and 2017/18:

	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 2018	**8,592**	**33,448**	**9,860**	**37,568**	**65,627**	**37,189**	**192,284**
Additions reporting entity/ acquisitions	176	-	-	1,627	58,526	-	60,329
Additions	-	3,428	-	-	21,212	1,563	26,203
Disposals	-	(2)	-	-	-	(738)	(740)
Reclassifications	-	2,133	-	1,715	-	(3,848)	-
Currency effects	97	1,116	75	386	6,133	1,365	9,172
As of 30 Sep 2019	**8,865**	**40,123**	**9,935**	**41,296**	**151,498**	**35,531**	**287,248**
Depreciation and amortization							
As of 1 Oct 2018	**8,546**	**21,294**	**4,893**	**32,387**	**22,289**	**28,788**	**118,197**
Additions	20	4,544	1,212	3,615	11,599	115	21,105
Disposals	-	(2)	-	-	-	-	(2)
Currency effects	86	889	63	245	1,254	1,075	3,612
As of 30 Sep 2019	**8,652**	**26,725**	**6,168**	**36,247**	**35,142**	**29,978**	**142,912**
Net carrying amount as of 30 Sep 2019	**213**	**13,398**	**3,767**	**5,049**	**116,356**	**5,553**	**144,336**

	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 2017	**8,565**	**26,734**	**9,836**	**36,568**	**52,836**	**38,772**	**173,311**
Additions reporting entity/ acquisitions	-	-	-	937	-	644	1,581
Additions	-	3,111	-	-	11,813	1,857	16,781
Disposals	-	(50)	-	-	(23)	(215)	(288)
Reclassifications	-	3,314	-	-	-	(3,314)	-
Currency effects	27	339	24	63	1,001	(555)	899
As of 30 Sep 2018	**8,592**	**33,448**	**9,860**	**37,568**	**65,627**	**37,189**	**192,284**
Depreciation and amortization							
As of 1 Oct 2017	**8,513**	**17,650**	**3,679**	**30,826**	**15,175**	**28,977**	**104,820**
Additions	7	3,389	1,196	1,525	6,771	545	13,433
Disposals	-	(11)	-	-	-	(211)	(222)
Currency effects	26	266	18	36	343	(523)	166
As of 30 Sep 2018	**8,546**	**21,294**	**4,893**	**32,387**	**22,289**	**28,788**	**118,197**
Net carrying amount as of 30 Sep 2018	**46**	**12,154**	**4,967**	**5,181**	**43,338**	**8,401**	**74,087**

Other intangible assets include assets identified via purchase price allocations (PPA) for customer relationships with a net carrying amount of €15k (prior year: €144k). The remaining useful life of customer relationships is less than one year.

12 Property, plant and equipment

Property, plant and equipment, including rights of use

Property, plant and equipment, including rights of use, developed as follows in fiscal years 2018/19 and 2017/18:

	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 2018	**59,618**	**45,761**	**85,636**	**5,290**	**196,305**
Adjustment due to IFRS 16	48,830	37	5,820	-	54,687
Acquisition and production costs as of 1 Oct 2018, adjusted	**108,448**	**45,798**	**91,456**	**5,290**	**250,992**
Additions reporting entity/acquisitions	118	165	9	-	292
Additions	3,731	4,571	13,030	4,153	25,485
Disposals	(5)	(797)	(1,525)	(5)	(2,332)
Reclassifications	139	948	2,752	(3,839)	-
Currency effects	2,591	1,157	2,264	21	6,033
As of 30 Sep 2019	**115,022**	**51,842**	**107,986**	**5,620**	**280,470**
Depreciation and amortization As of 1 Oct 2018	**41,124**	**29,868**	**62,681**	**-**	**133,673**
Additions	11,573	4,055	11,637	-	27,265
Disposals	(5)	(774)	(665)	-	(1,444)
Reclassifications	-	(81)	81	-	-
Currency effects	1,925	647	1,652	-	4,224
As of 30 Sep 2019	**54,617**	**33,715**	**75,386**	**-**	**163,718**
Net carrying amount as of 30 Sep 2019	**60,405**	**18,127**	**32,600**	**5,620**	**116,752**
thereof owned property, plant and equipment	12,482	18,093	27,868	5,620	64,063
thereof leased property, plant and equipment (rights of use)	47,923	34	4,732	-	52,689

	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 2017	**48,672**	**41,084**	**82,340**	**2,250**	**174,346**
Additions reporting entity/acquisitions	-	-	53	-	53
Additions	10,024	5,087	8,102	4,809	28,022
Disposals	-	(1,718)	(5,387)	(436)	(7,541)
Reclassifications	134	973	238	(1,345)	-
Currency effects	788	335	290	12	1,425
As of 30 Sep 2018	**59,618**	**45,761**	**85,636**	**5,290**	**196,305**
Depreciation and amortization As of 1 Oct 2017	**33,598**	**26,969**	**55,083**	**-**	**115,650**
Additions	6,951	3,575	7,323	-	17,849
Disposals	-	(841)	(61)	-	(902)
Currency effects	575	165	336	-	1,076
As of 30 Sep 2018	**41,124**	**29,868**	**62,681**	**-**	**133,673**
Net carrying amount as of 30 Sep 2018	**18,494**	**15,893**	**22,955**	**5,290**	**62,632**
thereof owned property, plant and equipment	13,575	15,875	22,914	5,290	57,654
thereof leased property, plant and equipment (rights of use)	4,919	18	41	-	4,978

The increase in property, plant and equipment is due in particular to the first-time application of IFRS 16.

According to current planning, Carl Zeiss Meditec will sign an agreement in the first quarter of fiscal year 2019/20 pertaining to the sale of its administration building in Jena Göschwitz effective 1 November 2020. The reason for the sale of this building is the construction of the new ZEISS Campus in Jena.

As in the prior year, no items of property, plant and equipment were pledged as collateral for liabilities as of 30 September 2019.

Leases to rights of use

The table below shows the separately presented rights of use to assets that are recognized under fixed assets as part of a leasing arrangement:

	Land, buildings and leasehold improvements	Technical plant and machinery	Other office equipment, fixtures and fittings	Total
	€k	€k	€k	€k
Net carrying amount As of 1 Oct 2018	**4,919**	**18**	**41**	**4,978**
Adjustment due to IFRS 16	48,830	37	5,820	54,687
Net carrying amount as of 1 Oct 2018, adjusted	**53,749**	**55**	**5,861**	**59,665**
Additions	3,118	-	1,719	4,837
Depreciation and amortization	(9,396)	(21)	(2,866)	(12,283)
Other changes	452	-	18	470
As of 30 Sep 2019	**47,923**	**34**	**4,732**	**52,689**

In the property segment, the Group rents primarily administration and production buildings. The rights of use to other equipment, operating and office equipment mainly relate to rented vehicles. The terms of the lease agreement are negotiated individually and contain a multitude of different conditions.

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 deal had a term of 20 years. In fiscal year 2017/18 an amendment to the agreement was agreed, according to which the agreement is extended for an additional 21 months after expiry of the original term of the lease agreement. At the same time, this amendment deleted the right to extend the term.

Details of the corresponding lease liabilities can be found in section 27.

13 Deferred taxes

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

	30 Sep 2019		30 Sep 2018	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
	€k	€k	€k	€k
Loss carryforwards	5,426	-	1,215	-
Other intangible assets	797	22,253	1,801	7,680
Fixed assets	690	3,526	785	3,179
Inventories	18,659	276	16,902	414
Trade receivables	1,873	221	2,559	-
Other assets	571	726	384	1,285
Provisions	55,797	-	40,232	-
Trade payables	-	6	-	27
Other liabilities	21,687	157	17,938	67
Retained earnings	-	131	-	149
Total	**105,500**	**27,296**	**81,816**	**12,801**
Deferred tax assets (net)	**78,204**		**69,015**	

The consolidated statement of financial position contains deferred tax assets, after offsetting pursuant to IAS 12, totaling €96,402k (prior year: €74,249k) and deferred tax liabilities of €18,198k (prior year: €5,234k).

Deferred tax liabilities are carried in the amount of €9,431k (prior year: €14,483k) for net retained earnings of subsidiaries intended for disbursement in the amount of €131k (prior year: €149k). The Group did not carry as liabilities deferred tax liabilities of €8,626k (prior year: €6,317k) on retained earnings of subsidiaries of €565,756k (prior year: €410,369k) because, from today's perspective, these earnings are to remain permanently invested.

The loss carryforwards result mainly from the US subsidiaries and can be used indefinitely.

The table below shows the reconciliation of deferred taxes:

	€k
Deferred tax assets (net) as of 30 Sep 2017	**68,447**
Effects recognized through profit or loss	(727)
Effects recognized in other comprehensive income	1,197
Currency effects	98
Deferred tax assets (net) as of 30 Sep 2018	**69,015**
Effects recognized through profit or loss	1,843
Effects recognized in other comprehensive income	12.873
Changes in the reporting entity	(6,433)
Currency effects	906
Deferred tax assets (net) as of 30 Sep 2019	**78,204**

14 Other non-current assets

Other non-current assets comprise the following:

	30 Sep 2019	30 Sep 2018
	€k	€k
Plan assets for pension commitments	3,281	2,217
Plan assets for accrued flexitime	1,324	1,235
Other	1,477	1,526
Total other non-current assets	**6,082**	**4,978**

15 Inventories

Inventories comprise the following:

	30 Sep 2019	30 Sep 2018
	€k	€k
Raw materials and supplies	119,184	105,224
Work in progress	41,510	32,529
Finished goods	153,813	148,660
Total inventories, gross	**314,507**	**286,413**
Valuation allowances	(46,185)	(38,321)
Total inventories, net	**268,322**	**248,092**

Inventories were written up/down as follows:

	2018/19	2017/18
	€k	€k
Beginning of fiscal year	**38,321**	**32,691**
Additions recognized as expenses	22,458	15,951
Currency effects	913	141
Reversals/utilizations	(15,507)	(10,462)
End of fiscal year	**46,185**	**38,321**

The carrying amount of inventories carried at their net realizable value totaled €151,532k as of 30 September 2019 (prior year: €142,128k). Write-ups in the amount of €2,973k (prior year: €2,327k) were recognized through profit or loss. The cost of materials totaled €463,984k and €424,336k, respectively, in fiscal years 2018/19 and 2017/18 . 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.

16 Trade receivables

Trade receivables comprise the following:

	30 Sep 2019	30 Sep 2018
	€k	€k
Current trade receivables	215,366	201,947
Non-current trade receivables	10,802	9,155
Trade receivables, gross	**226,168**	**211,102**
Valuation allowances	(9,583)	(9,617)
Trade receivables, net	**216,585**	**201,485**

The schedule of valuation allowances and the range of default rates are presented in section 36 "Financial risk management".

17 Other current financial assets

Other current financial assets comprise the following:

	30 Sep 2019	30 Sep 2018
	€k	€k
Credit card receivables	1,431	2,059
Derivative financial instruments	2,266	4,723
Securities	-	1,165
Receivables from the ZEISS Group	4,892	9,242
Debit balances of accounts payable	531	759
Commission receivable	594	515
Other receivables	298	857
Other current financial assets	**10,012**	**19,320**

18 Other current non-financial assets

Other current non-financial assets comprise the following:

	30 Sep 2019	30 Sep 2018
	€k	€k
Prepaid expenses	9,342	8,119
Receivables from tax office/other tax receivables	10,328	9,538
Advances paid	1,417	1,233
Other receivables	410	629
Other current non-financial assets	**21,497**	**19,519**

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

19 Cash and cash equivalents

Cash and cash equivalents comprise the following:

	30 Sep 2019	30 Sep 2018
	€k	€k
Cash	13	19
Bank balances	22,626	6,659
Cash and cash equivalents	**22,639**	**6,678**

20 Equity

Share capital

As in the prior fiscal year 2017/18, the share capital of Carl Zeiss Meditec AG is composed of 89,440,570 no-par value shares bearing equal rights, each with a theoretical value of €1, and was fully paid in. 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 21 April 2016, the Management Board was authorized, with the approval of the Supervisory Board, to increase the share capital on one or several occasions up until 5 April 2021, by a total of up to €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 for the capital increase of €8,131k in fiscal year 2016/17. 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 14 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 2019, the annual financial statements of Carl Zeiss Meditec AG showed a net profit of €319,768k (prior year: €236,201k).

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. As in the prior year, the change in this item is mainly due to the distribution of a dividend by Carl Zeiss Meditec Co. Ltd., Tokyo, Japan, to the minority shareholder, in the amount of €5,626k (prior year: €5,551k) and to currency translation.

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 2017	**(871)**
Development in fiscal year 2017/18	4,999
Currency translation as of 30 Sep 2018	**4,128**
Development in fiscal year 2018/19	24,540
Currency translation as of 30 Sep.2019	**28,668**

21 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 Company 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 2019	30 Sep 2018
	€k	€k
Present value of obligations not financed by plan assets	10,663	9,523
Present value of obligations wholly or partly financed by plan assets	225,627	170,296
Total value of defined benefit obligation (DBO)	**236,290**	**179,819**
Fair value of plan assets	160,034	139,957
Net obligation/Carrying amount	**76,256**	**39,862**
thereof in: Other non-current assets	3,281	2,217
thereof in: Provisions for pensions and similar obligations	79,537	42,079

The defined benefit obligation comprises the following:

	30 Sep 2019			30 Sep 2018		
	Defined benefit obligations (DBO)	Fair value of plan assets	Net obligation	Defined benefit obligations (DBO)	Fair value of plan assets	Net obligation
	€k	€k	€k	€k	€k	€k
Germany	205,882	136,089	69,793	152,845	119,481	33,364
USA	20,664	23,945	(3,281)	18,259	20,476	(2,217)
Japan	7,145	-	7,145	6,838	-	6,838
Other	2,599	-	2,599	1,877	-	1,877
Carrying amount	**236,290**	**160,034**	**76,256**	**179,819**	**139,957**	**39,862**

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

	2018/19	2017/18
	€k	€k
Current service cost	8,783	8,247
Net interest expense	559	605
Net expenditure in the fiscal year recognized in the income statement	**9,342**	**8,852**
(Income) / loss from plan assets, excluding amounts already included in interest	(1,125)	1,931
Actuarial (gains) / losses	46,281	3,414
Expenses and income recognized in other comprehensive income	**45,156**	**5,345**
Actual (income)/expense on plan assets	(4,187)	(935)

The current service cost of €8,783k (prior year: €8,247k) 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:

	2018/19	2017/18
	€k	€k
Defined benefit obligation (DBO) at beginning of fiscal year	**179,819**	**168,507**
Current service cost	8,783	8,247
Interest expense	3,621	3,471
Benefit payments	(3,357)	(3,279)
Actuarial (gains) / losses based on demographic assumptions	60	972
Actuarial (gains) / losses based on financial assumptions	45,183	2,736
Actuarial (gains) / losses based on empirical assumptions	1,038	(294)
Additions/Disposals	(819)	(961)
Currency effects from foreign plans	1,962	420
Defined benefit obligation (DBO) at end of fiscal year	**236,290**	**179,819**

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

	2018/19	2017/18
	€k	€k
Fair value of plan assets at beginning of fiscal year	**139,957**	**130,641**
Interest income	3,062	2,866
Revaluations (income from plan assets, excluding amounts already included in interest)	1,125	(1,931)
Employer contributions	15,615	9,428
Employee contributions	66	122
Pension payments from plan assets	(1,160)	(1,578)
Currency effects from foreign plans	1,369	409
Fair value at end of fiscal year	**160,034**	**139,957**

For the coming fiscal year the group intends to pay a contribution of €307k (prior year: €0k).

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 2019	30 Sep 2018
	€k	€k
Developed markets	35,962	36,253
Growth markets	7,008	5,979
Equity instruments (shares)	**42,970**	**42,232**
Government bonds	8,056	6,412
Corporate bonds	51,679	30,410
Other	11,869	12,294
Debt instruments (bonds and debentures)	**71,604**	**49,116**
Real estate	**16,964**	**155**
Alternative instruments	**5,668**	**17,261**
Cash	**22,828**	**31,193**
Total plan assets	**160,034**	**139,957**

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

	Germany		USA		Japan	
	2018/19	2017/18	**2018/19**	2017/18	**2018/19**	2017/18
	in %	in %	in %	in %	in %	in %
Discount factor	1.00	1.90	2.90	4.05	0.27	0.47
Long-term salary increase	2.75	2.75	0.00	0.00	4.27	4.27
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. Retirement benefit obligations in Germany were calculated based on Prof. Dr. Klaus Heubeck's 2018 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 pension obligation as of Monday, September 30, 2019 as follows:

	Increase	Decrease
	€k	€k
Discount rate	31,979	(26,870)
Remuneration trend	2,883	(2,563)
Rate of pension progression	6,993	(6,316)

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 2019 would thus have been €9,361k higher.

The weighted duration of the pension obligations was 25.5 years as of 30 September 2019 (prior year: 23.9 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
2020	3,504
2021	3,778
2022	3,537
2023	3,868
2024	4,508
2025-2029	27,836

22 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 2018	**2,754**	**16,102**	**9,130**	**27,986**
Additions	1,476	15,129	1,535	18,140
Interest yield	81	-	14	95
Reversals	(2)	(1,390)	(170)	(1,562)
Utilization	(1,046)	(15,033)	(1,934)	(18,013)
Currency effects	57	620	281	958
As of 30 Sep 2019	**3,320**	**15,428**	**8,856**	**27,604**
Current provisions	400	15,289	4,452	20,141
Non-current provisions	2,920	139	4,404	7,463
Provisions as of 30 Sep 2019	**3,320**	**15,428**	**8,856**	**27,604**
Current provisions	89	16,057	4,991	21,137
Non-current provisions	2,665	45	4,139	6,849
Provisions as of 30 Sep 2018	**2,754**	**16,102**	**9,130**	**27,986**

Personnel and social commitments

The provisions for personnel and social commitments mostly relate to commitments for partial retirement and anniversary expenses which are carried in their full amount as non-current according to IAS 19.133.

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 2019	30 Sep 2018
	€k	€k
Present value of partial retirement obligations	1,008	929
Fair value of plan assets	688	668
Reported net liability for partial retirement obligations	**320**	**261**

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 recognizable individual risks and uncertain commitments, e.g. building reconstruction obligations or litigation risks.

23 Non-current financial liabilities

Non-current financial liabilities comprise the following:

	30 Sep 2019	30 Sep 2018
	€k	€k
Liabilities from variable purchase price components	109,009	-
Other non-current financial liabilities	-	626
Total non-current financial liabilities	**109,009**	**626**
Less current portion of non-current financial liabilities	-	626
Non-current financial liabilities less current portion	**109,009**	**-**

The liabilities from variable purchase price components presented in the table result from the acquisition this year of IanTECH Inc., and include the discounted expected value of the performance-related components of the purchase price, including the proportionate interest accrued for the fiscal year under review, and related currency effects.

24 Current accrued liabilities

Current accrued liabilities include the following items:

	30 Sep 2019	30 Sep 2018
	€k	€k
Outstanding invoices	33,077	24,161
Christmas bonus, special payments, and other personnel-related liabilities	62,216	49,217
Commissions/bonuses	7,673	8,013
Year-end costs	911	880
Consultancy fees	35	318
Other accrued liabilities	2,823	1,881
Current accrued liabilities	**106,735**	**84,470**

25 Other current non-financial liabilities

Other current non-financial liabilities comprise the following:

	30 Sep 2019	30 Sep 2018
	€k	€k
Contract liabilities	24,891	-
Deferred income	-	18,301
Payments received on account of orders	-	6,396
Liabilities from taxes not related to income	3,527	9,109
Liabilities from social security	1,965	2,035
Wage withholding tax	3,030	2,478
Other liabilities	966	1,008
Other current non-financial liabilities	**34,379**	**39,327**

The contract liabilities contained in the table relate to advance payments received on orders in the amount of €6,473k, as well as deferred revenue due to period-related revenue recognition, in the amount of €18,148k.

26 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 2019 and 30 September 2018.

		30 Sep 2019	
	Category according to IFRS 9	**Carrying amount**	**Fair value**
		€k	€k
Primary financial instruments			
Assets			
Trade receivables	AC	**216,585**	**216,585**
Receivables from related parties	AC	**116,185**	**116,185**
Treasury receivables	AC	**655,167**	**655,167**
Investments	FVOCI	**5,173**	**5,173**
Loans	AC	**165**	**165**
Other non-current financial assets	FVPL	**4,672**	**4,672**
Other current financial assets	AC	**7,746**	**7,746**
Cash	AC	**22,639**	**22,639**
Equity and liabilities			
Trade payables	AC	**83,451**	**83,451**
Accounts payable to related parties	AC	**34,669**	**34,669**
Loans from banks	AC	**192**	**192**
Contingent purchase price obligation	FVPL	**109,009**	**109,009**
Other financial liabilities	AC	**6,706**	**6,706**
Derivative financial instruments			
Assets			
Currency hedging contracts	FVPL	**2,266**	**2,266**
Equity and liabilities			
Currency hedging contracts	FVPL	**18,636**	**18,636**
Thereof aggregated by valuation category pursuant to IFRS 9			
Amortized cost (AC)		**1,143,505**	**1,143,505**
Fair value through other comprehensive income (FVOCI)		**5,173**	**5,173**
Fair value through profit or loss (FVPL)		**134,583**	**134,583**

	30 Sep 2018						
	Carrying amount, statement of financial position acc. to IAS 39						
	Valuation category according to IAS 39	**Carrying amount**	Amortized cost	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
Primary financial instruments							
Assets							
Trade receivables	LaR	**201,485**	201,485	-	-	-	**201,485**
Receivables from related parties	LaR	**96,503**	96,503	-	-	-	**96,503**
Treasury receivables	LaR	**665,003**	665,003	-	-	-	**665,003**
Investments	AfS	**122**	122	-	-	-	**122**
Loans	LaR	**135**	135	-	-	-	**135**
Other non-current financial assets	LaR	**3,520**	3,520	-	-	-	**3,520**
Other current financial assets	LaR	**13,432**	13,432	-	-	-	**13,432**
Securities	AfS	**1,165**	-	1,165	-	-	**1,165**
Cash	LaR	**6,678**	-	-	6,678	-	**6,678**
Equity and liabilities							
Trade payables	FLAC	**67,425**	67,425	-	-	-	**67,425**
Accounts payable to related parties	FLAC	**34,012**	34,012	-	-	-	**34,012**
Treasury payables	FLAC	**1,661**	1,661	-	-	-	**1,661**
Loans from banks	FLAC	**288**	288	-	-	-	**288**
Other financial liabilities	FLAC	**4,912**	4,912	-	-	-	**4,912**
Financial liabilities which cannot be allocated to any category within the meaning of IAS 39:							
Leasing liabilities	n.a.	**10,850**	-	-	-	10,850	**12,041**
Derivative financial instruments							
Assets							
Currency hedging contracts	FVTPL	**4,723**	-	4,723	-	-	**4,723**
Equity and liabilities							
Currency hedging contracts	FVTPL	**10,510**	-	10,510	-	-	**10,510**
Thereof aggregated by valuation category pursuant to IAS 39							
Loans and receivables (LaR)		**986,756**	980,078	-	6,678	-	**986,756**
Available-for-sale financial assets (AfS)		**1,287**	122	1,165	-	-	**1,287**
Financial Assets/Liabilities Through Profit or Loss (FVTPL)		**15,233**	-	15,233	-	-	**15,233**
Financial Liabilities Measured at Amortized Cost (FLAC)		**108,298**	108,298	-	-	-	**108,298**

* where no fair value can be determined, state carrying amount

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 IFRS 9	Statement of financial position item
Trade receivables	AC	Non-current trade receivables Trade receivables
Receivables from related parties	AC	Trade receivables from related parties
Treasury receivables	AC	Treasury receivables
Investments	FVOCI	Investments
Loans	AC	Other loans
Investments in affiliated non-consolidated companies	FVPL	Investments in affiliated non-consolidated companies
Non-current loans to employees Other non-current financial assets	AC FVPL	Other non-current assets
Other current financial assets	AC	Other current financial assets
Securities	FVPL	Other current financial assets
Asset-side currency hedging contracts	FVPL	Other current financial assets
Cash	AC	Cash and cash equivalents
Trade payables	AC	Trade payables
Liabilities to related parties	AC	Trade payables to related parties
Treasury payables	AC	Treasury payables
Other financial liabilities	AC	Non-current financial liabilities Current financial liabilities
Loans from banks	AC	Non-current financial liabilities Current financial liabilities
Contingent purchase price obligation	FVPL	Non-current financial liabilities
Liabilities-side currency hedging contracts	FVPL	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 2019 the Company had currency hedging contracts with a total nominal value of €696,613k (prior year: €650,526k). Gains and losses on the valuation of derivative financial instruments not yet due totaling €-16,374k (prior year: €-5,819k) are recorded in the income statement under "Foreign currency gains/(losses), net". In the prior year the Group did 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 IFRS 9, and how the respective net result is calculated.

	30 Sep 2019						
	Interest effects	From subsequent valuation			Amortiza-tion	Other compre-hensive income	Net income
		at fair value	Currency translation	Valuation allowance			
	€k	€k	€k	€k	€k	€k	€k
From financial assets measured at amortized cost	1,240	n.a.	5,759	(4,808)	(2)	n.a.	2,189
From assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-
From assets and liabilities measured at fair value through profit or loss	(5,591)	(16,374)	(16,924)	-	-	-	(38,889)
From financial liabilities carried at amortized cost	(124)	n.a.	(1,108)	n.a.	n.a.	n.a.	(1,232)
Other	(1,934)	-	-	257	-	-	(1,677)
Total	**(6,409)**	**(16,374)**	**(12,273)**	**(4,551)**	**-**	**-**	**(39,609)**
thereof through profit or loss	(6,409)	(16,374)	(12,273)	(4,551)	-	-	(39,607)
thereof selling and marketing expenses	-	-	-	(4,808)	(2)	-	(4,810)

The following net results from financial instruments were recorded for fiscal year 2017/18, broken down by valuation categories according to IAS 39:

	Interest effects	From subsequent valuation			Amortiza-tion	Other compre-hensive income	Net income
		at fair value	Currency translation	Valuation allowance			
	€k	€k	€k	€k	€k	€k	€k
From loans and receivables	399	n.a.	(10,153)	(154)	-	n.a.	(9,908)
From available-for-sale financial assets	-	(72)	-	41	-	-	(31)
From held-for-trading financial assets and liabilities	-	(5,819)	(2,265)	-	-	-	(8,084)
From financial liabilities carried at amortized cost	(1,447)	n.a.	(1,065)	n.a.	n.a.	n.a.	(2,512)
Other	(632)	-	-	539	2,527	-	2,434
Total	**(1,680)**	**(5,891)**	**(13,483)**	**426**	**2,527**	**-**	**(18,101)**
thereof through profit or loss	(1,680)	(5,891)	(13,483)	426	2,527	-	(18,101)
thereof selling and marketing expenses	-	-	-	(154)	-	-	(154)

Interest from financial instruments is carried under "Interest income", effects of currency translation and the fair value measurement of financial assets and liabilities held for trading (IAS 39) and assets measured at fair value through profit or loss (IFRS 9) are carried under "Foreign currency gains/losses, net", and dividends are carried under "Other financial result". The Carl Zeiss Meditec Group records the other components of the net result under "Other financial result", with the exception of the valuation allowances on trade receivables attributable to the valuation category "Loans and receivables" (IAS 39) and financial assets measured at amortized cost (IFRS 9), which are carried under "Selling expenses". In addition, the income statement also takes into account all factors that cannot be allocated to financial instruments.

Financial assets and liabilities 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. Key valuation parameters include, in particular, exchange rates, interest rate differences and future forward rates.

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. During the reporting period, there was only one reclassification of the investments already existing as of 30 September 2018, between categories 2 and 3, due to the IFRS 9 adjustment.

		Category 1	Category 2	Category 3	Total
		€k	€k	€k	€k
Securities	30 Sep 2019	-	-	-	-
	30 Sep 2018	1,165	-	-	1,165
Financial assets measured at fair value through other comprehensive income	30 Sep 2019	-	-	5,173	5,173
	30 Sep 2018	-	-	122	122
Financial assets recognized at fair value through profit or loss	30 Sep 2019	-	2,266	-	2,266
	30 Sep 2018	-	4,723	-	4,723
Financial liabilities recognized at fair value through profit or loss	30 Sep 2019	-	(18,636)	(109,009)	(127,645)
	30 Sep 2018	-	(10,510)	-	(10,510)

The table below presents the changes in the fair value of the financial instruments classified as Level 3:

	Contingent purchase price obligation	Investments	Total
	€k	€k	€k
As of 1 Oct 2018	-	-	-
IFRS 9 adjustment	-	122	122
Additions	98,842	4,857	103,699
Changes in fair value recognized in profit or loss	5,591	-	5,591
Currency effects	4,576	194	4,770
As of 30 Sep 2019	**109,009**	**5,173**	**114,182**

The financial assets allocated to category 3 mainly relate to the 17.7 % stake acquired in MicroOptx Inc. in fiscal year 2018/19. Due to this acquisition in the third quarter, the carrying amount as of 30 September 2019 corresponds to the acquisition costs of €5,051k including a currency effect of €194k . An upward or downward fluctuation in the interest rate by 1.0 % points would reduce or increase the investment book value, respectively, by approximately €1m. The financial liabilities classified as Level 3 relate to the contingent purchase price obligation arising from the acquisition of IanTECH Inc. In the fiscal year under review, the change in fair value recognized through profit or loss, contains exclusively the compounding of the liability, and was recognized in interest expense. The currency effect results from the translation of the liability at the US subsidiary through other comprehensive income. The fair value of this contingent consideration was determined on the basis of the criteria agreed in the purchase agreement and the probable achievement of the target expected according to the current status and discounted at a standard market interest rate. An upward or downward fluctuation in the interest rate by 0.5 % points would reduce or increase the contingent consideration, respectively, in the single-digit-million range. A delay in the achievement of targets linked to milestones, accompanied by a simultaneous reduction in the sales targets by 15 % , would result in a reduction of the obligation by €16m.

Offsetting of financial assets and liabilities

There may be arrangements with individual business partners that allow specific gross items to be offset against each other. The following table shows the offset amounts of trade receivables and trade payables, for which such an arrangement exists, as of 30 September 2019.

		Gross amount	Offsetting	Net amount recognized
		€k	€k	€k
Trade receivables	30 Sep 2019	209,814	(4,025)	205,789
	30 Sep 2018	196,904	(4,574)	192,330
Trade payables	30 Sep 2019	87,476	(4,025)	83,451
	30 Sep 2018	71,999	(4,574)	67,425

27 Leasing liabilities

Following the first-time application of IFRS 16 on 1 October 2018, additional liabilities from leases were recognized. In the prior year only liabilities from finance leases pursuant to IAS 17 were recognized.

In fiscal year 2018/19 leasing liabilities in the amount of €13,663k were paid and interest to the amount of €1,786k was paid for leases. At the end of the reporting period there were future cash outflows amounting to €57,489k; please refer to section 36 for their maturity analysis.

There are no future cash outflows that have not been included in leasing liabilities for the reason that it is not sufficiently certain whether the lease agreements will be renewed or that they will not be terminated. There are also no lease arrangements that the Company has entered into as lessee that have not yet commenced.

Further details of leases:

	2018/19
	€k
Expense for short-term leases	801
Expense for leases for a low-value asset	909
Income from sub-leasing rights of use	660

OTHER DISCLOSURES

28 Comments on the cash flow statement

The consolidated statement of cash flows shows how the Group's cash and cash equivalents reported in the statement of financial position changed in the course of the fiscal year as a result of cash received and paid. In accordance with IAS 7 "Statement of Cash Flows", a distinction is made between cash flows from operating activities and cash flows from investing activities and financing activities.

The cash flows from operating activities are derived indirectly from the consolidated consolidated profit or loss for the year. After adjustment for non-cash expenses and income, and including cash financial expenses, financial income and taxes, and taking changes in working capital into account, cash flows from operating activities are calculated. The cash flows from investing activities and financing activities are generally determined on the basis of payments made or received.

The changes in items in the statement of financial position taken into account as part of this indirect calculation are adjusted for currency translation effects, the effects of changes in the reporting entity and non-cash effects. Changes in the relevant items in the statement of financial position can therefore not be reconciled with the corresponding figures in the the consolidated statement of financial position.

Changes in liabilities from financing activities are presented in the table below. As treasury receivables are also cash pool transactions and these are also carried under cash flows from financing activities, the change in this item in the statement of financial position is likewise presented in the table below.

	As of 1 Oct 2018	Adjustment due to new IFRS	Cash changes	Non-cash changes			**As of 30 Sep 2019**
				Currency effects	Changes to the reporting entity	Additions	
	€k	€k	€k	€k	€k	€k	€k
Liabilities to banks	288	-	(103)	7	-	-	192
Leasing liabilities	10,850	54,687	(13,663)	696	82	4,837	57,489
Treasury payables	1,661	-	(1,672)	11	-	-	-
Treasury receivables	665,003	(600)	(11,619)	2,383	-	-	655,167

	As of 1 Oct 2017	Adjustment due to new IFRS	Cash changes	Non-cash changes			As of 30 Sep 2018
				Currency effects	Changes to the reporting entity	Additions	
	€k	€k	€k	€k	€k	€k	€k
Liabilities to banks	872	-	(584)	-	-	-	288
Leasing liabilities	5,814	-	(2,932)	254	-	7,714	10,850
Treasury payables	69,642	-	(65,315)	(2,666)	-	-	1,661
Treasury receivables	630,721	-	33,663	619	-	-	665,003

29 Leases

Group as a lessor

Operating leases

Within the scope of selling its products, the Company offers some financing models in the form of lease agreements, which, due to their nature, are to be classified as operating leases.

Risks arise from lease agreements in particular due to agreed conditions or purchase volumes not being adhered to by lessees. In order to safeguard against such risks in these cases, the underlying agreements may provide, for example, for compensation for minimum quantities, in spite of failure to purchase or the return of the leased object to the lessor, including appropriate settlement payments for premature termination of the contract. Key measures to minimize risk prior to the conclusion of the agreement also include a customer credit check, a feasibility analysis of the lease agreement, and a comprehensive analysis of the customer's realistic requirements.

The leasing income in the current fiscal year amounts to €1,248k. No leasing income was generated from variable lease payments that are not dependent on an index or interest.

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	1,558
In year 2	661
In year 3	491
In year 4	321
In year 5	-
More than 5 years	-
Total minimum lease and rental payments	**3,031**

The carrying amount of the property, plant and equipment underlying the operating leases amounts to €2,367k at the end of the reporting period, with €833k relating to technical plant and machinery and €1,534k to other equipment, operating and office equipment.

Finance leases

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.

For information on risks arising from finance leases, please refer to the statements under "Operating leases".

In the fiscal year under review, income from finance leases amounted to €2,780k.

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

	30 Sep 2019	30 Sep 2018
	€k	€k
Due in year 1	2,039	1,559
Due in year 2	2,255	1,760
Due in year 3	2,415	1,518
Due in year 4	1,199	964
Due in year 5	831	729
Due after more than 5 years	428	631
Total	**9,167**	**7,161**
Financial income on the net investment in the lease	(517)	(508)
Present value of future lease payments	**8,650**	**6,653**

The change in the carrying amount of the net investment in finance leases is exclusively due, in the current fiscal year, to newly concluded agreements and to scheduled lease payments by the lessee. Valuation allowances for the expected credit loss on leasing receivables are included in trade receivables.

30 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
Carl Zeiss Meditec Group has purchase commitments to suppliers for property, plant and equipment in the amount of €3,640k (prior year: €5,735k) and for intangible assets in the amount of €82k (prior year: €241k).

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 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.

31 Securities

Assets pledged as security
There are no assets pledged as security as of the end of the reporting period.

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

32 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 Carl Zeiss Meditec Group has two operating segments, which are simultaneously the Company’s Strategic Business Units ("SBUs"). All activities relating to ophthalmology, such as intraocular lenses, surgical visualization solutions and medical laser and diagnostic systems are now allocated to the "Ophthalmic Devices" SBU. The "Microsurgery" segment encompasses the activities of neuro, ear, nose and throat surgery, as well as the activities in the field of intraoperative radiotherapy. For more information on the business activities of the SBUs please refer to the management report 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 SBU		Microsurgery SBU		Total	
	2018/19	2017/18	**2018/19**	2017/18	**2018/19**	2017/18
	€k	€k	€k	€k	€k	€k
External revenue	**1,068,604**	**933,247**	**390,717**	**347,613**	**1,459,321**	**1,280,860**
Gross profit	588,032	498,120	243,852	212,269	831,884	710,389
Selling and marketing expenses	(238,031)	(212,568)	(98,203)	(91,251)	(336,234)	(303,819)
General administrative expenses	(45,727)	(39,579)	(11,952)	(10,248)	(57,679)	(49,827)
Research and development expenses	(139,652)	(126,762)	(33,660)	(32,866)	(173,312)	(159,628)
Other operating result	-	15	-	-	-	15
Earnings before interest and taxes	**164,622**	**119,226**	**100,037**	**77,904**	**264,659**	**197,130**
Depreciation and amortization	34,959	25,342	13,411	5,940	48,370	31,282
Appropriation to provisions	13,467	14,657	4,673	4,901	18,140	19,558
Reconciliation of segments’ comprehensive income to the Group’s period-end result						
Comprehensive income of the segments					**264,659**	**197,130**
Consolidated earnings before interest and taxes (EBIT)					**264,659**	**197,130**
Financial result					(34,801)	(17,947)
Consolidated earnings before income taxes					**229,858**	**179,183**
Income tax expense					(69,279)	(52,953)
Consolidated profit					**160,579**	**126,230**
Attributable to:						
Shareholders of the parent company					159,756	126,463
Non-controlling interests					823	(233)

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.

	2018/19		2017/18	
	Revenue	Non-current assets	Revenue	Non-current assets
	€k	€k	€k	€k
Germany	765,440	124,207	656,357	79,182
USA	450,761	370,150	406,166	148,781
Japan	116,714	1,815	103,473	1,177
Europe (excluding Germany)	126,406	108,570	114,864	97,672
Other	-	522	-	523
Total	**1,459,321**	**605,264**	**1,280,860**	**327,335**

Segment assets comprise the non-current assets of the segment less deferred income taxes of €96,402k (prior year: €74,249k) investments of €5,173k (prior year: €122k), other loans of €165k (prior year: €135k) and non-current trade receivables of €10,796k (prior year: €9,155k).

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 both segments.

33 Government grants

Grants allocated for fiscal years 2018/19 and 2017/18 were as follows:

	2018/19	2017/18
	€k	€k
Research and development subsidies	90	81
Grants for assets	16	32
Wage subsidies	63	329
Total	**169**	**442**

Grants received in the amount of €16k (prior year: €32k) 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.

34 Related party disclosures

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

	Transaction amount			
	2018/19		2017/18	
	ZEISS Group	thereof Carl Zeiss AG	ZEISS Group	thereof Carl Zeiss AG
	€k	€k	€k	€k
Sale of merchandise	653,375	95	534,175	16
Purchase of merchandise	51,976	-	52,441	-
Services rendered excluding financial income	6,704	4,206	6,356	3,571
Services procured excluding financial expenses	98,579	49,994	93,404	47,083
Financial income	6,958	-	11,376	-
Financial expense	39,939	-	21,293	-
including:				
Lease and rental costs	1,657	1,287	5,751	3,810
Research and development expenses	16,944	6,846	15,152	4,269

In fiscal year 2018/19 leasing and rental expenses to the ZEISS Group decreased mainly as a result of the first-time application of IFRS 16 *Leases*. Since then, rights of use are capitalized for former operating leases and written down over the probable term of the contract. This results in a decrease in the leasing and rental expense, on the one hand, and an increase in write-downs, on the other.

The financial income and expenses presented above mainly include effects from the recognition and valuation of forward exchange contracts.

	Outstanding balance			
	30 Sep 2019		30 Sep 2018	
	ZEISS Group	thereof Carl Zeiss AG	ZEISS Group	thereof Carl Zeiss AG
	€k	€k	€k	€k
Receivables	778,664	3,959	776,638	3,604
Liabilities	53,891	14,574	46,780	14,063

The amount presented above includes receivables from Carl Zeiss Financial Services GmbH of €655,167k (prior year: €665,033k). There are no liabilities to Carl Zeiss Financial Services GmbH in the fiscal year under review (prior year: €1,661k).

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:

	2018/19	2017/18
	€k	€k
Short-term payments due	2,571	2,139
Payments due after termination of employment contract	390	396
Other long-term payments due	241	357
Total remuneration paid to key personalities within the Group	**3,202**	**2,892**

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.

35 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 Article 19 Market Abuse Regulation (MAR).

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 Article 19 MAR. The publication documents and the relevant disclosures were forwarded to the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, BaFin).

36 Financial risk management

The Carl Zeiss Meditec 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 Company'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 Carl Zeiss Meditec Group also holds non-current, interest-bearing financial receivables and liabilities and leasing receivables and 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 show very little fluctuation due to the current low level of interest rates, which is why the Group can consider the interest rate risk for these financial instruments to be negligible.

At the end of the reporting period the Company only holds fixed-interest financial instruments measured at fair value, and no variable-interest financial instruments with a term of more than 90 days. The general interest rate risk is countered as part of overall financial risk management, by regularly monitoring significant items and their inherent interest rate risks with the aim of limiting these, if necessary. At the present time, this risk can be considered negligible.

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

	30 Sep 2019	30 Sep 2018
	€k	€k
Variable-interest financial assets	-	-
Fixed-interest financial assets	-	-
Total interest-bearing assets	-	-
Variable-interest financial liabilities	-	-
Fixed-interest financial liabilities	166,498	10,850
Total interest-bearing liabilities	**166,498**	**10,850**

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 Company 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 Group is currently striving to hedge 100% of the expected foreign currency receipts and outgoings.

The carrying amounts of Carl Zeiss Meditec 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 Company'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 2019	165	-	165	-	-	-	-	-	-	-
	30 Sep 2018	135	-	135	-	-	-	-	-	-	-
Trade receivables	30 Sep 2019	216,585	214,770	1,810	-	5	-	-	-	-	-
	30 Sep 2018	201,485	200,009	1,448	-	28	-	-	-	-	-
Receivables from related parties	30 Sep 2019	116,185	19,516	9,192	-	3,524	9,643	36,417	3,743	11,453	22,697
	30 Sep 2018	96,503	21,641	9,037	-	4,557	6,592	23,418	4,211	13,689	13,358
Asset-side currency hedging contracts	30 Sep 2019	2,266	-	674	431	369	201	76	173	-	342
	30 Sep 2018	4,723	-	1,444	763	224	62	1,485	475	-	270
Total assets	**30 Sep 2019**	**335,201**	**234,286**	**11,841**	**431**	**3,898**	**9,844**	**36,493**	**3,916**	**11,453**	**23,039**
	30 Sep 2018	**302,846**	**221,650**	**12,064**	**763**	**4,809**	**6,654**	**24,903**	**4,686**	**13,689**	**13,628**
Equity and liabilities											
Trade payables	30 Sep 2019	83,451	74,423	7,047	678	137	-	-	27	-	1,139
	30 Sep 2018	67,425	59,934	5,855	704	135	2	-	-	-	795
Liabilities to related parties	30 Sep 2019	34,669	30,613	538	-	71	29	2,742	50	76	550
	30 Sep 2018	34,012	30,123	256	-	40	17	2,988	17	31	540
Liabilities-side currency hedging contracts	30 Sep 2019	18,636	-	5,962	2,905	317	1,034	4,583	283	-	3,552
	30 Sep 2018	10,510	-	7,276	641	163	624	890	75	-	841
Total liabilities	**30 Sep 2019**	**136,756**	**105,036**	**13,547**	**3,583**	**525**	**1,063**	**7,325**	**360**	**76**	**5,241**
	30 Sep 2018	**111,947**	**90,057**	**13,387**	**1,345**	**338**	**643**	**3,878**	**92**	**31**	**2,176**

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 balance sheet date 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 net income	
		€	+10 %	-10 %
Assets		€k	€k	€k
Loans	30 Sep 2019	165	(17)	17
	30 Sep 2018	135	(13)	13
Trade receivables	30 Sep 2019	216,585	139	(139)
	30 Sep 2018	201,485	40	(40)
Receivables from related parties	30 Sep 2019	116,185	(9,560)	9,560
	30 Sep 2018	96,503	(7,371)	7,371
Asset-side currency hedging contracts	30 Sep 2019	2,266	7,294	(7,294)
	30 Sep 2018	4,723	18,658	(18,658)
Total assets	**30 Sep 2019**	**335,201**	**(2,144)**	**2,144**
	30 Sep 2018	**302,846**	**11,314**	**(11,314)**
Equity and liabilities				
Trade payables	30 Sep 2019	83,451	787	(787)
	30 Sep 2018	67,425	736	(736)
Liabilities to related parties	30 Sep 2019	34,669	361	(361)
	30 Sep 2018	34,012	240	(240)
Liabilities-side currency hedging contracts	30 Sep 2019	18,636	59,474	(59,474)
	30 Sep 2018	10,510	34,375	(34,375)
Total liabilities	**30 Sep 2019**	**136,756**	**60,622**	**(60,622)**
	30 Sep 2018	**111,947**	**35,351**	**(35,351)**

The most significant effect of exchange rate risks results, as of 30 September 2019, from the asset-side and liabilities-side currency hedging contracts in CNY and USD. Within the items receivables from and liabilities to affiliated companies the effects of currency risks presented here are particularly attributable to BRL and CNY. Effects on equity due to exchange rate fluctuations only arise due to the translation of the financial statements. In addition, fluctuations in the USD by +10 % and -10 %, respectively, would have affected the earnings on intragroup loans by €-2.8m and €+2.8m, respectively.

Default 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. The valuation allowances were derived using historical default rates, taking future-oriented information into account. The resulting valuation allowances developed as follows:

	Valuation allowance on			
	Trade receivables	Receivables from related parties	Treasury receivables	Total
	€k	€k	€k	€k
As of 1 Oct 2018	**9,617**	**-**	**-**	**9,617**
IFRS 9 adjustment	(3,203)	375	600	(2,228)
Appropriation	5,274	163	-	5,437
Utilization	(1,861)	-	-	(1,861)
Reversal	(466)	-	(161)	(627)
Currency effects	222	-	-	222
As of 30 Sep 2019	**9,583**	**538**	**439**	**10,560**

The valuation allowances on trade receivables include an amount of €8.470k for individually adjusted trade receivables. No individual valuation allowances were made on receivables from related parties or treasury receivables.

The following table presents the range of default rates applied within the Group for the past fiscal year, and the underlying gross receivables used to determine the expected credit loss:

	30 Sep 2019	1 Oct 2018	Gross receivables as of 30 Sep 2019
	in %	in %	in €k
Not overdue	0.1	0.1	160,180
Up to 30 days overdue	0.4	0.4	28,314
31 to 60 days overdue	0.9	1.0	12,959
61 to 90 days overdue	1.7	1.8	7,515
More than 90 days overdue	3.8	3.8	8,730

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 sound financing structure with an equity ratio of 70.1 %, the risk of insolvency is currently considered negligible.

As of 30 September, the Group’s derivative financial liabilities have 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 2019	587,488	587,488	-	-
	30 Sep 2018	361,506	361,506	-	-
Cash inflows	30 Sep 2019	613,398	613,398	-	-
	30 Sep 2018	375,812	375,812	-	-

As of 30 September, the Group’s other financial liabilities have the following maturities:

	End of reporting period	Undiscounted cash flows settled on a gross basis			
		Total	up to 1 year	from 1 to 5 years	due after more than 5 years
		€k	€k	€k	€k
Leasing liabilities	30 Sep 2019	64,979	15,975	31,073	17,931
	30 Sep 2018	10,850	3,529	7,321	-
Loans from banks	30 Sep 2019	192	192	-	-
	30 Sep 2018	288	288	-	-
Other financial liabilities	30 Sep 2019	215,006	6,706	64,200	144,100
	30 Sep 2018	4,912	4,912	-	-

37 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 70.1 % (prior year: 79.1 %) Net debt amounted to €-72,633k (prior year: €-324,263). 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 2019	30 Sep 2018
	€k	€k
Equity (incl. non-controlling interests)	1,416,956	1,314,634
Borrowed capital	605,173	347,418
Total assets	**2,022,129**	**1,662,052**
Cash and cash equivalents	22,639	6,678
Treasury receivables	655,167	665,003
Equity ratio in percent	70.1 %	79.1 %
Net debt	**(72,633)**	**(324,263)**

The dynamic debt ratio, i.e., the ratio of net debt to operative cash flows of the Group amounts to -0.3 years in the course of fiscal year 2018/19 (prior year: -1.7 years). As in the prior year, therefore, existing debts could be settled immediately using cash flows 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 48.8 in fiscal year 2018/19 (prior year: 136.0).

The Company's overall strategy with regard to capital management remained the same as the prior year.

38 Subsequent events

Dividend payments

The Management Board and Supervisory Board propose a dividend payment of €58,136k (€ 0.65 per share). Based on fiscal year 2017/18, a dividend of €49,192k (€ 0.55 per share) was proposed in the fiscal year under review and distributed to the shareholders.

39 Other mandatory disclosures pursuant to Section 315e 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 2018/19 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 President and CEO of Carl Zeiss Meditec AG Area of responsibility: Ophthalmic Systems SBU, Microsurgery SBU Strategic business development, Group functions Communication, MarCom, Digital Innovation Year of first appointment 2007 In addition: Member of the Management 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 Iberia S.L., Tres Cantos, Spain » Chairman of the Board of Directors of Carl Zeiss Meditec Iberia, S.A., Tres Cantos, Spain » Member of the Board of Directors of Carl Zeiss Co. Ltd., Tokyo, Japan » Member of the Board of Directors of Carl Zeiss Meditec Cataract Technology, Inc., Reno, USA (since 15 Dec 2018)	» 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
Jan Willem de Cler Area of responsibility: Group function Human Resources, Global Service and Customer Care, Cultural Development, Training Year of first appointment 2018 (Member of Management Board since 1 Oct 2018)	» President of the Board of Directors of FCI Ophthalmic Inc., Pembroke, USA » Member of the Board of Directors of FCI Sud, Goodlands, Mauritius » President of FCI SAS, Paris, France » Member of the Board of Directors of Hyaltech Ltd., Livingston, UK	none
Justus Felix Wehmer Area of responsibility: Group functions Finance and Controlling, Investor Relations, IT, Legal Affairs, Taxes, Quality, Regulatory Year of first appointment 2018 (Member of Management Board (CFO) since 1 Oct 2018)	» Member of the Board of Directors of Carl Zeiss Meditec, Inc., Dublin, USA (since 1 Oct 2018) » Member of the Board of Directors of Carl Zeiss Meditec Iberia S.A., Tres Cantos, Spain (since 1 Oct 2018) » Member of the Board of Directors of Carl Zeiss Meditec Co. Ltd., Tokyo, Japan (since 1 Oct 2018) » Chairman of the Board of Directors of Carl Zeiss Meditec (Guangzhou) Ltd., Guangzhou, China (since 8 May 2019)	» Member of Management Board of Spectaris e.V.

The total remuneration paid to the active members of the Management Board pursuant to Section 314 (1) No. 6a HGB amounted to €2,286k (prior year: €1,876k). 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 amount to €262k (prior year: €717k). The service cost of active Management Board members was €390k (prior year: €365k). Furthermore, projected unit credits for pensions for former members of the Management Board of Carl Zeiss Meditec amount to €1,416k (prior year: €1,168k).

Supervisory Board

The Supervisory Board of Carl Zeiss Meditec AG had the following members in fiscal year 2018/19:

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 Board of Directors of Carl Zeiss Pte. Ltd., Singapore, Singapore » Chairman of the Board of Directors of Carl Zeiss Far East Co. Ltd., Kwai Fong, NT./ Hong Kong, China » Chairman of the Board of Directors of Carl Zeiss India (Bangalore) Pte. Ltd., India » Chairman of the Supervisory Board of Carl Zeiss SMT GmbH, Oberkochen, Germany (until 31 Oct 2019) » Chairman of the Supervisory Board of Carl Zeiss Industrielle Messtechnik GmbH, Oberkochen, Germany » Chairman of the Board of Directors of Carl Zeiss Co., Ltd., Seoul, South Korea » Member of the Board of Directors of Carl Zeiss (Shanghai) Co., Ltd, Shanghai, China	» 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 » Chairman of the Supervisory Board of Karlsruher Institut für Technologie, Karlsruhe, Germany (since 11 Nov 2019; member since 1 Oct 2019)
Dr. Christian Müller Member of Supervisory Board since 19 Mar 2019 Member of the Executive Board (CFO) of Carl Zeiss AG, Oberkochen, Germany (since 1 Oct 2018)	» Member of Board of Directors of Carl Zeiss Pensions-Treuhand e.V., Oberkochen, Germany (since 1 Oct 2018) » Chairman of the Board of Directors of Carl Zeiss Inc., Thornwood, USA (since 30 Sep 2018) » Member of the Management Board of Carl Zeiss Pensions Trust Properties, Thornwood, USA (since 1 Oct 2018)	none
Thomas Spitzenpfeil Member of the Supervisory Board until 18 Mar 2019 Member of the management/CFO of Schenck Process Holding GmbH, Darmstadt, Germany (since 1 Oct 2018)	none	none
Dr. Markus Guthoff Member of the Supervisory Board since 2004 Member of the Management Board of NATIONAL- BANK AG, Essen, Germany (since 1 Sep 2018)	none	» Member of Supervisory Board of Innovation City Management GmbH, Bottrop, Germany
Tania von der Goltz Deputy Chairwoman (since 10 Apr 2018) Member of the Supervisory Board since 2018 Senior Vice President Global Financial Strategy, Fresenius Medical Care AG & Co. KGaA, Bad Homburg, Germany	none	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
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, Chairwoman of the General Works Council of Carl Zeiss Meditec AG (19 Sep 2019 until 25 Sep 2019)	none	none
Jörg Heinrich* Member of the Supervisory Board until 30 Sep 2019 Chairman of the works Council of Carl Zeiss Meditec AG, Jena, Germany (until 18 Sep 2019) and Chairman of the General Works Council of Carl Zeiss Meditec AG, Jena, Germany (until 18 Sep 2019)	none	none
Renè Denner* Member of the Supervisory Board from 1 Oct 2019 Chairman of the works Council of Carl Zeiss Meditec AG, Jena, Germany (since 19 Sep 2019) and Chairman of the General Works Council of Carl Zeiss Meditec AG, Jena, Germany (since 26 Sep 2019)	none	none

*elected employee representatives

Committees of the Supervisory Board

	Members
Chairman's and Personnel Committee	Prof. Dr. Michael Kaschke, Chairman Tania von der Goltz Dr. Markus Guthoff
Audit Committee	Dr. Markus Guthoff, Chairman Jörg Heinrich (until 30 Sep 2019) Thomas Spitzenpfeil (until 18 Mar 2019) Cornelia Grandy (since 1 Oct 2019) Dr. Christian Müller (since 19 Mar 2019)
Nominating Committee	Thomas Spitzenpfeil, Chairman (until 18 Mar 2019) Dr. Christian Müller, Chairman (since 19 Mar 2019) Dr. Markus Guthoff Prof. Dr. Michael Kaschke

The total remuneration paid to the active members of the Supervisory Board amounted to €279k in fiscal year 2018/19 (prior year: €246k).

Details of the remuneration of the active members of the Supervisory Board are contained in the remuneration report within 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 favour 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.

Auditors' fees

The total fee charged by the Group auditor comprises the following:

	2018/19	2017/18
	€k	€k
Auditing of financial statements	395	327
Other auditing services, other countries	326	307
Other services	2	32
Total	**723**	**666**

Information on shareholdings (consolidated companies)

Name and registered office of the company	Currency	Share of voting capital (in %)	Equity as of 30 Sep 2019 translated at the market rate[27] at the end of the reporting period	thereof profit/loss for fiscal year 2018/19 translated at average annual exchange rate[27]
Carl Zeiss Meditec Inc., Dublin, USA	USDk	100	441,373	11,830
	€k		405,339	10,487
Carl Zeiss Meditec Production LLC, Ontario, USA	USDk	100	17,383	1,146
	€k		15,964	1,016
Carl Zeiss Meditec Asset Management Verwaltungsgesellschaft mbH, Jena, Germany[28]	€k	100	68,394	0
Carl Zeiss Meditec Iberia S.A., Tres Cantos, Spain	€k	100	6,058	970
Carl Zeiss Meditec Co. Ltd. Tokyo, Japan	JPYk	51	4,063,542	433,084
	€k		34,557	3,488
Carl Zeiss Meditec Medikal Çözümler Ticaret ve Sanay A.Ş, Ankara, Turkey	TRYk	100	35,511	6,722
	€k		5,775	1,063
Carl Zeiss Meditec Vertriebsgesellschaft mbH, Oberkochen, Germany[28]	€k	100	23,428	0
Atlantic S.A.S., Périgny/ La Rochelle, France	€k	100	53,556	1,168
HYALTECH Ltd., Livingston, United Kingdom	GBPk	100	11,920	1,513
	€k		13,458	1,711
France Chirurgie Instrumentation S.A.S., Paris, France	€k	100	6,985	1,437
Carl Zeiss Meditec France S.A.S., Marly-le-Roi, France	€k	100	10,045	1,302
Carl Zeiss Meditec S.A.S., Périgny/La Rochelle, France	€k	100	8,085	631
France Chirurgie Instrumentation SUD Ltd., Quatre Bornes, Mauritius	€k	100	2,250	162
France Chirurgie Instrumentation Ophthalmics Inc., Pembroke, USA	USDk	100	4,569	1,770
	€k		4,196	1,569
Ophthalmic Laser Engines LLC, Lafayette, USA	USDk	52	87	-2,141
	€k		80	-1,898
Carl Zeiss Meditec Digital Innovation LLC, Temple, USA	USDk	100	915	0
	€k		840	0
Carl Zeiss Meditec Cataract Technology, Inc., Reno, USA	USDk	100	8,431	-6,635
	€k		7,742	-5,881
Carl Zeiss Meditec Guangzhou Ltd., Guangzhou, China[29]	CNYk	100	68,773	0
	€k		8,842	0

[27] The figures show the values recognized under the respective national accounting standards.

[28] Pursuant to Section 264 (3) HGB and Section 264b HGB, these entities are exempted from the duty to publish their annual financial statements

[29] This company was newly founded during the fiscal year.

Disclosures pursuant to Section 160 (1) No. 8 AktG
Since September 2003 Carl Zeiss AG has held a direct and indirect majority interest in the Company's voting capital below the threshold of 75 % pursuant to Section 33 (1) German Securities Trading Act (WpHG).

Carl Zeiss AG, Oberkochen, Germany informed the Company on 27 October 2006 that the share of the voting rights held by its subsidiary Carl Zeiss Beteiligungs-GmbH, Oberkochen, Germany in Carl Zeiss Meditec AG fell below the threshold of 10 % on 27 October 2006 and amounts to 7.47 % (6,074,256 ordinary shares) from this date. All these voting rights are allocated pursuant to Section 34 (1) Sentence 1 No. 1 WpHG.

Invesco Ltd, Hamilton, Bermuda informed the Company on 3 June 2019 that the share of the voting rights held by its subsidiary Invesco Advisers, Inc. in Carl Zeiss Meditec AG exceeded the threshold of 3 % on 29 May 2019 and amounts to 3.57 % (3,197,302 ordinary shares) from this date.

According to current knowledge, the remaining shares are in free float.

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.

40 Clearance for publication

The Management Board of Carl Zeiss Meditec AG cleared these IFRS consolidated financial statements for submission to the Supervisory Board on 25 November 2019. The Supervisory Board's task is to review the consolidated financial statements and declare whether it approves the consolidated financial statements.

Jena, 25 November 2019
Carl Zeiss Meditec AG

Dr. Ludwin Monz President and CEO	Justus Felix Wehmer Member of the Management Board	Jan Willem de Cler Member of the Management Board

Responsibility statement

pursuant to Section 297 (2) Sentence 4 HGB and Section 315 (1) Sentence 5 HGB

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

Jena, 25 November 2019
Carl Zeiss Meditec AG

Dr. Ludwin Monz President and CEO	Justus Felix Wehmer Member of the Management Board	Jan Willem de Cler Member of the Management Board

Auditor’s report

“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, Jena, and its subsidiaries (the Group) – comprising the consolidated financial statements as of 30 September 2019, the consolidated income statement, consolidated statement of comprehensive income for the fiscal year from 1 October 2018 to 30 September 2019, the consolidated statement of changes in shareholders' equity and the consolidated statement of cash flows for the fiscal year from 1 October 2018 to 30 September 2019 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 2018 to 30 September 2019.

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 315e (1) HGB, and provide a true and fair view of the net assets and financial position of the Group as of 30 September 2019, in accordance with these requirements, and of its results of operations for the fiscal year from 1 October 2018 to 30 September 2019 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 financial statements, complied 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 financial statements and the report on the position of the Company and the Group” in our auditor’s report. 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 2018 to 30 September 2019. 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:

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 consum-ables, is, depending on the type of product, dependent on specific valuation risks concerning the minimum shelf lives of medical devices and marketability parameters.

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, 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:
Within the scope of our audit, 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 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.

Acquisition of Carl Zeiss Meditec Cataract Technology, Inc.
Reasons for the designation as a key audit matter:

On 14 December 2018, Carl Zeiss Meditec, Inc., Dublin, California, USA, signed an agreement for the acquisition of 100 % of the shares in IanTech, Inc., Reno, Nevada, USA. Effective from the same date, the company was renamed Carl Zeiss Meditec Cataract Technology, Inc.

The acquired identifiable assets and assumed liabilities were recognized at fair value at the acquisition date in accordance with IFRS 3 "Business Combinations". The Group engaged external experts to identify and evaluate the acquired assets and assumed liabilities.

The consideration transferred for the takeover of Carl Zeiss Cataract Technology Inc. consisted or a fixed purchase price component as well as contingent considerations. These are performance-related and bound to the achievement of agreed development and sales targets.

Both the identification and valuation of the acquired assets and assumed liabilities, as well as the calculation of the contingent purchase price liability, are complex, and are based on discretionary assumptions of the legal representatives. The valuation-related assumptions pertain to the respective sales and margin planning, as well as the assessment of the feasibility of development projects and the calculation of capital costs.

The accounting treatment of the acquisition of Carl Zeiss Meditec Cataract Technology, Inc. was therefore a key matter within the scope of our audit.

Audit procedure:
We retraced the identification and valuation procedures applied by the Group in consultation with our valuation specialists.

We reconciled the purchase price components based on the underlying purchase agreement.

We retraced the assumptions underlying the calculation of the contingent considerations by reconciling these with the submitted business plans. In addition, we methodically reconstructed the calculation of the contingent considerations.

We compared the assumptions and parameters underlying the capital costs, in particular the risk-free interest rate, the market risk premium and the beta factor, with our own assumptions and publicly available data.

We also acknowledged the information contained in the consolidated financial statements on the acquisition of Carl Zeiss Meditec Cataract Technology, Inc.

Our audit did not give rise to any material objections in respect of the accounting treatment of the acquisition of Carl Zeiss Meditec Cataract Technology, Inc.

Reference to related disclosures:
For information on the accounting and valuation principles applied for business combinations refer to Note 2b in the accompanying notes to the annual financial statements.

Other information
The Supervisory Board is responsible for the Report by the Supervisory Board. The legal representatives are responsible for the other information. The other information comprises the following components intended for use in the annual report, of which we have obtained a version up to the preparation of the auditor's report: financial highlights, letter to the shareholders, Company sites, expert discussion, fiscal year highlights, social commitment, report of the Supervisory Board, the Carl Zeiss Meditec AG share and the responsibility statement.

Our audit opinions on the annual financial statements and the report on the Company and the Group do not extend to the other information, and, accordingly, we do not express an audit opinion or any other form of audit conclusion thereon.

In conjunction with our audit, we have the responsibility to read the other information and, in so doing, to acknowledge whether the other information

» contains any significant inconsistencies with the consolidated financial statements, the report on the position of the Company and the Group or our audit findings, or

» appears to be otherwise materially misstated.

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 pursuant to Art. 315e (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 at the 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 Company and is consistent, in all material respects, with the consolidated financial statements 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 applicable 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 annual 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 pursuant to Section 315e (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 auditor’s report, 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 19 March 2019. We were engaged by the Supervisory Board on 09 August 2018. We have been working continuously as auditor of Carl Zeiss Meditec AG's consolidated financial statements since fiscal year 2012/2013.

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).

We provided the following services, which are not stated in the consolidated financial statements or in the report on the position of the Company and the Group, in addition to the audit for the audited entity or entities controlled by it:

Audit review of IFRS Reporting Package of Carl Zeiss Meditec AG and Carl Zeiss Meditec, Inc. as of 31 March 2019.

Responsible auditor
The auditor responsible for the audit is Dominique-Andre Bendler."

Eschborn/ Frankfurt am Main, 25 November 2019

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft (Chartered Accountants)

Bendler	Schoenfeldt
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Financial calendar Imprint/Disclaimer

Financial calendar 2019/20

Publication of 3-month report Q1 and Analyst Conference
10 February 2020

Annual General Meeting, Weimar
24 March 2020

Publication of the First-Half Financial Report and conference call
11 May 2020

Publication of 9-month report Q3 and conference call
7 August 2020

Publication of annual financial statements and Analyst Conference
11 December 2020

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The Annual Report 2018/19 of Carl Zeiss Meditec AG is available 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.

Not all products are approved in all markets, the approval markings and instructions may vary from country to country. Please refer to the respective country website for more product-specific information. Subject to changes in design and scope of delivery of the products and further technical development.

Apparent addition discrepancies may arise throughout this annual 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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