Fiscal year 2017/18 Carl Zeiss Meditec Group

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Financial highlights
(IFRS)

	2017/18		2016/17		2015/16	
	€m	%	€m	%	€m	%
Revenue	**1,280.9**	**100**	1,189.9	100.0	1,088.4	100
Research and development expenses	**159.6**	**12.5**	145.8	12.3	123.4	11.3
EBIT	**197.1**	**15.4**	180.8	15.2	154.3	14.2
Consolidated profit[1]	**126.2**	**9.9**	135.8	11.4	100.0	9.2
Earnings per share[2] **(in €)**	**1.41**		1.57		1.21	
Dividend per share (in €)	**0.55**[3]		0.55		0.42	
Cash flows from operating activities	**187.2**		37.7		111.8	
Cash flows from investing activities	**-28.9**		-55.9		77.3	
Cash flows from financing activities	**-157.2**		14.5		-195.0	
Total assets	**1,662.1**	**100**	1,623.1	100.0	1,247.7	100
Property, plant and equipment	**62.6**	**3.8**	58.7	3.6	64.5	5.2
Equity	**1,314.6**	**79.1**	1,241.7	76.5	851.2	68.2
Net cash[4]	**670.0**	**40.3**	565.0	34.6	334.6	26.8
Employees at end of reporting period (30 September)	**3,048**		2,958		2,910	

[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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"If we open up our world, then we can come up with entirely different solutions that will, in turn, help us in everyday life at the clinic."

Prof. Dr. Med. Daniel Pauleikhoff, Chief Physician of the Eye Center at St. Franziskus-Hospital of Münster and Professor of the Faculty of Medicine of the University Essen-Duisburg.

Carl Zeiss Meditec AG provides innovative products for the diagnosis and therapy of serious medical conditions, such as diabetic retinopathy or brain tumors. The Company helps to address the challenges facing the health care systems, such as rapidly increasing patient numbers, rising costs and the provision of health care in remote regions. How can digitalization or other innovative technologies be used to overcome these challenges? Which imaging procedures may be used to assist in the early detection and diagnosis of diseases? Can digital tools be used as useful intraoperative decision aids for surgeons? To what extent do digital technologies enable efficient workflows?

Another issue for the future is how to network patients and doctors much more closely. Dr. Ludwin Monz, President and CEO of Carl Zeiss Meditec AG, spoke to the Chief Physician of the Eye Center at St. Franziskus-Hospital Münster, Prof. Dr. med. Daniel Pauleikhoff, about the opportunities this presents and what new approaches there are in this respect.

Letter to the shareholders

Ladies and Gentlemen,
dear Shareholders,

Carl Zeiss Meditec is a technology driver in the medical technology industry. We contribute to medical advancement with our innovations, and help health care providers to improve the quality of life of their patients. A good understanding of trends and customer requirements, a good feeling for future technologies and a long-term outlook are crucial for the success of our business. The challenge is to shape the future together with health care providers, health insurance companies and patients. It takes vision and courage to move in new directions and turn ideas into reality.

Dr. Ludwin Monz

As a technology leader, ZEISS has repeatedly set standards in medical technology. As a result, diagnoses can be made sooner and with greater precision, and treatment outcomes can be continuously improved. Given the further rise in patient numbers, it is also becoming more and more crucial to curb the development of costs in the health care system. ZEISS is helping to improve efficiency in hospitals and medical practices with its digital solutions.

Recently, Carl Zeiss Meditec launched a number of new products. The state-of-the-art robotic visualization system KINEVO® 900 for microsurgery was launched back in 2017. This product, which was developed together with leading neurosurgeons is enjoying an excellent response in the market and became one of the sales drivers of the Microsurgery business unit in the year under review. The new TIVATO™ 700 visualization system, which we introduced to spine surgery experts in the fiscal year under review, and which also makes innovative robotic technologies available for this field, is clearly also extremely promising.

Medical progress requires not only innovative technologies, but, above all, time to obtain regulatory approvals in the markets, time to prove itself in clinical trials and time to establish itself through the training of physicians. The SMILE® procedure developed by ZEISS for the minimally invasive correction of ametropia is one good example of this. Since its market launch in 2011, more than 1.5 million eyes have been treated with this procedure. The FDA (Food and Drug Administration) granted the product regulatory approval in the USA in October 2018, now also for the correction of astigmatism.

A major step forward has also been taken in the area of ophthalmic diagnostics. The ultra-wide-angle fundus camera CLARUS™ 500 enables the capture of brilliant, true-color, high-resolution images of the entire fundus, right to the periphery of the eye. This enables the physician to assess a large number of retinal diseases, such as age-related macular degeneration – one of the most common retinal diseases in industrialized countries[5] – or diabetic retinopathy.

[5] R. D. Jager et al.: Age-related macular degeneration. In: N._Engl._J._Med." 358 (24), (2008), p. 2606 -2617

Another innovation presented for the laser therapy of retinal diseases was a new generation of the ZEISS photocoagulation laser. VISULAS® green provides the physician with an uninterrupted, efficient and safe workflow.

An important step in the field of cataract surgery was the acquisition of IanTECH, Inc., announced in October 2018. This company develops innovative technologies for removing the eye's natural lens. We are confident that IanTECH's technological platform holds significant future potential for cataract surgery and will put ZEISS in an excellent market position.

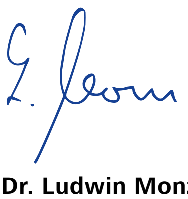
Outside of medical technology, too, we are seeing how digitalization is changing our world. The networking of health care providers, health insurance companies and patients, and the use of data, are opening up entirely new possibilities within the medical field. The aim is to address the major challenges facing the health care systems, such as rapidly rising patient numbers, exploding costs and a growing demand for health care in remote regions. ZEISS is very active in the digitalization of medicine. Products such as the data management and data analysis system FORUM or the VisuHealth platform for networking patient and physician, are initial examples.

I spoke to Prof. Dr. med. Daniel Pauleikhoff about the use of clinical data in our expert discussion. He says: "We should be able to evaluate data that we generate using our current diagnostic procedures in such a way that we can describe pathological changes and make relevant propositions for therapy." Prof. Pauleikhoff is Chief Physician of the Eye Clinic at St. Franziskus-Hospital in Münster and a specialist in macular degeneration.

Business success is driven by innovations, but also depends on many other factors. Carl Zeiss Meditec is customer-oriented and is strengthening its sales and service organization. Our efforts are paying off: I am delighted to be able to inform you that, with currency-adjusted revenue growth of around 11 percent, we once again have a very successful fiscal year behind us and yet again grew significantly faster than our markets. All strategic business units and regions contributed to this success.

Dear Shareholders, I would like to thank you for putting your trust in Carl Zeiss Meditec AG, also on behalf of my new colleagues on the Management Board, Justus Felix Wehmer and Jan Willem de Cler. We shall continue to work together as a team for the success of the Company in the new fiscal year. We look forward to continuing to shape medical technology with you at our side.

Looking to the future with optimism



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

Justus Felix Wehmer
Member of the Management Board

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

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

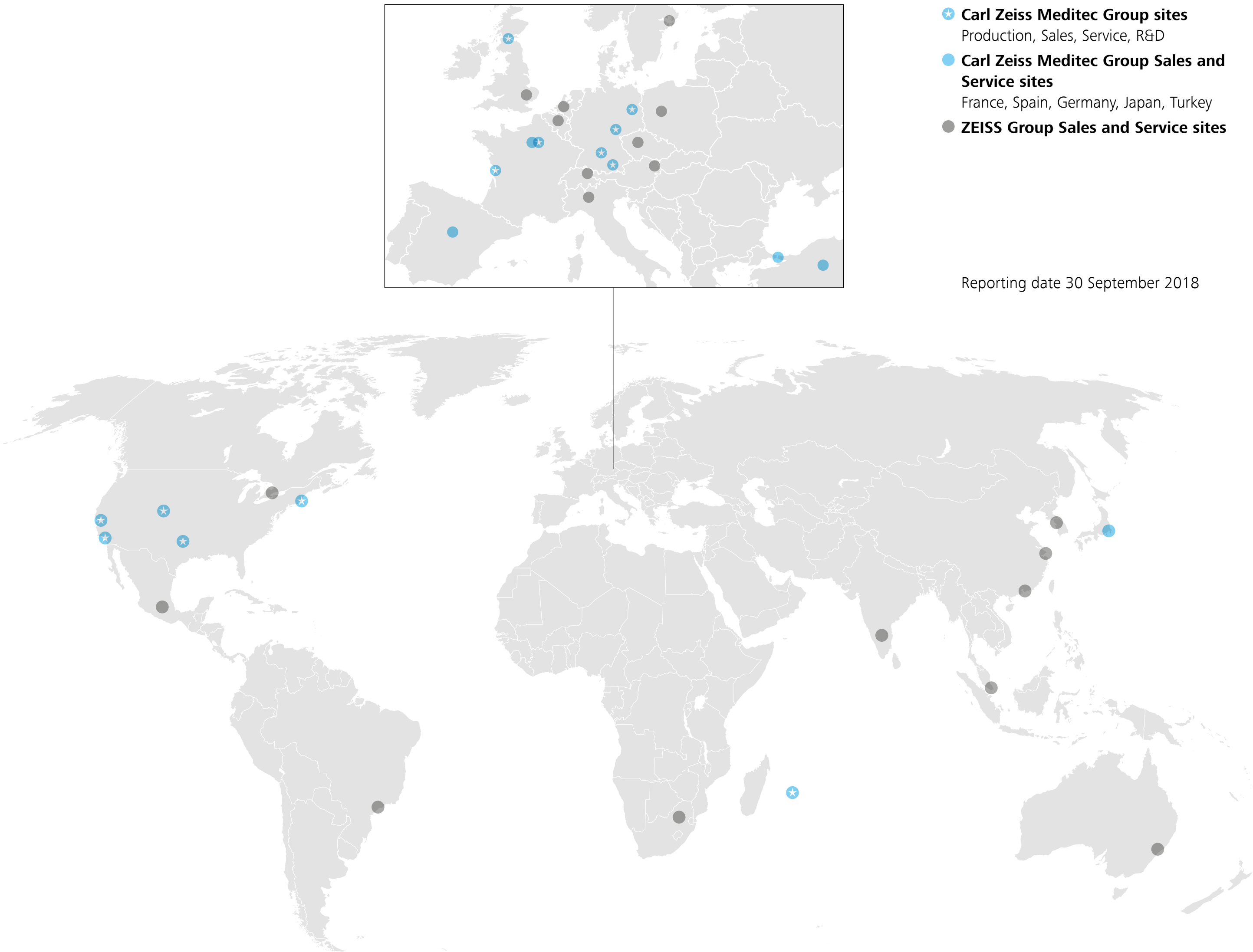
Jan Willem de Cler
Member of the Management Board

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

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 sales network of the ZEISS Group, with around 60 sales companies, thus ensuring itself customer proximity and a crucial advantage over international competitors. Aside from its own research and development locations, the Carl Zeiss Meditec Group also has access to the expertise of the ZEISS Group. Of the around 25 research and development locations of the ZEISS Group worldwide, China and India, in particular, are important research centers for the Carl Zeiss Meditec Group. These offer the possibility of working with the customers on site, in order to gain a comprehensive understanding of the market and develop specific products that are tailored to market requirements.



Expert Dialogue

"We can expect a lot in the next 20 years",

said Dr. Ludwin Monz, President and Chief Executive Officer of Carl Zeiss Meditec AG, in conversation with the Chief Physician of the Eye Center at St. Franziskus-Hospital in Münster Prof. Dr. med. Daniel Pauleikhoff.
They talked about the challenges and opportunities in health care – and the role of digitalization and artificial intelligence in future.

Prof. Dr. med. Daniel Pauleikhoff: *The situation in medicine is a bit like our smartphones – the things that are possible today are far beyond what I could have imagined five or ten years ago. And that's not that long ago. I have experienced such quantum leaps in medicine multiple times. One example is OCT diagnostics, …*

Dr. Ludwin Monz … which is only 20 years old.

Pauleikhoff: *Yes, which means the development labs will once be again a few years ahead of what we are currently seeing. And then, all of a sudden, there will be quantum leaps that will change the world.*

Monz: Digitalization, also referred to as Industry 4.0, will be a part of this – the fourth industrial revolution. The first three industrial revolutions, from the development of the steam engine and the conveyor belt, to the computer, have each endured for 60-70 years. The fourth has only just begun. We are still at the early stages. And if we maintain this rhythm, it will last for around the next 70 years. Our world will change fundamentally in this time, also through the use of data. The question for ophthalmology is: How can we use the patient data generated by the devices to enable medical progress? Things are only getting started in this respect. We are only on the threshold of just starting to think about it. Artificial intelligence and the technologies for it are only just being created. I, personally, believe that we can expect a lot from the next 20 years.

Pauleikhoff: *I totally agree. It might be possible to evaluate data that we generate with our current diagnostic procedures in such a way that we will be able to describe pathological changes and therefore be able to make relevant propositions for therapy.*
We might also be able to review the care of chronic illnesses with the data we obtain. And thus discover potential for improvement that we were previously completely unaware of.
Monz: Machine learning will also change the role of the physician in ophthalmology. Right now, for example, physicians evaluate diagnostic images themselves; in future, this will be done by an algorithm. Discussing the results with the patient will, however, still be the physician's responsibility in future. And the physician will then have more time to do this than in the past. Artificial intelligence will not replace the physician.

Pauleikhoff: *Moreover, the physician will gain another tool for making the doctor-patient relationship more effective. The recommendations and treatments will be much more tailored to the respective patient due to artificial intelligence.*
Monz: Ultimately, the data of the masses will be used to filter out the best for the individual. For me, digitalization is not the driver of change, however; rather, it helps to address future challenges – such as the increasing aging of the population. The number of patients is rising dramatically, but the number of doctors has remained pretty much the same, or is declining slightly. This puts enormous pressure on the health care system.
The question is: How can we counter this pressure? Digitalization will make it possible to care for a larger number of patients with less effort and expense.

Pauleikhoff: *For this to happen, we doctors must also change our workflows. We should adapt to the new medical requirements. The organization will have to follow medicine and not the other way around. I have taken experiences from my time in England and applied them to our eye clinic, and have achieved a 50 percent increase in efficiency for a normal retina consultation. Without any loss in quality, but simply by delegating steps to medical support and nursing staff. This relieves the physician's burden. This is how technological advancement helps.*
Monz: It is encouraging that huge effects can be achieved with relatively simple changes. I find it useful to borrow from other countries and health care systems and to analyze how system efficiency increases were achieved there.

Pauleikhoff: *Changes require a high degree of communication and open-mindedness, not just continuing with the status quo. In this context, wishes are being expressed to the medical technology manufacturers that they design open*



"Treatments will be much more tailored to the respective patient due to artificial intelligence."
Prof. Dr. Daniel Pauleikhoff

Dr. Ludwin Monz met Prof. Dr. Daniel Pauleikhoff at the ZEISS location in Berlin for the expert discussion.
Carl Zeiss Meditec develops, produces and markets in particular intraocular lenses at this site.

systems rather than their own small and closed world. If we open up our world, then we can come up with entirely different solutions that will, in turn, help us in everyday life at the clinic. We users must speak to your developers about clinically relevant data, so that your products deliver this to us.

Monz: As medical technology providers, we contribute our technological expertise to contribute to advances in medicine. There are many good examples, however, that show that the kind of collaboration you spoke about is necessary to achieve this. Successes can only be achieved when the technological view and the medical view unite. It is becoming increasingly evident that the most diverse disciplines should work together. This means that we look at a medical problem from various perspectives, such as from the chemist's or the physicist's point of view. This way, completely different ideas are conceived. Cooperation is what is needed, not silos.

Pauleikhoff: *Yes, I think that both specialist knowledge and cross-networking are needed. We have set up an initiative called "AMD-Netz" (Age-related Macular Degeneration Network). This initiative was developed with a professor of Business Administration, who himself suffers from age-related macular degeneration (AMD). We have sponsored two doctorates on this subject, to enable us to assess what is relevant, what the patients' wishes are and where the treatment deficits lie. These dissertations formed the basis for the development of the AMD Network and its modules.*

Monz: We should also focus more on the opportunities presented by digitalization. Very often, we are driven by the fear of data misuse, and are not sufficiently inspired by the vision of what this technology can do. This is decidedly different in other cultures. We should not ignore data protection, of course. On the contrary: this issue requires a lot of attention. But to use it as an argument for not getting involved with the technologies of

"We should focus more on the opportunities presented by digitalization. Very often, we are driven by the fear of data misuse, and are not sufficiently inspired by the vision of what this technology can do."
Dr. Ludwin Monz

"I have a lot of faith in our young people; they take an entirely different approach to these issues. Young people find creative solutions, where my generation often sees problems."
Prof. Dr. Daniel Pauleikhoff

the future, or even to condemn them, is totally misguided in my opinion.

Pauleikhoff: *I agree. We as physicians and you as medical technology providers should show in concrete terms, in the public discussion, what digitalization is all about and highlight the massive opportunities it holds. We must also work together to build trust, by treating patients humanely and empathetically and showing them what we do for them, as a whole.*
Monz: We should be clear that we will always be faced with challenges. Things will happen that we cannot predict. The future challenges are obvious.

Pauleikhoff: *I have a lot of faith in our young people; they take an entirely different approach to these issues. Young people find creative solutions, where my generation often sees problems. Their world is completely different to the one I grew up in, and worked and researched in.*
Monz: Ultimately, it means that we must involve young people very closely in shaping the future, because they have quite a different perspective on these things.

Improving the treatment of patients with innovations

ZEISS Medical Technology helps doctors to streamline their workflows and improve the quality of life of their patients. For decades, the Company has been shaping medical progress with its customer-oriented solutions. For ZEISS, innovations are an investment in the future, as shown by new developments for digital biopsy or ultra-wide-angle imaging, for example.

Workflow efficiency in laser treatment
One approach for treating retinal diseases is photocoagulation. This method is applied, for example, in the treatment of diabetic retinopathy. A therapeutic laser is used, for example to seal off retinal blood vessels and thus reduce the risk of bleeding. The physician will usually direct the laser beam into the patient's eye via the slit lamp.

The Company has presented the next generation of ZEISS photocoagulation lasers with the launch of VISULAS® green. The special feature of ZEISS VISULAS green: If the physician has to readjust the laser power during the treatment, he or she can do this without having to look at the control panel, because the most important treatment settings are displayed to the physician digitally, directly in the slit lamp via the InsightView Display. This not only offers the physician an uninterrupted workflow, but also means that the physician constantly has the patient's eye being treated in view during the laser treatment.

It is estimated that one in every

90

blind people went blind as a result of diabetes. In fact, diabetic retinopathy is the most common cause of blindness in Europe and North America in people aged between 20 and 65.[6]

More than

1,500,000

eyes have been treated using the minimally invasive SMILE procedure. In an eye operation using the SMILE® procedure, physicians correct the patients' refractive errors, referred to by professionals as myopia and astigmatism, using the femtosecond laser VisuMax®. The laser technology used in this device to generate ultrashort laser pulses, called "Chirped Pulse Amplification", was developed in the 1990s by Dr. Gérard Mourou and Dr. Donna Strickland, and was recently awarded the Nobel Prize for Physics in 2018. When justifying the relevance of this invention, the Nobel Prize Committee cites the SMILE procedure.

Ultra-widefield fundus imaging
Early signs of an eye disease are often found in the extreme periphery of the retina. This is where the latest generation of the ultra-widefield fundus imaging by ZEISS comes in: CLARUS™ 500 provides ophthalmologists with even more details, thanks to true-color, high-resolution fundus images with an ultra-wide field of view. The system allows clinicians to track and monitor subtle changes in pathology over time - such as in diabetic retinopathy.

Digital visualization

The new TIVATO™ 700 is specially designed for the requirements of spine and ENT surgeons. In addition to excellent optics, digital solutions and a high degree of flexibility were also included on the list of customer requirements that were taken into consideration when developing this state-of-the-art visualization platform. The microscope arm of the ZEISS TIVATO 700 is designed to allow an extended working distance and optimum headroom. This means that the device makes it possible to work in many different positions. Robotic technology holds the ZEISS TIVATO 700 stable and any vibrations are actively damped.

The ZEISS TIVATO 700 is also designed as an all-time digital visualization platform, which supports, for example, the transfer of data and image documentation during the entire surgical workflow, by being connected into a hospital's IT structure.

More than

2,000

ZEISS fluorescence options have been implemented in neurosurgical clinics worldwide. ZEISS was initially granted regulatory approval for the use of fluorescence technology in neurosurgery in 2007. ZEISS now also offers this intraoperative decision aid for dentistry, as well as for spine and ENT surgery. The new ZEISS TIVATO 700, for instance, provides fluorescence options for assessing vascular patency.

Neurosurgeons use ZEISS visualization systems in around

10,000,000

surgeries performed around the world every year.

Digital biopsy

For decades, neurosurgical procedures have been performed using ZEISS visualization systems. These have always been developed in close collaboration with users, in order to meet the high demands of neurosurgery. With surgeon-controlled robotics, digital hybrid visualization and the micro-inspection tool QEVO®, the Robotic Visualization System™ KINEVO® 900 launched by ZEISS in 2018 brings new functionalities to microsurgery, which assist users during complex operations. A cutting-edge technology that offers neurosurgeons a higher level of safety in an almost seamless workflow, and greater surgical certainty.

The ZEISS CONVIVO offers a visualization enhancement, which may be used for brain tumor resection. Neurosurgeons and pathologists will be able to perform a "digital biopsy". This digital biopsy tool makes it possible to visualize the tissue microstructure in real time, and allows an almost infinite number of samples to be examined directly in situ. The digital images captured are saved and are available for data analysis – anytime, anywhere.

[6] www.cbm.de and Jack Kanski: Klinische Ophtalmologie. 8. Auflage. München 2017

Training is an investment in the future

Supporting the training and further education of ophthalmologists is a core element of ZEISS Medical Technology social commitment. Good access to ophthalmic care in every part of the world is not only ethically imperative, but also makes sense from an economical perspective. Every euro that helps to save eyesight around the world ensures economic growth and pays off fourfold.[7]

View of the new phaco training center in Asunción (Paraguay), for which ZEISS donated two surgical microscopes and two phaco systems, among other things. © CBM/Fundación Visión

Training and education are the key to fighting preventable blindness
36 million people worldwide are blind.[8] Around 80 percent of blindness in the world is preventable, according to estimates of the World Health Organization (WHO).[9] Carl Zeiss Meditec's contribution in the fight against preventable blindness has been to fund, since 2005, five diagnostic, therapy and training centers for ophthalmology in Bandung (Indonesia), Ibadan (Nigeria), Moshi (Tanzania), Asunción (Paraguay) and Khartoum (Sudan), along with the International Agency for Prevention of Blindness (IAPB) and the Christoffel-Blindenmission (CBM). These centers give people living in these regions access to state-of-the-art medical technology. However, it is not just about having the latest medical technology, but also about creating places where training is given on how to use modern medical technology and then put it into practice.

Just how effective such a training center for ophthalmology can be is shown by the training center opened in Asunción (Paraguay) in 2013. In 2017 alone, a total of 19 doctors treated almost 5,000 patients for cataracts.

Together with the IAPB, CBM and local partner Fundación Visión, ZEISS was able to further expand the training center in Asunción in fiscal year 2017/18, thanks to sustainable cooperation. Doctors, nursing staff, as well as technicians from all over South America were trained in phacoemulsification in the new phaco training center. Phacoemulsification is the step during eye surgery, in which the natural lens of the eye, which has become clouded due to cataracts, is emulsified using an ultrasound device and sucked out. An artificial intraocular lens is then implanted inside the empty capsular bag.

Patients are usually quickly able to care for themselves again after cataract surgery and contribute to the gross domestic product of their respective country. Carl Zeiss Meditec hopes that the expansion of the training center in Asunción will improve the quality of life of more people from the region of South America. Other centers, such as a new phaco center in India, are already under construction.

© CBM/Fundación Visión

In line with the motto of "Helping People to Help Themselves", ZEISS has equipped five diagnostic, therapy and training centers for ophthalmology worldwide since 2005, in which physicians are trained on state-of-the-art equipment, to enable them to diagnose and treat eye diseases using modern and reliable technology. In order to provide medical care in economically disadvantaged regions, ZEISS relies on sustainable cooperation with international organizations, such as the IAPB and the CBM.

[7] PriceWaterhouseCoopers, on behalf of CBM, Investing Vision (2013)
[8] Bourne, R. A. et al.: Magnitude, temporal trends, and projections of the global prevalence of blindness and distance and near vision impairment: a systematic review and meta-analysis. In: The Lancet, Global Health, Volume 5, No. 9, e888–e897, September 2017 www.thelancet.com/journals/langlo/article/PIIS2214-109X(17)30293-0/fulltext
[9] Blindness: Vision 2020 - The Global Initiative for the Elimination of Avoidable Blindness. Fact Sheet Number 213 (www.who.int/mediacentre/factsheets/fs213/en/)

"The ICO Fellowship opens up new perspectives and perceptions, the diversity of which we young ophthalmologists benefit from. The opportunity to be able to expand our knowledge is extremely valuable."
Dr. Tumenjargal Lkhagvatseren

To offer outstanding young doctors the opportunity to further their education internationally – ZEISS supports this objective of the ICO Fellowship Program. Mongolian ophthalmologist Dr. Tumenjargal Lkhagvatseren is currently an ICO Fellow. In an interview, she talks about the opportunities that the fellowship opens up to young doctors.

How valuable are programs such as the fellowship offered by the International Council of Ophthalmology (ICO) for young ophthalmologists?
Dr. Tumenjargal Lkhagvatseren: Participating in this fellowship program provides insights into the health care systems of industrialized countries. As young ophthalmologists, we gain an understanding of how diseases are dealt with in other countries, what different approaches there are, and which therapies doctors decide to use. At the end, we have a clearer picture of what we already know and about which areas we can still expand and improve our knowledge in. This is a massive opportunity and it expands one's own knowledge horizon considerably.

What was your favorite moment of your fellowship program when you look back?
Dr. Lkhagvatseren: My colleagues and I took part in an event dedicated to amblyopia and strabismus in small children up to six years of age. What impressed me was how the doctors dealt with the children. They told the children jokes and made them laugh to take away their fears and anxiety. I will try to do the same for my little patients when I am working as a doctor in Mongolia.

What are your goals for when you return to Mongolia?
Dr. Lkhagvatseren: 30 percent of the Mongolian population is under the age of 15 and many children have a visual impairment. There is a general need in my home country for an expansion of ophthalmic care. I would like to take the knowledge and experience gained during my fellowship and use it to treat amblyopia, especially in children. If we can manage to diagnose and treat visual impairments in children up to the age of six, that would be an important step.

The International Council of Ophthalmology (ICO) has been enabling young doctors from developing and emerging countries to complete hospital residencies in Europe since 2001. Carl Zeiss Meditec AG regards the ICO Fellowship Program as a responsible and particularly effective initiative for the further training of these doctors, and has supported as many as eight fellowships since 2012.

Report of the Supervisory Board

Dear Shareholders and Friends of the Company,

The Carl Zeiss Meditec Group continued its growth trend consistently in fiscal year 2017/18 and achieved strong results. Compared with previous years, growth even accelerated and significant innovations were brought to market. At the same time, the Group succeeded in reinforcing its market position in both ophthalmology and in microsurgery, and once again achieved growth rates that outstripped market growth. With its focus on customers and innovative strength, Carl Zeiss Meditec AG has continued to develop into a competent solutions provider and partner to physicians over the past few years. The work of the Supervisory Board has helped to support the positive developments in operative business.

Prof. Dr. Michael Kaschke
Chairman of the Supervisory Board

The main focal points during the fiscal year under review were to assist the Management Board with the continuation and further development of the Group’s strategic orientation. Resolutions were also passed on the new formation of the Management Board and associated structural changes, with effect from 1 October 2018.

I am delighted to have Ms. Tania von der Goltz supporting us with her extensive industry expertise as a new member of the Supervisory Board since the last fiscal year.

In fiscal year 2017/18 the Supervisory Board conscientiously fulfilled the duties incumbent upon it according to the law, the Company's Articles of Association and rules of procedure. The Supervisory Board therefore kept itself regularly and comprehensively up to date about all events and business transactions of relevance for the Company, and monitored and supported the work of the Management Board in an advisory capacity. The subject of the written and verbal reports from the Management Board was the economic situation and the development of the Group's business, as well as its individual strategic business units, including their further strategic development. The Supervisory Board also addresses the position of the Group as a whole in terms of 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 2017/18.

Focus of the deliberations and audits of the Supervisory Board
During the past fiscal year the Supervisory Board convened at five ordinary meetings in which the members of the Management Board also participated. The meeting on 22 January 2018 was held as a conference call. Extraordinary meetings on 12 July 2018 and 27 September 2018 were also conducted as conference calls.

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

During the meeting to adopt the consolidated and annual financial statements for fiscal year 2016/17 on 7 December 2017, the declaration of conformity to the recommendations of the German Corporate Governance Code was also resolved. In addition, the proposal to the Annual General Meeting for the resolution on the appropriation of net retained profits was adopted, and a resolution was passed on the remuneration of the Management Board. The Supervisory Board meeting also passed a resolution on the amount of annual bonuses to be paid to employees of foreign subsidiaries.

During the conference call meeting of the Supervisory Board on 22 January 2018, Mr. Spitzenpfeil was elected Deputy Chairman of the Supervisory Board. The agenda for the Annual General Meeting on 10 April 2018 was also adopted, and the proposal of the Nominating Committee to nominate Ms. von der Goltz for ordinary election to the Supervisory Board at the Annual General Meeting was passed.

During the Supervisory Board meeting on 10 April 2018, Ms. von der Goltz was elected Deputy Chairwoman of the Supervisory Board, thus succeeding Mr. Spitzenpfeil. Ms. von der Goltz was also elected as a member of the Chairman's and Personnel Committee. In addition, the Supervisory Board addressed the status of strategic business development projects.

Strategic business development in various markets and business units was discussed at the meeting on 11 June 2018.

The Supervisory Board meeting on 12 July 2018 agreed to the early termination of contract for Dr. Christian Müller, the Group’s CFO, effective 30 September 2018. Dr. Müller took up his new position as Chief Financial Officer of Carl Zeiss AG on 1 October 2018. Mr. Justus Felix Wehmer was appointed as his successor, effective 1 October 2018. In addition, the Management Board was expanded with the appointment of Mr. Jan Willem de Cler, effective 1 October 2018. The meeting also stipulated the term of the contracts and the remuneration of the two new members of the Management Board.

The Supervisory Board meeting on 10 September 2018 resolved upon the budget for fiscal year 2018/19 and adopted the allocation of responsibilities of the Management Board as from 1 October 2018.

On 27 September 2018 there was an extraordinary conference call meeting of the Supervisory Board to discuss a strategic project.

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

The 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 Chairman’s and Personnel Committee convened at five meetings during the past fiscal year. The topics discussed at these meetings included the personnel changes on the Management Board. The objectives for the members of the Management Board and the remuneration thereof were also addressed.

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

In the event of the appointment of new Supervisory Board members, the Nominating Committee proposes suitable candidates to the Supervisory Board for its candidate proposals to the Annual General Meeting. During the reporting period, the Nominating Committee convened at one meeting to discuss the replacement of a member of the Supervisory Board.

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 the Carl Zeiss Meditec AG website at www.zeiss.com/meditec-ag/investor-relations.html within the “Corporate Governance” section.

Audit of the annual and consolidated financial statements 2017/18
The Annual General Meeting on 10 April 2018 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 10 August 2018 the Supervisory Board engaged EY to audit all of the financial statements and management reports for fiscal year 2017/18, including the dependent company report on relationships with associated companies of Carl Zeiss Meditec AG pursuant to Section 312 AktG.

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

EY audited the annual financial statements and consolidated financial statements, as well as the associated management reports for fiscal year 2017/18, 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 2018, 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 5 December 2018. 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 5 December 2018.

Dependent company report
Given that Carl Zeiss Meditec AG is a company within Carl Zeiss AG, the Management Board of Carl Zeiss Meditec AG prepared a report, pursuant to Section 312 AktG, on relations with associated companies in fiscal year 2017/18, which states that – under the circumstances known to the Management Board at the time the legal transactions were concluded – Carl Zeiss Meditec AG received an appropriate consideration for each of the transactions listed and that reportable measures were neither implemented nor omitted in the fiscal year. After conducting its audit EY issued the report with the following audit certificate pertaining to the correctness of the actual disclosures and the appropriateness of the Company's compensation with respect to the legal transactions listed:

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

At the meeting on 5 December 2018 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

Based on the proposal of the Nominating Committee and taking into consideration the objectives resolved by the Supervisory Board for its composition on 17 September 2015, Ms. Tania von der Goltz was proposed on 22 January 2018 for ordinary election at the Annual General Meeting 2018. Ms. von der Goltz thus succeeded Dr. Carla Kriwet, who had been a member of the board since 2014 and who had stepped down from office effective 31 December 2017. Ms. von der Goltz was elected as an ordinary member of the Supervisory Board at Carl Zeiss Meditec AG's Annual General Meeting on 10 April 2018. She was appointed Deputy Chairwoman of the Supervisory Board and as a member of the General and Personnel Committee at the Supervisory Board meeting on 10 April 2018.
As already mentioned, there were also some personnel changes on the Management Board. The appointment of Dr. Christian Müller as Chief Financial Officer and his Management Board contract were both terminated prematurely by mutual agreement, effective 30 September 2018. Dr. Müller took up his new position as Chief Financial Officer of Carl Zeiss AG on 1 October 2018.
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 Co-Director of the Microscopy division within the ZEISS Group and acted as Managing Director of Carl Zeiss Microscopy GmbH. He succeeds Dr. Müller as CFO. 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

For years the medical technology market has benefited from demographic trends and the associated increased incidence of age-related illnesses. At the same time, patients' expectations of medical treatments and, consequently, the demands put on medical equipment by physicians, are increasing.
In the Supervisory Board's opinion, the Carl Zeiss Meditec Group is well equipped, with its highly innovative and diversified product portfolio, to continue to grow its strong market position in future and overcome the challenges in the years ahead.

I would like to take this opportunity, on behalf of the entire Supervisory Board, to say a special thank you to the members of the Management Board of Carl Zeiss Meditec AG and to all employees of the Carl Zeiss Meditec Group. Your tremendous dedication and strong commitment in fiscal year 2017/18 has once again contributed to this successful development.

Jena, 5 December 2018
On behalf of the Supervisory Board

Prof. Dr. Michael Kaschke
(Chairman)

The Carl Zeiss Meditec AG share
Fiscal year 2017/18

General development of the capital market

The global stock markets developed favorably during fiscal year 2017/18. In spite of economic and political uncertainties, due, among other things, to different positions on trade issues between China and the USA and between the USA and the eurozone, fiscal year was characterized by a positive economic and profit trend.

The German benchmark index, the DAX, failed to rise overall in fiscal year 2017/18; rather, it fell by 5% to 12,247 points. The U.S. benchmark index, S&P 500, however, rose by 16%, to 2,914 points.

The TecDAX, whose 30 stocks also include the Carl Zeiss Meditec AG share, also performed well, increasing by 15% compared with the start of the fiscal year, to 2,813 points as of 30 September 2018.

On 24 September 2018 Carl Zeiss Meditec AG was admitted to the SDAX, which showed a slight loss of almost 1% at the end of September 2018, to 11,864 points, compared with the start of the fiscal year.

The Carl Zeiss Meditec share price exhibited a positive trend. Carl Zeiss Meditec AG shares finished trading at a closing price[10] of €72.50. The increase in the share's value since the beginning of fiscal year 2017/18 amounted to 63%.

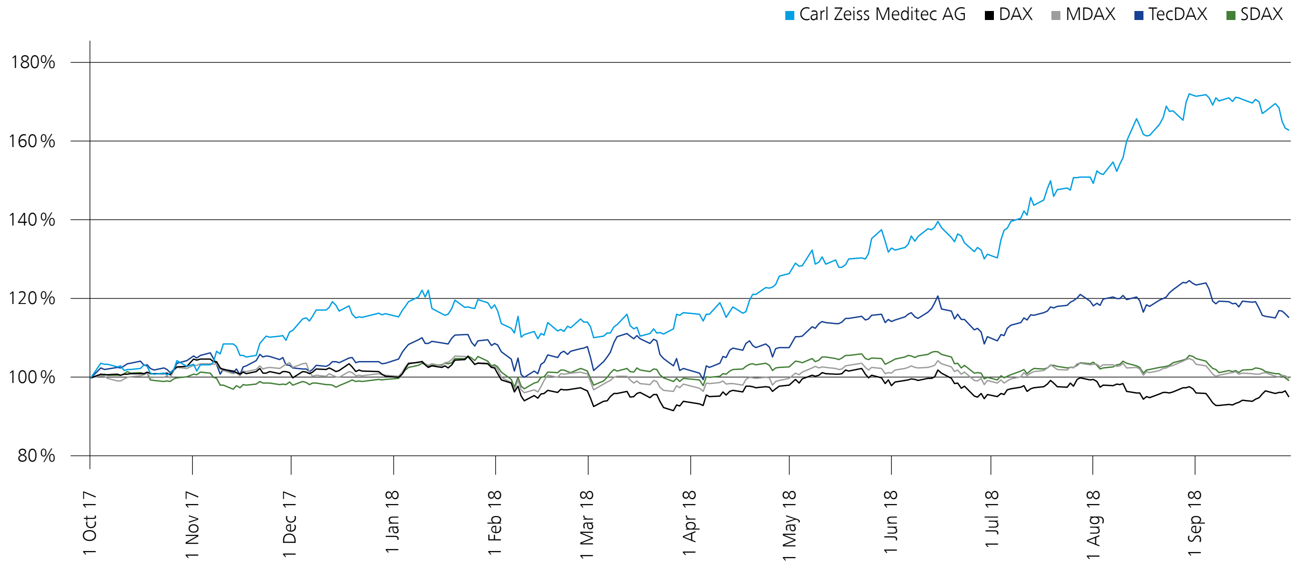
Performance of the Carl Zeiss Meditec share

On the first day of trading of the new fiscal year, the Carl Zeiss Meditec AG share opened at a price of €44.51.

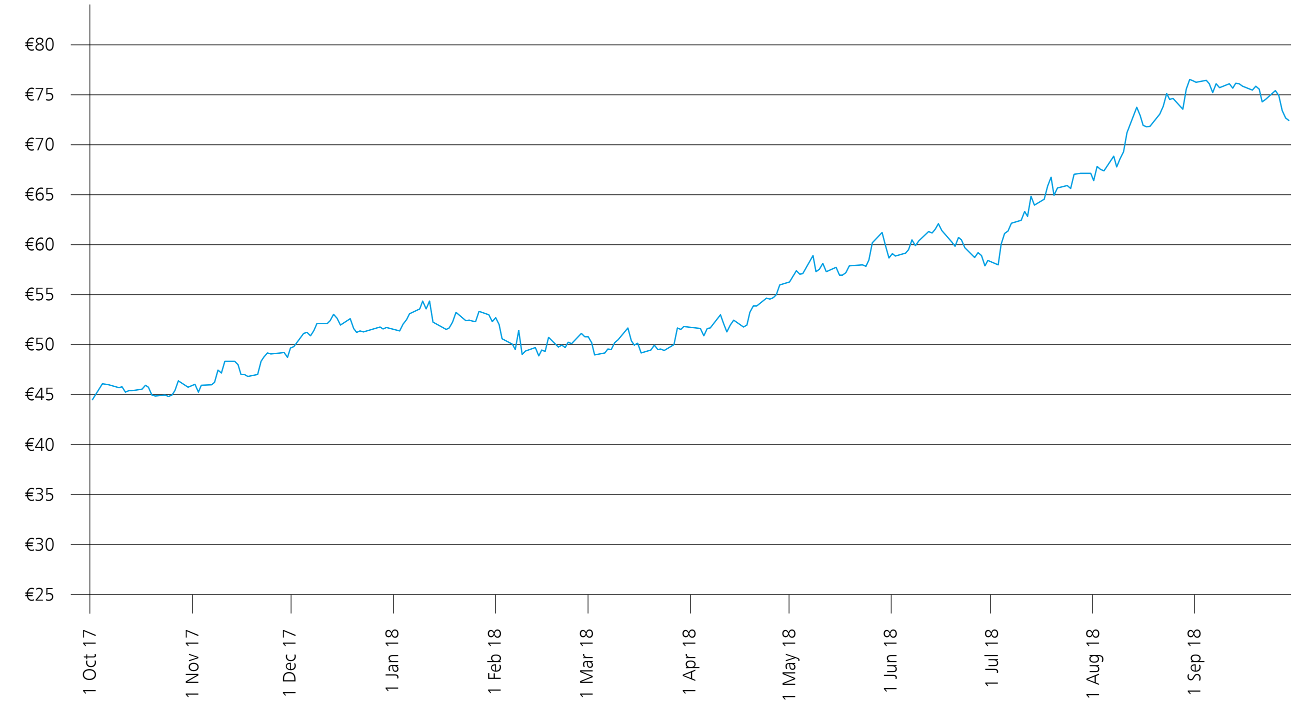
Although the share performance in the first half of fiscal year 2017/18 was similar to the TecDAX, it set itself noticeably apart from the third quarter and reached a new all-time high of €76.60 on 29 August 2018. At the end of the fiscal year, the Carl Zeiss Meditec AG share was traded at a closing rate of €72.50.

[10] Share price based on Xetra closing rates

Relative performance of Carl Zeiss Meditec share compared with the DAX, MDAX, SDAX and TecDAX
in the period from 1 October 2017 to 30 September 2018



Performance of Carl Zeiss Meditec share
in the period from 1 October 2017 to 30 September 2018



Market capitalization and trading volume

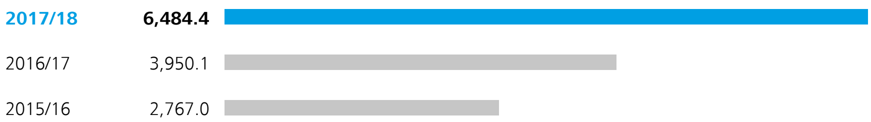
Carl Zeiss Meditec AG's market capitalization (product of shares issued multiplied by share price at the end of the reporting period) increased by more than 64% year-on-year, from €3,950.1m to €6,484.4m as of 30 September 2018. The trading volume (number of shares traded on XETRA multiplied by the respective closing rate on the date on which they were traded) was €1,252.2m in fiscal year 2017/18 (prior year: €894.5m).

During the reporting period, an average of around 85,818 shares (prior year: 86,412 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 10th place in the ranking for market capitalization as of 30 September 2018 (prior year: 14th place). In terms of trading volume, Carl Zeiss Meditec AG was in 24th place (prior year: 18th place).

The German SDAX share index is composed of 70 company stocks that rank below the shares listed on the MDax in terms of market capitalization and trading volume. All technology stocks are listed on a quarterly basis. As of 30 September 2018, Carl Zeiss Meditec AG was in 2nd place for market capitalization. In terms of trading volume, Carl Zeiss Meditec AG reached 13th place.

Market capitalization of Carl Zeiss Meditec AG as of 30 September 2018, in €m



The Carl Zeiss Meditec share from the capital market perspective

A large number of German and international financial analysts monitor the movements of the Carl Zeiss Meditec AG share. At present, we are in contact with 11 analyst firms. Based on the assessments of the last six months, the analysts have put the current target price at €64.70 (as of: 30 September 2018).

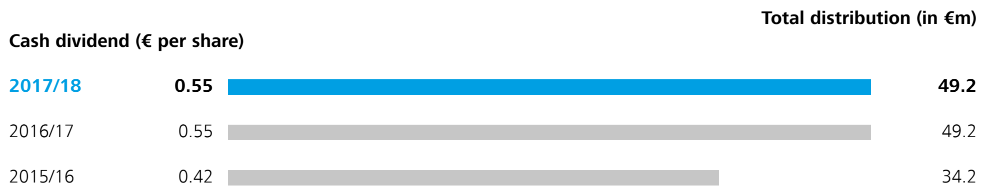
A current overview of the individual analysts' recommendations can be found on our website at www.zeiss.com/meditec-ag/investor-relations/carl-zeiss-meditec-share.html.

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 19 March 2019, 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 €0.55 per share for fiscal year 2017/18 (prior year: €0.55). This would equate to a total distribution of €49.2m (prior year: €49.2m) and a dividend ratio of 39.0% (prior year: 35.0%). The dividend return (ratio of dividend per share to opening price for the respective financial year) would be 1.24% (prior year: 1.62%).

Development of the dividend for the Carl Zeiss Meditec share



Shareholder structure

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

Investor relations

Providing our investors with comprehensive, transparent and up-to-the-minute information was once again the focus of our investor relations work in fiscal year 2017/18, 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 Group 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 London, Paris, New York, Chicago, 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 shareholders the opportunity to directly influence and directly ask Carl Zeiss Meditec AG's Management Board questions. The Annual General Meeting in the past fiscal year was held on 10 April 2018 in Weimar. Around 86.76% of the voting share capital was represented at this meeting.

Listing and trading on the TecDAX and SDAX

Carl Zeiss Meditec AG share	
Index	TecDAX, SDAX
Segment	Prime Standard
ISIN	DE 0005313704
Trading volume	avg. of 85,818 shares/trading day
Total shares traded	89,440,570 shares
Price performance	
Share price at beginning of fiscal year 2017/18 (1 Oct 2017)	€ 44.51
Share price at end of fiscal year 2017/18 (30 Sep 2018)	€ 72.50
Share price on 16 November 2018	€ 64.45
Highest price in fiscal year 2017/18	€ 76.60
Lowest price in fiscal year 2017/18	€ 44.85
Shareholder structure	
Free float	40.9%
Carl Zeiss AG	59.1%
Valuation	
Market capitalization of share capital as of 16 November 2018	€3,406.3m
Market capitalization of free float as of 16 November 2018	€2,358.2m
Designated Sponsor	HSBC Trinkhaus & Burkhardt AG

Summary management report
for fiscal year 2017/18

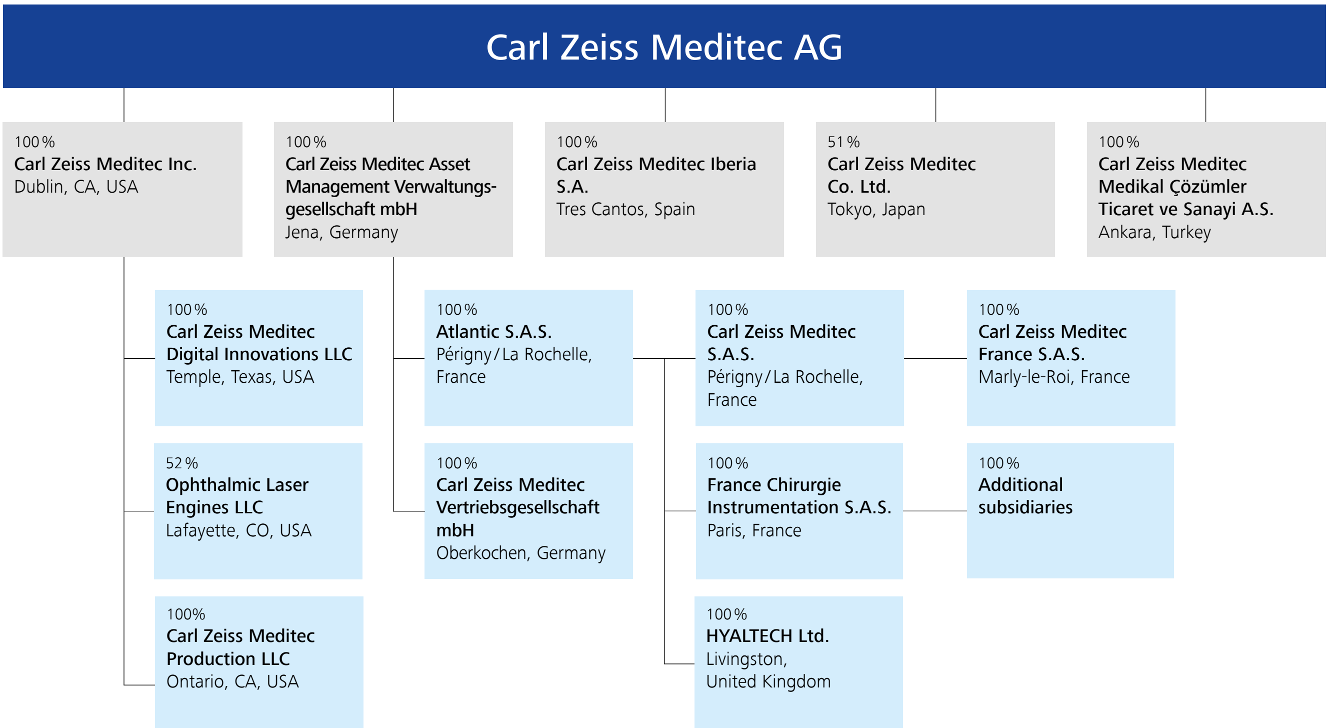
CARL ZEISS MEDITEC GROUP

Group structure

The Carl Zeiss Meditec Group (hereinafter the Group, the Company) is a global company headquartered in Jena, Germany, with additional subsidiaries in and outside of Germany. Carl Zeiss Meditec AG is the parent company of the Carl Zeiss Meditec Group and is listed in the TecDAX and SDAX 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 has been presented as a summary management report since fiscal year 2015/16. Major investments of the Carl Zeiss Meditec Group as of 30 September 2018 are presented in the chart below:

Subsidiary structure of the Carl Zeiss Meditec Group as of 30 September 2018



There were no significant changes to the reporting entity or the structure of the consolidated financial statements in fiscal year 2017/18, with the exception of the scheduled sale of the legal entity Aaren Scientific Inc., effective 1 October 2017. The assets and liabilities of this company were also transferred on 1 October 2017, ahead of the sale, to the newly founded Carl Zeiss Meditec Production LLC. In addition, the subsidiary Carl Zeiss Meditec Digital Innovations LLC, which was not yet of any material significance for the consolidated financial statements in the prior year, was incorporated into the reporting entity in fiscal year 2017/18.

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, thus ensuring itself customer proximity and a crucial advantage over international rivals. Aside from its own research and development locations, the Carl Zeiss Meditec Group also has access to the expertise of the ZEISS Group. Of the around 25 research and development locations of the ZEISS Group worldwide, China and India, in particular, are important research centers for the Carl Zeiss Meditec Group. 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 other retinal disorders, the incidence of which particularly increases with age and can become chronic in many cases (glaucoma, retinal diseases), are treated in ophthalmology.

In the **Ophthalmic Devices** SBU, the Carl Zeiss Meditec Group 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 ophthalmic diagnostics, the Carl Zeiss Meditec Group offers an almost comprehensive range of products for investigating all clinical conditions. 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 unique 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. 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 surgery, as well as 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 with regard to 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 Group'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®)[11], Free Cash Flow (FCF)[12], 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[13]

Growth of the global economy continued in the reporting period. The market growth of the industrialized nations in fiscal year 2017/18 was more dynamic than initially forecast. The USA, in particular, provided significant impetus for growth. The growth markets of Asia once again recorded an above-average performance. Growth in China remained at a high level, and only marginally decreased compared with the prior year. In Latin America, there was a slight economic recovery in Brazil; the Mexican economy once again exhibited a positive trend.

[11] Calculation: EVA® = operating result (EBIT) after taxes minus capital costs of €63.8m for 2017/18 (calculation of capital costs: average committed business assets 2017/18 (€619.6m) multiplied by capital cost rate 2017/18 (10.3%)).

[12] Calculation Free Cash Flow: FCF = EBIT +/- changes in trade receivables +/- changes in inventories, including advance payments +/- changes in provisions (excluding provisions for pensions and tax provisions) +/- changes in current accrued liabilities +/- changes in trade payables + change in advance payments received - increase in investments in property, plant and equipment and intangible assets + write down of investments in property, plant and equipment and intangible assets.

[13] International Monetary Fund, "World Economic Outlook", July 2018, Washington D.C.

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.

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.

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$40.6b (about €36.7b)[14] in 2017. The Group's product range includes devices and systems, implants, consumables and instruments for ophthalmology and ophthalmic surgery. According to the Group's estimates, these sub-markets had a volume of around US$10.7b (around €9.6b[14]) in 2017. Based on this, the Company estimates its market share in 2017 at around 9%, and considers itself to be the third-largest supplier worldwide in this market, after ophthalmic surgery businesses Alcon and Johnson & Johnson Vision, according to its own estimates.

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

Overall, based on the information at hand, the Group calculates 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 Group's estimates, this product segment had a total volume of around US$1.8b in 2017 (around €1.6b[14]). With a market share that it estimates to be good 20%, the Carl Zeiss Meditec Group is therefore one of the largest providers in this Area and the clear market leader in the "Surgical microscopes" sub-segment.

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

[14] At average rate for fiscal year 2016/17 (€1 = US$1.1046)

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

With revenue of €1,280.9m and growth of 7.6%, the Carl Zeiss Meditec Group achieved its forecast range of €1,250m to €1,300m for fiscal year 2017/18. Both business units contributed to this positive development of revenue, as did all regions, although the highest contributions came from the Americas and APAC regions.

The **Ophthalmic Devices** SBU achieved revenue of €933.3m and thus a growth of 6.0% (adjusted for currency effects: 9.3%), thus exceeding market growth, which is estimated to be in the low to mid-single-digit percentage range. This increase is primarily attributable to a strong refractive lasers business, the ophthalmic diagnostics segment, and to a continued solid demand for premium and standard intraocular lenses. Nevertheless, the situation in Ophthalmic Diagnostics remains tense due to the strong competitive pressure.

The **Microsurgery** SBU achieved revenue of €347.6m at a growth rate of 12.3% (adjusted for currency effects: 16.5%) compared with the prior year, thus significantly exceeding market growth, which is estimated to be in the low-single-digit percentage range. The business unit therefore further increased its leading market position. This was mainly due to growth in the area of visualization as a result of the launch of new products.

Earnings before interest and taxes (EBIT) increased to €197.1m (prior year: €180.8m). Relative to revenue, the Group achieved an EBIT margin of 15.4% (prior year: 15.2%). It should be noted, that this result in the prior year also included a positive effect arising from the sale of assets that were not part of core business at the Ontario location, USA, in the amount of €7.5m. The EBIT margin in fiscal year 2017/18 thus remained within the forecast range of 14 - 16%. The increase in the EBIT margin is mainly attributable to a more favorable product mix.

In the **Ophthalmic Devices** SBU, the EBIT margin remained stable compared with the prior year, and was slightly below the Group average, as expected. The EBIT margin of the **Microsurgery** SBU decreased slightly year-on-year – due, among other things, to a lower gross margin. As expected, however, the EBIT margin was significantly higher than the Group average.

At €187.2m in fiscal year 2017/18, the Group’s cash flows from operating activities was significantly higher than in the prior year (prior year: €37.7m).

Free cash flow amounted to €195.6m (prior year: €112.4m). EVA® rose to €74.4m, compared with €69.9m in the prior year.

In order to maintain its innovative strength and ensure future growth, the Company has up to now invested around 11% to 12% of its revenue each year in research and development, as budgeted. In the fiscal year under review, the ratio of R&D expenditure to revenue was 12.5% and thus remained stable compared with the prior year (prior year: 12.3%).

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

Comparison of actual business development with forecast development in fiscal year 2017/18

	Results 2017/18	Forecast 2016/17
Group revenue	€1,280.9m	€1,250 - 1,300m
Ophthalmic Devices	6.0%	Growth in low to mid-single-digit percentage range
Microsurgery	12.3%	Growth in low-single-digit percentage range
EBIT margin	15.4%	14% - 16%
Cash flows from operating activities	€187,2m	Amount in high double-digit millions
Research and development expenses/revenue	12.5%	11% - 12%
Free cash flow (FCF)	€195.6m	Amount in high double-digit millions
Economic Value Added® (EVA®)	€74.49m	similar to prior year (prior year: €69.9m)

Results of operations

Presentation of results of operations

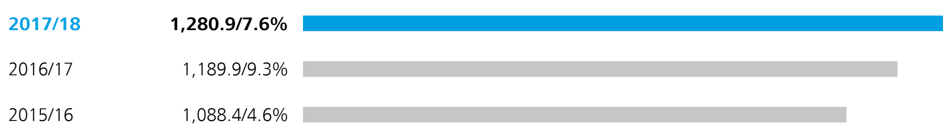
Summary of key ratios in the consolidated income statement
Figures in €m, unless otherwise stated

	2017/18	2016/17	Change
	€m	€m	in %
Revenue	1,280.9	1,189.9	+7.6%
Gross margin	55.5%	55.2%	+0.3% pts
EBITDA	228.4	205.1	+11.4%
EBITDA margin	17.8%	17.2%	+0.6% pts
EBIT	197.1	180.8	+9.0%
EBIT margin	15.4%	15.2%	+0.2% pts
Earnings before income taxes	179.2	188.6	-5.0%
Tax rate	29.6%	28.0%	+1.6% pts
Consolidated profit after non-controlling interests	126.5	134.4	-5.9%
Earnings per share after non-controlling interests	€1.41	€1.57	-10.0%

Revenue

In fiscal year 2017/18 the Carl Zeiss Meditec Group increased its revenue by 7.6%, to €1,280.9m (prior year: €1,189.9m), thus achieving its forecast range of €1,250m - €1,300m. Adjusted for currency effects, this growth amounted to 11.1%. Both strategic business units contributed, as did all regions, although the strongest growth rates were achieved in the Americas and APAC regions.

Consolidated revenue in €m/Growth in %

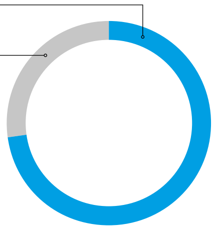


a) Consolidated revenue by strategic business unit

The **Ophthalmic Devices** strategic business unit generated 72.9% of total revenue in the past fiscal year (prior year: 74.0%). The Microsurgery strategic business unit contributed 27.1% (prior year: 26.0%) of consolidated revenue.

Share of strategic business units in consolidated revenue in fiscal year 2017/18

Ophthalmic Devices	**72.9%**
Microsurgery	**27.1%**



Revenue growth in the **Ophthalmic Devices** strategic business unit amounted to 6.0% for fiscal year 2017/18 Adjusted for currency effects, growth amounted to 9.3%. Revenue amounted to €993.3m (prior year: €880.5m).

The refractive laser business once again proved to be the growth driver, benefiting in particular from high procedure-dependent revenue. The segment for devices and systems for diagnostics also contributed to growth. There was also continued strong demand for intraocular lenses.

With growth of 12.3%, business development in the **Microsurgery** strategic business unit was also positive (adjusted for currency effects: 16.5%). Revenue amounted to €347.6m (prior year: €309.4m). The Visualization segment, in particular, contributed to this.

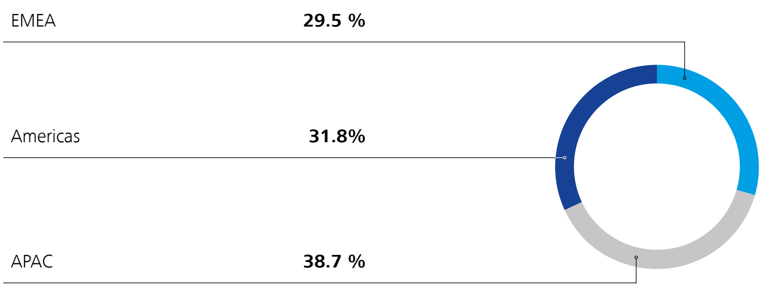
Revenue by strategic business unit

	2017/18	2016/17	Change in %	
	€m	€m		Adjusted for currency effects
Ophthalmic Devices	933.3	880.5	6.0	9.3
Microsurgery	347.6	309.4	12.3	16.5
Carl Zeiss Meditec Group	**1,280.9**	**1,189.9**	**7.6**	**11.1**

b) Consolidated revenue by region

The Carl Zeiss Meditec Group has a very balanced range of business activities worldwide. In the past fiscal year, the region **Europe, Middle East and Africa (EMEA)** accounted for 29.5% (prior year: 30.5%) of consolidated revenue; the **Americas** region accounted for 31.8% (prior year: 31.8%) and the **Asia/Pacific (APAC)** region accounted for 38.7% (prior year: 37.7%).

Share of regions in consolidated revenue in fiscal year 2017/18



At €378.1m, revenue in the **EMEA** region was 4.0% (adjusted for currency effects: 5.4%) higher than the prior year (€363.4m). The stable development in Germany contributed to this growth, as well as continued solid growth in the UK and Southern Europe.

Business in the **Americas** region grew by 7.5%, or 14.4% after adjustment for currency effects, which accelerated growth compared with the prior year. Revenue amounted to €406.5m (prior year: €378.2m). This is primarily due to a continued positive trend in the U.S. market.

The **APAC** region made a substantial contribution to growth within the Group, increasing revenue, to €496.3m (prior year: €448.2m) and an increase of 10.7%. Adjusted for currency effects, growth was of a similar magnitude of 13.2% as in the prior year. Once again, the largest contributions to growth came from China and South Korea.

Consolidated revenue by region

	2017/18	2016/17	Change in %	
	€m	€m		Adjusted for currency effects
EMEA	378.1	363.4	4.0	5.4
Americas	406.5	378.2	7.5	14.4
APAC	496.3	448.2	10.7	13.2
Carl Zeiss Meditec Group	**1,280.9**	**1,189.9**	**7.6**	**11.1**

Gross profit

In fiscal year 2017/18, gross profit on sales increased from €656.7m to €710.4m. The gross margin for the reporting period was 55.5% (prior year: 55.2%). This was primarily attributable to a more favorable product mix with a higher proportion of case-number-dependent business, in particular the strategic business unit Ophthalmic Devices, as well as a strong demand for the products newly launched in the Microsurgery SBU in the past fiscal year.

Functional costs

Functional costs for the reporting year amounted to €513.5m (prior year: €483.4m), thus increasing at a slightly lower rate than revenue, by 6.2%. The proportion of revenue decreased slightly year-on-year, from 40.6% to 40.1%.

» **Selling and marketing expenses:** In the fiscal year under review, selling and marketing expenses increased by 4.9%, from €289.6m to €303.8m. Relative to revenue, however, selling and marketing expenses were 0.6 percentage points lower than in the prior year, at 23.7% (prior year: 24.3%) of consolidated revenue.

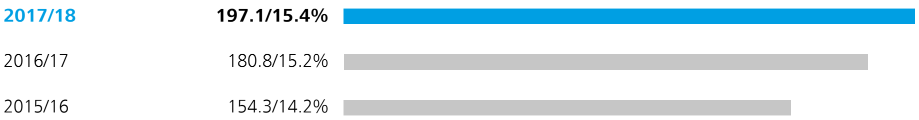
» **General administrative expenses:** Expenses in this area increased by 3.6%, to €49.8m (prior year: €48.1m). In relation to revenue, the cost share of 3.9% remained largely stable compared with the prior year (prior year: 4.0%.)

» **Research and development expenses:** The Carl Zeiss Meditec Group continuously invests in R&D, in order to further develop its product portfolio and ensure further growth. R&D expenses increased by 9.5% in the reporting period, to €159.6m (prior year: €145.8m).
The R&D ratio of 12.5% also remained largely stable compared with the same period last year (prior year: 12.3%).

Development of earnings

The Carl Zeiss Meditec Group uses earnings before interest and taxes (EBIT = operating result) as a key performance indicator. EBIT for the reporting period amounted to €197.1m (prior year: €180.8m). This corresponds to an EBIT margin of 15.4% (prior year: 15.2%).

EBIT in €m/EBIT margin in %



EBIT in fiscal year 2017/18 included negative effects arising from acquisitions, to the volume of €3.6m. This item primarily consists of write-downs from purchase price allocations.

Overview of effects from purchase price allocations and similar effects from acquisitions included in EBIT

	2017/18	2016/17	Change
	€m	€m	in %
EBIT	197.1	180.8	+9.0
Effects from purchase price allocations and similar effects from acquisitions[15]	-3.6	+4.6	
Total effects	**-3.6**	**+4.6**	

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

The EBIT margin within the **Ophthalmic Devices** SBU remained stable. The EBIT margin in the **Microsurgery** SBU fell slightly, which is largely due to a lower gross margin.

Earnings before interest, taxes, depreciation and amortization **(EBITDA)** amounted to €228.4m for the past fiscal year (prior year: €205.1m). The **EBITDA margin** therefore increased to 17.8% compared with the prior year's level (prior year: 17.2%).

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

Currency effects arose within the financial result as of 30 September 2018 as a result of hedges in the amount of €-19.4m (prior year: foreign currency gains of €9.0m).

The **tax rate** for the reporting period was 29.6% (prior year: 28.0%). As a general rule, an average annual tax rate of slightly above 30% is assumed.

Consolidated profit attributable to shareholders of the parent company for fiscal year 2017/18 amounted to €126.5m, thus decreasing by 5.9% (prior year: €134.4m). Non-controlling interests accounted for €-0.2m (prior year: €1.3m). In fiscal year 2017/18, basic **earnings per share of the parent company** amount to €1.41 (prior year: €1.57).

Financial position

Objectives and principles of financial management

Securing the Carl Zeiss Meditec Group's liquidity and increasing it efficiently throughout the Group is one of the key objectives of financial management.

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 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", "(27) 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 26.4% as of 30 September 2017 (prior year: 30.7%).

The Group's dynamic gearing ratio was -1.7 years for fiscal year 2017/18 (prior year: -6.7 years)[16].

The interest coverage ratio, i.e., the coverage of interest income by the operating result before depreciation and amortization (EBITDA), amounted to 136.0 (prior year: 116.6).

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

As the Group possesses sufficient 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).

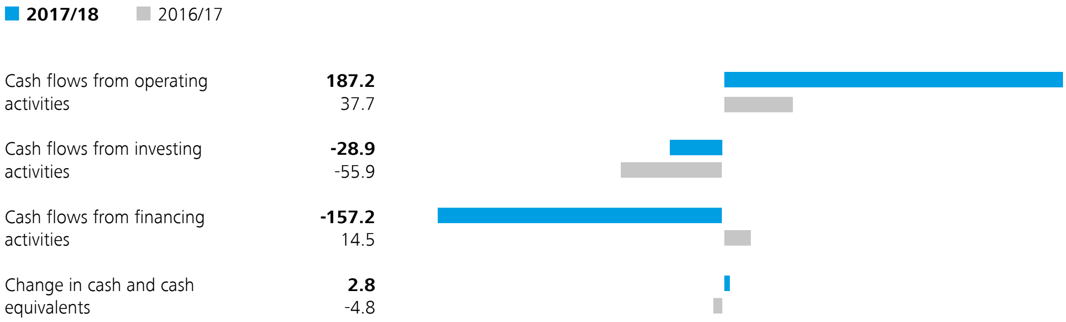
Value-at-risk analyses, together with scenario, sensitivity and stress test analyses, are implemented in risk control and monitoring, to quantify the currency risks. Hedging rates are specified for operative control of all relevant currencies. Limits were defined to limit risks relating to contracting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

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

[16] Calculation: borrowings excluding non-controlling interests, less cash and cash equivalents and less treasury receivables/cash flows from operating 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 2018. As a result, the statements in the analysis of the financial position may differ from the presentation of net assets based on the consolidated statement of financial position.

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



Cash flow from operating activities amounted to €+187.2m in the reporting period (prior year: €+37.7m). In addition to the higher operating result, the significant increase is also attributable to a stable development of trade receivables despite higher sales compared with the prior year and less stockpiling of inventories.

Cash flow from investing activities was negative in fiscal year 2017/18, amounting to €-28.9m (prior year: €-55.9m). The prior year's figure was mainly determined by the acquisition of shares in Ophthalmic Laser Engines LLC, Lafayette, USA (OLE) and the acquisition of Carl Zeiss Meditec Digital Innovations LLC[17], Temple, Texas, USA.

Cash flow from financing activities in the past fiscal year amounts to €-157.2m (prior year: €+14.5m). This amount is largely due to the increase in receivables and the decrease in treasury payables.

Free cash flow amounted to €195.6m (prior year: €112.4m). As a result, net cash[18] in the past fiscal year increased to €670.0m (prior year: €565.0m).

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.

[17] Until 3 Oct 2017: Veracity Innovations LLC
[18] Includes receivables from and liabilities to the treasury of the ZEISS Group, as defined on page 41.

The production of devices and systems at Carl Zeiss Meditec 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[19] in property, plant and equipment (cash) to consolidated revenue. In fiscal year 2017/18, it was 1.3% (prior year: 1.1%).

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

Key ratio	Definition	30 Sep. 2018	30 Sep. 2017	Change
		€m	€m	in %
Cash and cash equivalents	Cash-in-hand and bank balances	6.7	3.9	+70.1
Net cash	Cash-in-hand and bank balances + treasury receivables from the Group treasury of Carl Zeiss AG ./. treasury payables to Group treasury of Carl Zeiss AG	670.0	565.0	+18.6
Net working capital	Current assets including financial investments ./. cash and cash equivalents ./. treasury receivables from Group treasury of Carl Zeiss AG./. current liabilities excl. treasury payables to Group treasury of Carl Zeiss AG	300.9	326.8	-7.9
Working capital	Current assets ./. current liabilities	970.9	891.8	+8.9

Key ratio	Definition	2017/18	2016/17	Change
Cash flow per share	Cash flows from operating activities	€ 2.09	€ 0.44	+374.8%
	Weighted average of shares outstanding			
Capex ratio	Investment (cash) in property, plant and equipment	1.3%	1.1%	+0.2% pts
	Consolidated revenue			

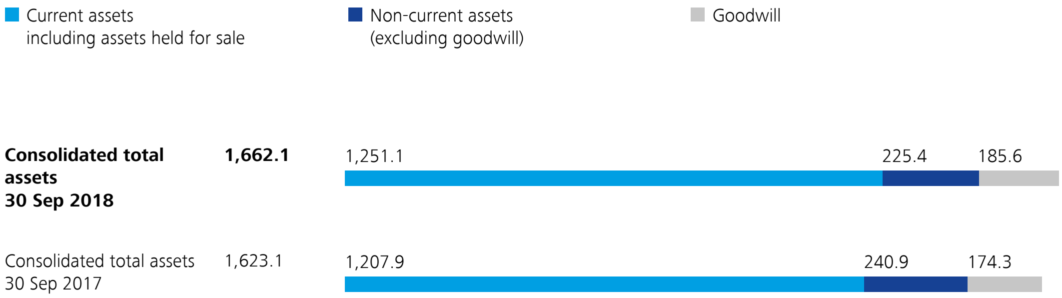
[19] In fiscal year 2017/18, investments in property, plant and equipment (cash) totaled €16.5m, compared with €13.7m the prior year.

Net assets

Presentation of net assets

Total assets slightly increased to €1,662.1m as of 30 September 2018 (prior year: €1,623.1m).

Structure of statement of financial position – assets in €m



Non-current assets to the amount of €411.0m as of 30 September 2018 (prior year: €415.2M) were stable.

Current assets (€1,251.1m; prior year: €1,207.9m) increased slightly, due, among other things, to the increase in inventories to ensure delivery capacity for a number of high-revenue products, and to the increase in treasury receivables.

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 €1,314.6m as of 30 September 2018 (prior year: €1,241.7m). The equity ratio increased to 79.1% (prior year: 76.5%) and thus remained high.

Non-current liabilities slightly increased as of 30 September 2018 to €67.3m (prior year: €65.3m). This increase was mainly due to non-current lease liabilities, including for the use of property.

As of 30 September 2018, **current liabilities** amounted to €280.2m (prior year: €316.1). This decline was primarily due to the decrease in treasury payables.

Key ratios relating to net assets

Key ratios relating to net assets

Key ratio	Definition	30 Sep. 2018	30 Sep. 2017	Change
		in %	in %	% pts
Equity ratio	Equity (including non-controlling interests) / Total assets	79.1	76.5	+2.6
Inventories in % of rolling 12-month revenue	Inventories (net) / Rolling revenue	19.4	19.7	-0.3
Receivables in % of rolling 12-month revenue[20]	Trade receivables at the end of the reporting period (including non-current receivables) / Rolling revenue	23.3	25.0	-1.8

Orders on hand

The Carl Zeiss Meditec Group's orders on hand decreased by 7.5%, amounting to €152.9m as of 30 September 2018 (prior year: €165.3m).

Events of particular significance

There were no other events of particular significance during fiscal year 2017/18.

NON-FINANCIAL PERFORMANCE INDICATORS

Responsibility

Traditionally, the Carl Zeiss Meditec Group attaches great importance to commitment to the common good and the environment. Social responsibility does not just shape the 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 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.

[20] Revenue of the past twelve months as of the end of the reporting period (30 September 2018)

Social commitment

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.

Helping people to help themselves

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. 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).

New models for patient care

Using various business models, ZEISS Medical Technology would like to help provide eye care to remote regions, such as rural areas of India and Brazil, 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.

Telemedical solutions also play a role in providing medical care to sections of the population in remote areas. In Brazil, telemedicine enables ophthalmic care to be provided in the Rio Grande do Sul region in southern Brazil, with the help of ZEISS Professional IT Services. Six smaller practices there are networked with two large diagnostic centers in the region's capital. Telemedicine can be used to detect and treat severe ametropia, among other things. To date, more than 4,000 people have taken advantage of this offering.

Environment

Responsible and modern handling of natural resources goes without saying for the ZEISS Group and the Carl Zeiss Meditec Group.

ZEISS participated in CDP (Carbon Disclosure Project) for the first time in fiscal year 2017/18 and made the answers to the questionnaire on climate change publicly visible. In addition, major manufacturing sites worldwide work to the international environmental management standard ISO 14001.

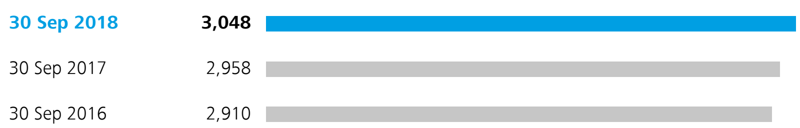
Good examples of sustainable and careful handling of resources and the environment are a company building in Oberkochen that is particularly sustainable to run, and the more than 4,000 solar panels on the roof of Carl Zeiss Meditec Inc. in Dublin, USA. Since 2012, the latter have been converting solar energy into around 1.7 million kilowatt hours of electricity per year thus ensuring that the location produces the majority of the power it requires itself.

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

Employees

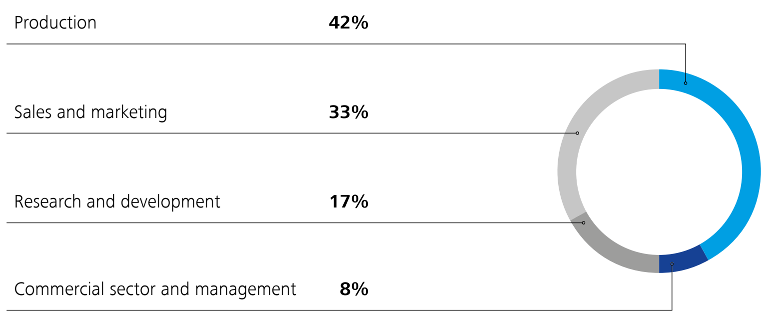
Highly qualified and motivated employees are a necessity for ensuring the long-term success of a company. Responsible human resources development and continuous improvement play a crucial role in this. As of 30 September 2018, the Carl Zeiss Meditec Group had 3,048 employees worldwide (prior year: 2,958).

Employees as of 30 September 2018



At 42% and 33%, respectively, the majority of employees were working in production or sales and marketing as of 30 September 2018. 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 area as of 30 September 2018 was 8%. This includes a total of 548 service employees, who are spread across various areas.

Employees by function[21] 30 September 2018



At 68%, the majority of the Carl Zeiss Meditec Group's employees were working in the **EMEA** region as of 30 September 2018. A total of 28% of all the Group’s employees were working in the **Americas** region and 4% in the **APAC** region.

[21] Including Service employees

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

Employees by region as of 30 September 2018

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 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, since 2007, the globally applicable ZEISS Code of Conduct has defined the basic rules of good and fair conduct in competition and in dealing with our employees and customers. This Code of Conduct sets out the fundamental ethical principles of good conduct and values which govern the actions of both management and employees in their day-to-day work at the Company. Compliance was defined as an essential component of ZEISS Policy, which every business activity must conform to.

Production

Production plants

The Carl Zeiss Meditec Group manufactures its products in Jena, Oberkochen and Berlin in Germany, Dublin, Ontario in the USA and La Rochelle in France. The Group also has a number of smaller sites in Besançon, France, Livingston, Scotland, and Goodlands, Mauritius. Systems and devices for ophthalmology are manufactured in Jena and Dublin. The Group 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 Carl Zeiss Meditec Group 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 stockpiled. 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.

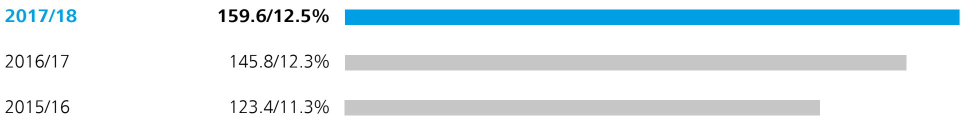
Research and development

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 Group 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 2017/18, research and development expenses increased by 9.5%, to €159.6m (prior year: €145.8m). The R&D ratio also increased compared with the prior year, to 12.5% (prior year: 12.3%), which is slightly above the medium to long-term target range of 11% to 12%. The ratio of capitalized development costs to total research and development expenses was 6.9% Further information can be found in Appendix.

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



In the reporting period, 17.1% (prior year: 16.0%) of the Carl Zeiss Meditec Group's entire workforce were working in Research and Development. To a certain extent, research and development services are procured from Carl Zeiss AG, Oberkochen and its subsidiaries. In fiscal year 2017/18, the expenses incurred for this amounted to around 9.5% of total 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 Group, 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 2017/18.

In Diagnostics, this positive development is attributable, among other things, to the product CLARUS™ 500, which has been on the market since October 2017. This fundus camera enables ultra-wide-angle 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.

In June 2018, ZEISS introduced a new therapeutic laser, with the launch of VISULAS® green. This retinal photocoagulation laser is used to treat various eye diseases, such as diabetic retinopathy, glaucoma and age-related macular degeneration. The device provides physicians with a seamless workflow. The most important parameters required by the physician during a laser treatment are displayed directly in the slit lamp aperture.

The demand for software solutions increased again significantly in fiscal year 2017/18. One example of this is FORUM®, 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 Integrated Diagnostic Imaging (IDI) platform presented at the ESCRS Congress in September combines data from diagnostic devices so that physicians can make their decisions faster and more efficiently, to ensure optimum treatment.

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, reached the 1.5 million mark of eyes treated. This minimally invasive technology allows for a gentler surgical procedure in laser vision correction. At the beginning of October 2018, Carl Zeiss Meditec was granted regulatory approval in the U.S. market for the treatment of patients with astigmatism, which means the ReLEx® SMILE treatment can now be offered to additional customer groups in fiscal year 2018/19 and beyond. The acquisition of U.S. Company IanTECH, Inc. in October 2018 also broadened the technology base for cataract surgery and further enhanced the range of consumables.

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 are very popular.

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.

During the past fiscal year and at the beginning of the current fiscal year, significant innovations were launched on the market. The KINEVO® 900, which was first unveiled in 2017, enjoyed a steady increase in demand over the past fiscal year. This is a robotic visualization system for use in neurosurgery. The device includes innovative technology that avoids the need for frequent manual repositioning and significantly broadens the surgeon's line of sight. Digital visualization means the doctor avoids having to adopt an uncomfortable 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 2017/18. This system, which was launched in October 2017, simplifies the tooth restoration process considerably. In October 2018, the EXTARO® 300 was also presented for use in ENT surgery. An innovative robotic visualization technology – the TIVATO® 700 – was launched toward the end of the fiscal year under review in the field of spinal surgery. The product was developed with the input of experts from all over the world, to better meet their needs and requirements. Workflow-optimizing visualization makes it possible to assess vessel patency using fluorescence options. 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. Potential applications of the TIVATO® 700 in ENT surgery were presented at the AAO-HNSF trade fair in October 2018.

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. Therefore, the Carl Zeiss Meditec Group 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-run 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 2017/18. 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. As a result, the Group is able to successfully and permanently maintain its position in the market.

The Company also has more than 530 registered trademarks and trademark applications (as of 30 September 2018). These include, among others, product names, slogans, images, logos and other specific characteristics of the Company.

ANNUAL FINANCIAL STATEMENTS OF CARL ZEISS MEDITEC AG

Carl Zeiss Meditec AG is the parent company of the Carl Zeiss Meditec Group. Its results are influenced to a large extent by its subsidiaries. The development of its business is generally subject to the same opportunities and risks as those relevant for the Carl Zeiss Meditec ZEISS 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 2017/18 to a successful close, thus continuing its growth trend of the previous fiscal years.

Sales increased by 4.2% year-on-year (adjusted for currency effects: 8.4%). The increase in currency-adjusted sales is therefore slightly higher than the forecast for market growth in the low to mid-single-digit percentage range. The EBIT margin increased from 15.6% in the prior year, to 17.8%.

Income statement according to HGB

	Appendix		2017/18		2016/17	Change
		€k	€k	€k	€k	in %
Revenue	(21)		**798,538**		**766,162**	**4.2%**
Cost of sales			(374,488)		(368,701)	1.6%
Gross profit on sales			**424,050**		**397,461**	**6.7%**
Sales and marketing expenses			(125,936)		(118,620)	6.2%
General and administrative expenses			(34,379)		(34,657)	-0.8%
R&D costs		(129,618)		(120,603)		
minus subsidies received		10	(129,608)	-	(120,603)	7.5%
Other operating income	(24)		50,135		43,504	15.2%
Other operating expenses	(25)		(42,053)		(46,336)	-9.2%
Income from investments	(26)		5,778		27,335	-78.9%
thereof from affiliated companies			5,778		27,335	-78.9%
Income from profit transfer	(27)		4,432		5,888	-24.7%
Income from investments and long-term loans			1,400		2,388	-41.4%
thereof from affiliated companies			1,400		2,388	-41.4%
Other interest and similar income			1,275		751	69.8%
thereof from affiliated companies			1,252		702	78.3%
Interest and similar expenses	(29)		(11,403)		(3,278)	247.9%
thereof from affiliated companies			-		-	
Earnings before income taxes			**143,691**		**153,833**	**-6.6%**
Income taxes	(30)		(46,484)		(43,060)	8.0%
Profit after tax			**97,207**		**110,773**	**-12.2%**
Other taxes	(31)		(280)		(306)	-8.5%
Net income for the year			**96,927**		**110,467**	**-12.3%**
Retained profits brought forward from prior year			188,466		115,564	63.1%
Dividend			(49,192)		(37,565)	31.0%
Net retained profits			**236,201**		**188,466**	**25.3%**

Results of operations

Sales increased by 4.2% compared with the prior year (€766.2m), to €798.5m. 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 8.4%. Sales include €3.9m in service revenue pursuant to Section 277 (1) HGB.

In fiscal year 2017/18, gross profit on sales increased from €397.5m to €424.1m. The corresponding margin increased to 53.1%, due to a more favorable product and regional mix (prior year: 51.9%).

Sales expenses in the fiscal year amounted to €125.9m; general and administrative expenses amount to €34.4m. Compared with sales, therefore, sales and general administrative expenses remained on the level of a year ago. Research and development costs of Carl Zeiss Meditec AG amounted to €129.6m in fiscal year 2017/18 (prior year: €120.6m). Detailed information on the Carl Zeiss Meditec Group's research and development activities can be found on pages 47 et seqq.

The increase in other operating income is primarily attributable to higher foreign currency gains and an increase in write-ups on receivables from affiliated companies, due to the partial repayment of a loan to the subsidiary Carl Zeiss Meditec Iberia S.A., which was written down in fiscal year 2015/16. Income from investments decreased significantly due to a substantially lower dividend payment from the subsidiary Carl Zeiss

Meditec Co. Ltd., Tokyo, Japan. The increase in interest and similar expenses within the financial result is mainly due to the interest expense on pensions.

Earnings before income taxes were thus significantly lower, at €143.7m, compared with the prior-year figure of €153.8m. Net income for the fiscal year under review amounted to €96.9m (prior year: €110.5m).

Balance sheet

	30 Sep 2018	30 Sep 2017	Change	
	€k	€k	in €k	in %
ASSETS				
A. Fixed assets	**495,602**	**496,526**	**(924)**	**-0.2%**
I. Intangible assets	115,849	131,245	(15,396)	-11.7%
II. Property, plant and equipment	20,183	19,067	1,116	5.9%
III. Financial assets	359,570	346,214	13,356	3.9%
B. Current assets	**940,319**	**864,715**	**75,604**	**8.7%**
I. Inventories	126,050	115,134	10,916	9.5%
II. Receivables and other assets	814,198	749,512	64,686	8.6%
III. Cash-in-hand and bank balances	71	69	2	2.9%
C. Deferred income	**835**	**808**	**27**	**3.3%**
D. Asset-side difference arising from asset offsetting	**9,996**	**18,627**	**(8,631)**	**-46.3%**
Total assets	**1,446,752**	**1,380,676**	**66,076**	**4.8%**
EQUITY AND LIABILITIES				
A. Equity	**1,283,524**	**1,235,789**	**47,735**	**3.9%**
I. Share 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	236,201	188,466	47,735	25.3%
B. Special reserve for investment subsidies	**16**	**48**	**(32)**	**-66.7%**
C. Provisions	**63,324**	**47,529**	**15,795**	**33.2%**
D. Liabilities	**97,850**	**95,164**	**2,686**	**2.8%**
E. Deferred income	**2,038**	**2,146**	**(108)**	**-5.0%**
F. Deferred tax liabilities	**-**	**-**	**-**	**-**
Total liabilities	**1,446,752**	**1,380,676**	**66,076**	**4.8%**

Net assets and results of operations

Pursuant to German commercial law (HGB), the total assets of Carl Zeiss Meditec AG amounted to €1,446.8m as of 30 September 2018. This corresponds to an increase of 4.8% compared with the prior year (€1,380.7m).

Inventories increased from €115.1m in the prior year, to €126.1m, due in particular to the increase in the inventory of existing products to ensure delivery capacity and stockpiling for new products. The increase in receivables and other assets is mainly due to an increase in short-term loans to affiliated companies and trade receivables from affiliated companies.

Cash and cash equivalents consist exclusively of bank balances. Term deposits are lodged with the treasury of the ZEISS Group and are recognized as receivables from affiliated companies.

Net retained profits increased by the net income for the fiscal year of €96.9m, less the dividend paid of €49.2m.

Provisions increased compared with the prior year, to €63.3m (prior year: €47.5m). 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 12.6% as of 30 September 2018 (30 September 2017: 11.5%).

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 2018, Carl Zeiss Meditec AG had 1,320 employees. This number does not include Management Board members.

Appropriation of profits

Fiscal year 2017/18 closes with net income for the year of €96,927,377.34. The Management Board proposes utilizing the net retained profits of €236,200,976.74 for fiscal year 2017/18 as follows:

» Payment of a dividend of €0.55 per no-par value share for 89,440,570 no-par-value shares: €49,192,313.50.
» Carryforward of residual profit to new account: €187,008,663.24.

Declaration on corporate governance (pursuant to Section 289f HGB, 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. 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 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 7 December 2017, the Supervisory Board also addressed the achievement of objectives by the Management Board members for fiscal year 2016/17, 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, taking the remuneration adjustments resolved in previous years into account.

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.

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 Economic Value Added® (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), which was redesigned and published in 2011.

This program offers a remuneration component with a long-term incentive, which allows the members of the Management Board to earn an additional annual income after a three-year period. This amounts to 50% of the individual short-term variable remuneration for the fiscal year that precedes the beginning of the term of an LTI tranche, plus interest. This is based on the ZEISS Group's profit-participation certificate model. A pre-condition 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 2018.

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 in €k

		Management Board remuneration					
	Fiscal year	Fixed remuneration	Remuneration in kind and other remuneration[22]	Variable remuneration[23]	Total remuneration paid directly	LTIP	Total remuneration pursuant to Section 314 (1) No. 6a) HGB
Dr. Ludwin Monz	**2017/18**	400.0	16.3	303.3	719.6	264.6	984.2
	2016/17	375.0	16.3	387.5	778.8	305.0	1,083.8
Dr. Christian Müller	**2017/18**	372.0	19.5	419.5	811.0	80.3	891.3
	2016/17	324.0	18.5	235.2	577.7	130.0	707.7

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

Pension scheme for members of the Management Board

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

[22] 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.
[23] Variable remuneration corresponds to the amounts paid in the respective fiscal year.

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

	Fiscal year	Current service cost	Present value of pension commitment, total
Dr. Ludwin Monz[24]	**2017/18**	318.4	-
	2016/17	277.1	-
Dr. Christian Müller	**2017/18**	46.3	717.0
	2016/17	42.6	639.2

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

Projected unit credits for pensions for other former members of the Management Board of Carl Zeiss Meditec AG amounted to €1,167.4k (prior year: €1,139.8k).

Value of benefits granted for fiscal year 2017/18 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.

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
	2017/18	2016/17	**2017/18**	**2017/18**
Value of benefits granted	€k	€k	€k	€k
1. Fixed remuneration	400.0	375.0	400.0	400.0
2. Fringe benefits	16.3	16.3	16.3	16.3
3. Total	**416.3**	**391.3**	**416.3**	**416.3**
4. Single-year variable compensation (VCS)	303.3	292.5	-	585.0
5. Multi-year variable compensation (LTI)	**803.7**	**860.1**	**-**	**1,450.2**
2016/17	-	305.0	-	-
2017/18	264.6	203.5	-	372.1
2018/19	168.8	168.8	-	337.5
2019/20	182.8	182.8	-	365.6
2020/21	187.5	-	-	375.0
6. Pension cost	318.4	277.1	318.4	318.4

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

Allocation amount in fiscal year Dr. Ludwin Monz

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

	2017/18	2016/17
Allocation amount for the fiscal year	€k	€k
1. Fixed remuneration	400.0	375.0
2. Fringe benefits	16.3	16.3
3. Total	**416.3**	**391.3**
4. Single-year variable compensation (VCS)	303.3	387.5
5. Multi-year variable compensation (LTI)	264.6	305.0
6. Total	**984.2**	**1,083.8**
7. Pension cost	318.4	277.1
8. Total remuneration	**1,302.6**	**1,360.9**

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

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

			Minimum achievable value	Maximum achievable value
	2017/18	2016/17	2017/18	2017/18
Value of benefits granted	€k	€k	€k	€k
1. Fixed remuneration	372.0	324.0	372.0	372.0
2. Fringe benefits	19.5	18.5	19.5	19.5
3. Total	**391.5**	**342.5**	**391.5**	**391.5**
4. Single-year variable compensation (VCS)	240.0	216.0	-	720.0
5. Multi-year variable compensation (LTI)	**488.9**	**428.6**	**-**	**654.7**
2016/17	-	130.0	-	-
2017/18	80.3	76.6	-	94.3
2018/19	121.8	104.4	-	139.2
2019/20	141.1	117.6	-	188.2
2020/21	145.7	-	-	233.0
6. Pension cost	46.3	42.6	46.3	46.3

Allocation amount in fiscal year Dr. Christian Müller

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

	2017/18	2016/17
Allocation amount for the fiscal year	€k	€k
1. Fixed remuneration	372.0	324.0
2. Fringe benefits	19.5	18.5
3. Total	**391.5**	**342.5**
4. Single-year variable compensation (VCS)	419.5	235.2
5. Multi-year variable compensation (LTI)	80.3	130.0
6. Total	**891.3**	**707.7**
7. Pension cost	46.3	42.6
8. Total remuneration	**937.6**	**750.3**

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.

The departure of Dr. Christian Müller from the Management Board on 30 September 2018 was not associated with any severance payments.

Remuneration of the Supervisory Board

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

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

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

	Fiscal year	Basic remuneration	Committees	Total remuneration
Prof. Dr. Michael Kaschke (Chairman)	**2017/18**	60.0	-	60.0
	2016/17	60.0	-	60.0
Dr. Carla Kriwet (Deputy Chairwoman) (until 31 Dec 2017)	**2017/18**	11.3	-	11.3
	2016/17	45.0	-	45.0
Tania von der Goltz (Deputy Chairwoman) (since 10 April 2018)	**2017/18**	21.5	-	21.5
	2016/17	-	-	-
Dr. Markus Guthoff	**2017/18**	45.0	5.0	50.0
	2016/17	45.0	5.0	50.0
Thomas Spitzenpfeil[25] (Deputy Chairman) (from 22 Jan 2018 to 10 Apr 2018)	**2017/18**	33.2	5.0	38.2
	2016/17	30.0	5.0	35.0
Cornelia Grandy	**2017/18**	30.0	-	30.0
	2016/17	30.0	-	30.0
Jörg Heinrich	**2017/18**	30.0	5.0	35.0
	2016/17	30.0	5.0	35.0

The Company did not pay members of the Supervisory Board any additional remunerations or benefits for personally rendered services (in particular consultancy and agency services) in fiscal year 2017/18.

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.

[25] Mr. Thomas Spitzenpfeil waived his entitlement to remuneration for fiscal year 2017/18 by way of a waiver declaration as in the prior year.

OPPORTUNITY AND RISK REPORT

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

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

To a very large extent Carl Zeiss Meditec Group uses components from external suppliers to manufacture its products in all business segments. The increase in the prices of commodities, energy and materials, the growing complexity of purchased parts and the limited number of suppliers (single source) for certain technologies could have negative implications for the production, sale and quality of the Company's products. The Group continues to work on stabilizing supply chains and reducing the dependence on individual suppliers in order to minimize the associated economic impact, among other things. The Company systematically leverages opportunities that arise from bundling procurement activities. Furthermore, the Carl Zeiss Meditec Group selects its suppliers carefully. By implementing consistent supply chain measures, such as qualifying its suppliers, identifying secondary suppliers and preparing a strategic inventory plan, the Carl Zeiss Meditec Group protects itself as best it can against supplier dependencies and changes on the commodities market.

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

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

Goodwill totaling €185.6m 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 €184.4m of this goodwill is attributable to the Ophthalmic Devices SBU, and €1.2m to the Microsurgery SBU. The impairment tests carried out during the fiscal year under review did not give any indication of impairment of the goodwill-bearing cash-generating units (CGUs). Based on the development of business, the Group also anticipates positive results from subsequent tests. Due to changes in general economic conditions or changes in business models, impairment losses cannot be ruled out on goodwill recognized for individual or all companies acquired in the past.

Legal risks, patents and intellectual property
The Company's competitiveness depends on the protection of its technological innovations against exploitation by third parties. Violations of intellectual property and patent protection may compromise the Company's technological lead and thus its competitive advantage in all business segments. The expiry of property rights,

particularly patents, as well as the geographical limitation of property rights could result in new or existing competitors exploiting the inventions of the Carl Zeiss Meditec Group to enter the market or strengthen their market position. Furthermore, in spite of the measures taken, third parties may still attempt to copy or partly copy products of the Group, since the unauthorized use of intellectual property is generally difficult to monitor and copyright laws only provide for limited protection.

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

Legal risks may arise due, among other things, to changes in general legal conditions in the relevant markets and to legal disputes with competitors, business associates or customers. There is no pending litigation that poses any risk to the continued existence of the Group at present. Should it be necessary, adequate provisions will be set up as a precaution. Further details on litigation and arbitration proceedings involving the Carl Zeiss Meditec Group can be found in note "(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 Group has set out the basic principles of correct conduct in business activities in a Code of Conduct, which applies to all employees. In order to avoid breaches of compliance and minimize risks to the Group's reputation, the Group has established a corporate-wide compliance organization. Regular training measures are also in place to familiarize the employees with internal guidelines and make them aware of the negative effects breaches could have. The management does not expect this to have any material effects on the Group's net assets, financial position or results of operations.

Financial risks

As a result of the European debt crisis, there is a latent credit risk concerning business banks at which the Carl Zeiss Meditec Group holds deposits. However, the Group has taken various measures to mitigate risks. For example, it has introduced a monitoring procedure to monitor the current situation in the capital markets. The Company has categorized its financial risks as moderate. The basis for this categorization is the sound financing structure with an equity ratio of 79.1%, 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 the Carl Zeiss Meditec Group. Changes in health care and reimbursement policy in Germany or abroad may lead to the denial or reduction of reimbursements, which could reduce the demand for Carl Zeiss Meditec products. In the case of new products for which reimbursement cannot yet be reliably predicted, demand may be severely dampened by the economic 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 Group monitors developments and approval procedures in this area very closely as part of its quality management system. This is especially the case right now with regard to the new EU medical devices directive, which entered into force in 2017. Any residual risks that remain lie within the mid to high-single-digit million euro range.

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

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

The Company covers itself against potential product liability claims by taking out product liability insurance. The possibility cannot be completely excluded that the Carl Zeiss Meditec Group's existing insurance coverage may not be sufficient to cover potential claims. 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 Group's headquarters, with major research and development departments and other key Group functions, are located in Germany, a region with a low risk of natural disasters. A second major production site is located in the greater San Francisco area in the USA, a region with an increased risk of earthquakes. In order to minimize potential damage, the Carl Zeiss Meditec Group has set up a crisis management system, and has also developed local and central plans for maintaining the functionality of critical business processes (business continuity plans). For this reason the Company does not expect any material adverse effects on its net assets, financial position or results of operations.

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

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

The operative, timely implementation of the systemic requirements is effected by the affected areas of Carl Zeiss Meditec AG and its subsidiaries. These are supported and monitored by Carl Zeiss Meditec's Finance 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 euro and debt crisis and the generally greater risk of bad debt losses that comes with it – are minimized by means of an active credit control system. The Group also regularly sets up adequate provisions to cover such risks. On the whole, however, we consider this to be a limited risk. The ratio of value adjustments of trade receivables to consolidated revenue was 0.8% in the year under review (prior year: 0.9%).

The Carl Zeiss Meditec Group's financial situation can be considered sound. Cash and cash equivalents amounted to €6.7m as of the balance sheet date 30 September 2018. Added to this are credit balances recognized as receivables from the treasury of the ZEISS Group, in the amount of €665.0m. The Group also generated cash flows from operating activities of €187.2m 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 the ZEISS Group, are deposited at banks. Should it come to a loss of individual banks – due in particular to the euro and debt crisis – the balances held there may be endangered. The Carl Zeiss Meditec Group counters this risk by continuously monitoring the solvency of the banks with which it has a business relationship and by spreading its assets among several banks via the treasury of 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 289A AND 315A 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 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 statutory 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 treasury 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

On 22 October 2018, Carl Zeiss Meditec signed an agreement pertaining to the acquisition of IanTECH. IanTECH, Inc., which is domiciled in Reno, Nevada, USA, is a privately owned company that specializes in technical solutions for microinvasive cataract surgery. This company is integrated in the strategic business unit Ophthalmic Devices. This acquisition is an important strategic step for Carl Zeiss Meditec in terms of its technological position in cataract surgery. 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[26]
At the time the consolidated financial statements for 2017/18 were prepared, there were signs of continued, albeit lower, global economic growth, with differences between various regions. The economic momentum in the industrialized countries is likely to slow. The development of the growth markets, in particular Asia, is expected to remain above average – however, a slowdown is also expected there. Growth rates in Latin America are expected to accelerate again to a certain extent, due in particular to improved forecasts for Brazil.

At the current time, the prospects for the global economy are increasingly clouded by potential risk factors. Due to protectionist and politically motivated measures, the risk of a trade war that has a lasting impact on world trade cannot be ruled out. Credit-financed investments are creating impetus for growth; however, a mounting debt in connection with rising interest rates and large capital outflows also harbors risks. The as yet unforeseeable effects of Brexit, a potential further escalation of the political conflicts in the Middle East, the Ukraine and North Korea, as well as ongoing structural problems, may have an adverse effect on industry and public sector investing activities.

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.

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

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

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

Strategic business unit Ophthalmic Devices

The development of revenue in the **Ophthalmic Devices** strategic business unit was encouraging in the past fiscal year. Further growth is anticipated in 2018/19. Both the products already established on the market for diagnosing and treating ophthalmic diseases, as well as other innovations launched in the course of the past fiscal year shall contribute to this growth. These include, among others, the widefield fundus imaging system CLARUS™ 500, the premium intraocular lens AT LARA®, as well as a further spread of the minimally invasive vision correction procedure ReLEx® SMILE to the USA and worldwide.

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

Strategic business unit Microsurgery

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

The Company expects the **Microsurgery** SBU to 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 coming fiscal year. The Company also expects the newly launched products TIVATO® 700 and EXTARO® 300 for spinal and ENT surgery to make their contribution. From a current perspective, and excluding currency effects, the growth anticipated in fiscal year 2018/19 will be at least in the mid-single-digit percentage range. The EBIT margin is also expected to remain significantly above the Group average.

Future selling markets

As a global Group, our continued aim in the years ahead shall be to maintain as balanced a distribution of revenue as possible across our individual markets. The Carl Zeiss Meditec Group currently generates around one third of its revenue in all three of its strategically important business regions: EMEA, the Americas and APAC. The Company sees particularly promising business prospects for the long term in the APAC region, due to the rapid economic growth there. The research centers of the 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 2018/19 is to invest around 12% of revenue in research and development.

Future investments

Investments are a basic requirement for maintaining technology leadership in future. The investment ratio at the Carl Zeiss Meditec Group has been largely constant over the past few years. Even the investments required to realize growth targets shall not significantly change the current investment ratio in the coming fiscal year. The Company plans to invest around 1% to 2% of revenue in property, plant and equipment (cash) in fiscal year 2018/19, 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 €0.55 per share for the past fiscal year. The dividend ratio would therefore be 39.0% (prior year: 35.0%).

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 2018, current cash and cash equivalents of around €670.0m 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 2018/19 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 2017/18, we achieved a share of around 33.5%. From a current perspective, we expect a further increase in fiscal year 2018/19 and in the medium term.

In fiscal year 2017/18, the EBIT margin increased slightly from 15.2% in the prior year, to 15.4%. As before, an EBIT margin of between 14% and 16% is expected for the coming fiscal year 2018/19 and in the medium term.

In terms of free cash flow for fiscal year 2018/19, Carl Zeiss Meditec AG is striving for a figure that is at least in the high double-digit millions. The Company expects Economic Value Added® (EVA®) in the coming fiscal year to be on a similar level to fiscal year 2017/18.

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, 23 November 2018

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

Consolidated financial statements

Consolidated income statement (IFRS)
from 1 October 2017 to 30 September 2018

	Note	2017/18 1 Oct 17 to 30 Sep 18	2016/17 1 Oct 16 to 30 Sep 17
		€k	€k
Revenue	**(2p) (4)**	**1,280,860**	**1,189,896**
Cost of sales		(570,471)	(533,163)
Gross profit		**710,389**	**656,733**
Selling and marketing expenses		(303,819)	(289,555)
General administrative expenses		(49,827)	(48,092)
Research and development expenses	(34)	(159,628)	(145,792)
Other operating result	(5)	15	7,536
Earnings before interest, taxes, depreciation and amortization		228,412	205,065
Depreciation and amortization		(31,282)	(24,235)
Earnings before interest and taxes		**197,130**	**180,830**
Interest income	(7)	977	937
Interest expenses	(7)	(2,052)	(1,676)
Net interest from defined benefit pension plans	(7)	(605)	(1,020)
Foreign currency gains/(losses), net	(2c) (2v) (7)	(19,374)	9,029
Other financial result	(7)	3,107	456
Earnings before income taxes		**179,183**	**188,556**
Income taxes	(8)	(52,953)	(52,778)
Consolidated profit		**126,230**	**135,778**
Attributable to:			
Shareholders of the parent company		126,463	134,445
Non-controlling interests		(233)	1,333
Profit/(loss) per share attributable to the shareholders of the parent company in the fiscal year (in €): **– Basic/diluted**	**(2r) (10)**	**1.41**	**1.57**

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

Consolidated statement of comprehensive income (IFRS)
from 1 October 2017 to 30 September 2018

	Note	2017/18 1 Oct 17 to 30 Sep 18	2016/17 1 Oct 16 to 30 Sep 17
		€k	€k
Consolidated profit		**126,230**	**135,778**
Gains/(losses) on foreign currency translation	(2c) (21)	5,219	(23,478)
Derivative financial instruments	(2h) (27)	-	3,881
Total of items that may subsequently be reclassified to consolidated profit		**5,219**	**(19,597)**
Remeasurement from defined benefit pension plans	(2n) (22)	(4,148)	20,197
Total of items that will not subsequently be reclassified to consolidated profit		**(4,148)**	**20,197**
Other comprehensive income		**1,071**	**600**
Comprehensive income for the period		**127,301**	**136,378**
Attributable to:			
Shareholders of the parent company		127,279	140,700
Non-controlling interests		22	(4,322)

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

Consolidated statement of financial position (IFRS)
as of 30 September 2018

	Note	30 Sep 2018	30 Sep 2017
		€k	€k
ASSETS			
Non-current assets			
Goodwill	(2e) (11)	185,638	174,313
Other intangible assets	(2f) (12)	74,087	68,491
Property, plant and equipment	(2g) (13)	62,632	58,696
Other loans	(27)	135	1,824
Investments in affiliated non-consolidated companies		-	19,178
Investments	(27)	122	122
Deferred taxes	(2i) (14)	74,249	77,365
Non-current trade receivables	(17)	9,155	12,741
Other non-current assets	(15)	4,978	2,490
		410,996	**415,220**
Current assets			
Inventories	(2j) (16)	248,092	234,303
Trade receivables	(17)	192,330	195,256
Trade receivables from related parties	(2t) (34)	96,503	89,835
Treasury receivables	(2t) (34)	665,003	630,721
Tax refund claims		3,611	2,814
Other current financial assets	(2h) (18)	19,320	31,126
Other current non-financial assets	(19)	19,519	19,908
Cash and cash equivalents	(2l) (20)	6,678	3,925
		1,251,056	**1,207,888**
		1,662,052	**1,623,108**
EQUITY AND LIABILITIES			
Equity			
Share capital	(21)	89,441	89,441
Capital reserve	(21)	620,137	620,137
Retained earnings	(21)	632,486	555,215
Other components of equity	(2m) (21)	(48,600)	(49,416)
Equity before non-controlling interest		1,293,464	1,215,377
Non-controlling interests	(2a) (21)	21,170	26,358
		1,314,634	**1,241,735**
Non-current liabilities			
Provisions for pensions and similar obligations	(2n) (22)	42,079	37,866
Other non-current provisions	(2o) (23)	6,849	10,139
Non-current financial liabilities		-	593
Non-current leasing liabilities	(2k) (29)	7,321	2,995
Other non-current non-financial liabilities		5,755	4,784
Deferred taxes	(2i) (14)	5,234	8,918
		67,238	**65,295**
Current liabilities			
Current provisions	(2o) (23)	21,137	23,181
Current accrued liabilities	(25)	84,470	72,237
Current financial liabilities	(2h) (27)	15,710	5,733
Current portion of non-current leasing liabilities	(2k) (29)	3,529	2,819
Trade payables		67,425	64,870
Current income tax payables		12,909	8,367
Trade payables to related parties	(2t) (34)	34,012	35,593
Treasury payables	(2t) (34)	1,661	69,642
Other current non-financial liabilities	(26)	39,327	33,636
		280,180	**316,078**
		1,662,052	**1,623,108**

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 2016		**81,310**	**313,863**	**458,335**	**(55,671)**	**797,837**	**53,326**	**851,163**
Gains/(losses) on foreign currency translation	(2c) (21)	-	-	-	(17,749)	(17,749)	(5,729)	(23,478)
Derivative financial instruments	(2h) (27)	-	-	-	3,881	3,881	-	3,881
Remeasurement from defined benefit pension plans	(2n) (22)	-	-	-	20,123	20,123	74	20,197
Changes in value recognized directly in equity	**(2m) (21)**	**-**	**-**	**-**	**6,255**	**6,255**	**(5,655)**	**600**
Consolidated profit		-	-	134,445	-	134,445	1,333	135,778
Comprehensive income for the period	**(2m) (21)**	**-**	**-**	**134,445**	**6,255**	**140,700**	**(4,322)**	**136,378**
Issuance of shares for contribution in cash	(21)	8,131	306,274	-	-	314,405	-	314,405
Additions to basis of consolidation/ acquisitions	(3) (21)	-	-	-	-	-	3,618	3,618
Dividend payments	(10)	-	-	(37,565)	-	(37,565)	(26,264)	(63,829)
As of 30 September 2017	**(2m) (21)**	**89,441**	**620,137**	**555,215**	**(49,416)**	**1,215,377**	**26,358**	**1,241,735**
As of 1 October 2017		**89,441**	**620,137**	**555,215**	**(49,416)**	**1,215,377**	**26,358**	**1,241,735**
Gains/(losses) on foreign currency translation	(2c) (21)	-	-	-	4,999	4,999	220	5,219
Remeasurement from defined benefit pension plans	(2n) (22)	-	-	-	(4,183)	(4,183)	35	(4,148)
Changes in value recognized directly in equity	**(2m) (21)**	**-**	**-**	**-**	**816**	**816**	**255**	**1,071**
Consolidated profit		-	-	126,463	-	126,463	(233)	126,230
Comprehensive income for the period	**(2m) (21)**	**-**	**-**	**126,463**	**816**	**127,279**	**22**	**127,301**
Additions to basis of consolidation/ acquisitions	(3) (21)	-	-	-	-	-	341	341
Dividend payments	(10)	-	-	(49,192)	-	(49,192)	(5,551)	(54,743)
As of 30 September 2018	**(2m) (21)**	**89,441**	**620,137**	**632,486**	**(48,600)**	**1,293,464**	**21,170**	**1,314,634**

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

Consolidated statement of cash flows (IFRS)
from 1 October 2017 to 30 September 2018

	Note	2017/18 1 Oct 17 to 30 Sep 18	2016/17 1 Oct 16 to 30 Sep 17
		€k	€k
Cash flows from operating activities:			
Consolidated profit		**126,230**	**135,778**
Adjustments to reconcile consolidated profit to net cash provided by/(used in) operating activities			
Income tax expense	(8)	52,953	52,778
Interest income/expenses	(7)	1,680	1,759
Results from other investments	(7)	(34)	(39)
Result from disposal of hydrophilic IOL business Aaren Scientific Inc.	(3) (5) (7)	(2,527)	(7,478)
Depreciation and amortization	(12) (13)	31,282	24,235
Gains/losses on disposal of fixed assets	(12) (13)	2,454	249
Dividends received		34	25
Interest received		946	770
Interest paid		(1,940)	(1,559)
Refunded income taxes		2,583	8,700
Income taxes paid		(50,947)	(63,430)
Changes in working capital:			
Trade receivables	(17)	(113)	(48,981)
Inventories	(16)	(11,758)	(33,381)
Other assets	(15) (18) (19)	6,515	(18,874)
Trade payables		921	15,271
Provisions and financial liabilities	(22) (23) (25)	22,393	(26,704)
Other liabilities	(26)	6,535	(1,387)
Total adjustments		60,977	(98,046)
Net cash provided by/(used in) operating activities		**187,207**	**37,732**
Cash flows from investing activities:			
Investment in property, plant and equipment	(13)	(16,535)	(13,656)
Investment in other intangible assets	(12)	(18,221)	(25,366)
Proceeds from fixed assets		467	489
Proceeds from sale of investments		-	16
Payments for other loans		-	(4,074)
Investments / divestitures in securities	(18)	3,220	(4,413)
Purchase of shares in affiliated non-consolidated companies	(3)	-	(12,181)
Purchase of shares in affiliated consolidated companies, net of cash acquired	(3)	(353)	(6,035)
Proceeds from disposal of hydrophilic IOL business Aaren Scientific Inc.	(3)	2,548	9,289
Net cash provided by/(used in) investing activities		**(28,874)**	**(55,931)**
Cash flows from financing activities:			
Proceeds from/(repayment of) current liabilities to banks	(28)	(102)	219
Proceeds from/(repayment of) non-current liabilities to banks	(24) (28)	(482)	(466)
(Increase)/decrease in treasury receivables	(2t) (28) (34)	(33,663)	(277,249)
Increase/(decrease) in treasury payables	(2t) (28) (34)	(65,315)	45,234
Increase/(decrease) in liabilities due to finance lease	(28) (29)	(2,932)	(2,876)
Dividend payment to shareholders of Carl Zeiss Meditec AG	(10)	(49,192)	(37,565)
Dividend payments to non-controlling interests		(5,551)	(26,264)
Proceeds from capital increase		-	315,036
Payments of costs in connection with capital increase		-	(1,575)
Net cash provided by/(used in) financing activities		**(157,237)**	**14,494**
Effect of exchange rate changes on cash and cash equivalents		(345)	(1,080)
Effect of changes in basis of consolidation on cash and cash equivalents	(3)	2,002	-
Increase/(decrease) in cash and cash equivalents		**2,753**	**(4,785)**
Cash and cash equivalents, beginning of reporting period	(20)	3,925	8,710
Cash and cash equivalents, end of reporting period	**(20)**	**6,678**	**3,925**

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

Consolidated notes
for fiscal year 2017/18 (IFRS)

GENERAL INFORMATION, ACCOUNTING AND VALUATION PRINCIPLES

1. The Company

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

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

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

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

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

(b) Basis of presentation
The consolidated financial statements of Carl Zeiss Meditec AG are based on the going concern assumption. They were prepared in accordance with the International Financial Reporting Standards ("IFRSs") promulgated by the International Accounting Standards Board ("IASB"), London, and take into account all accounting standards and interpretations adopted by 30 September 2018 for which application is mandatory, as they are to be applied in the EU. The present version of the consolidated financial statements complies with the provisions of Section 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 major subsidiaries. Subsidiaries are all companies controlled by Carl Zeiss Meditec AG. A company is controlled if the Group is subject to variable returns from its relationship with a company, or has rights to these returns, and can control the relevant activities that influence these returns. Normally, the possibility of control at subsidiaries is based on an indirect or direct voting majority of Carl Zeiss Meditec AG.

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

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

The financial information of significant subsidiaries with non-controlling interests before consolidation effects (such as eliminations) is as follows.

Condensed income statement and other result:

	2017/18		2016/17	
	Carl Zeiss Meditec Co. Ltd.	Ophthalmic Laser Engines LLC	Carl Zeiss Meditec Co. Ltd.	Ophthalmic Laser Engines LLC
	€k	€k	€k	€k
Revenue	103,560	-	105,545	-
Net income	2,327	(2,778)	5,438	(2,775)
» thereof profit/loss attributable to non-controlling interests	1,140	(1,333)	2,665	(1,332)
Other result (recognized in other comprehensive income)	547	14	(11,470)	(73)
Comprehensive income	2,874	(2,764)	(6,032)	(2,848)
» thereof comprehensive income attributable to non-controlling interests	1,408	(1,327)	(2,955)	(1,367)

Condensed statement of financial position:

	30 Sep 2018		30 Sep 2017	
	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	6,435	1,725	5,843	1,620
Current assets	66,955	1,833	70,336	5,071
Non-current liabilities	6,838	13	6,760	-
Current liabilities	27,840	1,620	22,252	2,002
Equity	38,712	1,925	47,167	4,689
» thereof equity attributable to non-controlling interests	19,964	924	24,107	2,251

Condensed statement of cash flows:

	2017/18		2016/17	
	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	6,219	(3,382)	2,226	(2,173)
Cash flows from investing activities	(25)	3,125	(25)	(4,466)
Cash flows from financing activities	(5,507)	32	(7,823)	-
Effect of exchange rate changes on cash and cash equivalents	18	8	(727)	(217)
Increase/(decrease) in cash and cash equivalents	**705**	**(217)**	**(6,349)**	**(6,856)**

(b) Business combinations

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

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

(c) Foreign currency translation

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

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

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

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

	Exchange rate at end of reporting period as of 30 Sep 2018	Exchange rate at end of reporting period as of 30 Sep 2017	+/- %	Average exchange rate 2017/18	Average exchange rate 2016/17	+/- %
USD	0.8639	0.8470	2.0	0.8398	0.9053	-7.2
JPY	0.0076	0.0075	1.2	0.0076	0.0081	-6.5
GBP	1.1270	1.1341	-0.6	1.1303	1.1473	-1.5
AUD	0.6231	0.6633	-6.1	0.6387	0.6899	-7.4
BRL	0.2149	0.2657	-19.1	0.2394	0.2827	-15.3
TRY	0.1436	0.2380	-39.7	0.1905	0.2573	-25.9
KRW	0.0008	0.0007	5.1	0.0008	0.0008	-3.1
CNY	0.1255	0.1273	-1.4	0.1285	0.1330	-3.3

(d) Use of estimates

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

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

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

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

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

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

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

Sales planning takes into account a growth rate that is at least in line with the market growth rate anticipated for the industry, which, from a current perspective and excluding currency effects, corresponds to growth 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 a growth rate that is 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 for the 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 Group is optimistic that it will grow more than the underlying market in the fiscal year ahead, which, from today's perspective and not taking currency effects into consideration, equates to growth at least in the mid-single-digit percentage range. The EBIT margin is also expected to remain significantly above the Group average. Cost planning also considers strategic aspects as well as price trends in the procurement markets. Overall, the previous forecast of an EBIT margin of between 14% and 16% remains for the coming fiscal year 2018/19 and in the medium term. The cash flow projections resulting from the management's financial forecasts, to determine the value in use, do not contain any cash flows from future restructuring measures or enhancements or improvements to increase earnings power. In order to determine the future development of working capital, specific ranges are currently applied for each SBU. At the same time, the earnings for the respective planning year are adjusted, for the calculation of free 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 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 1.01% (prior year: 0.95 %) is applied for the cash flows, for the perpetuity period. The pre-tax discount rate applied for cash flow forecasts is 14% (prior year: 13%). The carrying amount of a cash-generating unit includes all assets that stimulate the flow of cash, i.e., that contribute to the creation of a salable service. This means that all non-operating items and interest-bearing borrowings are excluded from the calculation.

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

The Group completed its annual impairment testing of goodwill and capitalized intangible assets with an indefinite useful life, and intangible assets not yet available for use on 30 June 2018. The results of these tests, based on values in use, did not give any indication of a need for impairment of goodwill or intangible assets not yet available for use. Nor did any events arise up until the end of the reporting period that could lead to a change in the assessment as of the end of June.

The sensitivity analyses carried out by the Company for the two SBUs Microsurgery and Ophthalmic Devices relate to the changes in the valuation parameter capitalization interest rate and the growth factor deemed possible by the management (adjustment of EBIT for the last detailed planning period). Neither of the sensitivity analyses, nor a combination of both (simultaneous increase in discount rate with EBIT reduction for last detailed planning period) leads to 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	1 to 10 years
Patents and other industrial property rights	2 to 19 years
Development costs	3 to 10 years
Miscellaneous other intangible assets	3 to 10 years

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

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

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

Leasehold improvements are depreciated over their estimated useful life or the term of the rental or lease agreement, if shorter. Estimated useful life is reviewed regularly by the Company's management, taking current technological advancement into account. Maintenance and repairs are expensed as incurred, while renewals and improvements that extend the expected useful life or increase capacity are capitalized if they fulfill the general recognition criteria under IAS 16. Property, plant and equipment are also reviewed for impairment

(impairment test), if indicated. Upon the sale or retirement of property, plant and equipment, the accounts are relieved of the cost and the related accumulated depreciation and impairments, and any resulting gain or loss is recognized through profit or loss. The scheduled depreciation amounts and any impairment losses and write-ups recorded in the period on property, plant and equipment are recognized in the consolidated income statement according to the functions for which the assets are used.

(h) Financial instruments

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

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

Primary financial instruments

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

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

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

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

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

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

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

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

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

If the hedge accounting requirements are met and the company has made a corresponding designation, the derivatives will be qualified as a hedging instrument within a hedging relationship. This will ensure that the effects on income of the hedge and the underlying transaction are synchronized as far as possible. Hedge accounting is not currently being applied by the Group.

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

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

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

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

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

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

Write-downs are recorded on inventories when the costs of purchase or conversion exceed the estimated net realizable value. The net realizable value is the estimated price that could be obtained in the ordinary course of business, less the estimated costs of completion and selling costs. The write-ups are mainly attributable to the adjustment of parameters for depreciation routines to new empirical values.

(k) Leasing

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

Other leasing transactions are treated as operating leases. The total payments required under operating lease agreements are reported as an expense on a straight-line basis over the term of the lease. Conversely, the Group also acts as lessor for operating leases. Operating lease payments are recognized immediately as an expense in earnings before interest and income taxes in the income statement.

(l) Cash and cash equivalents

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

(m) Other components of equity

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

(n) Pension commitments

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

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

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

The service cost is classified as an operating expense.

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

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

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

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

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

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

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

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

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

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

(s) Borrowing costs

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

(t) Related party disclosures

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

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

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

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

(u) Recent pronouncements on accounting principles

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

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

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

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

Date of issue	**Standard/Interpretation**	**Amendment/new statutory regulation**	**Effective date**	**endorsed by the EU**
28 May 2014	IFRS 15 *"Revenue from Contracts with Customers"*	Combination of existing standards and interpretations on revenue recognition (IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC-31)	Fiscal years beginning on or after 1 January 2018	Yes
24 Jul 2014	IFRS 9 *"Financial Instruments"*	Classification and measurement of financial assets	Fiscal years beginning on or after 1 January 2018	Yes
13 Jan 2016	IFRS 16 *"Leases"*	Guidelines on the accounting treatment of leases, eliminating the distinction between operating and finance leases for the lessee	Fiscal years beginning on or after 1 January 2019	Yes
12 Apr 2016	Information on IFRS 15 *"Revenue from Contracts with Customers"*	Clarifications to IFRS 15 and transition relief	Fiscal years beginning on or after 1 January 2018	Yes
20 Jun 2016	Amendment IFRS 2 *"Share-based Payment"*	Clarifications or amendments on classification and measurement of share-based payments	Fiscal years beginning on or after 1 January 2018	Yes
12 Sep 2016	Amendment to IFRS 4 "Insurance Contracts"	Classification and measurement of financial assets	Fiscal years beginning on or after 1 January 2018	Yes
8 Dec 2016	IFRIC 22 *"Foreign Currency Transactions and Advance Consideration"*	Clarifications for IAS 21 particularly about which exchange rate to use in reporting foreign currency transactions when payments are made or received in advance	Fiscal years beginning on or after 1 January 2018	Yes
8 Dec 2016	Amendments to IAS 40 *"Investment property"*	Clarification of the classification of property under construction	Fiscal years beginning on or after 1 January 2018	Yes
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	No
12 Dec 2017	Improvements to IFRSs (2015– 2017)	Amendments to standards IAS 12, 23 and IFRS 3, 11	Fiscal years beginning on or after 1 January 2019	No
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	No
29 Mar 2018	Amendments to the conceptual framework	Revision of definitions and new guidelines on measurement and derecognition, recognition and disclosures	Financial 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	Financial years beginning on or after 1 January 2020	No
31 Oct 2018	Amendment to IAS 1 and IAS 8	Definition of materiality	Financial years beginning on or after 1 January 2020	No

The IASB published IFRS 9 "*Financial Instruments*" on 24 July 2014. In terms of classification, IFRS 9 defines three instead of the previous four measurement categories for financial assets. This categorization is based, firstly, on the Company's business model and, secondly, on the features of the contractual cash flows from the respective financial asset. The classification of financial liabilities under IFRS 9 is largely unchanged from the current accounting policies under IAS 39 "*Financial Instruments: Recognition and Measurement*". According to current assessments, Carl Zeiss Meditec does not expect the reclassification of existing financial assets to significantly change the measurement results from the allocation to the individual categories compared with the present classification.

At the same time, IFRS 9 also contains changes to the calculation of impairment. The basic principle of the expected loss model shall in future be to recognize expected losses right from the point of first-time recognition of a financial asset and before the occurrence of a loss event. Currently, Carl Zeiss Meditec intends to apply the simplified impairment model to all trade receivables, treasury receivables and trade receivables from related parties. The expected loan defaults shall be determined for the valuation allowances based on the loan defaults expected over the term. To determine the expected credit losses, customers shall be divided into groups of similar credit risks. In addition to this collective assessment, credit risks shall also be assessed on an individual basis, if the default risk has increased significantly as of the end of the reporting period. In this respect, the Group is currently working on the basis of an assumed reduction in the valuation allowances on trade receivables in the range of €3m to €5m. Furthermore, based on the previous analyses, this method will also have specific effects on treasury receivables and receivables from related parties. To date, both items in the statement of financial position were not impaired, based on historical data. In the context of IFRS 9, the forward-looking assessment of the probability of default could pose a slight risk, however. In this regard, the Group is currently assuming an increase in the valuation allowances for both items, totaling in the range of €1m to €2m.

The new regulations also require additional quantitative and qualitative disclosures in the notes. This standard shall be applicable for the first time for Carl Zeiss Meditec from the next fiscal year. Upon first-time application of IFRS 9 Carl Zeiss Meditec is exercising the accounting option to continue to account for hedges in accordance with IAS 39 instead of according to IFRS 9. Changes in the accounting policies are generally presented retrospectively, with two exceptions. This means that changes in the carrying amounts of financial assets and liabilities as a result of the first-time application of IFRS 9 shall be recognized in revenue reserves and other reserves as of 1 October 2018. The comparative information shall not be amended with respect to changes in classification and measurement (including impairments).

The IASB published the standard IFRS 15 "*Revenue from Contracts with Customers*", on 28 May 2014, which combines the existing standards and interpretations on revenue recognition (IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC-31). The Group plans shall apply the standard using the modified retrospective method, so that any transition effects will be recognized cumulatively under revenue reserves as of 1 October 2018 and the comparative period will be presented in line with existing regulations. At the same time, the standard shall only be applied retrospectively for contracts that have not yet been fully satisfied as of 1 October 2018. Pursuant to IFRS 15, revenue shall be deemed to have been recognized once control over the relevant good or service has been passed to the customer. In the case of product sales, control is transferred in accordance with the Incoterms. For services, control is deemed to have been passed once the service has been rendered. The transfer of control principle thus supersedes the principle of opportunity/risk transfer in the standard. The questions concerning what amount and at what date (or over what period) revenue should be recognized shall in future be answered using a five-step model. As part of a Group-wide project, an analysis of the affected agreements and business models was carried out with respect to potential, anticipated changes, arising in particular from returns, sales of complete solutions rather than individual devices and the point of transfer of control-. This analysis showed that the first-time application of IFRS 15 will not have any material effects on the consolidated financial statements. The new requirements shall, however, lead to additional quantitative and qualitative disclosures in the notes.

The standard IFRS 16 "*Leases*" was published by the IASB on 13 January 2016 and supersedes the previous standards and interpretations on the accounting treatment of leases (IAS 17, IFRIC 4, SIC-15, SIC-27). The Group shall voluntarily apply the standard early for the first time, from 1 October 2018, in conjunction with IFRS 15, using the modified retrospective method, so that any transition effects as of 1 October 2018 shall be recognized cumulatively in revenue reserves and the comparative period will be presented in line with previous regulations. The future accounting guideline on leases pursuant to IFRS 16 has been developed and the relevant business processes adjusted. 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. This principle does not apply to leases with a total term of max. twelve months, or to leases on low-value assets. In these cases, the accounting is comparable with the previous operating lease model. The Group takes advantage of these simplification rules. Within the Group, the new regulations shall affect in particular the accounting of leases previously treated as operating leases. These leases mainly pertain to rented office space, leased vehicles and other office and business equipment provided by third parties. Based on the leases existing as of the reporting date, the Group does not expect the change in recognition to have any material effect on consolidated profit for fiscal year 2018/19. The lease liability arising from existing operating leases, which is to be carried as a liability, is expected to amount to within the range of €43m to €47m. The right of use shall also be within the range of €43m to €47m, as the option is being used to recognize the right of use in the amount of the lease liability. Discounting is carried out using contract-specific interest rates, or, if these are not available, using country-specify interest rates with matching maturities. Use is also being made of the option to reduce the value of the right of use in the case of onerous contracts at the point of first-time application. The recognition of the right of use and the lease liability includes renewal and purchase options, insofar as they are considered probable.

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

(v) Calculation of fair values

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

Other intangible assets

The fair values of trademark, patent and technology rights or similar, which were acquired within the scope of a business combination, are determined according to the relief from royalty method. In this method an analogy is used, whereby the financial contributions (cash flows) 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 either at fair value through profit or loss or classified as available for sale, is based, if an active market exists, on listed stock prices. If there is no active market, the fair value is measured using an appropriate valuation method, e.g. based on current market prices of similar financial instruments, or the discounted cash flow method.

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

If there is no active market, the fair value is determined using recognized valuation methods (present value method or option pricing model). Current market volatilities are used in option pricing models. The interest rates applied across the various maturities and foreign currencies range from -0.7% to +3.2% (prior year: -0.8% to +4.7%).

The Group exclusively holds currency forward contracts as derivative financial instruments. The financial assets and liabilities held for trading (FVTPL) are carried at fair value, although changes in market value are recognized through profit or loss in the income statement. 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 2017/18

Disposal of legal entity Aaren Scientific Inc., Ontario, USA
By way of an agreement dated 4 November 2016, a contract was concluded and executed in the past fiscal year between Carl Zeiss Meditec Inc., Dublin, USA, the direct parent company of Aaren Scientific Inc., and Aaren Laboratories, LLC, USA, an external third party, pertaining to the disposal of a number of assets. Under the terms of this contract, it was also agreed that the purchaser may acquire the legal entity Aaren for a

purchase price of US$ 3m. The acquisition of the legal entity was to take place within a fifteen-month period beginning on 16 November 2016, and was executed on 1 October 2017. The proceeds from the sale amount to €2.5m and are recognized under other financial result. The sale was accompanied by a name change and the company now operates under the name Carl Zeiss Meditec Production LLC, Ontario, USA. All shares in the subsidiary Hexavision S.A.R.L., Paris, France, were also sold at the same time.

Fiscal year 2016/17

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

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

At the date of publication of Carl Zeiss Meditec AG's consolidated annual financial statements as of Sunday, 30 September, 2018 the allocation of the purchase price to the assets and liabilities of the acquired company was complete. The fair values of the identified assets and liabilities at the acquisition date are as follows:

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

There were only insignificant adjustments.

The identified goodwill from the acquisition of the company 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.

For more details on this acquisition, please refer to the Annual Report 2016/17.

Acquisition of Veracity Innovations, LLC, Temple, Texas, USA

On 18 August 2017, Carl Zeiss Meditec Inc., Dublin, California, USA, acquired 100% of the shares in Veracity Digital Innovations, LLC, Temple, Texas, USA. The company was renamed Carl Zeiss Meditec Digital Innovations LLC (hereinafter "CZM Digital Innovations") on 3 October 2017.

The purchase price was €12.5m and consisted of a fixed sum of €12.2m, which was paid in August of fiscal year 2016/17 and an amount of €0.3m, which was paid subsequently in the current fiscal year. There is still an agreement pertaining to two performance-related components. The first earnout component is user-dependent at the time one year from the acquisition date. The contractual range shall amount to either €0 or €2.6m. The second earnout component, which is performance-related and based on the realistic estimate at the acquisition date on the basis of the business plan, shall be due in a single tranche after a period of six years, starting from the end of the fiscal year in which the acquisition was made (30 September 2017). The contractual range of the second earnout component has a lower limit of €0 and theoretically no upper limit. In fiscal year 2017/18, the business plan was reassessed at the acquisition date based on better knowledge. On this basis, the performance-related components come to nothing and have been adjusted in other comprehensive income.

CZM Digital Innovations is a start-up company. As of the end of fiscal year 2016/17 the company was insignificant for the Group in terms of revenue and earnings. For this reason Carl Zeiss Meditec did not include CZM Digital Innovations in it consolidated financial statements. At the end of the current fiscal year, CZM Digital Innovations is significant for the Group in terms of earnings, and shall therefore be incorporated into the reporting entity.

At the date of publication of Carl Zeiss Meditec AG's consolidated annual financial statements as of Sunday, 30 September, 2018 the allocation of the purchase price to the assets and liabilities of the acquired company was complete. The fair values of the identified assets and liabilities at the acquisition date are as follows:

	Fair value
	€k
Other intangible assets	641
Property, plant and equipment	53
Other current assets	23
Cash and cash equivalents	321
Total assets	**1,038**
Net assets	**1,038**
Goodwill from acquisition	11,495
Total costs of acquisition	**12,533**
Cash received	321
Past cash outflow for purchase price components	(12,533)
Net capital outflow to 30 September 2018	**(12,212)**

The identified goodwill from the acquisition of CZM Digital Innovations risks 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.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

4. Revenue

Group earnings for fiscal years 2017/18 and 2016/17 mainly consist of sales revenues. The table below shows a breakdown of revenue:

	2017/18	2016/17
	€k	€k
Income from the sale of merchandise	1,165,577	1,074,532
Income from the provision of services (incl. sale of replacement parts)	114,409	114,116
Income from royalties/licenses	874	1,248
Total	**1,280,860**	**1,189,896**

5. Other operating result

The other operating result is composed of other income and expenses for fiscal years 2017/18 and 2016/17 as follows:

	2017/18	2016/17
	€k	€k
Proceeds from sale of hydrophilic business of Aaren Scientific Inc.	-	9,053
Sale of property, plant and equipment in connection with sale of hydrophilic business of Aaren Scientific Inc.	-	(524)
Other	15	58
Other income, total	**15**	**8,587**
Sale of inventories in connection with sale of hydrophilic business of Aaren Scientific Inc.	-	(1,051)
Other expenses, total	**-**	**(1,051)**
Other operating result	**15**	**7,536**

6. Personnel expenses

Personnel expenses for fiscal years 2017/18 and 2016/17 are as follows:

	2017/18	2016/17
	€k	€k
Wages and salaries	254,518	239,791
Social security contributions	44,464	43,913
Pension costs	12,259	10,799
Total	**311,241**	**294,503**

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 €4,012k (prior year: €3,777k).

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

	30 September 2018	30 September 2017	Average 2017/18	Average 2016/17
Production	1,264	1,228	1,248	1,239
Sales & Marketing	1,021	1,011	1,019	1,001
Research & Development	522	472	515	456
Administration	241	247	250	247
Total	**3,048**	**2,958**	**3,032**	**2,943**
Trainees	13	12	11	13

7. Financial result

The financial result comprises the following:

	2017/18	2016/17
	€k	€k
Interest income	977	937
Interest expenses	(2,052)	(1,676)
Net interest from defined benefit pension plans	(605)	(1,020)
Net interest income/loss	**(1,680)**	**(1,759)**
Currency gains	22,346	46,943
Currency losses	(41,720)	(37,914)
Foreign currency gains/(losses), net	**(19,374)**	**9,029**
Other financial result	**3,107**	**456**
Total financial result	**(17,947)**	**7,726**

This year the item other financial result includes the proceeds from the sale of the legal entity Aaren Scientific Inc. in the amount of €2.5m.

8. Income taxes

Income taxes comprise the following:

	2017/18	2016/17
	€k	€k
Germany	47,582	45,358
Other countries	4,644	7,395
Current taxes:	**52,226**	**52,753**
(thereof prior-period)	(700)	(637)
Germany	(6,449)	1,972
Other countries	7,176	(1,947)
Deferred taxes:	**727**	**25**
Total	**52,953**	**52,778**

In accordance with the tax law applicable in fiscal year 2017/18, 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: from 27.73% to 31.58%). The nominal tax rates applicable outside Germany in the fiscal year ranged between 19.00% and 34.59% (prior year: 19.50% and 37.71%).

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: 19.50% to 37.71%). For the sake of simplicity, other deferred taxes are calculated using the applicable nominal tax rate for the parent company, Carl Zeiss Meditec AG, Jena, of 29.87% (prior year: 29.87%).

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

	2017/18	2016/17
	€k	€k
Expected income tax expense	53,522	56,322
Non-deductible expenses	1,440	1,629
Tax-free income	(1,878)	(749)
Effect of changes in tax rates	3,852	487
Taxes prior years	700	637
Foreign tax rate differential	(388)	(362)
Net retained earnings of subsidiaries intended for disbursement	63	86
Recognition and measurement of deferred tax assets	(2,881)	(5,228)
Other	(1,477)	(44)
Actual income tax expense	**52,953**	**52,778**
Effective tax rate	29.6%	28.0%

The effect caused by tax rate changes in fiscal year 2017/18 is mainly due to the tax reform in the USA.

9. Earnings per share

The following table shows the calculation of earnings per share:

	2017/18	2016/17
Net income attributable to shareholders of the parent company (€k)	126,463	134,445
Weighted average of issued shares	89,440,570	85,586,718
Earnings per share (in €)	**1.41**	**1.57**

10. Dividend

During the period under review, a dividend of 55 cents per share (prior year: 42 cents per share) was paid to the shareholders of Carl Zeiss Meditec AG for fiscal year 2016/17.

	2017/18		2016/17	
	€ cent per share	€k Total	€ cent per share	€k Total
Dividend paid	**55**	**49,192**	**42**	**37,565**

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

11. Goodwill

The table below shows the development of the Group's recognized goodwill and its allocation to the respective strategic business units (SBUs) for fiscal years 2017/18 and 2016/17:

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

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 from the cash-generating unit "Ophthalmic Devices" SBU in 2017/18 results, on the one hand, from the allocation of the goodwill which arose after the purchase price allocation of the assets from the acquisition of Ophthalmic Laser Engines, LLC. On the other hand, the change results from the consolidation of Carl Zeiss Meditec Digital Innovations, LLC, which was acquired in the previous year, and from currency effects.

12. Other intangible assets

Other intangible assets developed as follows in fiscal years 2017/18 and 2016/17:

	Brand names and trade-marks	Software	Licenses, royalties	Patents and other industrial property rights	Development expenses	Miscellaneous other intangible assets	Total
	€k	€k	€k	€k	€k	€k	€k
Acquisition and production costs as of 1 Oct 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
Reclassifications	-	3,314	-	-	-	(3,314)	-
Disposals	-	(50)	-	-	(23)	(215)	(288)
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**

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

Miscellaneous other intangible assets include assets identified via purchase price allocations (PPA) for customer relationships with a carrying amount of €144k (prior year: €709k). The remaining useful lives of customer relationships range between 1 and 2 years.

The Group does not hold any other intangible assets with an indefinite useful life.

13. Property, plant and equipment

Property, plant and equipment developed as follows in fiscal years 2017/18 and 2016/17:

	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
Reclassifications	134	973	238	(1,345)	-
Disposals	-	(1,718)	(5,387)	(436)	(7,541)
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**

	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	**50,121**	**40,588**	**79,120**	**1,219**	**171,048**
Additions	295	2,950	9,551	2,106	14,902
Reclassifications	36	414	584	(1,034)	-
Disposals	-	(1,983)	(4,871)	-	(6,854)
Currency effects	(1,780)	(885)	(2,044)	(41)	(4,750)
As of 30 Sep 2017	**48,672**	**41,084**	**82,340**	**2,250**	**174,346**
Depreciation and amortization as of 1 Oct 2017	**31,375**	**24,969**	**50,195**	**-**	**106,539**
Additions	3,594	4,215	7,056	-	14,865
Disposals	-	(1,694)	(843)	-	(2,537)
Currency effects	(1,371)	(521)	(1,325)	-	(3,217)
As of 30 Sep 2017	**33,598**	**26,969**	**55,083**	**-**	**115,650**
Net carrying amount as of 30 Sep 2017	**15,074**	**14,115**	**27,257**	**2,250**	**58,696**

Property, plant and equipment – mainly land, buildings and leasehold improvements – includes leased property with a net carrying amount of €4,978k (prior year: €3,167k).

As of 30 September 2018 there were no items of property, plant or equipment serving as collateral for liabilities (prior year: net carrying amount €3,879k). Due to the repayment of the loan liabilities in the current fiscal year, the corresponding collateral agreements became redundant.

14. Deferred taxes

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

	30 Sep 2018		30 Sep 2017	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
	€k	€k	€k	€k
Loss carryforwards	1,215	-	10,135	-
Other intangible assets	1,801	7,680	3,550	9,949
Fixed assets	785	3,179	625	2,594
Inventories	16,902	414	20,598	556
Trade receivables	2,559	-	3,345	-
Other assets	384	1,285	209	5,802
Provisions	40,232	-	38,981	113
Trade payables	-	27	-	34
Other liabilities	17,938	67	10,298	160
Retained earnings	-	149	-	86
Total	**81,816**	**12,801**	**87,741**	**19,294**
Deferred tax assets (net)	**69,015**		**68,447**	

The consolidated statement of financial position contains deferred tax assets, after offsetting pursuant to IAS 12, totaling €74,249k (prior year: €77,365k) and deferred tax liabilities of €5,234k (prior year: €8,918k).

Deferred tax liabilities are carried in the amount of €149k (prior year: €86k) for net retained earnings of subsidiaries intended for disbursement in the amount of €14,483k (prior year: €14,628k). The Group did not carry as liabilities deferred tax liabilities of €6,317k (Prior year: €6,025k) on retained earnings of subsidiaries of €410,369k (prior year: €381,484k), because, from today's perspective, these earnings are to remain permanently invested.

The table below shows the reconciliation of deferred taxes:

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

15. Other non-current assets

Other non-current assets comprise the following:

	30 Sep 2018	30 Sep 2017
	€k	€k
Plan assets for pension commitments	2,217	-
Plan assets for accrued flexitime	1,235	1,106
Other	1,526	1,384
Total other non-current assets	**4,978**	**2,490**

16. Inventories

Inventories comprise the following:

	30 Sep 2018	30 Sep 2017
	€k	€k
Raw materials and supplies	105,224	105,472
Unfinished goods	32,529	33,139
Finished goods	148,660	128,383
Total inventories, gross	**286,413**	**266,994**
Valuation allowances	(38,321)	(32,691)
Total inventories, net	**248,092**	**234,303**

Inventories were written up/down as follows:

	2017/18	2016/17
	€k	€k
Beginning of fiscal year	**32,691**	**27,695**
Additions recognized as expenses	15,951	17,861
Currency effects	141	(447)
Reversals/utilization	(10,462)	(12,418)
End of fiscal year	**38,321**	**32,691**

The carrying amount of inventories carried at their net realizable value totaled €142,128k as of 30 September 2018 (prior year: €137,025k). Write-ups in the amount of €2,327k (prior year: €2,865k) were recognized through profit or loss. The cost of materials totaled €424,336k and €433,954k, respectively, in fiscal years 2017/18 and 2016/17. These expenses are calculated according to the total cost format and include the costs of raw materials and supplies and purchased goods and services, plus any valuation allowances and changes in inventories. No inventories have been pledged as collateral for liabilities.

17. Trade receivables

Trade receivables comprise the following:

	30 Sep 2018	30 Sep 2017
	€k	€k
Current trade receivables	201,947	206,526
Non-current trade receivables	9,155	12,743
Trade receivables, gross	**211,102**	**219,269**
Valuation allowances	(9,617)	(11,272)
Trade receivables, net	**201,485**	**207,997**

18. Other current financial assets

Other current financial assets comprise the following:

	30 Sep 2018	30 Sep 2017
	€k	€k
Credit card receivables	2,059	2,417
Derivative financial instruments	4,723	19,380
Securities	1,165	4,390
Receivables from ZEISS Group	9,242	2,854
Debit balances of accounts payable	759	922
Other receivables	1,372	1,163
Other current financial assets	**19,320**	**31,126**

19. Other current non-financial assets

Other current non-financial assets comprise the following:

	30 Sep 2018	30 Sep 2017
	€k	€k
Prepaid expenses	8,119	8,165
Receivables from tax office/other tax receivables	9,538	9,437
Advance payments	1,233	1,821
Other receivables	629	485
Other current non-financial assets	**19,519**	**19,908**

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

20. Cash and cash equivalents

Cash and cash equivalents comprise the following:

	30 Sep 2018	30 Sep 2017
	€k	€k
Cash	19	14
Bank balances	6,659	3,911
Cash and cash equivalents	**6,678**	**3,925**

21. Equity

Share capital

As in the prior fiscal year 2016/17, 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 29 April 2016, the Management Board is authorized, with the approval of the Supervisory Board, to increase the share capital of the Company, on one or several occasions until 5 April 2021, by up to a total of €40,655k, by issuing new no-par value bearer shares with a theoretical nominal value of €1 per share (40,654,805 shares) against cash and/or contributions in kind (Authorized Capital). The Management Board took advantage of this authorization 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 23 June 2017, the Management Board is authorized, with the consent of the Supervisory Board, to increase the share capital, on one or several occasions until 29 May 2022, by up to a total of €12,196k, by issuing new, no-par value bearer shares, each with a theoretical nominal value of €1 (12,196,440 shares) against cash and/or contributions in kind (Authorized Capital 2017). As with the original authorized capital, the Management Board shall be authorized, with the consent of the Supervisory Board, to exclude shareholders' statutory subscription rights in certain cases.

Capital reserve

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

Retained earnings

Under the German Stock Corporation Act (Aktiengesetz), the dividend available for distribution to the shareholders is dependent upon equity as reported in the single-entity financial statements of Carl Zeiss Meditec AG in accordance with the German Commercial Code (HGB). Dividends may only be declared and paid from any retained earnings that exist (after transfer to statutory reserves). As of 30 September 2018, the annual financial statements of Carl Zeiss Meditec AG showed a net profit of €236,201k (prior year: €188,466k).

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 €5,551k (prior year: €26,264k), 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 2016	**16,878**
Development in fiscal year 2016/17	(17,749)
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**

22. Pension obligations

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

Defined benefit plans

Germany

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

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

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

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

USA

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

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

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

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

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

Japan

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

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

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

	30 Sep 2018	30 Sep 2017
	€k	€k
Present value of obligations not financed by plan assets	9,523	11,874
Present value of obligations wholly or partly financed by plan assets	170,296	156,633
Total value of defined benefit obligation (DBO)	**179,819**	**168,507**
Fair value of plan assets	139,957	130,641
Net obligation/amount recognized	**39,862**	**37,866**
thereof in: Other non-current assets	2,217	-
thereof in: Provisions for pensions and similar obligations	42,079	37,866

The defined benefit obligation comprises the following:

	30 Sep 2018			30 Sep 2017		
	Defined benefit obligation (DBO)	Fair value of plan assets	Net obligation	Defined benefit obligation (DBO)	Fair value of plan assets	Net obligation
	€k	€k	€k	€k	€k	€k
Germany	152,845	119,481	33,364	139,920	111,781	28,139
USA	18,259	20,476	(2,217)	20,014	18,860	1,154
Japan	6,838	-	6,838	6,760	-	6,760
Other	1,877	-	1,877	1,813	-	1,813
Net amount recognized	**179,819**	**139,957**	**39,862**	**168,507**	**130,641**	**37,866**

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

	2017/18	2016/17
	€k	€k
Current service cost	8,247	7,022
Net interest expense	605	1,020
Net expenditure in the fiscal year recognized in the income statement	**8,852**	**8,042**
(Income)/loss from plan assets, excluding amounts already included in interest	1,931	(4,590)
Actuarial (gains)/losses	3,414	(24,383)
Expenses and income recognized in other comprehensive income	**5,345**	**(28,973)**
Actual (income)/expense on plan assets	(935)	(6,318)

The current service cost of €8,247k (prior year: €7,022k) 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:

	2017/18	2016/17
	€k	€k
Defined benefit obligation (DBO) at beginning of fiscal year	**168,507**	**188,512**
Current service cost	8,247	7,022
Interest expense	3,471	2,748
Benefit payments	(3,279)	(4,135)
Actuarial (gains)/losses based on demographic assumptions	972	(465)
Actuarial (gains)/losses based on financial assumptions	2,736	(28,412)
Actuarial (gains)/losses based on empirical assumptions	(294)	4,494
Additions/disposals	(961)	1,160
Currency translation differences from foreign plans	420	(2,417)
Defined benefit obligation (DBO) at end of fiscal year	**179,819**	**168,507**

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

	2017/18	2016/17
	€k	€k
Fair value of plan assets at beginning of fiscal year	**130,641**	**107,378**
Interest income	2,866	1,728
Revaluations (income from plan assets, excluding amounts already included in interest)	(1,931)	4,590
Employer contributions	9,428	19,467
Employee contributions	122	105
Pension payments from plan assets	(1,578)	(1,520)
Currency translation differences from foreign plans	409	(1,107)
Fair value at end of fiscal year	**139,957**	**130,641**

The Group does not intend to pay any contribution (prior year: €324k) into the defined benefit plans for the coming fiscal year.

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 2018	30 Sep 2017
	€k	€k
Developed markets	36,253	33,759
Growth markets	5,979	6,755
Equity instruments (shares)	**42,232**	**40,514**
Government bonds	6,412	7,692
Corporate bonds	30,410	30,656
Other	12,294	12,369
Debt instruments (bonds and debentures)	**49,116**	**50,717**
Real estate	**155**	**229**
Alternative instruments	**17,261**	**15,676**
Cash	**31,193**	**23,505**
Total plan assets	**139,957**	**130,641**

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

	Germany		USA		Japan	
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17
	in %	in %	in %	in %	in %	in %
Discount factor	1.90	2.00	4.05	3.60	0.47	0.42
Long-term salary increase	2.25	2.75	0.00	0.00	4.27	3.13
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 Sunday, 30 September, 2018 as follows:

	Increase	Decrease
	€k	€k
Discount rate	22,303	(18,916)
Remuneration trend	2,075	(1,865)
Rate of pension progression	5,342	(4,840)

The sensitivity analyses presented take into account ceteris 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 2018 would thus have been €6,154k higher.

The weighted duration of the pension obligations was 23.9 years as of 30 September 2018 (prior year: 22.9 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:

	Expected benefit payments
	€k
2019	3,190
2020	3,481
2021	3,864
2022	3,519
2023	3,831
2024 - 2028	25,565

23. Provisions

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

	Personnel and social	Ongoing operations	Others	Total
	€k	€k	€k	€k
As of 1 Oct 2017	**2,805**	**14,541**	**15,974**	**33,320**
Additions	1,705	15,203	2,650	19,558
Interest yield	57	-	5	62
Reversals	(189)	(718)	(1,798)	(2,705)
Utilization	(1,583)	(13,002)	(630)	(15,215)
Earnout finalization	-	-	(7,049)	(7,049)
Currency effects	(41)	78	(22)	15
As of 30 Sep 2018	**2,754**	**16,102**	**9,130**	**27,986**
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**
Current provisions	65	14,119	8,997	23,181
Non-current provisions	2,740	422	6,977	10,139
Provisions as of 30 Sep 2017	**2,805**	**14,541**	**15,974**	**33,320**

Personnel and social commitments

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

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

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

	30 Sep 2018	30 Sep 2017
	€k	€k
Present value of partial retirement obligations	929	788
Fair value of plan assets	668	628
Reported net liability for partial retirement obligations	**261**	**160**

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.

24. Non-current financial liabilities

Non-current financial liabilities comprise the following:

	30 Sep 2018	30 Sep 2017
	€k	€k
Annuity loans	-	482
Other non-current financial liabilities	626	1,186
Total non-current financial liabilities	**626**	**1,668**
Less current portion of non-current financial liabilities	626	1,075
Non-current financial liabilities less current portion	**-**	**593**

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

As of 30 September 2018 the Company's non-current liabilities had the following maturities:

	Liabilities
	€k
2019	626
Thereafter	-
Non-current liabilities, total	**626**

25. Current accrued liabilities

Current accrued liabilities include the following items:

	30 Sep 2018	30 Sep 2017
	€k	€k
Outstanding invoices	24,161	19,754
Christmas bonus, special payments, and other personnel-related liabilities	49,217	43,952
Commissions/bonuses	8,013	5,599
Year-end costs	880	808
Consultancy fees	318	242
Other accrued liabilities	1,881	1,882
Current accrued liabilities	**84,470**	**72,237**

26. Other current non-financial liabilities

Other current non-financial liabilities comprise the following:

	30 Sep 2018	30 Sep 2017
	€k	€k
Deferred income	18,301	18,377
Payments received on account of orders	6,396	6,090
Liabilities from taxes not related to income	9,109	3,238
Liabilities from social security	2,035	2,427
Wage withholding tax	2,478	2,292
Other liabilities	1,008	1,212
Other current non-financial liabilities	**39,327**	**33,636**

27. Additional disclosures on financial instruments

The following table shows the book values, carrying amounts and fair values by valuation category of the financial instruments as of 30 September 2018 and 30 September 2017.

	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 recog-nized through profit or loss	Carrying amount cash reserve	Carrying amount statement of financial position IAS 17	Fair value*
		€k	€k	€k	€k	€k	€k
Primary financial instruments							
Assets							
Trade receivables	LaR	**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**
Liabilities 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**

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

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

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

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

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

As of 30 September 2018 the Company had currency hedging contracts with a total nominal value of €650,526k (prior year: €537,036k). Gains and losses on the valuation of derivative financial instruments not yet due totaling €-5,819k (prior year: €+18,175k) are recorded in the income statement under "Foreign currency gains/(losses), net". As in the prior year the Group does not hold any financial instruments to be allocated to the categories "held-to-maturity" or, based on the respective designation, "assets or liabilities to be measured at fair value through profit or loss".

Net results by valuation category

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

		Interest effects	From subsequent valuation			Amortization	Other comprehensive income	Net income
			at fair value	Foreign currency translation	Valuation allowance			
		€k	€k	€k	€k	€k	€k	€k
From loans and receivables	30 Sep 2018	399	n.a.	(10,153)	(154)	-	n.a.	(9,908)
	30 Sep 2017	566	n.a.	(9,027)	(4,000)	(13)	n.a.	(12,474)
From available-for-sale financial assets	30 Sep 2018	-	(72)	-	41	-	-	(31)
	30 Sep 2017	-	-	-	-	-	-	-
From held-for-trading financial assets and liabilities	30 Sep 2018	-	(5,819)	(2,265)	-	-	-	(8,084)
	30 Sep 2017	-	18,175	(1,059)	-	-	-	17,116
From financial liabilities carried at amortized cost	30 Sep 2018	(1,447)	n.a.	(1,065)	n.a.	n.a.	n.a.	(2,512)
	30 Sep 2017	(879)	n.a.	940	n.a.	n.a.	n.a.	61
Other	30 Sep 2018	(632)	-	-	539	2,527	-	2,434
	30 Sep 2017	(1,446)	-	-	456	-	-	(990)
Total	**30 Sep 2018**	**(1,680)**	**(5,891)**	**(13,483)**	**426**	**2,527**	**-**	**(18,101)**
	30 Sep 2017	**(1,759)**	**18,175**	**(9,146)**	**(3,544)**	**(13)**	**-**	**3,713**
thereof through profit or loss	30 Sep 2018	(1,680)	(5,891)	(13,483)	426	2,527	-	(18,101)
	30 Sep 2017	(1,759)	18,175	(9,146)	(3,544)	(13)	-	3,713
thereof selling and marketing expenses	30 Sep 2018	-	-	-	(154)	-	-	(154)
	30 Sep 2017	-	-	-	(4,000)	(13)	-	(4,013)

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

Hedge accounting

In order to hedge against the currency risk arising from the net investment in Japanese yen, a forward exchange contract with the same term was concluded in fiscal year 2015/16, which expired in April 2017. This forward exchange contract was designated as a net investment hedge in compliance with the hedge accounting regulations.

Financial assets carried at fair value by valuation category
The following table shows the financial assets and liabilities carried at fair value by valuation category. The valuation categories are defined as follows:

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

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

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

Carl Zeiss Meditec AG reviews at the end of each reporting period whether there are grounds for reclassification to or from a valuation category. There were no reclassifications amongst the valuation categories during the reporting period.

		Category 1	Category 2	Category 3	Total
		€k	€k	€k	€k
Securities	30 Sep 2018	1,165	-	-	1,165
	30 Sep 2017	4,390	-	-	4,390
Financial assets recognized at fair value through profit or loss	30 Sep 2018	-	4,723	-	4,723
	30 Sep 2017	-	19,380	-	19,380
Financial liabilities recognized at fair value through profit or loss	30 Sep 2018	-	(10,510)	-	(10,510)
	30 Sep 2017	-	(1,873)	-	(1,873)

Offsetting of financial assets and liabilities
The following table shows the offset amounts of trade receivables and trade payables as of 30 September 2018.

		Gross amount	Offsetting	**Net amount recognized**
		€k	€k	€k
Trade receivables	30 Sep 2018	196,904	(4,574)	192,330
	30 Sep 2017	204,234	(8,978)	195,256
Trade payables	30 Sep 2018	71,999	(4,574)	67,425
	30 Sep 2017	73,848	(8,978)	64,870

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 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 30 Sep 2017	Cash changes	Non-cash changes		**As of 30 Sep 2018**
			Currency translation	New contracts	
	€k	€k	€k	€k	€k
Loans from 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

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

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

	Lease and rental payments
	€k
Up to 1 year	351
Between 1 and 5 years	369
More than 5 years	-
Total minimum lease and rental payments	**720**

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

The lease and rental expenses recorded in the income statement for fiscal years 2017/18 and 2016/17 amounted to €16,934k and €15,608k, respectively.

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

	Lease and rental payments
	€k
Up to 1 year	12,280
Between 1 and 5 years	26,363
More than 5 years	5,564
Total minimum lease and rental payments	**44,207**

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

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

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

	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17
	€k	€k	€k	€k	€k	€k
	Present value of future lease payments		Interest portion of future lease payments		Total future lease payments	
Due within 1 year	1,449	1,202	110	98	1,559	1,300
Due within 1 to 5 years	4,631	4,529	340	370	4,971	4,899
Due after more than 5 years	573	667	58	56	631	723
Total	**6,653**	**6,398**	**508**	**524**	**7,161**	**6,922**

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

Finance leases – Group as lessee
On 28 September 1999 Carl Zeiss Meditec Inc. sold and leased back buildings and leasehold improvements in Dublin, USA, for €34,081k. This sale-and-lease-back arrangement is categorized as a finance lease pursuant to IAS 17, whereby the buildings and leasehold improvements continue to be carried and depreciated on the lessee's books, and any profit from the transaction is to be distributed. The lease agreement has a term of 20 years. During the past fiscal year an amendment to the agreement was agreed, according to which the agreement is extended for a further 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.

There are also finance lease agreements pertaining to company vehicles.

The obligations from finance leases are as follows:

	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17
	€k	€k	€k	€k	€k	€k
	Present value of future lease payments		Interest portion of future lease payments		Total future lease payments	
Due within 1 year	3,529	2,819	686	433	4,215	3,252
Due within 1 to 5 years	7,321	2,995	508	221	7,829	3,216
Due after more than 5 years	-	-	-	-	-	-
Total	**10,850**	**5,814**	**1,194**	**654**	**12,044**	**6,468**

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
The Carl Zeiss Meditec Group has purchase commitments towards suppliers for property, plant and equipment amounting to €5,735k (prior year: €1,868k) and for intangible assets totaling €241k (prior year: €428k).

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. In the prior year there were loan liabilities of €482k secured with land, buildings and technical equipment. There are no restrictions on rights of disposal.

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 Group has two operating segments, which are simultaneously the Group's Strategic Business Units ("SBUs"). All activities relating to ophthalmology, such as intraocular lenses, surgical visualization solutions and medical laser and diagnostic systems are allocated to the "Ophthalmic Devices" SBU. The "Microsurgery" segment encompasses the activities of neuro, ear, nose and throat surgery, as well as the activities in the field of intraoperative radiotherapy. For more information on the business activities of the SBUs please refer to the management report in this Annual Report.

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

	Ophthalmic Devices		Microsurgery		Total	
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17
	€k	€k	€k	€k	€k	€k
External revenue	**933,247**	**880,459**	**347,613**	**309,437**	**1,280,860**	**1,189,896**
Gross profit	498,120	457,054	212,269	199,679	710,389	656,733
Selling and marketing expenses	(212,568)	(202,656)	(91,251)	(86,899)	(303,819)	(289,555)
General administrative expenses	(39,579)	(38,235)	(10,248)	(9,857)	(49,827)	(48,092)
Research and development expenses	(126,762)	(113,698)	(32,866)	(32,094)	(159,628)	(145,792)
Other operating result	15	7,536	-	-	15	7,536
Earnings before interest and taxes	**119,226**	**110,001**	**77,904**	**70,829**	**197,130**	**180,830**
Depreciation and amortization	25,342	20,311	5,940	3,924	31,282	24,235
Appropriation to provisions	14,657	24,640	4,901	3,207	19,558	27,847

Reconciliation of segments' comprehensive income to the Group's period-end result	2017/18	2016/17
Comprehensive income of the segments	**197,130**	**180,830**
Consolidated earnings before interest and taxes (EBIT)	**197,130**	**180,830**
Financial result	(17,947)	7,726
Consolidated earnings before income taxes	**179,183**	**188,556**
Income tax expense	(52,953)	(52,778)
Consolidated profit	**126,230**	**135,778**
Attributable to:		
Shareholders of the parent company	126,463	134,445
Non-controlling interests	(233)	1,333

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.

	2017/18		2016/17	
	Revenue	Non-current assets	Revenue	Non-current assets
	€k	€k	€k	€k
Germany	656,357	79,182	598,094	73,971
USA	406,166	148,781	374,348	130,897
Japan	103,473	1,177	105,536	989
Europe (excluding Germany)	114,864	97,672	111,918	97,673
Other	-	523	-	460
Total	**1,280,860**	**327,335**	**1,189,896**	**303,990**

Segment assets comprise the non-current assets of the segment less deferred income taxes of €74,249k (prior year: €77,365k), investments in affiliated non-consolidated companies of €0k (prior year: €19,178k), investments of €122k (prior year: €122k), other loans of €135k (prior year: €1,824k) and non-current trade receivables of €9,155k (prior year: €12,741k).

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 year 2017/18 and 2016/17 were as follows:

	2017/18	2016/17
	€k	€k
Research and development subsidies	81	68
Grants for assets	32	96
Wage subsidies	329	320
Total	**442**	**484**

Grants received in the amount of €32k (prior year: €96k) 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			
	2017/18		2016/17	
	ZEISS Group	thereof Carl Zeiss AG	ZEISS Group	thereof Carl Zeiss AG
	€k	€k	€k	€k
Sale of merchandise	534,175	16	437,110	5
Purchase of merchandise	52,441	-	50,857	-
Services rendered with no financial income	6,356	3,571	6,318	3,654
Services procured with no financial expense	93,404	47,083	94,516	47,232
Financial income	11,376	-	33,768	-
Financial expense	21,293	-	14,263	-
including:				
Lease and rental costs	5,751	3,810	5,214	3,373
Research and development expenses	15,152	4,269	19,687	8,307

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

	Outstanding balance			
	30 Sep 2018		30 Sep 2017	
	ZEISS Group	thereof Carl Zeiss AG	ZEISS Group	thereof Carl Zeiss AG
	€k	€k	€k	€k
Receivables	776,638	3,604	743,303	3,247
Liabilities	46,780	14,063	108,294	12,690

For the first time, the receivables and liabilities also include forward exchange contracts. To ensure comparability, the prior year has been adjusted accordingly.

The amounts presented above include receivables from Carl Zeiss Financial Services GmbH of €665,003k (prior year: €630,721k) and liabilities to Carl Zeiss Financial Services GmbH of €1,661k (prior year: €70,263k).

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

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

Remuneration of key personalities within the Group

	2017/18	2016/17
	€k	€k
Short-term payments due	2,139	2,135
Payments due after termination of employment contract	396	221
Other long-term payments due	357	352
Total remuneration paid to key personalities within the Group	**2,892**	**2,708**

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 of the Market Abuse Regulation (Marktmissbrauchsverordnung, MMVO).

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

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

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

Market risk

Interest fluctuation risk

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

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

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

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

	30 Sep 2018	30 Sep 2017
	€k	€k
Variable-interest financial assets	-	-
Fixed-interest financial assets	-	-
Total interest-bearing assets	**-**	**-**
Variable-interest financial liabilities	-	488
Fixed-interest financial liabilities	10,850	5,808
Total interest-bearing liabilities	**10,850**	**6,296**

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

Currency risk

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

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

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

		Total	Thereof: in the following currencies – translated to € -								
		€	€	US$	JPY	GBP	KRW	CNY	AUD	BRL	Other
Assets		€k	€k	€k	€k	€k	€k	€k	€k	€k	€k
Loans	30 Sep 2018	135	-	135	-	-	-	-	-	-	-
	30 Sep 2017	1,824	-	1,824	-	-	-	-	-	-	-
Trade receivables	30 Sep 2018	201,485	200,009	1,448	-	28	-	-	-	-	-
	30 Sep 2017	207,997	206,031	1,862	-	104	-	-	-	-	-
Receivables from related parties	30 Sep 2018	96,503	21,641	9,037	-	4,557	6,592	23,418	4,211	13,689	13,358
	30 Sep 2017	89,835	21,512	8,304	-	2,479	6,032	19,163	4,857	20,379	7,109
Asset-side currency hedging contracts	30 Sep 2018	4,723	-	1,444	763	224	62	1,485	475	-	270
	30 Sep 2017	19,380	-	11,796	3,964	663	10	1,796	617	-	534
Total assets	**30 Sep 2018**	**302,846**	**221,650**	**12,064**	**763**	**4,809**	**6,654**	**24,903**	**4,686**	**13,689**	**13,628**
	30 Sep 2017	**319,036**	**227,543**	**23,786**	**3,964**	**3,246**	**6,042**	**20,959**	**5,474**	**20,379**	**7,643**
Equity and liabilities											
Trade payables	30 Sep 2018	67,425	59,934	5,855	704	135	2	-	-	-	795
	30 Sep 2017	64,870	55,841	6,296	813	88	-	-	-	-	1,832
Liabilities to related parties	30 Sep 2018	34,012	30,123	256	-	40	17	2,988	17	31	540
	30 Sep 2017	35,593	31,327	406	-	96	-	3,118	-	74	572
Liabilities-side currency hedging contracts	30 Sep 2018	10,510	-	7,276	641	163	624	890	75		841
	30 Sep 2017	1,873	-	969	43	261	7	52	173	3	365
Total liabilities	**30 Sep 2018**	**111,947**	**90,057**	**13,387**	**1,345**	**338**	**643**	**3,878**	**92**	**31**	**2,176**
	30 Sep 2017	**102,336**	**87,168**	**7,671**	**856**	**445**	**7**	**3,170**	**173**	**77**	**2,769**

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

		Carrying amount	Effects of currency risks on net income	
		€	+10%	-10%
Assets		€k	€k	€k
Loans	30 Sep 2018	135	(13)	13
	30 Sep 2017	1,824	(182)	182
Trade receivables	30 Sep 2018	201,484	40	(40)
	30 Sep 2017	207,997	(20)	20
Receivables from related parties	30 Sep 2018	96,503	(7,371)	7,371
	30 Sep 2017	89,835	(6,721)	6,721
Asset-side currency hedging contracts	30 Sep 2018	4,723	18,658	(18,658)
	30 Sep 2017	19,380	34,345	(34,345)
Effect of financial instruments before taxes	**30 Sep 2018**	**302,845**	**11,314**	**(11,314)**
	30 Sep 2017	**319,036**	**27,422**	**(27,422)**
Equity and liabilities				
Trade payables	30 Sep 2018	67,425	736	(736)
	30 Sep 2017	64,870	815	(815)
Liabilities to related parties	30 Sep 2018	34,012	240	(240)
	30 Sep 2017	35,593	388	(388)
Liabilities-side currency hedging contracts	30 Sep 2018	10,510	34,375	(34,375)
	30 Sep 2017	1,873	12,371	(12,371)
Effect of financial instruments before taxes	30 Sep 2018	111,947	35,351	(35,351)
	30 Sep 2017	102,336	13,574	(13,574)

The most significant effect arising from exchange rate risks results, as of 30 September 2018, from the asset-side and liabilities-side currency hedging contracts in 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.

Share price risk

The funds invested in securities are classified as available for sale (AfS) and are measured at fair value. As the only securities affected are those that are exclusively traded on active markets, the listed stock prices of the respective securities serve as a basis for calculating the fair value. Fluctuations in stock market prices and indices mean pose a share price risk. This risk is generally countered by having as wide a spread as possible. Possible risk variables for the hypothetical presentation of changes include, in particular, stock market prices and indices. Had the share prices been 10% higher as of 30 September 2018, the result would have been €117k higher. Had the share prices been 10% lower as of 30 September 2018, the result would have been €117k lower.

Credit risk

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

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

	Valuation allowance on trade receivables	
	2017/18	2016/17
	€k	€k
As of 1 Oct 2017	**11,272**	**8,222**
Appropriation	3,762	5,960
Utilization	(1,773)	(779)
Reversal	(3,608)	(1,960)
Exchange rate differences	(36)	(171)
As of 30 Sep 2018	**9,617**	**11,272**
Gross carrying amount of impaired trade receivables	41,212	67,418
Net carrying amount of impaired trade receivables	31,595	56,146

The credit risks remaining after the individual valuation allowance for trade receivables are presented using the following age analysis:

		Carrying amount	thereof neither impaired nor past due as of the end of the reporting period	thereof not impaired at the end of the reporting period, but past due in the following periods				
				up to 30 days	from 31 to 90 days	from 91 to 180 days	from 181 to 360 days	more than 360 days
		€k	€k	€k	€k	€k	€k	€k
Loans	30 Sep 2018	135	135	-	-	-	-	-
	30 Sep 2017	1,824	1,824	-	-	-	-	-
Trade receivables	30 Sep 2018	201,485	120,884	20,614	17,637	3,445	4,073	3,236
	30 Sep 2017	207,997	105,947	18,754	11,547	6,233	2,710	4,367
Receivables from related parties	30 Sep 2018	96,503	78,192	2,241	3,143	2,686	7,904	2,336
	30 Sep 2017	89,835	67,924	1,298	4,216	5,064	8,256	3,077
Treasury receivables	30 Sep 2018	665,003	665,003	-	-	-	-	-
	30 Sep 2017	630,721	630,721	-	-	-	-	-

The majority of the trade receivables result from sales with companies of the Carl Zeiss Group and public authorities. In addition, large orders are subject to an independent credit check. For this reason and from past experience it is assumed that there is no need for impairment for receivables that are not past due.

Liquidity risk
In order to ensure solvency and financial flexibility within the Group, Carl Zeiss Meditec AG forecasts, within a fixed planning period, the funds it will require using a cash forecast, and holds a corresponding liquidity reserve in the form of cash and unused lines of credit at the treasury of Carl Zeiss AG. Due to the high amount of cash and cash equivalents and treasury receivables within the Group, as well as the Group's sound financing structure with an equity ratio of 79.1%, the risk of insolvency is currently considered negligible.

As in the prior year, the primary financial liabilities of the Group mainly had a short maturity as of 30 September 2018, with the exception of leasing liabilities.

As of 30 September 2018 the Group's derivative financial liabilities had the following maturities.

	End of reporting period	Undiscounted cash flows from derivative financial liabilities with settlement on a gross basis			
		Total	up to 1 year	from 1 to 5 years	due after more than 5 years
		€k	€k	€k	€k
Cash outflows	30 Sep 2018	361,506	361,506	-	-
	30 Sep 2017	143,735	143,735	-	-
Cash inflows	30 Sep 2018	375,812	375,812	-	-
	30 Sep 2017	147,321	147,321	-	-

37. Additional disclosures on capital management

The Group manages its capital with the aim of minimising 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 79.1% (prior year: 76.5%) Net debt amounted to €-324,263k (prior year: €-253,273k). 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 2018	30 Sep 2017
	€k	€k
Equity (incl. non-controlling interests)	1,314,634	1,241,735
Borrowed capital	347,418	381,373
Total assets	**1,662,052**	**1,623,108**
Cash and cash equivalents	6,678	3,925
Treasury receivables	665,003	630,721
Equity ratio in percent	79.1%	76.5%
Net debt	**-324,263**	**-253,273**

The dynamic debt ratio, i.e., the ratio of net debt to operative-, of the Group amounts to -1.7 years in the course of fiscal year 2017/18 (prior year: -6.7 years). As in the prior year, therefore, existing debts could be settled immediately using cash flow from operating activities. The interest coverage ratio, i.e., the coverage of interest income by the operating result before depreciation and amortization (EBITDA), amounted to 136.0 in fiscal year 2017/18 (prior year: 116.6).

The Group'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 €49,192k (€0.55 per share). Based on fiscal year 2016/17, a dividend of €49,192k (€ 0.55 per share) was proposed in the fiscal year under review and distributed to the shareholders.

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, (hereinafter: IanTECH). The transaction is expected to be concluded on 30 November 2018.

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

At the current time, the estimated purchase price consists of a fixed sum (including escrow amount) of €95m and performance-related components totaling max. €229m. The performance-related components reward the achievement of defined objectives, starting from 2020. If these objectives are achieved in full, a maximum sum of €229m 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.

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

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 2017/18 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: SBU Ophthalmic Systems, SBU Microsurgery, strategic business development, Group functions Human Resources, Corporate Communications, MarCom, Digital Year of first appointment 2007 In addition: Member of the Management Board of Carl Zeiss AG, Oberkochen, Germany	» Chairman of the Board of Directors of Carl Zeiss Meditec Inc., Dublin, USA » Chairman of the Board of Directors of Carl Zeiss Meditec Co. Ltd., Tokyo, Japan » Chairman of the Board of Directors of Carl Zeiss Meditec Iberia S.A., Tres Cantos, Spain » Chairman of the Board of Directors of Carl Zeiss Meditec Iberia S.A., Tres Cantos, Spain » Member of the Board of Directors of Carl Zeiss Co. Ltd., Tokyo, Japan	» 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
Dr. Christian Müller (until 30 Sep 2018) Area of responsibility: Group functions Finance and Controlling, Investor Relations, IT, Legal Affairs, Taxes, Global Service and Customer Care, Quality, Regulatory Year of first appointment 2009 Since 1 Oct 2018: Member of the Executive Board (CFO) of Carl Zeiss AG, Oberkochen, Germany	» Member of the Board of Directors of Carl Zeiss Meditec France S.A.S., Marly-le-Roi, France (until 30 Sep 2018) » Member of the Board of Directors of Carl Zeiss Meditec Inc., Dublin, USA (until 30 Sep 2018) » Member of the Board of Directors of Carl Zeiss Meditec Iberia S.A., Tres Cantos, Spain (until 30 Sep 2018) » Member of the Board of Directors of Carl Zeiss Meditec Co. Ltd., Tokyo, Japan (until 30 Sep 2018)	none

As of the new fiscal year 2018/19, the following members of the Management Board have been appointed in addition to Dr. Ludwin Monz 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
Jan Willem de Cler Area of responsibility: 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)	» Member of the Executive Board of Spectaris e.V. (since 13 Sep 2018)

The total remuneration paid to the active members of the Management Board pursuant to Section 314 (1) No. 6a HGB amounted to €1,876k in fiscal year 2017/18 (prior year: €1,792k). 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 €717k (prior year: €639k). The service cost of active Management Board members was €365k (prior year: €320k).* Furthermore, projected unit credits for pensions for former members of the Management Board of Carl Zeiss Meditec amount to €1,168k (prior year: €1,140k).

Supervisory Board

The Supervisory Board of Carl Zeiss Meditec AG had the following members in fiscal year 2017/18:

Member of Supervisory Board	Membership of statutory supervisory boards and similar supervisory bodies at companies of the Carl Zeiss Group	Membership of statutory supervisory boards and similar supervisory bodies at other companies
Prof. Dr. Michael Kaschke Chairman Chairman of the Supervisory Board since 2002 Suspended mandate pursuant to Section 105 AktG between 22 July 2008 and 21 July 2009. Re-elected Chairman of the Supervisory Board since 2010 Chairman of the Executive Board of Carl Zeiss AG, Oberkochen, Germany	» Chairman of the Supervisory Board of Carl Zeiss ZEISS Microscopy GmbH, Jena, Germany (until 28 Feb 2018) » 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 Chung/Hong Kong, China » Chairman of the Board of Directors of Carl Zeiss India (Bangalore) Pte. Ltd., Bangalore, India » Chairman of the Supervisory Board of Carl Zeiss SMT GmbH, Oberkochen, Germany » Chairman of the Supervisory Board of Carl Zeiss Industrielle Messtechnik GmbH, Oberkochen, Germany » Chairman of the Board of Directors of Carl Zeiss Inc., Thornwood, USA (until 30 Sep 2018) » 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
Dr. Markus Guthoff Member of the Supervisory Board since 2004 Chief Executive of NATIONAL BANK AG, Essen, Germany (until 31 Aug 2018) Member of the Management Board of NATIONAL- BANK AG, Essen, Germany (since 1 Sep 2018)	none	» Member of the Supervisory Board of Innovation City Management GmbH, Bottrop, Germany (since 21 Mar 2018)
Thomas Spitzenpfeil Deputy Chairman (since 22 Jan 2018 until 10 Apr 2018) Member of the Supervisory Board since 2011 Member of the Executive Board (CFO) of Carl Zeiss AG, Oberkochen, Germany (until 30 Sep 2018) Member of the management/CFO of Schenck Process Holding GmbH, Darmstadt, Germany (since 1 Oct 2018)	» Chairman of Carl Zeiss Pensions-Treuhand e.V., Oberkochen, Germany (until 30 Sep 2018) » Chairman of the Administrative Board of Carl Zeiss AG., Feldbach, Switzerland (until 11 Jan 2018) » Chairman of the Board of Directors of Carl Zeiss AB, Stockholm, Sweden (until 30 Sep 2018) » Member of the Board of Directors of Carl Zeiss Inc., Thornwood, USA (until 30 Sep 2018) » Chairman of the Supervisory Board of Carl Zeiss Jena GmbH, Jena, Germany (until 30 Sep 2018) » Chairman of the Board of Directors of Carl Zeiss Ltd., Cambridge, United Kingdom (until 31 Dec 2017) » Member of the Management Board of Carl Zeiss Pensions Trust Properties, Thornwood, USA (until 30 Sep 2018)	none

* as in the prior year, includes oncharged service cost of the pension commitment to Dr. Monz.

Member of Supervisory Board	**Membership of statutory supervisory boards and similar supervisory bodies at companies of the Carl Zeiss Group**	**Membership of statutory supervisory boards and similar supervisory bodies at other companies**
Dr. Carla Kriwet Deputy Chairman (until 31 Dec 2017) Member of the Supervisory Board from 2014 (until 31 Dec 2017) CEO Connected Care & Health Informatics, Member of the Executive Board, Royal Philips N.V., Amsterdam, Netherlands	» Member of the Supervisory Board of Carl Zeiss AG Oberkochen, Germany (since 1 Jan 2018)	» Member of the Advisory Board of the Hamburgische Investitions- und Förderbank IFB, Hamburg, Germany » Member of the Supervisory Board of Save the Children e.V., Berlin, Germany
Tania von der Goltz Deputy Chairwoman (since 10 Apr 2016) Member of the Supervisory Board since 2018 Senior Vice President Global Financial Strategy, Fresenius Medical Care AG & Co. KG, Bad Homburg, Germany	none	none
Cornelia Grandy* Member of the Supervisory Board since 2011 Chairwoman of the Works Council of Carl Zeiss Meditec AG, Oberkochen site, and member of the General Works Council of Carl Zeiss Meditec AG, Jena, Germany	none	none
Jörg Heinrich* Member of the Supervisory Board since 2011 Chairman of the Works Council of Carl Zeiss Meditec AG, Jena site, Germany Chairman of the General Works Council of Carl Zeiss Meditec AG, Jena, Germany	none	none

*elected employee representatives

Committees of the Supervisory Board

	Members
General and Personnel Committee	Prof. Dr. Michael Kaschke, Chairman Dr. Carla Kriwet (until 31 Dec 2017) Tania von der Goltz (since 10 Apr 2018) Dr. Markus Guthoff
Audit Committee	Dr. Markus Guthoff, Chairman Jörg Heinrich Thomas Spitzenpfeil
Nominating Committee	Thomas Spitzenpfeil, Chairman Dr. Markus Guthoff Prof. Dr. Michael Kaschke

The total remuneration paid to the active members of the Supervisory Board amounted to €246k in fiscal year 2017/18 (prior year: €255k).* Details of this remuneration are contained in the remuneration report in the management report. The remuneration of Supervisory Board members is governed by Art. 19 of the Articles of Association of Carl Zeiss Meditec AG.

* Mr. Thomas Spitzenpfeil waived his entitlement to remuneration for fiscal year 2017/18 by way of a waiver declaration as in the prior year.

Advances/loans and contingent liabilities in favor of members of executive bodies

No advances or loans were granted to members of the executive bodies. The Company did not enter into any contingent liabilities in favor of members of the Management Board or Supervisory Board.

Auditors' fees

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

	2017/18	2016/17
	€k	€k
Auditing of financial statements	327	323
Other auditing services, other countries	307	303
Other services	32	-
Total	**666**	**626**

Information on shareholdings (consolidated companies)

Name and registered office of the company	Currency	Share of voting capital (in %)	Equity as of 30 September 2018 translated at the market rate* at the end of the reporting period	thereof profit/loss for fiscal year 2017/18 translated at average annual exchange rate*
Carl Zeiss Meditec Inc., Dublin, USA	US$k €k	100	299,235 258,496	12,407 10,420
Carl Zeiss Meditec Production LLC, Ontario, USA	US$k €k	100	16,160 13,960	2,660 2,234
Carl Zeiss Meditec Asset Management Verwaltungsgesellschaft mbH, Jena, Germany**	€k	100	68,394	0
Carl Zeiss Meditec Iberia S.A., Tres Cantos, Spain	€k	100	5,201	1,591
Carl Zeiss Meditec Co. Ltd. Tokyo, Japan	JPYk €k	51	5,008,093 38,163	300,899 2,289
Carl Zeiss Meditec Medikal Çözümler Ticaret ve Sanayi A.S., Ankara, Turkey	TRYk €k	100	27,809 3,993	4,877 929
Carl Zeiss Meditec Vertriebsgesellschaft mbH, Oberkochen, Germany**	€k	100	23,428	0
Atlantic S.A.S., Périgny/ La Rochelle, France	€k	100	52,389	-9,634
HYALTECH Ltd., Livingston, United Kingdom	GBPk €k	100	10,408 11,730	3,076 3,477
France Chirurgie Instrumentation S.A.S., Paris, France	€k	100	9,050	3,573
Carl Zeiss Meditec France S.A.S., Marly-le-Roi, France	€k	100	8,743	1,255
Carl Zeiss Meditec S.A.S., Périgny/La Rochelle, France	€k	100	7,453	711
France Chirurgie Instrumentation SUD Ltd., Quatre Bornes, Mauritius	€k	100	2,788	507
France Chirurgie Instrumentation Ophthalmics Inc., Pembroke, USA	US$k €k	100	7,176 6,199	1,073 901
Ophthalmic Laser Engines LLC, Lafayette, USA	US$k €k	52	2,228 1,925	-3,308 -2,778
Carl Zeiss Meditec Digital Innovation risks LLC, Temple, USA	USDk €k	100	915 790	299 251

* The figures show the values recognized under the respective national accounting standards.
** In accordance with Sec. 264 (3) HGB or Sec. 264b HGB, these entities are exempted from the duty to publish their financial statements

Disclosures pursuant to Section 160 (1) No. 8 AktG
All voting rights announcements can be inspected on the Company's website at www.zeiss.com/meditec-ag/ir - Corporate Governance - Vote Rights Disclosures.

German Corporate Governance Code/Declaration according to Section 161 AktG (German Stock Corporation Act)
The declaration prescribed under Section 161 German Stock Corporation Act (AktG) has been issued by the Management and Supervisory Boards and made permanently available to the shareholders on the Company's website at: 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 23 November 2018. The Supervisory Board's task is to review the consolidated financial statements and declare whether it approves the consolidated financial statements.

Jena, 23 November 2018
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 annual financial statements of Carl Zeiss Meditec AG give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the consolidated management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Carl Zeiss Meditec Group.

Jena, 23 November 2018
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 2018, the consolidated income statement, consolidated statement of comprehensive income for the fiscal year from 1 October 2017 to 30 September 2018, the consolidated statement of changes in shareholders' equity and the consolidated statement of cash flows for the fiscal year from 1 October 2017 to 30 September 2018 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 2017 to 30 September 2018.

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 2018, in accordance with these requirements, and of its results of operations for the fiscal year from 1 October 2017 to 30 September 2018 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 2017 to 30 September 2018. 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 consumables, 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:
During our audit we addressed the processes and internal controls set up by the Company for determining value adjustments on inventories, and assessed the implemented controls for their effectiveness for significant companies of the Group.

In particular, we retraced the parameters and assumptions underlying the write-down routines with respect to the future usability/technical usefulness, as well as the necessary stock levels and short-term saleability/amount of realizable sale proceeds, based on the respective write-down routines in comparison with previous fiscal years. In doing so, we compared, on a random basis, the forecast accuracy of the underlying assumptions in previous years, by reconciling the actual value adjustments realized upon movement of the inventories. The result of our comparison was used as a benchmark for our assessment of the value adjustments in the current fiscal year.

We 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.

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, In discussion, Improving the treatment of patients with innovations, Training is an investment in the future, Report of the Supervisory Board, The Carl Zeiss Meditec AG share and the Declaration by the legal representatives.

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 10 April 2018. We were commissioned by the Supervisory Board on 10 August 2018. We have been working continuously as auditor of Carl Zeiss Meditec AG's consolidated financial statements since fiscal year 2012/13.

We hereby declare that the opinions contained in this auditor's report are consistent with the supplementary report to the Audit Committee pursuant to Art. 11 EU Audit Regulation (Audit Report).

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 2018.

Responsible auditor

The auditor responsible for the audit is Susanne Jäger."

Eschborn/ Frankfurt am Main, 23 November 2018

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft (Chartered Accountants)

Jäger	Schoenfeldt
Wirtschaftsprüferin	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Financial calendar

Financial calendar 2018/19

Publication of 3-month report Q1 and conference call
11 February 2019

Annual General Meeting, Weimar
19 March 2019

Publication of the First-Half Financial Report and conference call
6 May 2019

Publication of 3-month report Q3 and conference call
9 August 2019

Publication of annual financial statements and Analyst Conference
6 December 2019

Imprint/Disclaimer

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This report was published on 7 December 2018.

The Annual Report 2017/18 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.

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