CARL ZEISS (1816 – 1888)
200th BIRTHDAY

Fiscal year 2015/16 Carl Zeiss Meditec Group

Navigable PDF

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ZEISS

Financial highlights
(IFRS)

	2015/16		2014/15		2013/14	
	€k	%	€k	%	€k	%
Revenue	**1,088,365**	**100**	1,040,061	100	909,255	100
Research and development expenses	**123,406**	**11.3**	111,957	10.8	99,751	11.0
EBIT	**154,332**	**14.2**	130,591	12.6	120,705	13.3
Consolidated profit[1)]	**99,970**	**9.2**	65,561	6.2	79,157	8.7
Earnings per share[2] (in €)	**1.21**		0.77		0.92	
Dividend per share (in €)	**0.42[3]**		0.38		0.40	
Cash flows from operating activities	**111,770**		56,744		63,105	
Cash flows from investing activities	**77,332**		-35,173		-49,437	
Cash flows from financing activities	**-195,021**		-19,290		-7,523	
Total assets	**1,247,730**	**100**	1,139,290	100	1,039,110	100
Property, plant and equipment	**64,509**	**5.2**	67,381	5.9	65,049	6.3
Equity	**851,163**	**68.2**	797,450	70.0	754,227	72.6
Net liquidity [4]	**334,582**	**26.8**	278,410	24.4	293,319	28.2
Employees at end of reporting period (30 September)	**2,910**		2,888		2,972	

[1] Before non-controlling interests
[2] Earnings/(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 Group treasury of Carl Zeiss AG

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

Contents


Carl Zeiss

"What we want is quite clear: the best image! We physicians would like to have functions that enable us to look inside the tissue and through the tissue. Imaging and visualization therefore continue to play an important role for us."

Prof. Dr. Andreas Raabe, Director and Senior Consultant of the Neurosurgical Clinic at Bern University Hospital

The close connection between ZEISS and its founder is not a coincidence: His beliefs still influence the Company to the present day. His passion for precision and quality, his sharing of ideas and information with the worlds of science and research, a keen intuition for the needs of his customers and his unshakable entrepreneurial spirit – all of this is deeply rooted in the Company and in the ZEISS brand.

The cooperation between Prof. Dr. Andreas Raabe and Carl Zeiss Meditec AG was precisely in keeping with this tradition. Together with the neurosurgeon, ZEISS developed intraoperative fluorescence technology, which enables better detection of blood flow in vascular disorders in the brain. In the interview starting on page 10, Prof. Dr. Andreas Raabe speaks with Dr. Ludwin Monz, President and CEO of Carl Zeiss Meditec AG, about the important role of imaging procedures in medicine. In close collaboration with physicians and researchers, Carl Zeiss Meditec AG shall also continue in future to constantly further develop medical technology recognizing future trends, such as digitization or Industry 4.0, and tackling them as a challenge – that is built into ZEISS's DNA.

Letter to the shareholders

Ladies and Gentlemen,
dear shareholders,

Another successful fiscal year is behind us. We achieved good growth in both sales and earnings, particularly in ophthalmology, and gained additional market shares. Our customers consider ZEISS to be a reliable partner, who enables them to work successfully as a physician or clinic. Success for our customers means, above all, helping patients. However, economic success is also of great importance to our customers.

Dr. Ludwin Monz

As a company we focus on both aspects. However, it is innovative power that is a differentiating factor for Carl Zeiss Meditec AG. This is founded, on the one hand, on our technological expertise, and on close proximity to our customers, on the other. This is the only way that we can develop demand-driven products. It is interesting that both aspects, namely technological expertise and customer proximity, can be traced back in the Company's history to the Company founder, Carl Zeiss. He maintained close contact with the world of science and with his customers. We are celebrating his 200th birthday this year.

Our Company is still characterized by the symbiosis between industry and science today. We work closely with our customers, who bring years of experience as doctors in private practice or working in hospitals. In the area of technology development we collaborate with universities and research institutions. Together our goal is to achieve the best possible treatment outcome for each patient.

A current example is the *Advanced Retina Imaging Network*, which we started in the middle of the year. Within this network we collaborate with leading clinicians and researchers worldwide on the development of new retinal diagnostics equipment, based on the ZEISS PLEX™ Elite 9000. This powerful Swept-Source Optical Coherence Tomography platform facilitates the examination of retinal microstructures and microvasculature in different segments of the eye. Those in the consortium share their experiences with the system and thus optimize the next generation of technology together.

In August 2016 we bundled our business activities in the area of ophthalmology in the new strategic business unit *Ophthalmic Devices*. By merging these activities, which also meant the integration of the sales organization into the business units at the same time, our organization now focuses even more closely on the specific customer segments. We are making our service even more efficient and are aiming for further market penetration, as well as faster global growth in ophthalmology. This enables us to live up to our claim of being our customers' "Partner of Choice" in ophthalmology, with a leading-edge and complete range of solutions.

The second strategic business unit is still Microsurgery. In this SBU we are continuing to focus on visualization solutions and intraoperative imaging procedures, for example for neurosurgery. The aim is to make things that cannot be seen with the naked eye visible for the surgeon. One example is the control of blood flow in the brain during the surgical treatment of aneurysms. This is necessary to prevent irreversible brain damage. And that is exactly what our INFRARED 800 product does. It originates from an idea of Prof. Dr. Raabe, with whom we developed the first generation over 10 years ago. This technology has since established itself as a standard in neurosurgery. We discuss the development of this product in the expert interview with Prof. Dr. Raabe, who describes the success of the product in a nutshell: "At the touch of a button, you can see the blood flow in the vessels on the screen during a neurosurgical operation." That is the degree of workflow simplicity that we want to offer our customers and that we can only develop together with them. It is not without reason that there is not one single successful product in our 100-year medical technology history that has not been developed in cooperation with physicians.

Decision-making support due to precise imaging, user-friendliness due to integration in the workflow, smooth workflows due to digitization – these are aspects that also help ophthalmologists to achieve the best-possible outcome for their patients. We offer a wide range of products for the various ophthalmic conditions, for example the ZEISS Cataract Suite markerless, as well as software solutions that address precise needs of the user, such as the FORUM Glaucoma Workplace and the FORUM Retina Workplace. These provide quick access to clinically relevant information and allow a direct comparison of data from different diagnostic devices and patient visits. In all three cases we focus on the seamless digital networking of products for confident decision-making and an optimum treatment result.

Achieving the best possible outcome for the patient – that is also the focus of our activities in the field of refractive surgery. That is why we are delighted to report that we can now also offer our minimally invasive SMILE procedure for correcting myopia using femtosecond lasers on the U.S. market.

With a balanced, innovative product range, our optimized business unit structure and an even stronger focus on the needs of our customers, we are entering the new fiscal year with confidence. We increased our revenue by almost five percent in fiscal year 2015/16, to €1,088.4m. We increased our EBIT margin from 12.6 percent to 14.2 percent, to which an improved product mix with a higher proportion of case-number-dependent revenue made an encouraging contribution.

I would like to thank you our shareholders for putting your trust in Carl Zeiss Meditec AG, and I look forward to continuing to guide the Company on its road to success with you at our side.

Yours sincerely,

Dr. Ludwin Monz
President and CEO
Carl Zeiss Meditec AG

Thomas Simmerer
Member of the Management Board
(until 30 September 2016)

Management Board member responsible for:
» Microsurgery SBU
» Group functions
Sales, Service and
Regulatory Affairs

Dr. Ludwin Monz
President and CEO

Management Board member responsible for:
» Ophthalmic Systems SBU
» Strategic business development,
» Group functions Human Resources,
Corporate Communications and Digital

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

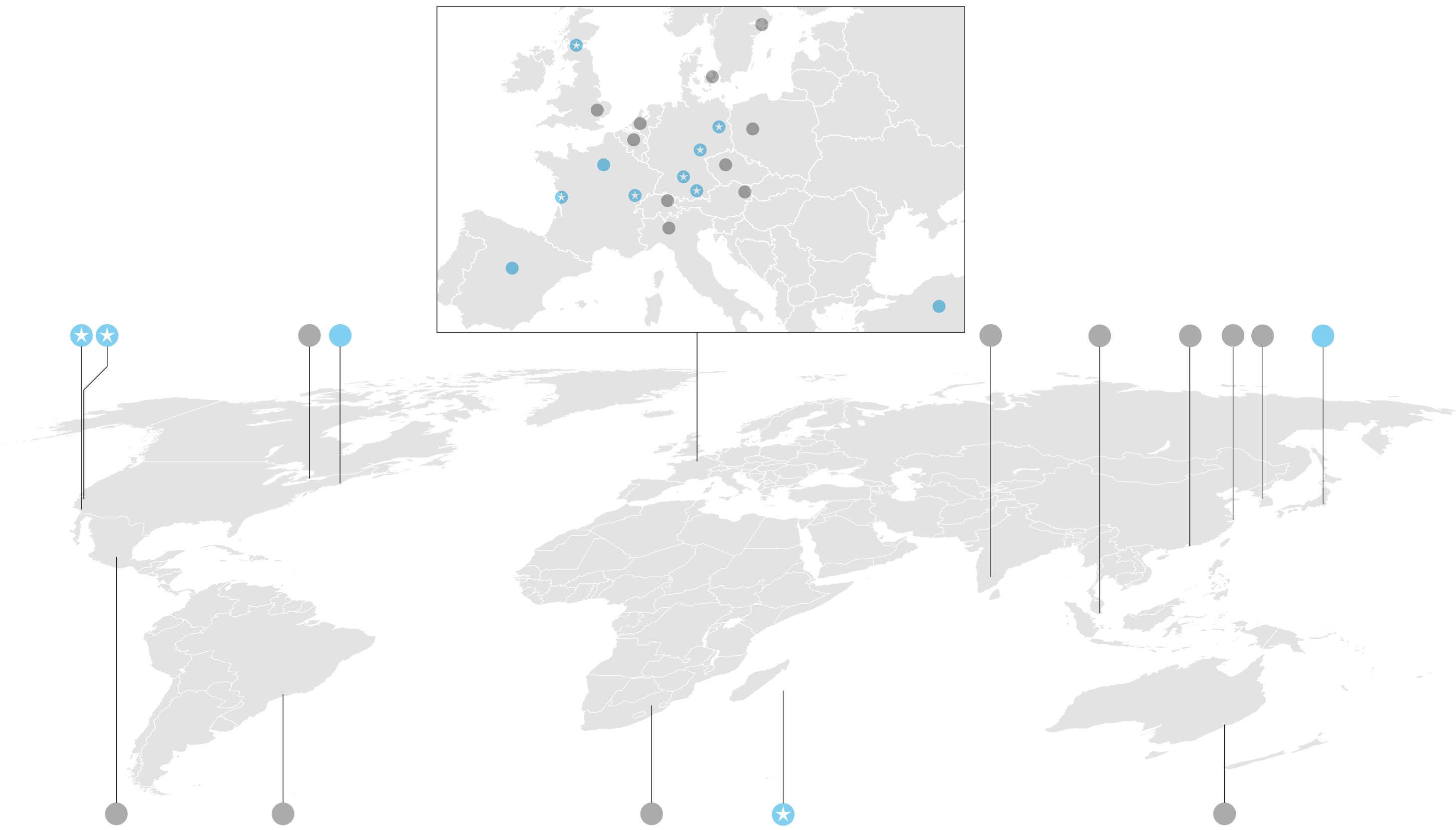
Dr. Christian Müller
Member of the Management Board

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

Company sites

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

In addition, the Carl Zeiss Meditec Group utilizes the strong global sales network of the ZEISS Group, with more than 50 sales and service locations, thus ensuring itself customer proximity and a crucial advantage over international rivals. Aside from its own research and development locations, the Carl Zeiss Meditec Group also has access to the expertise of the ZEISS Group. Of the around 25 research and development locations of the ZEISS Group worldwide, particularly China and India 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.



Carl Zeiss Meditec Group company sites
Production, Sales, Service, R&D

Carl Zeiss Meditec Group sales and service sites
USA, France, Spain, Germany, Japan, Turkey

ZEISS Group sales and service sites

Reporting date 30 September 2016

Interview

End users and the worlds of science and industry need to develop a common language

Company founder Carl Zeiss succeeded in producing microscopes with an outstanding performance. His instruments enabled scientific progress, particularly in biology and medicine. This success was based on the collaboration with scientist Ernst Abbe, who developed the theory of optical imaging. The proximity to the end users of his products was also crucial, however. This allowed him to adapt his devices to the requirements of his customers. Dr. Ludwin Monz, President and CEO of Carl Zeiss Meditec AG, met with Director and Department Head of the Neurosurgical Clinic at Bern University Hospital, Prof. Dr. Andreas Raabe, in Bern. They discussed the importance, challenges, and results of current collaborations between science, industry and end users.

Ludwin Monz: *ZEISS is celebrating the 200th birthday of its founder this year. It is fascinating to note that many of the ideas of Carl Zeiss and his subsequent partner, Ernst Abbe, have remained firmly rooted in the company and its corporate culture up until the present day, such as the close cooperation between customers and the world of science, for example. Back then, this collaboration with customers helped to understand the application and thus the range of services of the products. The aim of the collaboration with the scientific community was to continuously improve the company's own products.*

Andreas Raabe: That is very exciting and I see significant advantages in the process as you describe it. We at Bern University Hospital have also committed ourselves to being a meeting place for science and research. I have found this collaboration between clinical medicine and medical technology to be very valuable throughout my career. It is precisely the interface at which I feel very comfortable: you sense the problematic sections of an operation, where complications may arise, and then think continuously about how to break down these difficult sections into simpler components. This is when ideas for instruments and devices emerge. New technology can also often demystify the procedures.
I myself am also constantly on the lookout to see what industry and research have to offer in other fields outside my area of specialty. This often triggers associations for new applications in neurosurgery.

L.M.: *I remember our first meeting very well; it must have been in 2002. Back*

"Prof. Dr. Andreas Raabe had the idea to use fluorescence technology to visualize blood flow in the vessels quickly and easily. He and ZEISS collaborated to develop the fluorescence module INFRARED 800, which is particularly used to assist with certain procedures in vascular neurosurgery." **Dr. Ludwin Monz**

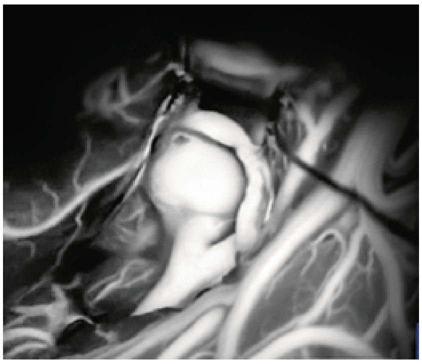
"In vascular neurosurgery we treat vascular diseases, such as abnormal vascular dilatations in the brain – so-called cerebral aneurysms. Left untreated, these can lead to brain hemorrhages, which can also be fatal."
Prof. Dr. Andreas Raabe

then you were bursting with excitement about an idea you had picked up on from plastic surgery.
A.R.: At that time it was about the operation on so-called aneurysms on the brain. If the wall of a blood vessel becomes weakened at a certain point, this point can bulge out due to the blood pressure. A small balloon develops (aneurysm), which can burst if the abnormality is left untreated. During the operation, the aneurysm is pinched off with a small clip and therefore closed off.
A problem arises if the clip is not sitting just perfectly. This can lead to vascular occlusions or incomplete closure of the aneurysm. It had been discussed many times at congresses how to check the position of the clip during surgery. At that time the only option was intraoperative angiography – a very laborious procedure. Then I saw the principle of infrared technology being used with a video camera at a trade fair, which enabled the visualization of blood flow in the vessels and which was looking for practical applications at the time. I was fascinated and wanted exactly that for neurosurgery – ideally integrated within the surgical microscope. That's when ZEISS came into play.

L.M.: *The difficulty for us at that time was to estimate the potential of a corresponding product: we had to understand whether the technology could fundamentally improve and simplify the operation, and could therefore be of interest for many neurosurgeons. A prototype, which you, Prof. Dr. Raabe, used in the operating room, helped us to precisely understand the application. And also to understand how the technology could be integrated into our flagship product, the OPMI® PENTERO®.*
Once the product was on the market, it became clear that intraoperative fluorescence technology offered an outstanding benefit. Within a very short time the INFRARED 800 had established itself as a 'must-have' product, a standard.
A.R.: It was certainly because of the benefit it provided, but also because of its user-friendliness and smooth integration into the workflow. At the touch of a button, you can see the blood flow in the vessels on the screen during a neurosurgical operation. The microscope therefore needed a computer and consequently had the same usability challenges: it should be easy to operate.

L.M.: *This is the way I see it as well: the surgical microscope is the surgeon's cockpit and takes center stage in the operating room. The most important thing for this product therefore is that it must be easy to operate. Even if a piece of technology creates a benefit, but the price of that benefit is an obstacle to work or a delay in the operation, then the surgeon will not engage with it and the product will fail.*
A.R.: With the INFRARED 800 technology, any normal user, even with limited experience, can in principle check, whether the visible vessels are open or whether there are complications in the form of vascular occlusion or aneurysm lesions. When a new technology becomes established, it proves that its application is clinically

A dye is added to the blood, which emits fluorescent light that is invisible to the human eye. Similar to a thermal imaging camera, this light is made visible with the fluorescence module integrated in the surgical microscope.



"The technology makes it possible to visualize the blood flow – similar to an X-ray – as a white light on a monitor. In terms of its development, it was vital for the surgeon to receive information quickly, in an uncomplicated way, and then to be able to adapt his/her workflow to the treatment, and improve the outcome for the patient." **Dr. Ludwin Monz**

relevant. If it were only me seeing the advantages, something wouldn't be right – either in terms of the implementation or the concept.

L.M.: *In my opinion, there are two things you need to develop for successful innovations to be clinically relevant. Firstly, the application knowledge on the industry side and the understanding of where the problem for the user lies. And, secondly, the know-how on the user side, about technology, but also its limitations. End users, the scientific community and the industry need to develop a common language for this. Once this has been achieved, a great obstacle will have been overcome.*

A.R.: Correct, one must be in a position to understand the possibilities of the other and communicate one's own problems across the boundaries, using the technical terminology of the other. However, both sides need to reach a clear understanding about what is realistic and what isn't. Someone from the industry must bring enough application knowledge to the table to be able to reach some sort of agreement and communicate across the boundary between science and technology.

L.M.: *The significance of such a collaboration cannot be overestimated. There is not one single successful product in our 100-year medical technology history that has not been developed in cooperation with physicians. Prof. Dr. Raabe – what issues of relevance for the future do you think that industry and clinical medicine should work on together?*

A.R.: What we in the field of neurosurgery want is quite clear: the best image, but an image that is enriched with "invisible" information! It can always be just that little bit bigger, the depth of focus that little bit deeper, if we are talking about purely optical characteristics. However, we would also like functions that enable us to look inside the tissue, that allow us to see through the tissue. And although it is difficult, we are already a little bit closer to achieving this. For example, with regard to the question of how to make invisible tumors visible. Speaking pragmatically as a neurosurgeon: if I could wish for certain functions, then I would wish for the visualization of fibers, with the aim of preserving them. If we then also further improve the visualization of tumors, both these functions together will result in a significantly higher radicality of the operation; in other words, we surgeons can get even closer to healthy structures and proceed much more aggressively when removing tumors.

To take it even further: I don't believe that modern medicine consists only of treating all tumor diseases with drugs and chemotherapy. Many people have a certain tumor cell load, which is, however, killed off by the immune system. We have patients with glioblastoma cells in their blood, but we almost never see metastases outside the brain. The body therefore does have a certain level of resistance to tumor cells that works. This needs to be strengthened. From a certain size of tumor on, however, this defense system doesn't work anymore – namely, when the tumors disguise and protect themselves. Imaging in a molecular, in other words, a very very small resolution,

"The major advantage for us surgeons: we don't have to interrupt the procedure, as we receive the crucial information on blood flow during the operation in real time at the touch of a button. This has significantly improved the efficiency of some of the most complex and most challenging procedures in medicine." **Prof. Dr. Andreas Raabe**

may help to localize these cell clusters. This would be a huge leap forward. I mean, why not destroy, for example, 17 localizations of small cell clusters like these in the body by means of a percutaneous therapy, if this would prevent the spread at the onset of a cancerous disease? Imaging and visualizations, and by that I also mean the optical procedures, shall continue to play an important role.

L.M.: *Robotics is often cited as another topic for the future. Back when the development of robotics in medicine began there was this idea that the surgeon would eventually be entirely replaced by robots. This quite quickly proved to be a huge misconception. Nowadays, it is being investigated more to what extent robots may be able to assist the surgeon – for example, how the technology can give the surgeon more precision. The use case for robotics must come from the application. The challenge is that, to date, the costs have been relatively large and the application is very specialized.*
A.R.: That is often a problem in medicine: very high development costs, but only a small market. I don't particularly like to say this as a neurosurgeon, but there are still limitations in microsurgical operations with regard to what we can do with our hands and instruments. I can therefore well imagine that, for example, micromanipulation systems will find their use. In robotics it is possible to react to the smallest of forces and resistances, which is something I cannot do with my hands. This will also open doors for robotics in neurosurgery.

L.M.: *Many of your patients are seriously ill. How do you as a neurosurgeon cope with individual destiny and the associated suffering?*
A.R.: You have to find a balance between empathy and distance. Neurosurgery is a unique combination of precision and intensity. It helps to focus all your attention on the operation. We in neurosurgery – and I am sure this also applies for many other areas of medicine – can now help many more patients than in the past, and medical technology also plays a crucial role in this.

The ZEISS surgical microscope

One of the forward-looking inventions in medical technology is the surgical microscope. In 1953 Hans Littmann developed the first surgical microscope (OPMI®) under the ZEISS brand in Oberkochen. This marked the beginning of a new class of medical technology devices which made a large number of today's conventional microsurgical procedures possible for the first time. The optical system was based on the slit lamps developed in Jena, and also had coaxial lighting through the primary objective lens. The OPMI 1 was introduced for the first time in the same year, by Prof. Horst Wullstein at the world congress in Amsterdam. It was developed in partnership with Heinrich Harms, a professor of ophthalmology from Tübingen.

The OPMI PENTERO, which was developed especially for neurosurgery, came onto the market in 2004. Since 2007 ZEISS medical technology has offered the application of the INFRARED 800 intraoperative fluorescence technologies for the OPMI PENTERO.

Collaboration is at the heart of ZEISS' innovation process

"Carl Zeiss Meditec AG's success is founded on the close cooperation between the Company and physicians," says Dr. Ludwin Monz, President and CEO of Carl Zeiss Meditec AG, describing the strong roots of the close cooperation with scientists and users in the Company's corporate culture. This is built into ZEISS' DNA – today just as much as in the past. Ideally, these cooperations are present during each phase of a product life cycle. As the history of ZEISS medical technology, in particular, shows: cross-sectoral exchange promotes the development of new technologies and innovative products, which support and enhance the work of the physicians.

Uncovering the undiscovered with ZEISS PLEX Elite 9000 and the Advanced Retina Imaging Network.
A new idea is often the start of scientific discovery. Yet it is transformational new technology that often enables researchers to act upon these ideas and to explore previously unreachable frontiers. ZEISS Optical Coherence Tomography (OCT) platform PLEX® Elite 9000 Swept Source OCT and OCT Angiography is such a technology.

In May 2016, ZEISS invited clinicians and scientists at the forefront of retinal research to join the Advanced Retina Imaging (ARI) Network and enter into a new world of visualization of the eye's anatomy with ZEISS PLEX Elite. This Swept-Source OCT and OCT Angiography platform provides visualization previously not possible with other technologies expanding the potential to open new frontiers of discovery in diseases affecting the retina.

The ARI Network, led by Philip J. Rosenfeld, MD, PhD, is a unique global consortium of clinicians and scientists from around the world focused on exploring new clinical applications for the diagnosis and treatment of eye disease and advancing OCT innovation to benefit patients today and in the future.

Participating researchers have access to the most up-to-date ZEISS technology and the opportunity to collaborate with peers in the network and with ZEISS. Each PLEX Elite imaging system is maintained at the cutting edge with iterative hardware and software upgrades. Researchers are supported with an assigned ZEISS scientific liaison who responds to the technology needs for specific investigations.

Excellent visual acuity and predictability of the ReLEx SMILE procedure confirmed with clinical partners
The facts speak for themselves: Since the market launch of ReLEx® SMILE in 2011 as many as 600,000 eyes have already been treated using the minimally invasive, flap-free procedure for the correction of myopia with the VisuMax® femtosecond laser by ZEISS. The procedure is now being employed by more than 1,000 physicians in 62 countries, and has already established itself in markets such as Europe, China, Australia, Canada and India.
U.S. surgeons who participated the FDA approval procedure for ReLEx SMILE report that the procedure leads to a fast recovery time and a good level of comfort for the patients The clinical data have been submitted to the U.S. Food and Drug Administration (FDA) as part of the Pre-Market Approval (PMA) process – with success: the ReLEx SMILE procedure has now also received the approval in the USA in September 2016.
This success was possible due to intense collaboration with a distinguished team of clinical researchers, right from the beginning: initial studies on the refractive correction of myopic eyes using the SMILE procedure were carried out back in 2007. The VisuMax with ReLEx SMILE by ZEISS has effected a long-term change in refractive laser surgery and is now regarded as the latest method in this area. The commercial launch of ReLEx SMILE in the USA underscores the Company's claim that it is there to support physicians with innovations, improve patient care and further expand the range of treatments.

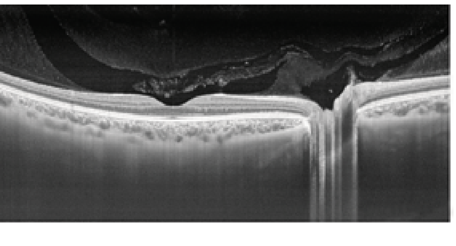
OCT is an imaging procedure that works with special light in the infrared range. In ophthalmology, OCT helps to examine patients with serious retinal diseases.

Prof. Dr. Walter Sekundo:
"The collaboration between us physicians and ZEISS during the development of SMILE was characterized by a real sense of team spirit. When our clinical studies then showed the safety and reliability of the SMILE procedure, we suspected that we were standing before a new era of refractive laser corneal surgery."

In the **SMILE procedure** the refractive error in the patient is corrected using the ZEISS VisuMax femtosecond laser, by creating a very thin disc of tissue (lenticule) inside the cornea. This lenticule is then removed by the surgeon through a small incision. The outer layer of the cornea remains largely intact during the procedure.

OCT technology was developed more than 30 years ago at Massachusetts Institute of Technology (MIT) in Boston. Nowadays, many ophthalmologists worldwide work with ZEISS OCT devices, which were developed based on the close cooperation between the Company and the American OCT pioneers.

Dr. Philip Rosenfeld, Chairman of the ARI Network:
"This collaboration between the retina experts in the ARI Network and the engineers and scientists at ZEISS is vital to the advancement of retinal and choroidal imaging and scientific discovery."



Responsibility

The foundation run by the International Council of Ophthalmology (ICO Foundation) has been making it possible for young doctors from developing and emerging countries to undertake residencies at hospitals in Europe since 2001. Carl Zeiss Meditec AG considers the ICO Fellowship Program to be a responsible and particularly effective tool for further educating these doctors, and has funded as many as six fellowships since 2012. A visit with Dr. Somesh Aggarwal (ICO ZEISS Fellow 2016) at the Clinic and Polyclinic for Ophthalmology at Leipzig University Hospital.

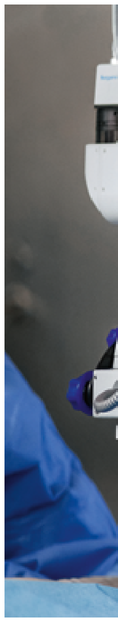
ICO ZEISS Fellow 2016 Dr. Somesh Aggarwal examines a patient using a ZEISS slit lamp in the Ophthalmology Clinic at Leipzig University Hospital.

Life, eye, eyesight – this is the order in which an ophthalmologist decides which treatment is best for a patient. Just a year ago, Indian ophthalmologist Dr. Somesh Aggarwal would have decided to remove a patient's eye if he diagnosed a tumor, for example. Today, Dr. Aggarwal is familiar with modern treatment methods, with which it may be possible to save the eye and possibly the eyesight of the patient. The Indian doctor learned how these modern methods are applied in practice as a fellow of the ICO Fellowship Program at the ophthalmic clinic at Leipzig University Hospital.

We meet Dr. Aggarwal in Leipzig. During a tour of the state-of-the-art ophthalmic clinic, the ophthalmologist tells us why he is participating in this exchange program: "I applied in particular to learn new treatment methods in my area of specialty, vitreoretinal surgery. I am very grateful to the ICO Foundation and to ZEISS for the fact that I am able to take advantage of this opportunity at a renowned hospital in Germany." In a vitrectomy, parts of the vitreous body are removed, which is required, for example, in advanced diabetic retinopathy. We ask Dr. Aggarwal what new things he has learned: "For me as a surgeon, it is important in such a procedure to be able to look inside the eye; in other words, I have to be able to see through the natural lens of the eye. We ophthalmologists use a little trick to do this: we "switch" a contact lens in front of the microscope. Of course, I was already aware of this visualization possibility. Although I didn't have the equipment to perform this trick in India, I learned how to use it in Leipzig." Back in India, Dr. Aggarwal will be able to share his newly acquired knowledge with his colleagues, because the Ophthalmology Clinic in Leipzig is providing the physician with the necessary equipment. This also benefits young doctors in training: at his home clinic, the M & J Western Regional Institute of Ophthalmology in Ahmedabad/India, Dr. Aggarwal teaches 250 undergraduates and 18 PhD students every year.

Asked to what extent his work in Germany differs from his work in India, Dr. Aggarwal answers without hesitation: "The number of patients. In Leipzig around 150 patients present each day. In India my colleagues and I attend to up to 700 ophthalmology patients a day. But regardless of whether we are in Leipzig or in Ahmedabad: we ophthalmologists must always work quickly and efficiently." At his German workplace, the ophthalmologist praises the continuous patient documentation, which is recorded digitally and makes a lot of things easier: "With just a few clicks, I can retrieve important patient information. In India I have to sift through paper files, which, due to the sheer amount of documents, are only filed for patients who are treated in hospital as in-patients. We urgently need to find a digital solution to this issue."

Dr. Aggarwal takes us into an operating theater – a glaucoma procedure is on the treatment plan. During this procedure a number of different methods are used to try and reduce the dangerously high intraocular pressure. Dr. Aggarwal can follow the treatment steps being performed



by his colleague Dr. Jan Darius Unterlauft through the microscope and can ask questions. He is not allowed to operate himself. To do that he would require a German license to practice medicine. Is this a disadvantage? "Of course it would be great if I could also perform operations under supervision here in Leipzig. However, I have still learned a whole lot and I have always received sufficient answers to all of my questions," says Dr. Aggarwal.

We leave the surgical department ahead of schedule – the Director of the Clinic has invited us to a meeting. We therefore make our way with Dr. Aggarwal to the office of Prof. Dr. Peter Wiedemann, who has been Director of the Ophthalmology Clinic at the University of Leipzig since 1993. Prof. Dr. Wiedemann is also a member of the ICO Board, but that is not the only reason why he supports the ICO Fellowship Program: "I personally think that it is absolutely wonderful that this special program gives physicians, for example from Syria, India, Georgia, or the Congo, the opportunity to further their education. But this Fellowship is also attractive for us doctors in Europe, because the fellows are experts in their field. We learn that the applicants have to sit a challenging exam. Only those who pass this exam have a chance of being offered a fellowship," says Prof. Dr. Weidmann, adding: "This means that the Fellowship is becoming particularly valuable to us in Europe, because the questions alone that the well educated fellows ask us, make us question and scrutinize our own actions over and over again."

To make state-of-the-art medical technology and cutting-edge treatment methods accessible worldwide – that is one thing that ZEISS wishes for. As part of the United Nations' initiative "VISION 2020 – The Right to Sight", the Company has supported five diagnostic, therapy and training centers for ophthalmology since 2005. These are located in Bandung (Indonesia), Ibadan (Nigeria), Moshi (Tanzania), Asunción (Paraguay) and Khartoum (Sudan).
The ZEISS training centers and the ICO Fellowship Program follow the motto "Helping People to Help Themselves". This is not just about making modern medical technology accessible in rapidly growing countries and the poorer countries of the world; it is also about creating opportunities for teaching people how to use state-of-the-art medical technology and thus enabling it to be used in practice.

For more information visit our website at:
www.zeiss.com/responsibility

Report of the Supervisory Board

Dear Shareholders and Friends of the Company,

The Carl Zeiss Meditec Group continued on the same successful course it has been on for the past few years in fiscal year 2015/16. Encouraging increases were achieved in both revenue and earnings.

Prof. Dr. Michael Kaschke
Chairman of the Supervisory Board

During the past fiscal year there were some organizational changes within the Carl Zeiss Meditec Group. Effective from 1 August 2016, the former Ophthalmic Systems and Surgical Ophthalmology strategic business units were combined to form a new strategic business unit, Ophthalmic Devices, and the internal reporting was adjusted accordingly. As a result, the Carl Zeiss Meditec Group now consists of two strategic business units, Microsurgery and Ophthalmology. In addition, in order to improve customer and market focus, the sales organization was integrated into the two units.

In fiscal year 2015/16 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.

Conflicts of interest among the members of the Supervisory Board did not arise in fiscal year 2015/16.

Focus of the deliberations and audits of the Supervisory Board

During the past fiscal year the Supervisory Board convened at six ordinary meetings in which the members of the Management Board also participated. The meetings on 9 February 2016 and 4 May 2016 were held as conference calls, however. There was also an extraordinary meeting on 21 October 2015 to discuss a strategic project to be decided on at short notice.

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 2014/2015 on 8 December 2015, the declaration of conformity to the recommendations of the German Corporate Governance Code was also resolved. The proposal on the utilization of profit was discussed in detail and adopted.

During the Supervisory Board conference call on 9 February 2016, the agenda for the Annual General Meeting on 6 April 2016 was adopted, which included, among other things, the proposal for re-election of Supervisory Board members Prof. Dr. Michael Kaschke, Dr. Markus Guthoff and Thomas Spitzenpfeil by the Annual General Meeting. At the recommendation of the Audit Audit Committee, Ernst & Young GmbH

Wirtschaftsprüfungsgesellschaft, Stuttgart, was again proposed as auditor of the annual and the consolidated financial statements for fiscal year 2015/2016.

The Supervisory Board meeting on 5 April 2016 discussed both the current development of business and the development of the organization.

The meeting on 4 May 2016 served to resolve the reconstitution of the Supervisory Board, effective from 6 April 2016. As part of this, it was resolved to re-elect Prof. Dr. Kaschke as Chairman of the Supervisory Board and to elect Dr. Kriwet as his deputy. A resolution was also passed on the composition of the Supervisory Board committees.

The meeting on 2 June 2016 discussed strategic business development and passed a resolution to terminate Mr. Thomas Simmerer's mandate on the Management Board.

The Supervisory Board meeting on 14 September 2016 passed the budget for fiscal year 2016/17, among other things. In addition, a resolution was passed on the Management Board's objectives for fiscal year 2016/17, and the Supervisory Board approved the allocation of responsibilities for the Management Board as proposed by the General Committee.

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

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

The Audit Committee is mainly concerned with the development of business and monitoring the accounting process, the efficiency of the internal control system and the internal auditing and risk management system, auditing, and its focus areas, and in particular the independence of the auditor, as well as the additional services rendered by the auditor. The Audit Committee also deals with compliance issues. The Audit Committee convened at four meetings in 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 the Supervisory Board's candidate proposals to the Annual General Meeting. The Nominating Committee convened at one meeting during the reporting period to discuss the candidates to propose as members of the Supervisory Board to the Annual General Meeting on 6 April 2016.

Corporate governance and declaration of conformity
During the Supervisory Board Meeting on 5 December 2016 the Supervisory Board resolved upon the declaration of conformity pursuant to the German Corporate Governance Code, in its version dated 5 May 2015.

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

Audit of the annual and consolidated financial statements 2015/16

The Annual General Meeting on 6 April 2016 appointed Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, 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 5 August 2016 the Supervisory Board engaged EY to audit all of the financial statements and management reports for fiscal year 2015/2016, 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 2015/16, 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 2016, 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 2016, 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 2016. 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 2016.

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 2015/16, 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 2016 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

On 6 April 2016 Prof. Dr. Michael Kaschke, Dr. Markus Guthoff and Thomas Spitzenpfeil we re-elected to the Supervisory Board by the Annual General Meeting. In the Supervisory Board meeting on 4 May 2016 Prof. Dr. Kaschke was re-elected as Chairman of the Supervisory Board. Dr. Kriwet was appointed as his deputy. The Supervisory Board supports the objectives of the Law on the Equal Participation of Women and Men in Leadership Positions, as well as the recommendations of the Corporate Governance Code, and has therefore decided upon a gender quota of at least 30% for the Supervisory Board. This corresponds to two of six seats. The quota was already fulfilled before the resolution was passed. The Supervisory Board has set itself the objective to also increase the participation of women in the Management Board in the medium term; however, its does see any possibility to implement this change in the short term – also due to the downsizing of the Management Board from three to two members, as resolved on 1 August 2016. The Supervisory Board has therefore resolved, with regard to achieving the target quota of women on the Management Board by 30 June 2017, to formally adhere to the existing quota of zero percent.

During the meeting on 2 June 2016 a resolution was passed to terminate Mr. Thomas Simmerer's mandate on the Management Board on 30 September 2016. The Management Board has since consisted of two members.

Final remarks

Based on the stable, long-term trends in demographic development, it can be assumed that the generally favorable development of the medical technology market will continue in the medium to long term.

With regard to the opportunities and challenges arising from changes in the market and economic changes, the Supervisory Board considers the Company well placed to continue mastering these successfully. This is because the Company is in a very good position with its high innovative power, its balanced portfolio, its global positioning and solid financial starting position.

On behalf of the entire Supervisory Board, I would like to extend special thanks to the members of the Management Board of Carl Zeiss Meditec AG, as well as all employees of this Company, whose dedication has once again successfully contributed to the development of business in fiscal year 2015/2016.

Jena, 5 December 2016
On behalf of the Supervisory Board

Prof. Dr. Michael Kaschke
(Chairman)

The Carl Zeiss Meditec AG share

Fiscal year 2015/16

General development of the capital market

The development of the global stock markets was positive overall during the course of fiscal year 2015/16, although the environment was affected by a number of geopolitical challenges, such as the Ukraine crisis, the turmoil in the Middle East, an economic downturn in Asia and the Brexit vote in the United Kingdom to leave the EU.

Germany's leading share index, the DAX, and the leading American index, S&P 500, increased in fiscal year 2015/16 as a whole, recording increases of 7.7%, to 10,511 points, and 12.9%, to 2,168 points, respectively.

The TecDAX, however, which lists 30 shares, including the Carl Zeiss Meditec AG share, exhibited a downward trend, particularly at the beginning of fiscal year 2015/16, but recovered again in the final quarter, recording an increase of 2.4% on 30 September 2016 compared with the start of the fiscal year, to 1,802 points.

The development of the Carl Zeiss Meditec AG share price was much more dynamic than the TecDax as a whole. The increase in the share's value since the beginning of fiscal year 2015/16 amounted to 36.6% on 30 September 2016. Carl Zeiss Meditec AG shares finished trading at a closing price[1] of €34.03 on 30 September 2016.

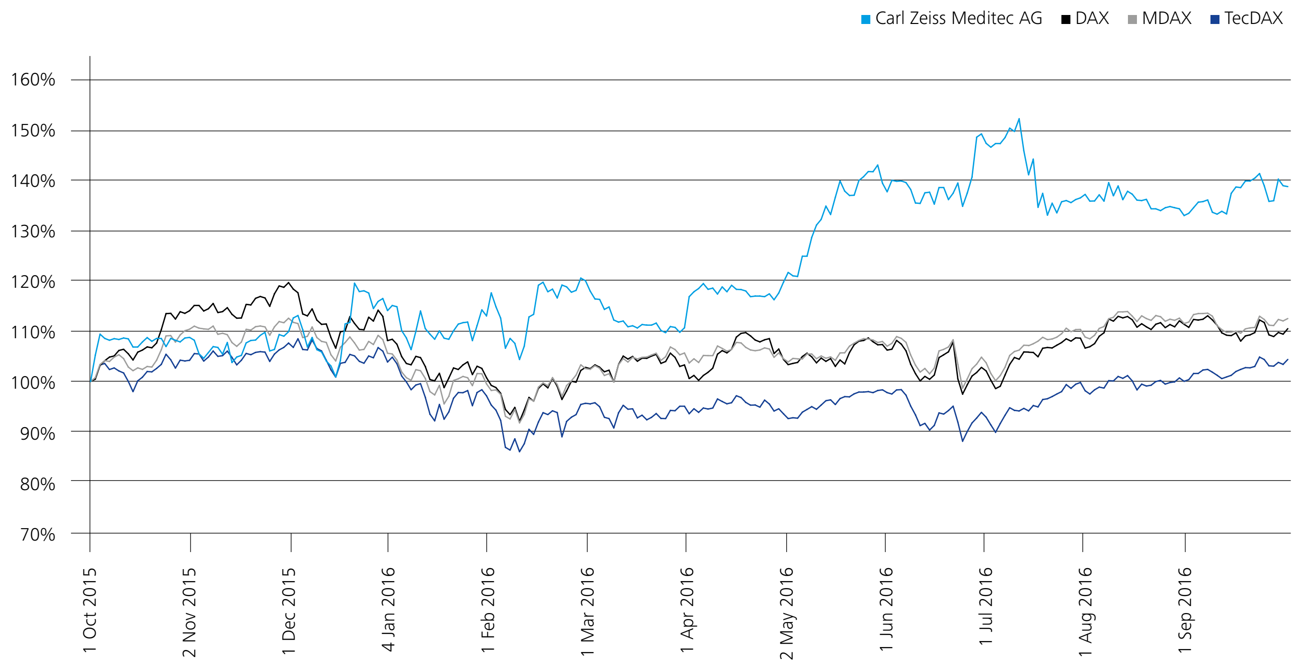
Performance of the Carl Zeiss Meditec share

The opening rate for the Carl Zeiss Meditec AG share on 1 October 2015 was €24.92. During the course of the first quarter of fiscal year 2015/16 the share prices increased by a total of 14.7% overall, up until 30 December 2015, to €28.55. While the share's performance in the second quarter was characterized by a sidewards trend, the share appreciated significantly in the third and fourth quarters, reaching a new all-time high of €37.34 on 13 July 2016.

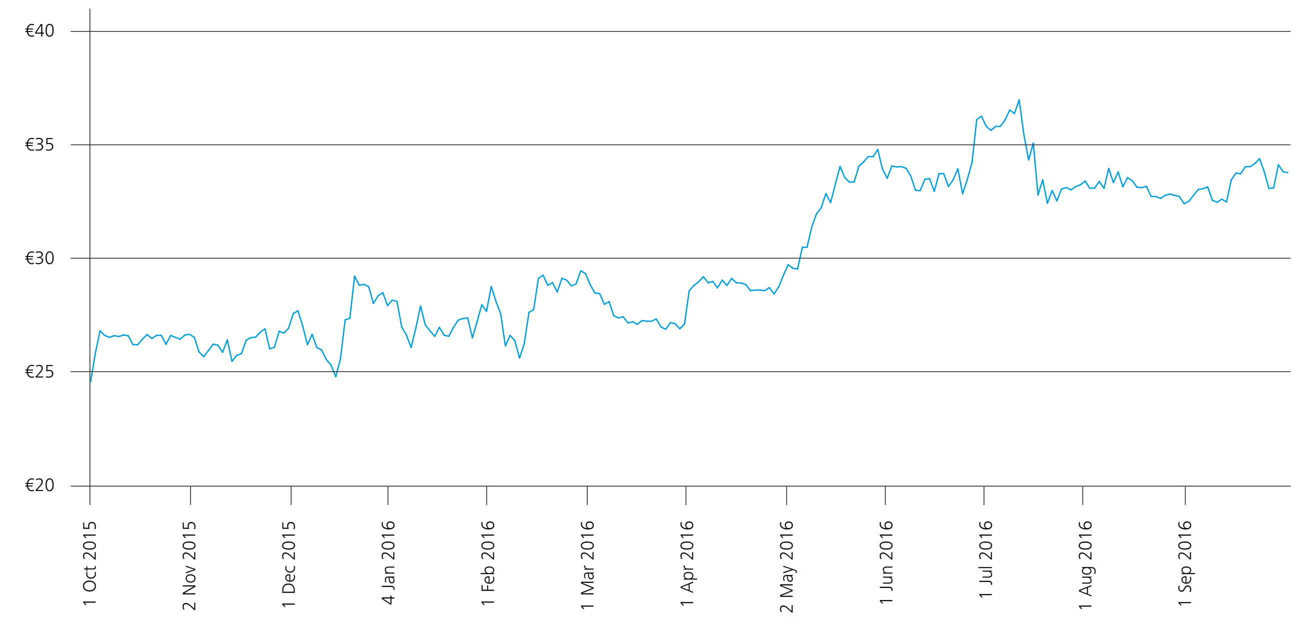
At the end of the fiscal year on 30 September 2016, the Carl Zeiss Meditec AG share was being traded at a closing price of €34.03. Compared with the opening price at the beginning of the fiscal year on 1 October 2015, the share price had increased by 36.6%.

[1] Share price based on XETRA closing rates

Relative performance of Carl Zeiss Meditec share compared with the DAX, MDAX and TecDAX in the period from 1 October 2015 to 30 September 2016



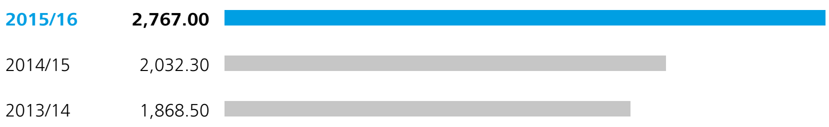
Performance of Carl Zeiss Meditec share in the period from 1 October 2015 to 30 September 2016



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 year-on-year from €2.03b to €2.77b as of 30 September 2015. The trading volume (number of shares traded on the Frankfurt Stock Exchange multiplied by the respective closing rate on the date on which they were traded) in fiscal year 2015/16 was €459.64m (prior year: €333.21m).

Market capitalization of Carl Zeiss Meditec AG as of 30 September 2016 in €m



During the reporting period, an average of 58,932 shares (prior year: 57,496) of Carl Zeiss Meditec AG were traded each trading day.

The German TecDAX share index brings together 30 of the 35 largest technology stocks in terms of market capitalization and trading volume on the Frankfurt Stock Exchange. All technology stocks are listed on a quarterly basis. Carl Zeiss Meditec AG ranked 16th in the ranking for market capitalization as of 30 September 2016 (prior year: 15th). In terms of trading volume, Carl Zeiss Meditec AG climbed to 22nd place from 29th place in the prior year.

The Carl Zeiss Meditec share from the capital market perspective

A large number of German and international financial analysts monitor the movements of the Carl Zeiss Meditec AG share. At present, we are in contact with 13 analyst firms. The analysts see the current price target at an average of €35.20 (as of 30 September 2016).

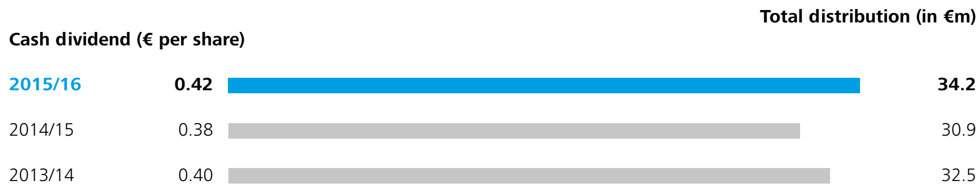
A continuously updated overview of the individual analysts’ recommendations can be found on our website at www.zeiss.com/meditec-ag/ir.

Dividend continuity

We shall continue to 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 12 April 2016, therefore, the Management Board and the Supervisory Board of Carl Zeiss Meditec AG shall propose to the Annual General Meeting the distribution to shareholders of a regular dividend of €0.42 per share for fiscal year 2015/16 (prior year: €0.38). This would equate to a total distribution of €34.2m (prior year: €30.9m) and a dividend ratio of 34.7% (prior year: 49.6%). The dividend return (ratio of dividend per share to opening price for the respective fiscal year) would be 1.69% (prior year: 1.66%).

Development of the dividend for the Carl Zeiss Meditec share



Shareholder structure

Carl Zeiss Meditec AG's subscribed capital is composed of 81,309,610 ordinary shares, each with a theoretical par value of €1 per share. The ZEISS Group holds around 65% of the shares. According to our knowledge, the remaining 35% are in free float.

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 2015/16, with the aim of boosting confidence in our sustainable corporate governance. This includes the publication of Carl Zeiss Meditec AG's strategy, its operative business development, as well as the Company's prospects vis-à-vis existing and potential investors and other market participants, such as analysts and journalists.

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

Furthermore, our Annual General Meeting gives shareholders the opportunity to directly influence and directly put questions to Carl Zeiss Meditec AG's Management Board. The Annual General Meeting in the last fiscal year was held on 6 April 2016 in Weimar. Around 84.91% of the voting share capital was represented at this General Meeting.

Listing and stock market trading

Carl Zeiss Meditec AG share	
Index	TecDAX
Segment	Prime Standard
ISIN	DE 0005313704
Trading volume	Avg. 58,932 shares/trading day
Total of shares placed	81,309,610 shares
Price performance	
Share price at beginning of fiscal year 2015/16 (1 Oct)	€24.92
Share price at end of fiscal year 2015/16 (30 Sep)	€34.03
Share price on 18 November 2016	€32.41
Highest price in fiscal year 2015/16	€37.34
Lowest price in fiscal year 2015/16	€24.49
Shareholder structure	
Free float	35%
Carl Zeiss AG	65%
Evaluation	
Market capitalization of share capital as of 18 November 2016	€2.64b
Market capitalization of free float as of 18 November 2016	€922.3m
Designated sponsor	HSBC Trinkhaus & Burkhardt AG

Summary management report
for fiscal year 2015/16

THE CARL ZEISS MEDITEC GROUP

Group structure

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

The results of Carl Zeiss Meditec AG are influenced to a large extent by its subsidiaries and the development of its business is generally subject to the same opportunities and risks at that of the Carl Zeiss Meditec Group. The outlook for the Group also largely mirrors the expectations for Carl Zeiss Meditec AG, due to the links between Carl Zeiss Meditec AG and its subsidiaries and due to the importance of Carl Zeiss Meditec AG within the Group. Therefore, for the purposes of more compact presentation, the business development of Carl Zeiss Meditec AG and the Carl Zeiss Meditec Group shall be presented as a summary management report from fiscal year 2015/16.

Investment structure of the Carl Zeiss Meditec Group as of 30 September 2016

Carl Zeiss Meditec AG

100%
Carl Zeiss Meditec Inc.,
Dublin, USA

100%
Carl Zeiss Meditec Asset Management Verwaltungsgesellschaft mbH,
Jena, Germany

100%
Carl Zeiss Meditec Medikal Çözümler Ticaret ve Sanayi A.S.,
Ankara, Turkey

100%
Carl Zeiss Meditec Iberia S.A.,
Tres Cantos, Spain

51%
Carl Zeiss Meditec Co. Ltd.,
Tokyo, Japan

100%
Aaren Scientific Inc.,
Ontario, USA

100%
Atlantic S.A.S.,
Périgny/La Rochelle, France

100%
Carl Zeiss Meditec Vertriebsgesellschaft mbH,
Oberkochen, Germany

100%
HYALTECH Ltd.,
Livingston, United Kingdom

100%
Carl Zeiss Meditec S.A.S.,
Périgny/La Rochelle, France

100%
France Chirurgie Instrumentation S.A.S.,
Paris, France

100%
Carl Zeiss Meditec France S.A.S.,
Marly-le-Roi, France

100%
Additional subsidiaries

No changes were made to the Group's reporting entity or the structure of its consolidated financial statements in fiscal year 2015/16.

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

Organization and business activity

A distinction is made within the Carl Zeiss Meditec Group essentially between two main areas in which the Company operates: Ophthalmology and Microsurgery. Up until 31 July 2016, the operative business was divided into three strategic business units (SBUs). In addition to Microsurgery (MSC), there were two strategic business units within Ophthalmology: Ophthalmic Systems (OPH) and Surgical Ophthalmology (SUR).

The organizational structure was modified on 1 August 2016. Two of the former three strategic business units, the SBU OPH and the SBU SUR, were combined to form a new **Ophthalmic Devices** SBU, which comprises the entire ophthalmic business. A distinction shall be made from now on between the two strategic business units Ophthalmic Devices (OPT) and **Microsurgery** (MCS), in which the operational business is condensed according to similar application areas and customer groups. The objective of this organizational change was to establish uniform management of the ophthalmic business as a whole and to strengthen the focus on customers and consolidate the range of integrated solutions from a single source.

Ophthalmic Devices

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

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

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

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

Microsurgery
In the Microsurgery strategic business unit the Carl Zeiss Meditec Group provides visualization solutions for minimally invasive surgical treatments. The state-of-the-art surgical microscopes for neurosurgery, ear, nose and throat (ENT), plastic and reconstructive (P & R) surgery, as well as dental surgery and spinal surgery, are essential tools, for example in the surgical treatment of tumors or vascular diseases, such as aneurysms. Innovative add-on functions, such as cutting-edge video technology, three-dimensional imaging or intraoperative fluorescence options, offer the surgeon assistance in complex treatments, by delivering diagnostic data and information during the procedure in the eyepiece or on screens. In surgical oncology, the innovative radiation device INTRABEAM® enables the Company to offer patients a gentle, intraoperative treatment option for certain types of tumors.

Group strategy

It is the strategy of the Carl Zeiss Meditec Group to achieve sustainable, profitable growth as market and technology leader in the field of ophthalmology and microsurgery. The product range is aimed at improving the treatment result and reducing treatment costs through efficient and effective approaches. The success factors are: customer focus, innovation and integrated solutions for diagnosis and treatment.

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

Innovation

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

Integrated solutions

Given the multitude of diagnostic and therapeutic devices typically used in medical practices and clinics, customers are offered the opportunity to make their workflows more efficient, and to achieve better clinical outcomes, by logically networking their devices and systems. 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 newly created as part of the organizational change on 1 August 2016. This Executive Committee is made up of the members of the Management Board of Carl Zeiss Meditec AG and the heads of the two strategic business units, Ophthalmic Devices and Microsurgery. The management levels below the Executive Committee perform their management responsibilities in accordance with the organizational structure within the strategic business units across regions and company locations. Cross-organizational functions such as, for example, Group Finance, Group Communications or Human Resources are managed centrally. The strategies and projects are implemented locally at the regional companies themselves in accordance with prevailing laws and legislation, rules of procedure and articles of association, as well as the corporate values and principles applied globally within the Group.

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

Corporate management

The aim of corporate management is to achieve a long-term increase in value by consistently implementing the strategy. The tools for the financial management of the Carl Zeiss Meditec Group comprise a comprehensive system of key performance indicators. The greatest importance is attached to Economic Value Added® ("EVA®")[1], Free Cash Flow (FCF)[2] the EBIT margin and revenue growth. These control ratios define the balance between growth, profitability and financial power, upon which sustainable growth of the Company is built. These are supplemented by strategic measures and projects in the areas of customer excellence, people/performance culture and operational excellence.

[1] Calculation: EVA® = operating result after taxes minus capital costs of €43.5m for 2015/16 (calculation of capital costs: average committed business assets 2015/16 (€524.6m) multiplied by capital cost rate 2015/16 (8.3%)

[2] 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 + 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

BUSINESS REPORT

Underlying conditions for business development

Macroeconomic environment[3]

During the reporting period, the global economy grew at a significantly slower rate than forecast. The rapidly developing economies in Asia, such as India and China, continued to grow at above-average rates, although growth in China cooled considerably. The markets in Latin America did not develop uniformly; a significant recession in Brazil offset moderate growth in Mexico. Market growth in the industrialized countries was moderate in fiscal year 2015/16, but was weaker than expected. The upturn in the U.S. and Japan was considerably smaller than expected; market growth in the eurozone was as expected.

Uncertainties in the markets, particularly in China and Brazil, low oil prices, uncertainty due to Brexit, the situation in the Middle East and ongoing structural problems, were major political and economic issues, which impacted negatively on investment activity in industry and the public sector.

Situation in the medical technology industry

The Company believes that medical technology is one of the fast-growing sectors in the medium to long term. Growth drivers are medical progress and megatrends, such as the demographic trend due to increasing life expectancy and population growth. While a rising per-capita income is increasing demand for basic healthcare in rapidly developing economies, people in western regions are increasingly willing to pay more for better-quality services. As a result, the Company assumes that the total number of patients suffering from age-related illnesses will continuously rise. At the same time, it is expected that there will be a growing need for comprehensive and high-quality health care.

In the traditional markets of western industrialized nations the Company assumes that the demand for medical technology innovations and a higher quality of treatment will continue to rise as a result of higher and higher consumer and patient demands, due to a growing tendency to use premium services as a self-paying patient. At the same time, the cost pressure in the health care systems is increasing price pressure. In addition, tighter regulations and varying regulatory requirements regionally is a growing challenge with regard to product development and approval.

Equally high are the demands on manufacturers to offer products and solutions that increase the efficiency of workflows for customers and that offer effective treatment methods to patients.

The demand for health care goods and services in the rapidly developing economies (RDEs) also creates significant future growth potential for the medical technology sector, due to the rising per capita income and growing prosperity in these countries. Increases in the volumes of conventional medical technology and basic health care products, in particular, shall play an increasingly more important role here, due to improvements in the standard of living.

[3] International Monetary Fund, "World Economic Outlook", July 2016, Washington D.C.

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

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$36.7b (about €31.9b) in 2015[4]. 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$9.8b, or around €8.5b[4], in 2015.

The Carl Zeiss Meditec Group estimates its share of the "devices and systems for ophthalmology" market segment, traditionally served by the Company, at about US$3.2b or €2.8b[4] or about 20% in 2015. In the market segment "implants, consumables and instruments for ophthalmic surgery", the Carl Zeiss Meditec Group estimates its global market share in 2015 at about 5%. However, our regional market shares in the countries the Company is currently focusing on range between 5% and 30%.

As described in the section "Situation in the medical technology industry", the Carl Zeiss Meditec Group's medium-term forecast is further long-term growth in the market for ophthalmic products, regardless of annual fluctuations.

Based on the information at hand, the Group estimates that it slightly increased its market share overall in the market segments it addresses, in comparison 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 market segments: "Implants", "Surgical instruments" and "Visualization". In the "Visualization" market segment served by the Company a distinction can be made between the sub-segments "Surgical Microscopes" and "Other Visualization". According to the Group's estimates, this market segment had a total volume of around US$1.6b or €1.4b[4], in 2015. With a market share that it estimates to be almost 20%, the Carl Zeiss Meditec Group is therefore one of the largest providers in this segment. According to own estimates, the Carl Zeiss Meditec Group continues to be the global market leader in the sub-segment "Surgical microscopes", with a market share of more than 50%.

As described in the section "Situation in the medical technology industry", the Carl Zeiss Meditec Group's medium-term forecast is further long-term growth in the market for microsurgery products, regardless of annual fluctuations.

[4] At average rate for fiscal year 2014/15 (€1 = US$1.1485)

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

With revenue of €1,088.4m and growth of 4.6%, the Carl Zeiss Meditec Group achieved the forecast range of €1,080m to €1,120m for fiscal year 2015/16. Boosted by positive currency effects, the Ophthalmology sector and the Asia/Pacific region (APAC), in particular, contributed to this development of business.

Primarily driven by the positive development in the refractive laser business, the SBU Ophthalmic Systems showed growth of 7.5%, and thus slightly exceeded the expectations of a low to mid-single-digit percentage growth, while currency effects also had a slightly positive effect. Nevertheless, the situation in Ophthalmic Diagnostics remains tense due to the strong competitive pressure. This is counteracted with corresponding initiatives in terms of product innovations, sales measures and cost reductions.

Overall, the market for products of the Surgical Ophthalmology SBU was slightly weaker than expected. Growth in the Surgical Ophthalmology SBU was accordingly slightly lower compared with the prior year, at 4.3%, but was in line with the forecast of an increase within at least the mid-single-digit percentage range. The SBU nevertheless grew faster than the corresponding market as a whole and further strengthened its competitive position, particularly in the area of intraocular lenses, which recorded a double-digit percentage increase.

The growth of the Ophthalmic Systems SBU and the Surgical Ophthalmology SBU amounted to total growth of 6.0% for the newly created strategic business unit, **Ophthalmic Devices**. Currency effects had a positive impact on growth of this segment. Adjusted for currency effects, revenue increased by 4.1%.

Growth momentum in the market environment of the **Microsurgery** SBU remained slow during the year. The strategic business unit nevertheless retained its leading market position, as expected, and achieved revenue growth in the low single-digit percentage range (1.3%).

Earnings before interest and taxes (EBIT) increased to €154.3m. Relative to revenue, the Group achieved an EBIT margin of 14.2% (prior year: 12.6%) which was therefore within the range of 13% to 15% forecast for both fiscal year 2015/16 and the medium term. The significant increase in the EBIT margin is attributable to a strict cost discipline and a more favorable product mix with a higher proportion of case-number-dependent revenue.

The EBIT margin in the Ophthalmic Systems SBU improved significantly, particularly as a result of the positive development in the field of refractive lasers, but was slightly below the group average, as expected. The Surgical Ophthalmology SBU achieved significant margin growth due to strict cost management and growth-related economies of scale, and was slightly higher than the Group average for the fiscal year as a whole. Accordingly, the development of the EBIT margin within the newly created **Ophthalmic Devices** SBU was positive overall. The EBIT margin of the **Microsurgery** SBU increased only slightly compared with the prior year, due, among other things, to higher research and development costs, and somewhat restrained revenue growth, but remained above the Group average, as expected.

At €111.8m in fiscal year 2015/16, the Group's cash flow from operating activities is significantly higher than in the prior year (prior year: €56.7m).

Free cash flow increased to €146.0m (prior year: €91.1m). EVA rose to €64.7m, compared with €42.0m in the prior year.

In order to maintain its innovative strength and ensure future growth, the Company has up to now invested around 10% to 11% of its revenue each year in research and development, as budgeted. In the past fiscal year R&D spending amounted to 11.3% of revenue.

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 2015/16

	Results 2015/16	Forecast 2015/16
Group revenue	€1,088m	€1,080 - 1,120m
Former Ophthalmic Systems SBU	7.5%	Growth in low to mid-single-digit percentage range
Former Surgical Ophthalmology SBU	4.3%	Growth in mid-single-digit percentage range
Microsurgery	1.3%	Growth in low-single-digit percentage range
EBIT margin	14.2%	13% - 15%
Cash flow from operating activities	€111.8m	Substantial double-digit millions
Research and development expenses/revenue	11.3%	10% - 11%
Free cash flow (FCF)	€146.0m	High double-digit millions
Economic Value Added® ("EVA®")	€64.7m	slight improvement

Results of operations

Presentation of results of operations

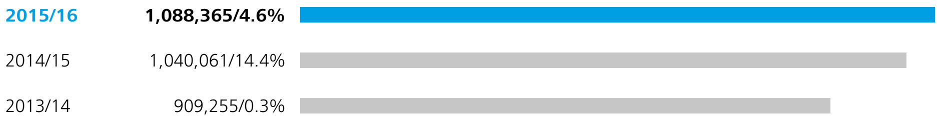
Summary of key ratios in the consolidated income statement
Figures in €k, unless otherwise stated

	2015/16	2014/15	Change
	€k	€k	in %
Revenue	1,088,365	1,040,061	+4.6%
Gross margin	53.2%	51.9%	+1.3% pts
EBITDA	174,558	149,753	+16.6%
EBITDA margin	16.0%	14.4%	+1.6% pts
EBIT	154,332	130,591	+18.2%
EBIT margin	14.2%	12.6%	+1.6% pts
Earnings before income taxes	141,961	101,720	+39.6%
Tax rate	29.6%	35.5%	-5.9% pts
Consolidated net income after non-controlling interests	98,330	62,297	+57.8%
Earnings per share after non-controlling interests	€1.21	€0.77	+57.8%

Revenue

The Carl Zeiss Meditec Group increased its revenue by 4.6% to €1,088.4m (prior year: €1,040.1m) in fiscal year 2015/16, and thus achieved the forecast range proposed in May 2016 of €1,080m to €1,120m. The Group benefited from positive currency effects. After adjustment for currency effects, growth amounted to 2.7%. In particular the area of Ophthalmology and the APAC region contributed to this growth.

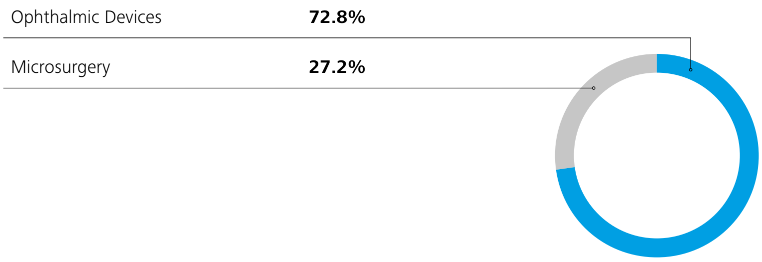
Consolidated revenue in €k /growth in %



a) Consolidated revenue by strategic business unit

Since the merging of the two former strategic business units Ophthalmic Systems and Surgical Ophthalmology on 1 August 2016, almost three-quarters of Group revenue has been generated in the newly established **Ophthalmic Devices** strategic business unit (72.8%; prior year: 71.9%). The **Microsurgery** strategic business unit accounted for 27.2% (prior year: 28.1%) of consolidated revenue. In the reporting year, 38.7% (prior year: 37.7%) of total revenue was attributable to the strategic business unit Ophthalmic Systems and 34.1% (prior year: 34.2%) to Surgical Ophthalmology.

Share of strategic business units in consolidated revenue in fiscal year 2015/16



The revenue growth of the new **Ophthalmic Devices** strategic business unit amounted to 6.0% for fiscal year 2015/16 (adjusted for currency effects: 4.1%). Revenue amounted to €791.9m (prior year: €747.2m).

The refractive laser business once again proved to be the growth driver, benefiting in particular from high procedure-dependent revenue. The segment for devices and systems for diagnosis continued to be exposed to intense competitive and price pressure during the year. Measures aimed at improving the competitiveness continued in the past fiscal year. Business with intraocular lenses and consumables for cataract surgery and biometry developed positively, whereas the business with ophthalmic surgery microscopes moved sideways, after strong demand in the prior year.

Revenue of the Ophthalmic Systems strategic business unit increased by 7.5%, from €392.0m to €421.2m. Assuming constant exchange rates, revenue grew by 5.2%.

In the former Surgical Ophthalmology strategic business unit, revenue increased from €355.3m to €370.7m. This corresponds to growth of 4.3% (adjusted for currency effects: 2.9%).

There was a slight downturn in business of -0.9% in the **Microsurgery** strategic business unit, after adjustment for currency effects. Business in Japan, in particular, was restrained. Boosted by currency effects, the SBU grew slightly, by 1.3%.

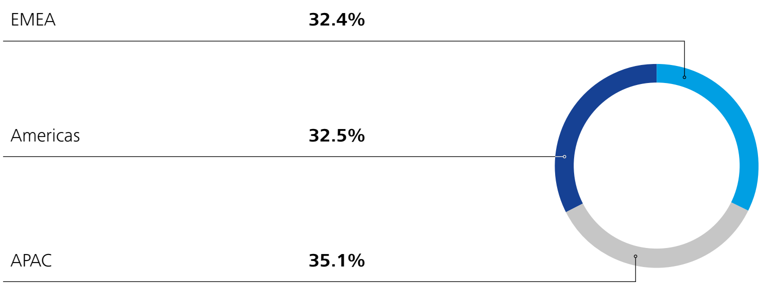
Revenue by strategic business unit

	2015/16	2014/15	Change in %	
	€k	€k		adjusted for currency effects
Ophthalmic Devices	791,866	747,225	6.0	4.1
Microsurgery	296,499	292,836	1.3	-0.9
Carl Zeiss Meditec Group	**1,088,365**	**1,040,061**	**4.6**	**2.7**

b) Consolidated revenue by region

The Carl Zeiss Meditec Group has a very balanced range of business activities worldwide, with each of its three business regions generating around one third of its total revenue. In the past fiscal year, the region Europe, Middle East and Africa (EMEA) accounted for 32.4% (prior year: 34.5%) **of consolidated revenue**. The **Americas** and **Asia/Pacific (APAC)** regions accounted for 32.5% (prior year: 34.8%) and 35.1% (prior year: 30.7%), respectively, of the Group's total revenue. The APAC region provided the highest contribution to revenue for the first time and also achieved the highest revenue growth of 19.5% (adjusted for currency effects: 15.5%).

Share of regions in consolidated revenue in fiscal year 2015/16



Revenue in the **EMEA** region fell by a slight -1.7%, or -1.3% after adjustment for currency effects, from €358.8m in the prior year to €352.7m. Business in individual markets was very heterogeneous, however. Germany, France and the United Kingdom made good contributions to revenue, while declines were recorded particularly in Southern Europe and the Middle East.

Business in the **Americas** region declined by -2.2%, or -4.9% after adjustment for currency effects. Revenue amounted to €354.0m (prior year: €361.9m). This was mainly attributable to declining revenue in Ophthalmic Diagnostics due to persistently intense competitive pressure.

The **APAC** region made a substantial contribution to growth within the Group, increasing its revenue by 19.5%, to €381.7m (prior year: €319.4m). Adjusted for currency effects, growth was of a similar magnitude of 15.5%, with China, Southeast Asia and South Korea as the strongest growth drivers.

Consolidated revenue by region

	2015/16	2014/15	Change in %	
	€k	€k		adjusted for currency effects
EMEA	352,691	358,753	-1.7	-1.3
Americas	354,005	361,882	-2.2	-4.9
APAC	381,669	319,426	19.5	15.5
Carl Zeiss Meditec Group	**1,088,365**	**1,040,061**	**4.6**	**2.7**

Gross profit

In fiscal year 2015/16, gross profit increased from €539.7m to €579.6m. The gross margin for the reporting period increased to 53.2% (prior year: 51.9%). This growth is mainly due to the positive effect had by a more favorable product mix with a higher proportion of case-number-dependent business, particularly in Ophthalmology.

Functional costs

Functional costs for the reporting year amounted to €425.2m (prior year: €409.1m), thus increasing by 3.9%, which is slightly disproportionate to revenue growth. The proportion of revenue decreased slightly year-on-year, from 39.3% to 39.1%.

» **Selling and marketing expenses:** Selling and marketing expenses increased disproportionately to revenue growth in the fiscal year under review, by 3.0%, from €247.9m to €255.3m. Relative to revenue, selling and marketing expenses were slightly below the prior year's level, at 23.5% (prior year: 23.8%).

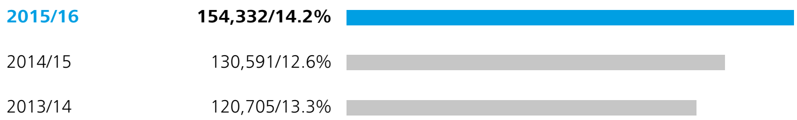
» **General administrative expenses:** Expenses in this area decreased by 5.5%, to €46.5m (prior year: €49.2m). The ratio of these expenses to revenue decreased from 4.7% in the prior year, to 4.3%.

» **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 10.2% in the reporting period, to €123.4m (prior year: €112.0m). At 11.3% of revenue, the R&D ratio increased slightly year-on-year (prior year: 10.8%).

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 €154.3m (prior year: €130.6m). This corresponds to an EBIT margin of 14.2% (prior year: 12.6%). The significant increase in the EBIT margin is attributable to a strict cost discipline and a more favorable product mix with a higher proportion of case-number-dependent revenue.

EBIT in €k /EBIT margin in %



EBIT in fiscal year 2015/16 included special effects in a volume amounting to €5.2m, which were associated with acquisitions and restructuring and reorganization measures, among other things.

Overview of special effects included in EBIT

	2015/16	2014/15	Change
	€m	€m	in %
EBIT	154.3	130.6	+18.2
Acquisition-related special effects[5]	3.8	4.7	-20.1
Restructuring/reorganization[6]	1.4	3.3	-57.3
Total special effects	**5.2**	**8.0**	**-35.4**

Accordingly, the development of the EBIT margin within the newly created **Ophthalmic Devices** SBU was positive. This is attributable, among other things, to a more favorable product mix, which primarily resulted from a higher amount of procedure-dependent revenue in the refractive laser business, operating economies of scale, as well as cost-cutting measures accompanied by a strict cost discipline. The EBIT margin of the former Ophthalmic Systems SBU improved significantly compared with the prior year. Substantial increases in the EBIT margin were recorded in the former Surgical Ophthalmology SBU. The EBIT margin of the **Microsurgery** SBU increased only slightly compared with the prior year, due, among other things, to higher research and development expenses and the somewhat restrained revenue growth.

Earnings before interest, taxes, depreciation and amortization (**EBITDA**) amounted to €174.6m in the past fiscal year (prior year: €149.8m), resulting in an **EBITDA margin** of 16.0% (prior year: 14.4%).

The balance of **interest income and interest expenses** amounted to €-1.1m in the reporting period (prior year: €-0.2m).

Due to the recognition of currency hedges as of 30 September 2016, the financial result was impacted by foreign currency losses in the amount of €9.3m (prior year: foreign currency losses of €8.9m).

The **tax rate** for the reporting period was 29.6% (prior year: 35.5%). In the prior year, the financial result was still impacted by write-downs in connection with the impairment testing of the investments in Oraya Therapeutics Inc. As a general rule, an average annual tax rate of between 31% and 33% is assumed.

[5] Write-downs on intangible assets arose from the purchase price allocation (PPA), mainly in connection with the acquisition of Aaren Scientific Inc. in fiscal year 2013/14.
[6] Restructuring costs mainly relate to the reorganization of the Diagnostics unit within the Ophthalmic Devices strategic business unit.

Consolidated profit attributable to shareholders of the parent company for fiscal year 2015/16 amounted to €98.3m, thus increasing by 57.8% compared with the low basis of comparison in the prior year (prior year: €62.3m). Non-controlling interests accounted for €1.6m (prior year: €3.3m). In fiscal year 2015/16, basic **earnings per share of the parent company** amount to €1.21 (prior year: €0.77).

Financial position

Objectives and principles of financial management

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

The Company deposits any liquidity it does not require at normal market conditions with the Group treasury of Carl Zeiss AG. When investing surplus liquidity, short-term availability mainly comes before the goal of maximizing earnings, so that funds can be accessed quickly if, for example, acquisition opportunities arise. The Group has production plants in the USA and Europe. This minimizes the effect of currency fluctuation. The remaining currency risk is hedged by simple futures trading. Details on this can be found in the notes to the consolidated financial statements under "(2) (i) Financial instruments", "(27) Additional disclosures on financial instruments", "(35) Financial risk management", "(2) (u)" and "(33) Related party disclosures" and in the financial statements of Carl Zeiss Meditec AG in sections 5 "Information and explanatory notes on accounting and valuation principles", paragraph "Derivative financial instruments"", 9 "Receivables from/ liabilities to affiliated companies" and 26 "Financial result".

Financial management

The ratio of borrowed capital to equity amounts to 46.6% as of 30 September 2016 (30 September 2015: 42.9%).

The Group's dynamic gearing ratio stands at 0.3[7] years for fiscal year 2015/16 (prior year: 2.4 years[8]).

The interest coverage ratio, i.e., the coverage of interest income by the operating result before depreciation and amortization (EBITDA), amounted to 69.4 (prior year: 101.5).

Cash inflows generated from operating activities provide an important source of financing for the Carl Zeiss Meditec Group. 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 Group treasury of Carl Zeiss AG 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 financial statements of Carl Zeiss Meditec AG in sections 9 "Receivables from/liabilities to affiliated companies" and 17 "Liabilities".

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

[8] Calculation: borrowings excluding non-controlling interests, less cash and cash equivalents and less treasury receivables plus financial investments in the amount of €110m / cash flow from operating activities)

Since 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 processed exclusively by banks with a high credit rating from leading agencies. The business transactions are executed with strict separation of functions between the front office (trade), middle office (financial risk management, controlling) and back office (processing, documentation).

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

Statement of cash flows

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

Changes in individual items in the income statement and the statement of financial position are recorded in the statement of cash flows. In contrast, the consolidated statement of financial position presents the figures as they stood at the end of the reporting period on 30 September 2016. 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 €k

	2015/16	2014/15
Cash flows from operating activities	**111,770**	56,744
Cash flows from investing activities	**77,332**	-35,173
Cash flows from financing activities	**-195,021**	-19,290
Change in cash and cash equivalents	**-4,331**	2,314

Cash flows from operating activities amounted to €111.8m in the reporting period (prior year: €56.7m). This increase is primarily due to the higher consolidated profit, which is around €34m higher than the prior year. In addition, there was a less build-up of trade receivables at the end of the reporting period in fiscal year 2015/16 than in the prior year.

Cash flow from investing activities amounted to €77.3m in the period under review (prior year: €-35.2m). This amount is mainly due to the maturity of a fixed-term deposit on 30 September 2015, in the amount of €110m, which was processed via Carl Zeiss Financial Services GmbH.

Cash flow from financing activities in the past fiscal year amounts to €-195.0m (prior year: €-19.3m). The difference compared with the year-ago period is primarily attributable to an increase in treasury receivables, resulting, among other, from the maturity of the above-mentioned fixed-term deposit of €110m.

Free cash flow increased, primarily as a result of the higher cash flows from operating activities, to €146.0m (prior year: €91.1m).

Investment and depreciation policy

In order to further consolidate the good market position in the medical technology sector and strengthen our leading market position, the Company needs to make continued investments. A distinction is made here between two types of investment: capacity expansions and replacement investments. These investments are primarily financed from cash flow from operating activities.

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

Nevertheless, the required investment of capital in real assets is limited within the Group, which is evident from the development of the capex ratio – the ratio of total investments[9] in property, plant and equipment (cash) to consolidated revenue. In fiscal year 2015/16 this ratio was 1.2% (prior year: 1.0%).

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) (g) Other intangible assets" and "(2) (h) Property, plant and equipment" in the accompanying notes to the consolidated financial statements and in section 6 "Fixed assets" of the financial statements of Carl Zeiss Meditec AG.

[9] In fiscal year 2015/16, investments in property, plant and equipment (cash) totaled €12.8m, compared with €9.8m the prior year.

Key ratios relating to financial position

Key ratios relating to financial position

Key ratio	Definition	30 Sep 2016	30 Sep 2015	Change
		€k	€k	in %
Cash and cash equivalents	Cash-in-hand and bank balances	8,710	13,041	-33.2
Net cash	Cash-in-hand and bank balances + treasury receivables from Group treasury of Carl Zeiss AG6 ./. treasury payables to Group treasury of Carl Zeiss AG	334,582	278,410	+20.2
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	236,984	254,498	-6.9
Working capital	Current assets ./. current liabilities	571,566	532,908	+7.3

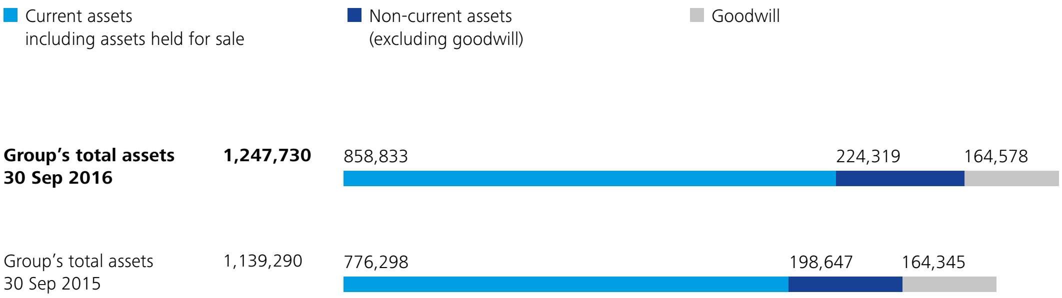
Key ratio	Definition	2015/16	2014/15	Change
Cash flow per share	Cash flow from operating activities / Weighted average of shares outstanding	€1.37	€0.70	+97.0%
Capex ratio	Investment (cash) in property, plant and equipment / Consolidated revenue	1.2%	1.0%	+0.2% pts

Net assets

Presentation of net assets

Total assets increased to €1,247.7m as of 30 September 2016 (30 September 2015: €1,139.3m).

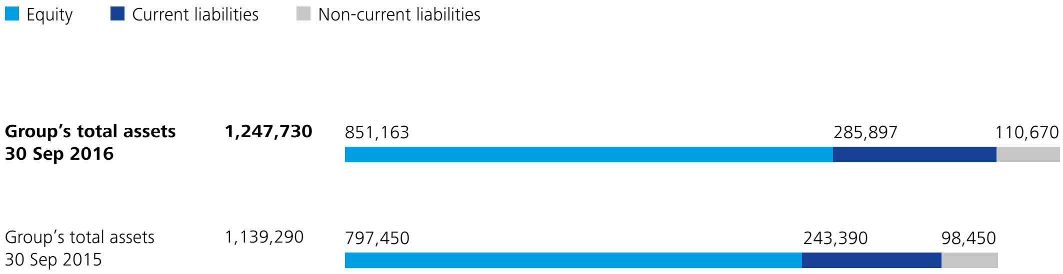
Structure of the consolidated statement of financial position – assets in €k



Non-current liabilities increased to €388.9m as of 30 September 2016 (30 September 2015: €363.0m), due mainly to an increase in deferred taxes. This is the result of higher pension commitments due to an adjustment of the discount factor arising from the fall in the interest rate.

There were significant changes in **current assets** as of 30 September 2016, which amounted to €857.5m (30 September 2015: €776.3m) resulting from an increase in treasury receivables, among others, due to a strong cash flow from operating activities. Inventories also increased as of 30 September 2016, due to a number of current product launches since the end of the past fiscal year, as well as to ensure delivery capacity for a number of top-selling products.

Structure of the consolidated statement of financial position – liabilities in €k



The **equity** recognized in the Carl Zeiss Meditec Group's statement of financial position amounts to €851.2m as of 30 September 2016 (30 September 2015: €797.5m). The equity ratio is 68.2% (30 September 2015: 70.0%) and thus remains high.

Non-current liabilities amounted to €110.7m as of 30 September 2016 (30 September 2015: €98.5m). This is the result of higher pension commitments due to an adjustment of the discount factor arising from the fall in the interest rate.

As of 30 September 2016, **current liabilities** amounted to €285.9m (30 September 2015: €243.4m). This increase is primarily attributable to the change in trade payables relating to the end of the reporting period, as well the change in liabilities to related parties.

Key ratios relating to net assets

Key ratios relating to net assets

Key ratio	Definition	30 Sep 2016	30 Sep 2015	Change
		in %	in %	% pts
Equity ratio	Equity (including non-controlling interests) / Total assets	68.2	70.0	-1.8
Inventories in % of rolling 12-month revenue	Inventories (net) / Rolling revenue of the past twelve months at the end of the reporting period	19.1	18.2	+0.9
Receivables in % of rolling 12-month revenue	Trade receivables at the end of the reporting period (including non-current receivables) / Rolling revenue of the past twelve months at the end of the reporting period	23.9	24.3	-0.4

Orders on hand

The Carl Zeiss Meditec Group's orders on hand increased by 2.1%. As of 30 September 2016 it amounted to €162.7m (30 September 2015: €157.8m).

Events of particular significance

There were no other events of particular significance during fiscal year 2015/16.

NON-FINANCIAL PERFORMANCE INDICATORS

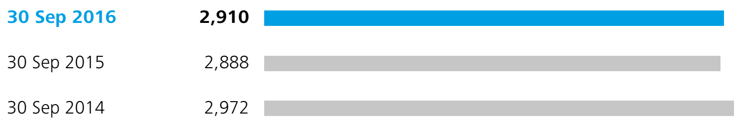
Responsibility

For Carl Zeiss Meditec Group a particular commitment to public welfare and the environment has traditionally played an important role. The Company wants to give as many people as possible access to modern medical care and contribute to the improvement of medical care for people in all regions of the world. It also goes without saying that the Carl Zeiss Meditec Group believes in responsible and state-of-the-art handling of natural resources.

Employees

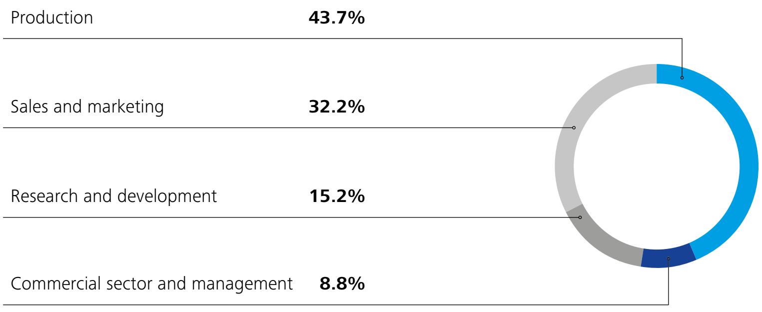
Highly qualified and motivated employees are a necessity for ensuring the long-term success of a company. Responsible human resources development and continuous improvement play a crucial role in this. As of 30 September, 2016 the Carl Zeiss Meditec Group had 2,910 employees worldwide (prior year: 2,888).

Employees



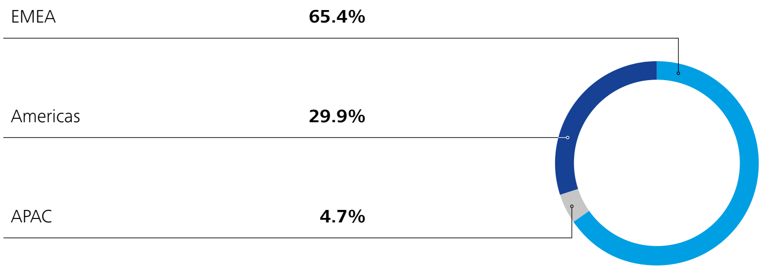
At 43.7% and 32.2%, respectively, the majority of employees were working in Production or Sales and Marketing as of 30 September 2016. The percentage of employees working in Research and Development was 15.2% at the end of the reporting period. The percentage of employees working in the commercial area as of 30 September 2016 was 8.8%.

Employees by function 30 September 2016



At 65.4%, the majority of the Carl Zeiss Meditec Group's employees work in the **EMEA** region. A total of 29.9% work in the **Americas** region and 4.7% of all employees in the **APAC** region.

Employees by region 30 September 2016



It is the Company’s employees, with their expertise and achievements, who lay the foundations for the Carl Zeiss Meditec Group's global success. That is why the sustainable development and targeted support of the potential of all employees is the primary task of human resources management at the Company. The focus is on employee training and management development. To this end, the Company invested more than half a million euros in Germany alone and employed 15 trainees in Germany in fiscal year 2015/16. Employees can choose from a wide range of courses offered in the internal ZEISS qualification program. In addition, ZEISS supports measures for vocational training and qualification opportunities outside working hours. The Company considers this a sound basis for ensuring long-term economic success. The Group aims to increase its attractiveness as an employer through strategic employee development.

Social commitment

Social responsibility is an integral part of corporate culture. Our aim is to give people in underprivileged regions (for example, RDEs) access to state-of-the-art medical care. For this reason, the Company supports many local social initiatives and dedicates itself to training and further education for physicians and medical staff, scientific and technological research and sustainable work worldwide. One focus is the global commitment to good vision as part of the VISION 2020 initiative. One special partner is the Christoffel Blindenmission (CBM). As a partner of the International Council of Ophthalmology (ICO), the Company supports the ICO Fellowship Program and the "Teaching the Teacher" program. The fellowship program aims to support particularly talented young ophthalmologists from economically poorer regions.

Environment

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

All the major manufacturing sites worldwide are certified to the international environmental management standard ISO 14001. Since December 2015, the Group has been certified in accordance with the internationally recognized energy management standard ISO 50001 in the European Union.

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

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

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

Compliance

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

Production

Production plants

The Carl Zeiss Meditec Group manufactures its products in Jena, Oberkochen and Berlin in Germany, Dublin and Ontario in the USA and in La Rochelle in France. The Group also has a number of smaller sites belonging to subsidiaries of Carl Zeiss Meditec S.A.S. in Besançon (France), Livingston (Scotland) and Mauritius. Systems and devices for ophthalmology are manufactured in Dublin and in Jena. The Group manufactures surgical microscopes and microsurgical visualization solutions in Oberkochen; intraocular lenses are mainly manufactured in La Rochelle and Berlin, and Ontario. The broad product portfolio is rounded off by viscoelastics, which are produced at the facility in Livingston and are mainly used for treating cataracts. The two remaining production facilities of Carl Zeiss Meditec S.A.S. manufacture other instruments and consumables for the treatment of ophthalmic diseases.

Production concept

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

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

Production planning

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

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

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

Research and development

Objectives and focus of research and development

Research and development plays an important role within the Carl Zeiss Meditec Group. Pursuant to its strategy, innovations are a key driver of future growth. The Carl Zeiss Meditec Group has the necessary resources to ensure the Company's future earnings power through its research and development activities. The Company shall therefore continue to offer innovations in future that make leading technologies available to its customers, enable improvements in efficiency and continuously enhance treatment results for patients.

For this reason the Company is aiming to continuously expand its product portfolio and continuously improve products that are already on the market. The Group is therefore striving to establish its products as new gold standards in medical diagnostics and therapy. The focus is to design more efficient workflows for the customer by integrating solutions and thus to improve clinical results. A central component of the research and development work within the Carl Zeiss Meditec Group is close cooperation with the customer and continuously high investments in research and development.

In fiscal year 2015/16 research and development expenses increased by 10.2% to €123.4m (prior year: €112.0m). At the same time, the F&E ratio increased year-on-year to 11.3% (prior year: 10.8%) and is thus slightly above the medium to long term target range of 10% to 11%.

R&D expenses in €k %/Ratio to consolidated revenue in %

In the reporting period 15.2% (prior year: 14.6%) of the entire workforce of the Carl Zeiss Meditec Group were employed in Research and Development. To a certain extent in research and development, services are procured from Carl Zeiss AG, Oberkochen, and its subsidiaries. In fiscal year 2015/16 the expenses incurred for this amounted to around 16.6% of the overall research and development expenses of €123.4m.

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

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

Customer focus
The close cooperation with our customers is a key prerequisite for the long-term success of the Company. The customers are facing challenges in managing rising case numbers, limited public funding and more demanding expectations of patients with respect to the treatment outcome. On the other hand, ensuring basic medical care for a large number of people over long distances plays an important role in RDEs. The different requirements for products and solutions are critical.

By driving innovations, the Carl Zeiss Meditec Group is constantly seeking to make cutting-edge technology in medical applications accessible for customers and to establish new standards in medical diagnostics and therapy. At the same time, customers shall be supported in their decision making by integrating data from different devices using software or by viewing data from different visits during the course of treatment. Examples of software designed for workflow efficiency are the workplaces used in ophthalmology, such as the ZEISS Retina Workplace which provides easy access to important clinical information in the management of macular diseases. In addition, technologies such as fluorescence technology and other imaging techniques should enable physicians to make better clinical decisions in diagnostic examinations and surgical treatments. The ZEISS AngioPlex™ OCT Angiography technology enables physicians to examine changes in the retinal blood vessels non-invasively, using three-dimensional images. In neurosurgery, blood flow can be made visible using fluorescence technology, to help the physician make decisions during surgery and reduce risks for the patient.

As a result, logical networking of devices and systems and integrated solutions can create more efficient workflows and improve clinical results.

The growing expectations of patients regarding therapy and ultimately the treatment outcome must be considered in the Company's research and development work. Examples include the AT LISA® and AT LISA® tri toric, intraocular lenses capable of micro-incision in cataract surgery that allow less-invasive operations for patients and visual acuity at all distances. The minimally invasive SMILE technology in refractive laser surgery also enables a more gentle procedure for patients. The ReLEx® SMILE procedure has established itself as the third generation of laser vision correction. Compared with previous procedures, ReLEx® SMILE stands out by being considerably less invasive and offering very good predictability of correction. Since its launch in 2011, approximately 600,000 eyes have now been successfully treated worldwide using this minimally invasive method. The procedure has also had approval in the USA since September 2016.

Another example of close cooperation with our customers is PLEX ™ Elite 9000. PLEX™ Elite 9000[10] is an innovative and powerful application based on optical coherence tomography with swept-source technology. PLEX™ Elite 9000 is currently being made available as research technology to leading scientists within the scope of the "Advanced Retina Imaging Network" (ARIN). ARIN's focus is to test the next generation of optical coherence tomography technology. Using this innovative OCT technology, researchers can examine retinal micro-structures and the tiniest of vessels in individual sections of the eye (e.g., vitreous, retina and choroid). The delivery of OCT and OCT angiography imaging enables fast, dense, broad and deep visualization which was not previously possible with other technologies.

Product requirements in rapidly developing economies such as India or China are often very different to the requirements in established markets. That is why it is important to establish a market-specific product range.

The Carl Zeiss Meditec Group aims to provide physicians in these regions with efficient workflows. Given the particularly high numbers of patients, ease of use and versatility of the devices and systems, as well as cost, play a crucial role.

Two examples are the OCT device PRIMUS 200 and the OPMI LUMERA® 300.

The Company has expanded its OCT portfolio to include the compact device ZEISS PRIMUS 200. The device is easy to use, versatile and offers physicians new possibilities in clinical care, particularly those in smaller ophthalmic practices and in countries with fast-growing markets. The OCT procedure is used, for example, to visualize the retina in the posterior eye segment.

With the OPMI LUMERA® 300, the Company also provides a surgical microscope with an excellent price/performance ratio, allowing physicians to benefit form the renowned quality of optics and illumination of the ZEISS OPMI LUMERA product range.

However, the Company is also aware that meeting customer needs demands a strong on-site presence. With the application and research center "CARIn" (Center of Application and Research in India) targeted investments are being made in research and development projects in the immediate vicinity of our customers.

[10] The ZEISS PLEX™ Elite 9000 bears a CE marking. The device has no approval from the American Food and Drug Administration (FDA)

Brands and patents

The Company invests in innovations and solutions and ensures that these have an innovative edge with patents. The Carl Zeiss Meditec Group currently owns more than 800 patent families worldwide. The Carl Zeiss Meditec Group is granted an average of one patent a week. 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. Since a number of products have already been on the market for some time, patent protection does not extend to the basic functionality of these products, but, rather, to individual features and enhancements that protect beneficial solutions. As a result, the Group is able to successfully and permanently maintain its position in the market.

In addition, the Company has more than 630 registered brands and brand registrations (as of 30 September, 2016). These include, among others, product names, slogans, images, logos and other specific characteristics of the Company.

FINANCIAL STATEMENTS OF CARL ZEISS MEDITEC AG

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

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

Preparation of the financial statements

Contrary to the consolidated financial statements, which are prepared in accordance with the International Financial Reporting Standards (IFRSs), as they are to be applied in the EU, 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 2015/16 to a successful close, thus continuing the Company's growth trend of the last few fiscal year. Sales increased by 5.9% year-on-year (adjusted for currency effects: 5.7%). All strategic business units contributed to this growth to varying degrees. The increase in sales is in line with the forecast for market growth, in the low to mid-single-digit percentage range, after adjustment for currency effects. The EBIT margin increased from 12.8% in the prior year, to 14.3%.

Income statement according to HGB

	Notes		2015/16		2014/15	Change
		€k	€k	€k	€k	in %
Sales	(21)		**689,643**		**651,110**	**5.9%**
Cost of sales			(353,287)		(345,300)	2.3%
Gross profit on sales			**336,356**		**305,810**	**10.0%**
Sales and marketing expenses			(107,554)		(103,990)	3.4%
General and administrative expenses			(33,110)		(35,135)	-5.8%
R&D costs		(87,828)		(79,107)		
minus subsidies received		23	(87,805)	27	(79,080)	11.0%
Other operating income	(24)		32,554		39,105	-16.8%
Other operating expenses	(25)		(41,553)		(43,166)	-3.7%
Income from investments and long-term loans	(26)		2,505		2,797	-10.4%
Other interest and similar income	(26)		749		695	7.8%
Amortization of financial assets and short-term investments/marketable securities	(26)		(20,500)		(16,000)	28.1%
Interest and similar expenses	(26)		(768)		(11,959)	-93.6%
Result from ordinary activities			**80,874**		**59,077**	**36.9%**
Extraordinary expenses			(6,970)		(748)	831.8%
Extraordinary result	(27)		**(6,970)**		**(748)**	**831.8%**
Income taxes	(28)		(30,904)		(24,705)	25.1%
Profit after tax			**43,000**		**33,624**	**27.9%**
Other taxes	(29)		(253)		(274)	-7.7%
Net income for the year			**42,747**		**33,350**	**28.2%**
Retained profits brought forward from prior year			103,714		102,888	0.8%
Dividend			(30,897)		(32,524)	-5.0%
Net retained profits			**115,564**		**103,714**	**11.4%**

Results of operations

Sales increased by 5.9% compared with the prior year (€651.1m), to €689.6m. This includes slightly positive effects from foreign currency translation.
Sales in the area of ophthalmology increased year-on-year, due in particular to the femtosecond technology products, the innovative intraocular lenses and multifocal and toric premium lenses for minimally invasive cataract surgery.
In fiscal year 2015/16, gross profit on sales increased from €305.8m to €336.4m. The corresponding margin increased to 48.8%, due to a more favorable product and regional mix (prior year: 47.0%).

Selling expenses in the fiscal year amounted to €107.6m; general administrative expenses amount to €33.1m. Selling and general administrative expenses are thus at around the same level as the prior year. Research and development costs of Carl Zeiss Meditec AG amounted to €87.8m (prior year: €79.1m) in fiscal year 2015/16. Detailed information on the Carl Zeiss Meditec Group's research and development activities can be found on pages 48 to 50.

The decline in other operating income is the result of lower exchange rate gains. The improvement in the financial result is attributable, in particular, to a lower interest expense, which is mainly due to the change in legislation regarding the discounting of pension provisions.

The result from ordinary activities increased from €59.1m in the prior year, to €80.9m in fiscal year 2015/16. Net income in the year under review amounted to €42.7m (prior year: €33.4m).

Balance sheet

	30 Sep 2016	30 Sep 2015	Change	
	€k	€k	in €k	in %
ASSETS				
A. Fixed assets	**496,273**	**531,002**	**(34,729)**	**-6.5%**
I. Intangible assets	143,133	154,298	(11,165)	-7.2%
II. Tangible assets	17,993	17,249	744	4.3%
III. Financial assets	335,147	359,455	(24,308)	-6.8%
B. Current assets	**500,472**	**431,181**	**69,291**	**16.1%**
I. Inventories	96,085	95,489	596	0.6%
II. Receivables and other assets	404,314	335,689	68,625	20.4%
III. Cash-in-hand and bank balances	73	3	70	2,333.3%
C. Deferred income	**701**	**774**	**(73)**	**-9.4%**
D. Asset-side difference arising from asset offsetting	**10,022**	**-**	**10,022**	**-**
Total ASSETS	**1,007,468**	**962,957**	**44,511**	**4.6%**
EQUITY AND LIABILITIES				
A. Equity	**846,268**	**834,418**	**11,850**	**1.4%**
I. Subscribed capital	81,310	81,310	-	0.0%
II. Capital reserve	646,454	646,454	-	0.0%
III. Sales reserves	2,940	2,940	-	0.0%
IV. Net retained profits	115,564	103,714	11,850	11.4%
B. Special reserve for investment subsidies	**81**	**104**	**(23)**	**-22.1%**
C. Provisions	**70,763**	**45,095**	**25,668**	**56.9%**
D. Liabilities	**86,817**	**71,241**	**15,576**	**21.9%**
E. Deferred income	**2,167**	**1,200**	**967**	**80.6%**
F. Deferred tax liabilities	**1,372**	**10,899**	**(9,527)**	**-87.4%**
Total LIABILITIES	**1,007,468**	**962,957**	**44,511**	**4.6%**

Net assets and results of operations

Pursuant to German commercial law (HGB), the total assets of Carl Zeiss Meditec AG amounted to €1,007.5m as of 30 September 2016. This corresponds to an increase of 4.6% compared with the prior year (€962.9m).

The decline in financial assets compared with the prior year is primarily attributable to the repayment of a loan granted to Atlantic S.A.S. and to the write-down of a loan to the subsidiary Carl Zeiss Meditec Iberia S.A. Although, due to the currently difficult economic and political environment in the local Spanish market, Carl Zeiss Meditec Iberia S.A. was unable to achieve its financial targets in the past fiscal year 2015/16, Carl Zeiss Meditec AG continues to work on the basis of the going concern assumption.

The increase in receivables and other assets is mainly attributable to receivables from the Group treasury of the ZEISS Group, which increased in the year under review from €206.1m in the prior year, to €236.4m, other receivables from affiliated companies, which increased to €30.8m (prior year: €2.7m), and to trade receivables from affiliated companies in the amount of €92.8m (prior year: €86.9m).

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

Net retained profits increased by the net income for the year of €42.7m, less the dividend paid of €30.9m.

Provisions increased compared with the prior year, to €70.8m (prior year: €45.1m). This is mainly due to higher tax provisions, particularly for foreign exchange transactions carried as liabilities, and 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 18.8% as of 30 September 2016 (30 September 2015: 15.2%).

Cash inflows generated from operating activities provide an important source of financing for the 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 Group treasury of Carl Zeiss AG or from banks. Since Carl Zeiss Meditec AG 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.

Employees

As of 30 September 2016, Carl Zeiss Meditec AG had 1,196 employees. This figure does not include Management Board members.

Appropriation of profits

Fiscal year 2015/16 closes with net income for the year of €42,746,858.13. The Management Board proposes utilizing the net retained profits of €115,563,715.21 for fiscal year 2015/16 as follows:

» payment of a dividend of €0.42 per no-par value share for 81,309,610 no-par-value shares: €34,150,036.20
» residual profit carried forward to new account: €81,413,679.01

Declaration on corporate governance (pursuant to Section 289a HGB) and corporate governance report

The declaration on corporate governance (pursuant to Section 289a 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 under www.zeiss.de/meditec-ag/ir, "Declaration on Corporate Governance".

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 17 September 2015 the Supervisory Board addressed the Management Board objectives for fiscal year 2015/16.

At its meeting on 8 December 15, the Supervisory Board addressed the achievement of objectives by the Management Board members for fiscal year 2014/2015, and stipulated the relevant variable remunerations. Furthermore, the salaries of Management Board members Dr. Christian Müller and Thomas Simmerer were also reviewed during this meeting – based on the salary situation compared with the market, general price and salary trends, and the achievements demonstrated and achievements anticipated in future – and adjusted with effect from 1 October 2015.

Following the request of Management Board member Thomas Simmerer for early termination of his Management Board mandate, the Supervisory Board passed a resolution to this effect at its meeting on 2 June 2016, and approved this, effective 30 September 2016.

The objectives for the Management Board for fiscal year 2016/17 were stipulated by the Supervisory Board at its meeting on 14 September 2016. This meeting of the Supervisory Board also resolved upon the achievement of the objectives for fiscal year 2015/16 by Mr. Thomas Simmerer, as well as the conditions of his early departure from the Management Board, effective 30 September 2016.

Structure and amount of remuneration paid to the Management Board

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

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

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

In addition to the two components of Management Board remuneration described above, there is also a so-called Long Term Incentive Program (LTI), which was redesigned and published in fiscal year 2011. This program offers a remuneration component with a long-term incentive, which allows the members of the Management Board to achieve 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 precondition for payment of this remuneration is that the members of the Management Board have not handed in their notice at the end of the applicable three-year period per tranche, and the equity ratio of the ZEISS Group is higher than 20% at this point. The first payment was made in December 2014. The next payment is expected upon fulfillment of the payment requirements for December 2016.

As part of the redefinition of remuneration for Dr. Monz on 1 January 2014, a different regulation shall apply to Dr. Monz from this date, for the long-term variable component of his 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[11]	Variable remuneration[12]	Total remuneration paid directly	LTIP	Total remuneration pursuant to Section 314 (1) No. 6a) HGB
Dr. Ludwin Monz	**2015/16**	300.0	16.2	416.2	732.4	155.6	888.0
	2014/15	300.0	9.8	252.0	561.8	131.9	693.7
Dr. Christian Müller	**2015/16**	252.0	18.4	198.0	468.4	126.1	594.5
	2014/15	240.0	18.4	128.3	386.7	93.5	480.2
Thomas Simmerer	**2015/16**	280.8	44.0	269.5	594.3	123.8	718.1
	2014/15	231.1	17.1	131.3	394.4	96.9	491.3

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

Pension scheme for members of the Management Board

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

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

	Fiscal year	Service cost	Present value of pension commitment, total
Dr. Ludwin Monz[13]	**2015/16**	155.1	-
	2014/15	145.9	-
Dr. Christian Müller	**2015/16**	32.2	694.9
	2014/15	28.9	493.3
Thomas Simmerer	**2015/16**	30.8	356.1
	2014/15	26.4	257.4

[11] Payments in kind include other benefits such as 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.
[12] Variable remunerations include both the formation of a provision for the bonus for the current fiscal year and payments for the bonus for the prior year, insofar as this differs from the prior year's figure.
[13] including oncharged service cost of the pension commitment Dr. Monz

In connection with the additional 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 set up to date 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 €990.7k (prior year: €765.4k) .

Value of benefits granted for fiscal year 2015/16 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.

In the benefits granted for fiscal year 2015/16, tranche 2 presents the proportionate interest expense, which was paid with the prior-year values (base value and return) in fiscal year 2015/16.

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

Dr. Ludwin Monz President and CEO Member of the Management Board since 8 Oct 2007			Minimum achievable value	Maximum achievable value
	2015/16	2014/15	**2015/16**	**2015/16**
Value of benefits granted	€k	€k	€k	€k
1. Fixed remuneration	300.0	300.0	300.0	300.0
2. Fringe benefits	16.2	9.8	16.2	16.2
3. Total	**316.2**	**309.8**	**316.2**	**316.2**
4. Single-year variable compensation (VCS)	270.0	270.0	-	486.0
5. Multi-year variable compensation (LTI)	418.6	368.3	-	832.1
LTI tranche 2 - 10/2012 - 09/2015	11.4	144.2	-	155.6
LTI tranche 3 - 10/2013 - 09/2016	145.3	133.5	-	168.9
LTI tranche 4 - 10/2014 - 09/2017	126.9	90.6	-	237.6
LTI tranche 5 - 10/2015 - 09/2018	135.0	-	-	270.0
6. Total	**1,004.8**	**948.1**	**316.2**	**1,634.3**
7. Pension cost	155.1	145.9	155.1	155.1
8. Total remuneration	**1,159.9**	**1,094.0**	**471.3**	**1,789.4**

Allocation amount in/for the fiscal year Dr. Ludwin Monz

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

	2015/16	2014/15
Allocation amount for the fiscal year	€k	€k
1. Fixed remuneration	300.0	300.0
2. Fringe benefits	16.2	9.8
3. Total	**316.2**	**309.8**
4. Single-year variable compensation (VCS)	416.2	236.2
5. Multi-year variable compensation (LTI)	155.6	132.0
LTI tranche 1 - 10/2011 - 09/2014	-	132.0
LTI tranche 2 - 10/2012 - 09/2015	155.6	-
6. Other	-	-
7. Total	**888.0**	**678.0**
8. Pension cost	155.1	145.9
9. Total remuneration	**1,043.1**	**823.9**

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

Dr. Christian Müller
Chief Financial Officer
Member of the Management Board since 15 Dec 2009

			Minimum achievable value	Maximum achievable value
	2015/16	2014/15	2015/16	2015/16
Value of benefits granted	€k	€k	€k	€k
1. Fixed remuneration	252.0	240.0	252.0	252.0
2. Fringe benefits	18.4	18.4	18.4	18.4
3. Total	**270.4**	**258.4**	**270.4**	**270.4**
4. Single-year variable compensation (VCS)	168.0	160.0	-	235.2
5. Multi-year variable compensation (LTI)	272.9	278.4	-	483.7
LTI tranche 2 - 10/2012 - 09/2015	9.3	116.8	-	126.1
LTI tranche 3 - 10/2013 - 09/2016	111.8	102.7	-	130.0
LTI tranche 4 - 10/2014 - 09/2017	64.8	58.9	-	88.4
LTI tranche 5 - 10/2015 - 09/2018	87.0	-	-	139.2
6. Total	**711.3**	**696.8**	**270.4**	**989.3**
7. Pension cost	32.2	28.9	32.2	32.2
8. Total remuneration	**743.5**	**725.8**	**302.6**	**1,021.5**

Allocation amount in/for the fiscal year Dr. Christian Müller

Dr. Christian Müller
Chief Financial Officer
Member of the Management Board since 15 Dec 2009

	2015/16	2014/15
Allocation amount for the fiscal year	€k	€k
1. Fixed remuneration	252.0	240.0
2. Fringe benefits	18.4	18.4
3. Total	**270.4**	**258.4**
4. Single-year variable compensation (VCS)	174.0	117.8
5. Multi-year variable compensation (LTI)	126.1	93.5
LTI tranche 1 - 10/2011 - 09/2014	-	93.5
LTI tranche 2 - 10/2012 - 09/2015	126.1	-
6. Other	-	-
7. Total	**570.5**	**469.7**
8. Pension cost	32.2	28.9
9. Total remuneration	**602.7**	**498.7**

Value of benefits granted and tendered for the fiscal year Thomas Simmerer

Thomas Simmerer
Chief Sales Officer
Member of the Management Board from 1 Apr 2011 to 30 Sep 2016

			Minimum achievable value	Maximum achievable value
	2015/16	2014/15	2015/16	2015/16
Value of benefits granted	€k	€k	€k	€k
1. Fixed remuneration	280.8	246.0	280.8	280.8
2. Fringe benefits	44.0	17.1	17.0	44.0
3. Total	**324.8**	**263.1**	**297.8**	**324.8**
4. Single-year variable compensation (VCS)	170.6	164.0	-	238.8
5. Multi-year variable compensation (LTI)	9.1	286.8	-	123.8
LTI tranche 2 - 10/2012 - 09/2015	9.1	114.7	-	123.8
LTI tranche 3 - 10/2013 - 09/2016	-	110.9	-	-
LTI tranche 4 - 10/2014 - 09/2017	-	61.2	-	-
LTI tranche 5 - 10/2015 - 09/2018	-	-	-	-
6. Total	**504.5**	**714.0**	**297.8**	**687.4**
7. Pension cost	30.8	26.4	30.8	30.8
8. Total remuneration	**535.3**	**740.3**	**328.6**	**718.2**

Allocation amount for the fiscal year Thomas Simmerer

Thomas Simmerer
Chief Sales Officer
Member of the Management Board from 1 Apr 2011 to 30 Sep 2016

	2015/16	2014/15
Allocation amount for the fiscal year	€k	€k
1. Fixed remuneration	280.8	246.0
2. Fringe benefits	44.0	17.1
3. Total	**324.8**	**263.1**
4. Single-year variable compensation (VCS)	417.1	122.4
5. Multi-year variable compensation (LTI)	123.8	96.6
LTI tranche 1 - 10/2011 - 09/2014	-	96.6
LTI tranche 2 - 10/2012 - 09/2015	123.8	-
6. Other	-	-
7. Total	**865.7**	**482.5**
8. Pension cost	30.8	26.4
9. Total remuneration	**896.5**	**508.9**

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 severance agreement concluded in connection with the early departure of Mr. Simmerer on 30 September 2016 does not provide for any additional severance payment.

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 in €k

	Fiscal year	Basic remuneration	Committees	Total remuneration
Prof. Dr. Michael Kaschke (Chairman)	**2015/16**	60.0	2.6	62.6
	2014/15	60.0	5.0	65.0
Dr. Carla Kriwet	**2015/16**	37.3	-	37.3
(Deputy Chairwoman)	2014/15	26.0	-	26.0
Dr. Markus Guthoff	**2015/16**	52.7	2.4	55.1
	2014/15	60.0	-	60.0
Thomas Spitzenpfeil[14]	**2015/16**	30.0	5.0	35.0
	2014/15	30.0	5.0	35.0
Cornelia Grandy	**2015/16**	30.0	-	30.0
	2014/15	30.0	-	30.0
Jörg Heinrich	**2015/16**	30.0	5.0	35.0
	2014/15	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 2015/16.

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

OPPORTUNITY AND RISK REPORT

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

Risk management

The central risk management system at Carl Zeiss Meditec stipulates uniform rules and processes to detect, assess and manage risks at an early stage. 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.**

[14] Mr. Thomas Spitzenpfeil waived his entitlement to remuneration by notices of waivers for fiscal year 2015/16 as in the prior year.

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. This enables any relevant information to 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., it does not merely monitor 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 efficiency of internal auditing, risk management and 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 the single-entity financial statements of Carl Zeiss Meditec AG are in line with German HGB, 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 findings from science and research can give rise to technology shifts, new customer requirements, and also make new business models necessary. Should the Group lose touch with technological developments on the market, react too late to trends or technological advancements, this could weaken its competitive position. There is also a risk of the Group's products being completely superseded by alternative technologies, procedures or treatment methods, thus reducing demand for certain products, which could result in losses in sales and earnings. The potential impact on earnings of these risks equates to an amount in the mid-single-digit to the low double-digit million euro range.

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

Personnel risks
Demographic change and the shortage of skilled staff for technical jobs as well as the differing training and qualifications standards around the globe are creating new challenges when it comes to filling job vacancies. Unfilled positions could limit the technological advancement and sale of the products and services it offers in all segments. The Group is countering this with a global recruitment strategy and active employee development and successor planning, thus keeping the probability of occurrence low. In order to retain skilled employees in the long term, the Group offers various employee benefits depending on the location – these include, for example, offers for health promotion or child care. 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 the Carl Zeiss Meditec Group uses components from external suppliers to manufacture its products in all business segments. The increase in the prices of commodities, energy and materials, the growing complexity of purchased parts and the limited number of suppliers (single source) for some technologies could have negative implications for the production, sales and the quality of the Company's products. The Group continues to work on stabilizing supply chains and reducing the dependence on individual suppliers in order, among other things, to keep the associated economic impact low. The Company systematically leverages opportunities that arise from bundling procurement activities. Furthermore, the Carl Zeiss Meditec Group selects its suppliers carefully. By implementing consistent supply chain measures, such as qualifying its suppliers, identifying secondary suppliers and preparing a strategic inventory plan, the Carl Zeiss Meditec Group protects itself as best it can against supplier dependencies and changes on the commodities market.

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

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

Risks of information technology
The Carl Zeiss Meditec Group constantly reviews and utilizes the opportunities of digitization. This gives rise to many new opportunities to provide customers with additional services. At the same time, the Group constantly updates its existing IT systems, and its IT protection and IT 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. 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 concluding a transaction is a standard process for mergers & acquisitions, including a due diligence review, to assess the expected business development. The economic impact and probability of occurrence are therefore low.

Goodwill totaling €164.6m 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 €162.5m of this goodwill is attributable to the Ophthalmic Devices SBU, and €2.1m to the Microsurgery SBU. The impairment tests carried out during the current fiscal year 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 competitiveness of the Company depends on the protection of its technological innovations against exploitation of these innovations 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 through a comprehensive industrial property rights strategy. If ZEISS patent and brand rights are infringed by third parties, the Group takes legal steps in order to counter the associated high economic risk. This being said, the probability of such cases occurring is low. 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, management in the area of patents and intellectual property does not expect such risks to have any material effects on the Group's net assets, financial position or results of operations.

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

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

Financial risks
As a result of the European debt crisis there is a latent credit quality risk concerning business banks at which the Carl Zeiss Meditec Group holds deposits via the ZEISS Cash Pool. Nevertheless, the Group has taken various measures to mitigate risks. For example, a monitoring procedure has been introduced 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 68.2%, the large reserve of cash and cash equivalents, and a strong cash flow from operating activities. Cash and cash equivalents are kept in reserve at the Carl Zeiss Meditec Group based on a rolling monthly cash forecast within a fixed planning period, and are managed as part of a Groupwide ZEISS cash pool. The cash and cash equivalents in the cash pool at ZEISS are distributed among several corporate banks in order to spread risk. Depending on the assessment of the credit risk for individual banks, the cash and cash equivalents may be redistributed among these banks.

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

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

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

Market and competition
The Carl Zeiss Meditec Group is exposed to intense competitive pressure in both segments. Beside the market entry of new competitors, there is also a risk, in the event of significant exchange rate fluctuations, that competitors from the beneficiary countries may be able to offer considerably lower prices in the market, and could therefore improve their competitive position. Some competitors are larger than the Company in terms of their total revenue, and they have greater financial resources at their disposal to deal with competitive pressure. 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.

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

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

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

Product approval and political environment
As the Group aims to sell its products worldwide, such 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 the relevant legal requirements are incorporated into all stages of development, production and distribution, there is no guarantee that products requiring approval will be granted regulatory approval at all or in time for their 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 react appropriately, the Group keeps a very close eye on developments in this area and monitors approval procedures extremely closely as part of its quality management system. 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
Some of the medical devices and system solutions and implants manufactured by the Company hold the fundamental, inherent risk 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 also lead to considerable legal costs, irrespective of whether a claim for damages ultimately materializes. Risk liability claims can be particularly high, especially in the USA, not to mention the costly recall campaigns that may be required.

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

Infrastructure risks
Uncontrollable environmental influences, such as natural disasters or terrorist attacks, may result in the loss of employees or an interruption to business operations at the affected locations, and may prevent the Company from providing regular production, distribution and other services in these regions and generating the expected earnings. All business segments could be affected by this. In addition, it could have material 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, by way of 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 instructions for methods, standardized reporting formats, IT systems and IT-supported reporting and consolidation processes support the process for uniform and proper consolidated accounting.

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

Additional disclosures pursuant to Section 289 (2) No. 2 HGB, Section 315 (2) No. 2 HGB
Price fluctuation risks can generally not 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: 0.5%).

The Carl Zeiss Meditec Group's financial situation can be considered stable. Cash and cash equivalents amounted to €8.7m as of the balance sheet date 30 September 2016. Added to this is credit of 354.5m recognized as accounts receivable from group treasury of Carl Zeiss AG. In addition, the Group generated cash flows from operating activities of €111.8m in the reporting period. From a current perspective, therefore, there are no significant liquidity risks.

All cash and cash equivalents, including the balances at the Group treasury of Carl Zeiss AG, are deposited at banks. Should it come to a loss of individual banks – due in particular to the euro and debt crisis – the existing balances 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 Group treasury of Carl Zeiss AG.

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

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.

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

Carl Zeiss Meditec AG's subscribed capital amounts to €81,309,610 and is composed of 81,309,610 no-par value ordinary bearer shares (no-par value shares), each with a theoretical interest in the share capital of €1.00 per no-par value share. Each share entitles the bearer to one voting right and an equal share in Company profits.

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

Carl Zeiss Meditec AG is aware of the following direct and indirect holdings in the capital of Carl Zeiss Meditec AG that exceed ten percent of the voting rights. Carl Zeiss AG, Oberkochen, Germany, holds, both directly and indirectly, a total of 65.05% of the voting rights in Carl Zeiss Meditec AG.
This corresponds to 52,893,270 no-par value shares. These include 7.47% of the voting rights or 6,074,256 no-par value shares in Carl Zeiss Meditec AG, which Carl Zeiss AG holds indirectly via its wholly owned subsidiary Carl Zeiss Inc., Thornwood, USA.

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

Pursuant to Section 179 and Section 133 AktG, an amendment to the Articles of Association requires a resolution by the Annual General Meeting which, in turn, requires a simple majority of the votes cast and a majority comprising at least three quarters of the share capital represented at the time the resolution is passed. The Articles of Association may specify a different capital majority; in the case of an amendment to the purpose of the Company, however, only a larger capital majority may be specified. Art. 25 of Carl Zeiss Meditec AG's Articles of Association states that in cases for which the law requires a majority of the share capital represented at the time of resolution, a simple majority of the share capital represented is sufficient, provided that a greater majority is not mandatory by law. In accordance with Art. 28 of the Articles of Association of Carl Zeiss Meditec AG, the Supervisory Board is authorized to resolve amendments to the Articles of Association that only affect the version. This complies with Section 179 (1) Sentence 2 AktG.

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

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

» to balance out fractional amounts,
» if the capital increase is effected against cash contributions and the new shares, for which the subscription rights are excluded, are equivalent to no more than 10% of the share capital, neither on the date the increase becomes effective, nor on the date this authorization is exercised, and the issuing price of the new shares is not significantly lower than the market price of shares of the same type and structure already publicly quoted. Sales of 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 Management Board is authorized, subject to the approval of the Supervisory Board, to specify the details of capital increases from Authorized Capital.
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 or less than 10% of the total existing share capital. 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 the Group and ascribable to it pursuant to Section 71a et seqq. AktG, exceed 10% of the share capital.

The Company has not entered into any significant agreements contingent upon a change of control following a takeover bid.
Nor has the Company concluded any compensation agreements with the members of the Management Board or employees for the event of a takeover offer.

SUPPLEMENTARY REPORT

No events of material significance for the Group's net assets, financial position and results of operations occurred after the end of fiscal year 2015/16.

The development of business at the beginning of fiscal year 2016/17 validates the statements made in the following "Outlook".

OUTLOOK

Corporate strategy

As market and technology leader in the field of ophthalmology and microsurgery, our aim is to achieve sustainable, profitable growth, by improving the diagnosis and treatment of diseases with our products and solutions. Our success factors are: Innovation, the development of integrated solutions and customer focus. Innovation, in particular, plays a key role.

Customer focus

Our customers are facing major challenges in managing rising case numbers, limited public funding and more demanding expectations of patients with respect to the treatment outcome. With our integrated products and solutions we can help to increase the efficiency of workflows and reduce costs, for example by providing clinical decision aids for the physician and options for easy outsourcing of routine tasks to medical auxiliary staff. Digitization offers us massive opportunities in this respect, for example in the field of data management solutions. For us, a key prerequisite for our long-term success is having a deep understanding of our customers' problems and offering a range of services that is tailored to solving these problems. In fiscal year 2015/16, the service share of Group revenue amounted to approximately 10%. We expect the share of consolidated revenue generated by our Service business to increase further in the medium term.

Innovation

Our goal is to make cutting-edge technology in medical application accessible for our customers. We are therefore striving to establish our products as the new gold standards in medical diagnostics and therapy. We ensure our technology leadership by continuing to invest heavily in research and development.

Integrated solutions

Given the multitude of diagnostic and therapeutic devices typically used in medical practices and clinics, customers the offered the opportunity to make their workflows more efficient, and to achieve better clinical outcomes, by logically networking their devices and systems. A comprehensive system integration including IT-assisted analysis functions is essential for this.

Future conditions for business development

Macroeconomic environment

At the current time, fiscal year 2016/17 is still expected to bring moderate economic growth.

The global economy is growing, but with considerable regional variations. The stagnating growth rates in the industrialized world are being offset by growth in the rapidly developing economies, which, although still good, is now tailing off in places. According to forecasts, economic growth in the United States will be moderate, while the economies of Japan and Europe are expected to decline – also due to Brexit. In China a "new normality" is expected with flatter growth rates and a transformation process in industry. According to forecasts, the Indian economy shall experience above-average growth; Brazil is pulling out of its recession, with marginal growth.

Uncertainties regarding economic development in the emerging markets, low oil prices, the unpredictable effects of Brexit, the presidential elections in the U.S., the situation in the Middle East and Ukraine, as well as ongoing structural problems, are major political and economic issues, which may have an adverse effect on the investing activities of industry and the public sector.

Future situation in the medical technology industry

The Company's management anticipates further growth in the medical technology market, as the main growth drivers – such as the growing global population, the rising number of older people, and the increasing proportion of the global population with access to medical care – shall remain unchanged.

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

Last but not least, the development of the global economy influences the growth of the medical technology industry in as much as private customers or public budgets postpone their investment decisions until the future, or make them early.

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

Due to the persistent, long-term growth trends in our markets – such as the growing global population, the rising proportion of elderly people and improved access to medical care – the Carl Zeiss Meditec Group is generally anticipating further market growth. From a current perspective, and excluding currency effects, this corresponds to growth in the low to mid-single-digit percentage range. The Carl Zeiss Meditec Group expects revenue growth that is at least on a par with market growth.

Strategic business unit Ophthalmic Devices

In the past year, revenue developed positively in the **Ophthalmic Devices** sector. The revenue increase was also partly due to positive currency effects. We anticipate further growth in 2016/17. Both the products already established on the market for diagnosing and treating ophthalmic diseases, as well as other innovations launched in the course of the past fiscal year shall contribute to this growth. When designing efficient solutions for our customers, system networking and integrated data management play a key role, for example our data management system, FORUM®. Another example is in the area of refractive lasers, where the ReLEx® SMILE procedure has established itself as the third generation of laser vision correction. Compared with previous procedures, ReLEx® SMILE stands out by being considerably less invasive and offering very good predictability of correction. To date, about 600,000 eyes worldwide have been successfully treated using this microinvasive method. With the AT LISA® tri and AT LISA® tri toric, the Company offers the leading MICS-compliant trifocal intraocular lens on the market of cataract surgery. We are also aiming to attract new customer groups and increase our revenue from existing customers by expanding our range of monofocal intraocular lenses.

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

Strategic business unit Microsurgery

In the fiscal year under review, the **Microsurgery** SBU recorded slight revenue growth, which was, however, largely due to positive currency effects. We therefore successfully defended our already exceptionally strong market position. Our surgical microscopes, the OPMI® Pentero® for neuro, spinal or plastic surgery, and the OPMI® VARIO, which is used in ENT surgery, for example, mean we are broadly diversified and are exploiting the associated market opportunities to an even greater degree by upgrading the products in terms of additional supporting applications for the user.

We expect the **Microsurgery** SBU to continue to make significant contributions to earnings in future. We are confident that we shall grow at least to the same extent as the underlying market in the coming fiscal year. From a current perspective, and excluding currency effects, this corresponds to growth in the low-single-digit percentage range. The EBIT margin is also expected to remain significantly above the Group average.

Future selling markets

As a global Group, our 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. We see particularly promising business prospects for the long term in the APAC region, due to the rapid economic growth there. ZEISS Group's research centers 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 leverage the potential in these countries to an even greater extent in future and generate further revenue growth.

Future research and development activities

The Carl Zeiss Meditec Group invests considerable funds in research and development projects, with efficient and targeted development processes playing a key role. Upstream from this is the search for new technologies and market trends, in order to subsequently become established on the market with new solutions. The important thing is to consider the regional market conditions and the needs of our customers in the development process from the outset. We aim to invest around 10% to 11% of revenue in research and development in fiscal year 2016/17, which is about the same as in prior years.

Future investments

Investments are a basic requirement to be able to maintain our technology leadership in future. The investment ratio at the Carl Zeiss Meditec Group has been largely constant in the past few years. The investments required to realize growth targets shall not lead to a material change in the current investment ratio in the coming fiscal year. We aim to invest around 1% to 2% of revenue in property, plant and equipment in fiscal year 2016/17, which is about the same as in prior years.

Future dividend policy

Carl Zeiss Meditec AG pursues a long-term and earnings-oriented dividend policy. The Company's management plans to propose to the Annual General Meeting the distribution of a dividend of €0.42 per share for the past fiscal year. The dividend ratio would therefore be at 34.7% (prior year: 49.6%). The management also intends to allow shareholders to continue to participate fairly in the Company's success in future. The special dividend, an instrument that has been used several times in the past, may also be used again.

Future employee development

Our employees are indispensable for the Company's success: we need them to be able to continue to work innovatively and profitably in future. It is equally important to us to keep investing in the further development of our existing employees in future, as well as to recruit well qualified specialists and managers for the Company. We therefore expect our workforce to grow in the coming periods in line with the growth of the Company's business.

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 2016 current cash and cash equivalents of around €334.6m were available for financing. In view of this, as well as the ongoing expectation of positive business development and a positive cash flow from operating activities as a result, and the possibility to use other financial instruments and sources of financing, if required, we consider the Carl Zeiss Meditec Group's financing capacity to be adequate. In 2016/17 we aim to achieve operative cash flow in the high double-digit millions, based on active working capital management.

Future opportunities

The global medical technology market is characterized by fundamentally sustainable growth. This applies to both ophthalmology and microsurgery and assures us of good selling conditions for the Company. Additional opportunities are provided by our innovative and broad product range, which we 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. The Company is in a position to protect itself against direct risks in the short term, without losing sight of its long-term objectives. Due to our ZEISS brand, our customers perceive us as a reliable and trustworthy partner, and we look back on a long, successful collaboration. We can therefore build upon an extremely positive brand image.

Our development in future shall also include external growth opportunities in some areas. Using a systematic process, we shall look for strategically useful expansion opportunities. It is not possible at this point to gauge how feasible such opportunities might be.

Overall assertion on future development

At the time of publication of this Annual Report the management of the Carl Zeiss Meditec Group considers the outlook for the coming fiscal year to be positive. This assumption is based on the persistent long-term trends: An ever-growing global population and the constantly growing number of older people associated with an increasing life expectancy. This is particularly significant for ophthalmology, since the incidence of diseases in this field is strongly related to the age of the patients. Better and better access to medical care in the emerging economies also offers long-term potential for growth for medical technology products.

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. We anticipate revenue growth that is at least on a par with the market growth expected for the industry. From a current perspective, and excluding currency effects, this corresponds to growth in the low to mid-single-digit percentage range.

A crucial advantage for even greater stability of our overall business is a higher proportion of revenue with case-number-dependent products and services, since there is generally less fluctuation in these areas than in the capital goods business, for example. In fiscal year 2015/16 we achieved a share of 32.4%. From a current perspective, we expect a further increase in fiscal year 2016/17 and for the medium term.

In fiscal year 2015/16 the EBIT margin increased significantly from 12.6% in the prior year to 14.2%. In fiscal year 2016/17 we expect the EBIT margin to be within the target corridor also forecast for the medium term, of 13.0% to 15.0%.

In terms of free cash flow for fiscal year 2016/17, we are continuing to aim for a figure that is at least in the high double-digit million range. We expect Economic Value Added (EVA) in the coming fiscal year to remain on a par with EVA in fiscal year 2015/16.

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, we shall publish these amendments promptly and specify our expectations in more detail.

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

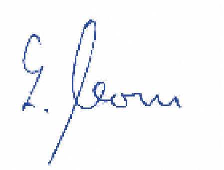
As a group company within Carl Zeiss AG, Carl Zeiss Meditec AG has prepared a dependent company report pursuant to Section 312 German Stock Corporation Act (AktG). In light of the circumstances known to the Management Board at the time the legal transactions were concluded, the companies of Carl Zeiss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

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

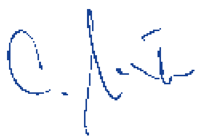
The declaration on corporate governance (pursuant to Section 289a HGB) includes the declaration of conformity pursuant to Section 161 AktG, relevant information on corporate governance practices applied which go beyond the statutory requirements, in addition to information of where these are publicly 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/ir under the section Declaration on Corporate Governance.

Jena, 24 November 2016



Dr. Ludwin Monz
President and Chief Executive Officer



Dr. Christian Müller
Member of the Management Board

Consolidated financial statements

Consolidated income statement (IFRS)
from 1 October 2015 to 30 September 2016

	Notes	2015/16 1 Oct 2015 to 30 Sep 2016	2014/15 1 Oct 2014 to 30 Sep 2015
		€k	€k
Revenue	**(2q) (3)**	**1,088,365**	**1,040,061**
Cost of sales		(508,819)	(500,378)
Gross profit		**579,546**	**539,683**
Selling and marketing expenses		(255,328)	(247,949)
General administrative expenses		(46,480)	(49,186)
Research and development expenses	(33)	(123,406)	(111,957)
Earnings before interest, taxes, depreciation and amortization		174,558	149,753
Depreciation and amortization		(20,226)	(19,162)
Earnings before interest and taxes		**154,332**	**130,591**
Result from investments accounted for using the equity method	(5)	(810)	(11,493)
Interest income	(5)	1,081	1,302
Interest expenses	(5)	(2,155)	(1,509)
Net interest from defined benefit pension plans	(5)	(1,440)	(1,269)
Foreign currency gains / (losses), net	(2d) (2w) (5)	(9,341)	(8,922)
Other financial result	(5)	294	(6,980)
Earnings before income taxes		**141,961**	**101,720**
Income taxes	(6)	(41,991)	(36,159)
Consolidated profit		**99,970**	**65,561**
Thereof attributable to:			
Shareholders of the parent company		98,330	62,297
Non-controlling interests		1,640	3,264
Profit / (loss) per share attributable to the shareholders of the parent company in the fiscal year (in €): **- Basic / diluted**	**(2s) (8)**	**1.21**	**0.77**

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

Consolidated statement of comprehensive income (IFRS)
from 1 October 2015 to 30 September 2016

	Notes	2015/16 1 Oct 2015 to 30 Sep 2016	2014/15 1 Oct 2014 to 30 Sep 2015
		€k	€k
Consolidated profit		**99,970**	**65,561**
Gains / (losses) on foreign currency translation	(2d) (21)	15,992	19,621
Derivative financial instruments	(2i) (27)	(7,201)	-
Total of items that may subsequently be reclassified to consolidated profit		**8,791**	**19,621**
Actuarial gains / (losses) on defined benefit pension plans	(2n) (22)	(24,150)	(9,435)
Total of items that will not subsequently be reclassified to consolidated profit		**(24,150)**	**(9,435)**
Other comprehensive income		**(15,359)**	**10,186**
Comprehensive income for the period		**84,611**	**75,747**
Thereof attributable to:			
Shareholders of the parent company		74,877	71,110
Non-controlling interests		9,734	4,637

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

Consolidated statement of financial position (IFRS)

as of 30 September 2016

	Notes	30 Sep 2016	30 Sep 2015
		€k	€k
ASSETS			
Non-current assets			
Goodwill	(2f) (9)	164,578	164,345
Other intangible assets	(2g) (10)	53,746	45,365
Property, plant and equipment	(2h) (11)	64,509	67,381
At-equity investments	(12)	-	-
Loans to investments measured at equity	(12)	-	-
Other loans	(27)	2,348	1,349
Investments		124	124
Deferred taxes	(2j) (13)	89,621	72,985
Non-current trade receivables	(16)	11,097	8,919
Other non-current assets	(2i) (14)	2,874	2,524
		388,897	**362,992**
Current assets			
Inventories	(2k) (15)	208,309	189,411
Trade receivables	(16)	189,244	184,817
Trade receivables from related parties	(2u) (33)	60,216	58,900
Treasury receivables	(2u) (33)	354,528	301,412
Tax refund claims		5,816	2,224
Other current financial assets	(2i) (17)	9,962	7,336
Other current non-financial assets	(18)	20,678	19,157
Cash and cash equivalents	(2m) (19)	8,710	13,041
		857,463	**776,298**
Assets held for sale	(20)	**1,370**	**-**
		1,247,730	**1,139,290**
EQUITY AND LIABILITIES			
Equity			
Share capital	(21)	81,310	81,310
Capital reserve	(21)	313,863	313,863
Retained earnings	(21)	458,335	390,903
Other components of equity	(2n) (21)	(55,671)	(32,218)
Equity before non-controlling interests		797,837	753,858
Non-controlling interests	(21)	53,326	43,592
		851,163	**797,450**
Non-current liabilities			
Provisions for pensions and similar obligations	(2o) (22)	81,134	64,865
Other non-current provisions	(2p) (23)	5,380	4,467
Non-current financial liabilities	(2i) (24)	1,610	916
Non-current leasing liabilities	(2l) (28)	6,126	8,929
Other non-current non-financial liabilities		6,023	7,490
Deferred taxes	(2j) (13)	10,397	11,783
		110,670	**98,450**
Current liabilities			
Current provisions	(2p) (23)	22,691	24,360
Current accrued liabilities	(25)	71,168	65,447
Current financial liabilities	(2i)	22,720	3,707
Current portion of non-current leasing liabilities	(2l) (28)	2,854	2,806
Trade payables		57,105	42,859
Current income tax payables		15,863	6,214
Trade payables to related parties	(2u) (33)	29,426	23,454
Treasury payables	(2u) (33)	28,656	36,043
Other current non-financial liabilities	(26)	35,414	38,500
		285,897	**243,390**
		1,247,730	**1,139,290**

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

Consolidated statement of changes in equity (IFRS)

	Notes	Share capital	Capital reserve	Retained earnings	Other components of equity	Equity before non-controlling interests	Non-con-trolling interests	Equity
		€k	€k	€k	€k	€k	€k	€k
As of 1 Oct 2014		**81,310**	**313,863**	**361,130**	**(41,031)**	**715,272**	**38,955**	**754,227**
Gains / (losses) on foreign currency translation	(2d) (21)	-	-	-	18,586	18,586	1,035	19,621
Actuarial gains / (losses) on defined benefit pension plans	(2o) (22)	-	-	-	(9,773)	(9,773)	338	(9,435)
Changes in value recognized directly in equity	**(2n) (21)**	**-**	**-**	**-**	**8,813**	**8,813**	**1,373**	**10,186**
Consolidated profit		-	-	62,297	-	62,297	3,264	65,561
Comprehensive income for the period	**(2n) (21)**	**-**	**-**	**62,297**	**8,813**	**71,110**	**4,637**	**75,747**
Dividend payments	(8)	-	-	(32,524)	-	(32,524)	-	(32,524)
As of 30 Sep 2015		**81,310**	**313,863**	**390,903**	**(32,218)**	**753,858**	**43,592**	**797,450**
As of 1 Oct 2015		**81,310**	**313,863**	**390,903**	**(32,218)**	**753,858**	**43,592**	**797,450**
Gains / (losses) on foreign currency translation	(2d) (21)	-	-	-	7,714	7,714	8,278	15,992
Derivative financial instruments	(2i) (27)	-	-	-	(7,201)	(7,201)	-	(7,201)
Actuarial gains / (losses) on defined benefit pension plans	(2o) (22)	-	-	-	(23,966)	(23,966)	(184)	(24,150)
Changes in value recognized directly in equity	**(2n) (21)**	**-**	**-**	**-**	**(23,453)**	**(23,453)**	**8,094**	**(15,359)**
Consolidated profit		-	-	98,330	-	98,330	1,640	99,970
Comprehensive income for the period	**(2n) (21)**	**-**	**-**	**98,330**	**(23,453)**	**74,877**	**9,734**	**84,611**
Dividend payments	(8)	-	-	(30,898)	-	(30,898)	-	(30,898)
As of 30 Sep 2016		**81,310**	**313,863**	**458,335**	**(55,671)**	**797,837**	**53,326**	**851,163**

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

Consolidated statement of cash flows (IFRS)
from 1 October 2015 to 30 September 2016

	Notes	**2015/16** 1 Oct 2015 to 30 Sep 2016	2014/15 1 Oct 2014 to 30 Sep 2015
		€k	€k
Cash flows from operating activities:			
Consolidated profit		**99,970**	**65,561**
Adjustments to reconcile consolidated profit / (loss) to the net change in cash provided by / (used in) operating activities			
Income tax expense	(6)	41,991	36,159
Interest income / interest expenses	(5)	2,514	1,476
Result from investments accounted for using the equity method	(5)	810	11,493
Results from other investments	(5)	(34)	(26)
Depreciation and amortization	(10) (11)	20,226	19,162
Gains/losses on disposal of fixed assets	(10) (11)	303	(84)
Dividends received		34	26
Interest received		630	1,493
Interest paid		(1,565)	(1,433)
Refunded income taxes		772	3,476
Income taxes paid		(43,020)	(40,133)
Other material non-cash expense and income	(5)	-	7,401
Changes in working capital			
Trade receivables	(16)	(2,562)	(36,255)
Inventories	(15)	(15,183)	(9,890)
Other assets	(14) (17) (18)	(4,391)	(7,973)
Trade payables		19,158	13,795
Provisions and financial liabilities	(22) (23) (25)	(2,958)	(11,979)
Other liabilities	(26)	(4,925)	4,475
Total adjustments		11,800	(8,817)
Net cash provided by/(used in) operating activities		**111,770**	**56,744**
Cash flows from investing activities:			
Investment in property, plant and equipment	(11)	(12,796)	(9,772)
Investment in other intangible assets	(10)	(15,121)	(7,001)
Proceeds from fixed assets		338	742
Purchase of investments accounted for using the equity method	(12)	(4,131)	(9,240)
Payments for loans to investments accounted for using the equity method	(12)	-	(7,479)
Payments for other loans	(27)	(958)	(1,356)
Proceeds from fixed-term deposits	(33)	110,000	110,000
Investments in fixed-term deposits	(33)	-	(110,000)
Acquisition of consolidated companies / businessses, net of cash acquired (Optronik A.S, Turkey)		-	(1,067)
Net cash provided by /(used in) investing activities		**77,332**	**(35,173)**
Cash flows from financing activities:			
Proceeds from / (repayment of) current liabilities to banks		(32)	(929)
Proceeds from / (repayment of) non-current liabilities to banks	(24)	(391)	(480)
(Increase)/decrease in treasury receivables	(2u) (33)	(153,383)	(10,209)
Increase/(decrease) in treasury payables	(2u) (33)	(7,505)	27,378
Increase/(decrease) in liabilities due to finance lease	(28)	(2,812)	(2,526)
Dividend payments to shareholders of Carl Zeiss Meditec AG	(8)	(30,898)	(32,524)
Net cash provided by/(used in) financing activities		**(195,021)**	**(19,290)**
Effect of exchange rate fluctuations on cash and cash equivalents		1,588	33
Increase/(decrease) in cash and cash equivalents		**(4,331)**	**2,314**
Cash and cash equivalents, beginning of reporting period	(19)	13,041	10,727
Cash and cash equivalents, end of reporting period	**(19)**	**8,710**	**13,041**

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

Consolidated notes
for fiscal year 2015/16 (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*).

(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 2016 for which application is mandatory, as they are to be applied in the EU. The present version of the consolidated financial statements complies with the provisions of Section 315a of the German Commercial Code (Handelsgesetzbuch, HGB).

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

2 Accounting policies

(a) Principles of consolidation
The consolidated financial statements comprise the statements of Carl Zeiss Meditec AG and its subsidiaries. Subsidiaries are all companies controlled by Carl Zeiss Meditec AG. A company is controlled if the Group is subject to variable returns from a 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. A full breakdown of the shareholdings of the Carl Zeiss Meditec Group can be found in note (38) "Additional mandatory disclosures pursuant to Section 315a HGB" in these notes to the consolidated financial statements.

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.

Carl Zeiss Meditec Co. Ltd., Tokyo, Japan is a major subsidiary with non-controlling interests in the Meditec Group. This non-controlling interest amounts to 49%.

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

Consolidated income statement:

	2015/16	2014/15
	€k	€k
Revenue	103,082	96,325
Net income	3,347	6,661
» thereof profit/loss attributable to non-controlling interests	1,640	3,264
Other result (recognized in other comprehensive income)	16,518	2,802
Comprehensive income	19,865	9,463
» thereof comprehensive income attributable to non-controlling interests	9,734	4,637

Condensed statement of financial position:

	30 Sep 2016	30 Sep 2015
	€k	€k
Non-current assets	7,724	6,024
Current assets	127,874	104,464
Non-current liabilities	9,250	7,066
Current liabilities	19,550	16,489
Equity	106,798	86,933
» thereof equity attributable to non-controlling interests	53,326	43,592

Condensed statement of cash flows:

	2015/16	2014/15
	€k	€k
Cash flows from operating activities	9,415	(273)
Cash flows from investing activities	(27)	(10)
Cash flows from financing activities	(10,198)	4,590
Effect of exchange rate fluctuations on cash and cash equivalents	1,302	123
Increase/(decrease) in cash and cash equivalents	**492**	**4,430**

(b) Associated companies

Associated companies are companies over which the Group has a significant influence, but which are not under the control or joint control of the Group in respect of financial and corporate policy. Investments in associates are recognized according to the equity method. More information can be found in note (12) "At-equity investments and loans to at-equity investments".

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

The figures for the acquired subsidiaries are incorporated in the consolidated income statement according to their affiliation to the Group, i.e., from their effective date of acquisition (possibility to be controlled). A subsidiary is deconsolidated as soon as Carl Zeiss Meditec loses its control over the company. Third-party equity interests are recorded in the consolidated financial statements as part of consolidated equity under the item "Non-controlling interests".

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

Investments in which the Company holds less than 20% are carried in the accounts as a financial instrument (see 2(i)), if Carl Zeiss Meditec AG is unable to exercise any material or significant influence over the investee enterprise and the investee enterprise is not jointly controlled.

Intragroup business combinations, uniting of interests or similar transactions are regarded – both from the perspective of the superordinate parent company (Carl Zeiss AG) and from the perspective of the participating subsidiary (Carl Zeiss Meditec) – as "transactions under common control" which, pursuant to IFRS 3.2 (c), are not to be classified as company acquisitions. Transactions under common control are treated in Carl Zeiss Meditec AG's statement of financial position according to the principle of "predecessor accounting", with the assumption that the consolidated financial statements of the Carl Zeiss Meditec Group are to be regarded merely as an excerpt from the consolidated financial statements of the superordinate parent company, Carl Zeiss AG. The respective assets and liabilities are thus carried at book value.

(d) 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".

* According to IDW RS HFA 2, new version subsection 41.

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 exchange rates applied in the preparation of the consolidated financial statements:

	Exchange rate at end of reporting period as of 30 Sep 2016	Exchange rate at end of reporting period as of 30 Sep 2015	+/- %	**Average exchange rate 2015/16**	Average exchange rate 2014/15	+/- %
USD	0.8960	0.8926	0.4	0.9005	0.8707	3.4
JPY	0.0088	0.0074	18.9	0.0081	0.0073	10.1
GBP	1.1614	1.3541	-14.2	1.2787	1.3459	-5.0
CAD	0.6807	0.6652	2.3	0.6794	0.7106	-4.4
SEK	0.1039	0.1063	-2.2	0.1069	0.1070	-0.1
CHF	0.9195	0.9162	0.4	0.9162	0.9106	0.6
AUD	0.6823	0.6274	8.7	0.6627	0.6840	-3.1
PLN	0.2315	0.2356	-1.7	0.2307	0.2397	-3.8
CZK	0.0370	0.0368	0.5	0.0370	0.0365	1.4
BRL	0.2762	0.2232	23.7	0.2484	0.2912	-14.7
TRY	0.2978	0.2950	1.0	0.3074	0.3410	-9.9
CNY	0.1343	0.1404	-4.3	0.1378	0.1400	-1.6

(e) 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 (note 2(f)), the accounting and valuation of provisions (note 23), 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.

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

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

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

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

Sales planning takes into account a growth rate that is at least in line with the market growth rate anticipated for the industry, which, from a current perspective and excluding currency effects, corresponds to growth in the low to mid-single-digit percentage range. In spite of fluctuations, currency effects are negligible overall. On 1 August 2016, the two existing SBUs **Surgical Ophthalmology** and **Ophthalmic Systems** were combined into a joint **Ophthalmic Devices** SBU. The existing SBUs were simply added together; therefore, there were no changes to the allocation of goodwill. Further information can be found in note (31) "Segment reporting". It is expected that the new **Ophthalmic Devices** SBU will grow at least to the same extent as the underlying market. From a current perspective, and excluding currency effects, this corresponds to growth in the low to mid-single-digit percentage range. The EBIT margin is expected to remain lower than the average for the Group. The **Microsurgery** SBU is expected to continue making significant contributions to earnings in future. The Group is optimistic that it will grow at least to the same extent as the underlying market in the coming fiscal year, which, from a current perspective and without taking currency effects into account, would equate to growth in the low single-digit percentage range. The EBIT margin is also expected to remain significantly above the Group average. Cost planning also considers strategic aspects as well as price trends in the procurement markets. Overall, in fiscal year 2016/17 the EBIT margin is again expected to be within the target corridor, also forecast for the medium term, of 13.0% to 15.0%. The cash flow projections resulting from the management's financial forecasts, to determine the value in use, do not contain any cash flows from future restructuring measures or enhancements or improvements to increase earnings power. In order to determine the future development of working capital, specific ranges are currently applied for each SBU. At the same time, the earnings for the respective planning year are adjusted, for the calculation of free cash flow, for the expected depreciation and amortization, as well as asset additions – insofar as the investments for this had already begun at the time of the impairment test. The value in use of the cash-generating unit is derived from the sum of discounted future cash flows at a standard, risk-adjusted capitalization interest rate.

The capitalization interest rate is calculated from the parameters risk-free base rate, risk premium (market risk premium and beta factor), borrowed capital spread and tax effect, and reflects the capital structure customary within the industry of the cash-generating unit under review. For the purposes of the impairment test, a growth rate of 0.95% (prior year: 0.75%) is applied for the cash flows for the perpetuity period. The pre-tax discount rates applied for cash flow forecasts range between 11.2% and 11.3% (prior year: 12.5%, respectively). 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 2016. 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.

For details on the change in goodwill in fiscal year 2015/16 and the prior year please refer to note (9).

(g) 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 recorded, if evidence can be provided that the recognition criteria according to IAS 38.57 are fulfilled. These 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.

Self-constructed intangible assets are mostly allocated to the category "Development costs" (note 10).

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

All other intangible assets which are ready for use shall be amortized on a straight-line basis over the following periods, unless an indefinite useful life is assumed (see note (10)):

» *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 this test did not give any indication of a need for impairment of capitalized other intangible assets in the current fiscal year (see note (10)). Please refer to (f) above for details on the method applied in the impairment test.

(h) 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*	*3 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 regularly reviewed 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. Please refer to (f) for details on the general method of calculating the value applied in the impairment test. 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 function for which the assets are used.

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

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

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. Please refer to note (35) for further information on credit risks.

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 which 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" or "Other non-current 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. Please refer to note (35) for further information on currency risks.

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 recognition of hedging instrument and the hedged items are mostly synchronized.

In the Carl Zeiss Meditec Group hedge accounting is applied to hedge a net investment, in this case in the net investment in Japanese Yen. To the extent that changes in the fair value of the hedging instrument relate to the effective portion of the hedge, they are recognized under other components of equity. The ineffective portion of the hedge is recognized immediately in profit or loss. The gain or loss directly recognized in equity shall remain under equity until the disposal or partial disposal of the net investment.

(j) 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.

(k) 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. In the case of inventories acquired within the scope of a business combination, the acquisition costs correspond to their fair values at their date of acquisition.

Valuation allowances shall be made on inventories where cost exceeds the expected net realizable values. 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.

(l) 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.

(m) 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.

(n) Other components of equity

The item "Other components of equity" includes the other changes in equity recognized in other comprehensive income that are not associated with transactions with shareholders. For the Group, this currently relates to both currency translation, gains and losses on the effective portion of the hedge in a net investment, and the actuarial effects of pension commitments and the taxes levied on these (note 21 and 22).

(o) 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 known pensions and acquired future pension entitlements, 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.

(p) 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.

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.

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. litigation risks.

(q) 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.

(r) Government grants
Pursuant to IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance", government grants are only recognized if there is adequate 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.

Investment grants and investment subsidies for which it is sufficiently certain that the associated conditions are being complied with and that they will be awarded, are generally deferred and amortized through profit or loss over the useful lives of the related assets. Grants related to income are offset against the corresponding expenses in the period in which the expenses are incurred.

Government grants received in fiscal years 2015/16 and 2014/15 are listed in note (32).

(s) 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. As in the prior year the number of shares in this fiscal year remained unchanged at 81,309,610 shares. 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.

(t) 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.

(u) 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 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, and business transactions, for example income, expenses, receivables from and liabilities to these companies, are reported separately in note (33).

The Group sells some of its products via the distribution companies of the 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 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, in this sense, are 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, preliminary products are procured from companies of the ZEISS Group and the Schott Group.

The members of Management Board and Supervisory Board of Carl Zeiss Meditec AG, and their next of kin, are considered to be related parties (management in key positions). Note (38) and the Management Report (Remuneration Report) contain further information on this.

(v) 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
21 Nov 2013	Amendment to IAS 19 "*Employee Benefits*"	Specification of the accounting treatment of employee contributions or third-party contributions for defined benefit plans
12 Dec 2013	Improvements to IFRSs (2010 – 2012)	Amendments to Standards IFRS 2, 3, 8, 13, IAS 16, 24 and 38
12 Dec 2013	Improvements to IFRSs (2011 – 2013)	Amendments to Standards IFRS 1, 3, 13, IAS 40

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
30 Jan 2014	IFRS 14 "*Regulatory Deferral Accounts*"	Interim standard for regulation of regulatory deferral accounts for transition to IFRS accounting	Fiscal years beginning on or after 1 January 2016	No
6 May 2014	Amendment IAS 11 "*Joint Arrangements*"	Additional guidelines on the accounting presentation of an acquisition of an interest in a joint operation	Fiscal years beginning on or after 1 January 2016	Yes
12 May 2014	Amendment to IAS 16 and 38	Guidelines on which methods can be applied for the depreciation of property, plant and equipment and the amortization of intangible assets	Fiscal years beginning on or after 1 January 2016	Yes
28 May 2014	IFRS 15 "*Revenue from Contracts with Customers*"	Amalgamation of existing standards and interpretations on revenue recognition (IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC 13)	Fiscal years beginning on or after 1 January 2018	Yes
24 Jul 2014	IFRS 9 "*Financial instruments*"	Classification and measurement of financial assets	Fiscal years beginning on or after 1 January 2018	No
12 Aug 2014	Amendment to IAS 27 "*Separate Financial Statements*"	Approval of the equity method as an accounting option for investments in subsidiaries, joint ventures and associates	Fiscal years beginning on or after 1 January 2016	Yes
11 Sep 2014	Amendment to IFRS 10 and IAS 28	Guidelines on the recognition of unrealized gains or losses from transactions with assets between an investor and associates	Postponed for an indefinite period	No
25 Sep 2014	Improvements to IFRSs (2012 – 2014)	Amendments to Standards IFRS 5, IFRS 7, IAS 19 and IAS 34	Fiscal years beginning on or after 1 January 2016	Yes
18 Dec 2014	Amendment to IFRS 10, 12 and IAS 28	Confirmation of the exemption from preparing consolidated financial statements for subsidiaries of an investment entity	Fiscal years beginning on or after 1 January 2016	Yes
18 Dec 2014	Amendment to IAS 1 "*Presentation of Financial Statements*"	Improvement in the reporting with regard to disclosures in the notes	Fiscal years beginning on or after 1 January 2016	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	No
19 Jan 2016	Amendment to IAS 12 "*Income Taxes*"	Clarifications relating to the recognition of unrealized losses	Fiscal years beginning on or after 1 January 2017	No
29 Jan 2016	Amendment to IAS 7 "*Statement of Cash Flows*"	Improvement of information provided about an entity's financing activities and liquidity	Fiscal years beginning on or after 1 January 2017	No
12 Apr 2016	Information on IFRS 15 "*Revenue from Contracts with Customers*"	Clarifications to IFRS 15 and transition relief	Fiscal years beginning on or after 1 January 2018	No
20 Jun 2016	Amendment IFRS 2 "*Share-based Payment*"	Clarifications or amendments on classification and measurement of share-based payments	Fiscal years beginning on or after 1 January 2018	No
12 Sep 2016	Amendment IFRS 4 "*Insurance Contracts*"	Delay in application of the rules of IFRS 9 for insurance companies	Fiscal years beginning on or after 1 January 2018	No

According to the current state of knowledge, the future application of these standards is only expected to have material effects on the accounting and valuation with respect to possibly IFRS9 , IFRS 15 and IFRS 16. In connection with the introduction of IFRS 15, the contracts are currently undergoing a comprehensive analysis within the Company. There will be a rescheduling in the recognition of revenue. The exact effects on the contracts are currently being investigated, the exact influence on future financial statements cannot yet be conclusively assessed. Analyzes of IFRS 16 have shown that there will be an increase in total assets as operating leases will have an effect on the statement of financial position in the future if the Group is the lessee. In addition, EBIT is expected to increase. A conclusive assessment is not possible at the present time. The impact of the first application of IFRS 9 has not yet been conclusively analyzed. The exact effect on future financial statements, in particular due to the application of the expected loss model for the recognition of impairment losses on debt instruments, cannot yet be conclusively assessed. The remaining standards may give rise to changes in disclosure requirements. Apart from this, no significant effects are expected.

(w) 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 positions and the income statement.

Property, plant and equipment

The fair values of property, plant and equipment acquired within the scope of business combinations are based on market prices. The market price of land and buildings is determined based on the estimated value at which the respective asset could prudently and reasonably be exchanged without coercion between two independent partners based on normal market conditions. The market prices of other items of property, plant and equipment, such as plant and machinery, as well as leasehold improvements and equipment are based on quoted prices on the market for similar goods of the same kind.

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.

Inventories
The fair value of inventories acquired within the scope of a business combination is based on the estimated selling price attainable in the normal course of business, less the estimated production and selling costs, as well as an adequate profit margin.

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. If it is not possible to reliably determine the fair value, equity interests and securities are valued at cost.

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 -1.0% to +3.4% (prior year: -0.9% to +11.7%).

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. In the same way, the hedge for a net investment in in Japanese yen which cannot be allocated to a category of IAS 39 is carried at fair value. Further information on the recognition of changes in fair value of this hedging instrument can be found in (note 2(i)). The fair value of currency forward transactions is calculated based on the average spot exchange rate as of the end of the reporting period, adjusted for forward premiums and discounts for the respective residual term of the contract, compared with 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. The interest rates applied range from 0.9% to 1.0% (prior year: 1.2% to 1.4%).

NOTES TO THE CONSOLIDATED INCOME STATEMENT

Revenue

Group earnings for fiscal years 2015/16 and 2014/15 mainly consist of sales revenues. The table below shows a breakdown of revenue:

	2015/16	2014/15
	€k	€k
Income from the sale of merchandise	977,970	940,993
Income from the provision of services (incl. sale of replacement parts)	108,846	93,993
Income from royalties/licenses	1,549	5,075
Total	**1,088,365**	**1,040,061**

Personnel expenses

Personnel expenses for fiscal years 2015/16 and 2014/15 were as follows:

	2015/16	2014/15
	€k	€k
Wages and salaries	217,128	210,740
Social security contributions	41,593	39,960
Pension costs	8,041	9,508
Total	**266,762**	**260,208**

The employer's statutory pension contribution is contained in the social security costs. Total expenses from all additional defined contribution plans in the current fiscal year amounted to €3,415k (prior year: €3,195k) .

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

	30 Sep 2016	30 Sep 2015	Average 2015/16	Average 2014/15
Production	1,273	1,295	1,252	1,323
Sales & Marketing	938	906	929	910
Research and Development	442	422	426	429
Administration	257	265	251	277
Total	**2,910**	**2,888**	**2,858**	**2,939**
Trainees	15	17	16	12

5 Financial result

The financial result comprises the following:

	2015/16	2014/15
	€k	€k
Share of profit/(loss) of financial assets measured at equity	-	(1,220)
Extraordinary write-down of the investment	(810)	(7,922)
Future losses on the investment	-	(2,351)
Result from investments accounted for using the equity method	**(810)**	**(11,493)**
Interest income	1,081	1,302
Interest expenses	(2,155)	(1,509)
Net interest from defined benefit pension plans	(1,440)	(1,269)
Net interest income/loss	**(2,514)**	**(1,476)**
Currency gains	19,993	28,510
Currency losses	(29,334)	(37,432)
Foreign currency gains/(losses), net	**(9,341)**	**(8,922)**
Other financial result	**294**	**(6,980)**
Total financial result	**(12,371)**	**(28,871)**

6 Income taxes

Income taxes are comprised as follows:

	2015/16	2014/15
	€k	€k
Current taxes:		
Germany	43,572	31,100
Other countries	5,141	6,489
	48,713	**37,589**
(thereof prior-period)	(206)	(53)
Deferred taxes:		
Germany	(4,011)	3,076
Other countries	(2,711)	(4,506)
	(6,722)	**(1,430)**
Total	**41,991**	**36,159**

In accordance with the tax law applicable in fiscal year 2015/16, the income of Group subsidiaries in Germany is subject to a corporation tax rate of 15% (prior year: 15%). Taking into account the solidarity surcharge and the varying trade income tax rates, companies in Germany are subject to a tax rate of between 27.73% and 31.58% (prior year: 27.73% to 31.58%). The nominal tax rates applicable outside Germany in the reporting period ranged between 20.00% and 38.18% (prior year: 20.00% and 37.87%).

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 20.00% to 38.18% (prior year: 20.00% to 37.87%). 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:

	2015/16	2014/15
	€k	€k
Expected income tax expense	42,403	30,384
Non-deductible expenses	423	8,217
Tax-free income	(1,146)	(438)
Effect of changes in tax rates	(263)	(128)
Taxes prior years	206	53
Foreign tax rate differential	(874)	(1,932)
Net retained earnings of subsidiaries intended for disbursement	466	636
Recognition and measurement of deferred tax assets	991	(677)
Other	(215)	44
Actual income tax expense	**41,991**	**36,159**
Effective tax rate	29.6%	35.5%

7 Earnings per share

The following table shows the calculation of earnings per share:

	2015/16	2014/15
Net income attributable to shareholders of the parent company (€k)	98,330	62,297
Weighted average of issued shares	81,309,610	81,309,610
Earnings per share (in €)	**1.21**	**0.77**

8 Dividend

During the period under review, a dividend of 38 cents per share (prior year: 40 cents per share) was paid to the shareholders of Carl Zeiss Meditec AG for fiscal year 2014/15.

	2015/16		2014/15	
	€ cent per share	€k Total	€ cent per share	€k Total
Dividend paid	**38**	**30,898**	**40**	**32,524**

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

9 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 2015/16 and 2014/15:

	Surgical Ophthalmology SBU	Ophthalmic Systems SBU	**Ophthalmic Devices SBU**	**Microsurgery SBU**	**Total**
	€k	€k	€k	€k	€k
As of 1 Oct 2015	**130,327**	**31,992**	**162,319**	**2,026**	**164,345**
Currency effects	148	68	216	17	233
As of 30 Sep 2016	**130,475**	**32,060**	**162,535**	**2,043**	**164,578**
As of 1 Oct 2014	**125,500**	**30,941**	**156,441**	**2,435**	**158,876**
Allocation based on change in organizational structure	889	(593)	296	(296)	-
Currency effects	3,938	1,644	5,582	(113)	5,469
As of 30 Sep 2015	**130,327**	**31,992**	**162,319**	**2,026**	**164,345**

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.

From 1 August 2016 there is a change in the organizational structure and, therefore, in the internal reporting system. As explained in the management report and in note (31) Segment reporting, this alters the composition of the strategic business units. The two former "Surgical Ophthalmology" and "Ophthalmic Systems" SBUs were combined into a single **Ophthalmic Devices** SBU.

10 Other intangible assets

Other intangible assets developed as follows in fiscal years 2015/16 and 2014/15:

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

	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 2014	**8,521**	**13,666**	**1,811**	**31,905**	**33,001**	**33,419**	**122,323**
Additions	-	2,088	-	90	-	5,949	8,127
Reclassifications	-	243	-	45	-	(288)	-
Disposals	(50)	(279)	(206)	-	-	(18)	(553)
Currency effects	164	1,249	16	434	3,552	1,259	6,674
As of 30 Sep 2015	**8,635**	**16,967**	**1,621**	**32,474**	**36,553**	**40,321**	**136,571**
Depreciation and amortization as of 1 Oct 2014	**8,153**	**11,433**	**1,645**	**27,498**	**7,600**	**24,361**	**80,690**
Additions	143	1,605	52	1,225	2,173	2,495	7,693
Reclassifications	92	-	107	(199)	-	-	-
Disposals	(50)	(278)	(206)	-	-	(10)	(544)
Currency effects	140	1,040	17	278	459	1,433	3,367
As of 30 Sep 2015	**8,478**	**13,800**	**1,615**	**28,802**	**10,232**	**28,279**	**91,206**
Net carrying amount as of 30 Sep 2015	**157**	**3,167**	**6**	**3,672**	**26,321**	**12,042**	**45,365**

Miscellaneous other intangible assets include assets identified via purchase price allocations (PPA) for customer relationships with a carrying amount of €1,575k (prior year: €2,569k). The remaining useful lives of customer relationships range between 3 and 4 years.

As of 30 September 2016 the Group does not hold any other intangible assets with an indefinite useful life.

11 Property, plant and equipment

Property, plant and equipment developed as follows in fiscal years 2015/16 and 2014/15:

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

	Land, buildings and leasehold improvements	Technical plant and machinery	Other equipment, furniture and fixtures	Payments on account and assets under construction	Total
	€k	€k	€k	€k	€k
Acquisition and production costs as of 1 Oct 2014	**45,131**	**37,412**	**65,122**	**2,374**	**150,039**
Additions	1,536	4,217	15,176	652	21,581
Reclassifications	193	1,423	342	(1,958)	-
Disposals	-	(3,079)	(12,601)	(25)	(15,705)
Currency effects	3,446	1,877	3,341	15	8,679
As of 30 Sep 2015	**50,306**	**41,850**	**71,380**	**1,058**	**164,594**
Depreciation and amortization as of 1 Oct 2014	**24,424**	**19,002**	**41,564**	**-**	**84,990**
Additions	2,600	4,469	4,400	-	11,469
Disposals	-	(1,364)	(2,995)	-	(4,359)
Currency effects	2,175	963	1,975	-	5,113
As of 30 Sep 2015	**29,199**	**23,070**	**44,944**	**-**	**97,213**
Net carrying amount as of 30 Sep 2015	**21,107**	**18,780**	**26,436**	**1,058**	**67,381**

Property, plant and equipment – mainly land, buildings and leasehold improvements – includes leased property with a net book value of €4,637k (prior year: €5,928k).

Property, plant and equipment with a net carrying amount of €4,107k (prior year: €4,335k) serve as collateral for liabilities.

12 At-equity investments and loans to at-equity investments

On 22 December 2014 a contract was concluded between Carl Zeiss Meditec Inc., Dublin, USA, and Oraya Therapeutics, Inc., Newark, USA, (hereinafter: Oraya), under the terms of which Carl Zeiss Meditec Inc. may – during a period of up to two years from conclusion of the contract – acquire rights to purchase shares in Oraya until it has a majority holding. The acquired rights may be converted into shares under normal conditions in January 2017 at the earliest. The company shall be classified as an associate pursuant to IAS 28.6/IFRS 10. Up until a controlling influence is achieved, the company shall be accounted for according to the equity method. During the period October 2015 to January 2016, further rights to purchase shares were acquired by way of payment of €3,321k. As of 30 September 2016 the Group holds rights to purchase shares totaling 29.61%. The material risks of the investment were already taken into account as of 30 September 2015. In the second quarter the contract was terminated and thus no further shares were acquired.

Furthermore, on 15 March 2016 a contract was concluded between Carl Zeiss Meditec Inc., Dublin, USA, and Oraya, under the terms of which Carl Zeiss Meditec Inc. assumes assets from Oraya. The market value of the assumed assets amounts to €0.8m, and mainly corresponds to the value of the monetary consideration. In detail, property plant and equipment amounting to €0.6m, inventories in the amount of €0.1m and receivables of €0.1m were assumed.

Oraya has been in liquidation since April 29, 2016. The future liquidation proceeds attributable to the Carl Zeiss Meditec Group are estimated to be insignificant. There is no additional payment liability on the part of Carl Zeiss Meditec AG.

The table below contains the key financial information for Oraya at the beginning of the liquidation phase as of 29 April 2016:

Condensed income statement:

	1 Oct 2015 to 29 Apr 2016
	€k
Revenue	204
Earnings before interest and taxes	**(5,578)**
» Other income	2,221
Interest income	1
Interest expenses	(64)
Income tax expense	-
Net income	**(3,420)**
Other result (recognized in other comprehensive income)	-
Comprehensive income	**(3,420)**
Shareholding in %	29.61%
Share of comprehensive income	(1,013)
At-equity result	**-**

Condensed statement of financial position:

	29 Apr 2016
	€k
Non-current assets	497
Current assets (less cash and cash equivalents)	345
Cash and cash equivalents	139
Non-current liabilities	2,706
Current liabilities	445
Equity	**(2,170)**

Due to the complete write-off of the investment and of loans granted, no proportional at-equity result was shown as income in the current fiscal year. The amount of €810k recognized under result from investments measured at equity relates to the write-down of the last tranche paid out to Oraya in January.

No condensed financial information for Oraya was available for the period between 30 April 2016 and 30 September 2016 at the time of preparation of these consolidated financial statements.

13 Deferred taxes

Deferred tax assets and liabilities are broken down into the following items in the statement of financial position:

	30 Sep 2016		30 Sep 2015	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
	€k	€k	€k	€k
Loss carryforwards	6,790	-	8,378	-
Other intangible assets	4,350	9,882	4,170	11,137
Fixed assets	1,363	1,928	2,562	2,169
Financial assets	355	-	304	39
Inventories	19,224	415	18,056	489
Trade receivables	1,698	158	1,159	63
Other assets	638	1,247	324	2,703
Provisions	46,856	109	32,349	-
Trade payables	76	38	-	183
Other liabilities	12,161	44	11,348	29
Retained earnings	-	466	-	636
Total	**93,511**	**14,287**	**78,650**	**17,448**
Deferred tax assets (net)	**79,224**		**61,202**	

The consolidated statement of financial position contains deferred tax assets, after offsetting pursuant to IAS 12, totaling €89,621k (prior year: €72,985k) and deferred tax liabilities of €10,397k (prior year: €11,783k).

Deferred tax liabilities are carried in the amount of €466k (prior year: €636k) for net retained earnings of subsidiaries intended for disbursement in the amount of €36,986k (prior year: €41,815k). Deferred tax liabilities of €6,473k (prior year: €5,938k) on retained earnings at subsidiaries in the amount of €413,831k (prior year: €378,975k) were not carried as liabilities.

The table below shows the reconciliation of deferred taxes:

	€k
Deferred tax assets (net) as of 30 Sep 2014	**53,539**
Effects recognized through profit or loss	1,430
Effects recognized in other comprehensive income	4,383
Currency effects	1,850
Deferred tax assets (net) as of 30 Sep 2015	**61,202**
Effects recognized through profit or loss	6,721
Effects recognized in other comprehensive income	10,250
Currency effects	1,051
Deferred tax assets (net) as of 30 Sep 2016	**79,224**

14 Other non-current assets

Other non-current assets comprise the following:

	30 Sep 2016	30 Sep 2015
	€k	€k
Plan assets for accrued flexitime	985	1,193
Other	1,889	1,331
Total other non-current assets	**2,874**	**2,524**

15 Inventories

Inventories comprise the following:

	30 Sep 2016	30 Sep 2015
	€k	€k
Raw materials and supplies	91,264	82,844
Unfinished goods	29,597	23,059
Finished goods	115,143	109,785
Total inventories, gross	**236,004**	**215,688**
Valuation allowances	(27,695)	(26,277)
Total inventories, net	**208,309**	**189,411**

Inventories were written up/down as follows:

	2015/16	2014/15
	€k	€k
Beginning of fiscal year	**26,277**	**20,657**
Additions recognized as expenses	13,293	16,440
Currency effects	74	737
Reversals/utilization	(11,949)	(11,557)
End of fiscal year	**27,695**	**26,277**

The carrying amount of inventories carried at their net realizable value totaled €125,556k as of 30 September 2016 (prior year: €106,649k). Write-ups in the amount of €1,425k (prior year: €1,107k) were recognized through profit or loss. The write-ups are mainly attributable to the adjustment of parameters for depreciation routines to new empirical values. The cost of materials totaled €372,329k and €365,368k, respectively, in fiscal years 2015/16. These expenses are calculated according to the total cost format and include the costs of raw materials and supplies and purchased goods and services, plus any valuation allowances and changes in inventories. No inventories have been pledged as collateral for liabilities.

16 Trade receivables

Trade receivables comprise the following:

	30 Sep 2016	30 Sep 2015
	€k	€k
Current trade receivables	197,466	190,351
Non-current trade receivables	11,097	8,919
Trade receivables, gross	**208,563**	**199,270**
Valuation allowances	(8,222)	(5,534)
Trade receivables, net	**200,341**	**193,736**

17 Other current financial assets

Other current financial assets comprise the following:

	30 Sep 2016	30 Sep 2015
	€k	€k
Credit card receivables	2,744	2,093
Derivative financial instruments	3,470	4,892
Receivables from ZEISS Group	2,105	-
Loans to employees	61	224
Other receivables	1,582	127
Other current financial assets	**9,962**	**7,336**

18 Other current non-financial assets

Other current non-financial assets comprise the following:

	30 Sep 2016	30 Sep 2015
	€k	€k
Prepaid expenses	8,948	7,815
Receivables from tax office/other tax receivables	10,248	8,834
Advance payments	1,014	1,043
Other receivables	468	1,465
Other current non-financial assets	**20,678**	**19,157**

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

19 Cash and cash equivalents

Cash and cash equivalents comprise the following:

	30 Sep 2016	30 Sep 2015
	€k	€k
Cash	21	20
Bank balances	8,689	12,839
Short-term time deposits	-	182
Cash and cash equivalents	**8,710**	**13,041**

20 Assets held for sale

Due to the very advanced stage of negotiations, the Group considers it highly likely that a contract will be concluded during the course of fiscal year 2016/17 between Aaren Scientific Inc. (Aaren) and Aaren Laboratories LLC, a third party, on the sale of assets in connection with the operations for hydrophilic intraocular lenses at Aaren.

The carrying amounts of the identified assets are recorded separately in the statement of financial position as assets held for sale. As the reporting date, these include property, plant and equipment of €372k and inventories of €998k.

Property, plant and equipment carried as non-current assets are allocated to the Ophthalmic Devices business segment and to the USA region.

21 Equity

Share capital

As in the prior fiscal year 2014/15, the share capital of Carl Zeiss Meditec AG is composed of 81,309,610 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 is authorized, with the approval 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 2016, the single-entity financial statements of Carl Zeiss Meditec AG showed a net profit of €115,564k (prior year: €103,714k).

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.

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 2013	**(19,104)**
Development in fiscal year 2013/14	9,682
Currency translation as of 30 Sep 2014	**(9,422)**
Development in fiscal year 2014/15	18,586
Currency translation as of 30 Sep 2015	**9,164**
Development in fiscal year 2015/16	7,714
Currency translation as of 30 Sep 2016	**16,878**

For information on the development of pension-related changes in equity see note (22).

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 of 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 through 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 legal 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 2016	30 Sep 2015
	€k	€k
Present value of obligations not financed by plan assets	13,968	10,417
Present value of obligations wholly or partly financed by plan assets	174,544	134,060
Total value of defined benefit obligation (DBO)	**188,512**	**144,477**
Fair value of plan assets	107,378	79,612
Net obligation/amount recognized	**81,134**	**64,865**

The defined benefit obligation is comprised of the following:

	30 Sep 2016			30 Sep 2015		
	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	154,479	89,047	65,432	113,557	63,721	49,836
USA	23,194	18,331	4,863	22,658	15,891	6,767
Japan	9,250	-	9,250	7,066	-	7,066
Other	1,589	-	1,589	1,196	-	1,196
Net amount recognized	**188,512**	**107,378**	**81,134**	**144,477**	**79,612**	**64,865**

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

	2015/16	2014/15
	€k	€k
Current service cost	4,626	6,313
Net interest expense	1,440	1,269
Net expenditure in the fiscal year recognized in the income statement	**6,066**	**7,582**
(Income)/loss from plan assets, excluding amounts already included in interest	(2,979)	3,146
Actuarial (gains)/losses	37,380	10,509
Expenses and income recognized in other comprehensive income	**34,401**	**13,655**
Actual (income)/expense on plan assets	(5,094)	868

The current service cost of €4,626k (prior year: €6,313k) 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:

	2015/16	2014/15
	€k	€k
Defined benefit obligation (DBO) at beginning of fiscal year	**144,477**	**126,903**
Current service cost	4,626	6,313
Interest expense	3,554	3,547
Benefit payments	(3,540)	(2,422)
Actuarial (gains)/losses based on demographic assumptions	(530)	(410)
Actuarial (gains)/losses based on financial assumptions	39,121	11,579
Actuarial (gains)/losses based on empirical assumptions	(1,211)	(660)
Additions/disposals	509	(2,195)
Currency translation differences from foreign plans	1,506	1,822
Defined benefit obligation (DBO) at end of fiscal year	**188,512**	**144,477**

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

	2015/16	2014/15
	€k	€k
Fair value of plan assets at beginning of fiscal year	**79,612**	**78,015**
Interest income	2,114	2,278
Revaluations (income from plan assets, excluding amounts already included in interest)	2,979	(3,146)
Employer contributions	24,711	1,983
Employee contributions	36	217
Pension payments from plan assets	(2,124)	(1,310)
Currency translation differences from foreign plans	50	1,575
Fair value at end of fiscal year	**107,378**	**79,612**

For the coming fiscal year the Group intends to pay a contribution of €346k (prior year: €709k) into the defined benefit plans.

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

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

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

	30 Sep 2016	30 Sep 2015
	€k	€k
Developed markets	22,003	17,241
Growth markets	6,124	5,833
Equity instruments (shares)	**28,127**	**23,074**
Government bonds	12,134	11,701
Corporate bonds	24,677	19,287
Other	5,462	5,692
Debt instruments (bonds and debentures)	**42,273**	**36,680**
Real estate	**319**	**394**
Alternative instruments	**10,971**	**5,434**
Cash	**25,652**	**7,252**
Other	**36**	**6,778**
Total plan assets	**107,378**	**79,612**

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

	Germany		USA		Japan	
	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15
	in %	in %	in %	in %	in %	in %
Discount factor	1.30	2.35	3.18	3.93	0.36	0.90
Long-term salary increase	2.75	2.75	-	-	4.01	2.65
Future pension increase	1.75	1.75	-	-	-	-

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

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

	Increase	Decrease
	€k	€k
Discount rate	24,619	(20,763)
Remuneration trend	3,141	(2,801)
Rate of pension progression	6,197	(5,592)

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

In order to examine the sensitivity of the DBO to a change in the assumed life expectancy, the projected mortality rates were reduced, within the scope of a comparative calculation, to the extent that the reduction leads to an increase in life expectancy by roughly one year. The DBO as of 30 September 2016 would thus have been €6,899k higher.

The weighted duration of the pension obligations was 24.8 years as of 30 September 2016 (prior year: 23.2 years).

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

Fiscal year ending 30 September	Expected benefit payments
	€k
2017	2,322
2018	2,902
2019	3,422
2020	3,696
2021	4,108
2022 - 2026	22,399

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 2015	**2,723**	**13,755**	**12,349**	**28,827**
Additions	2,424	13,394	4,180	19,998
Interest yield	36	1	20	57
Reclassifications	(484)	(24)	508	-
Reversals	(173)	(1,834)	(1,044)	(3,051)
Utilization	(1,240)	(10,522)	(6,685)	(18,447)
Currency effects	131	281	275	687
As of 30 Sep 2016	**3,417**	**15,051**	**9,603**	**28,071**
Current provisions	225	14,584	7,882	22,691
Non-current provisions	3,192	467	1,721	5,380
Provisions as of 30 Sep 2016	**3,417**	**15,051**	**9,603**	**28,071**
Current provisions	250	12,988	11,122	24,360
Non-current provisions	2,473	767	1,227	4,467
Provisions as of 30 Sep 2015	**2,723**	**13,755**	**12,349**	**28,827**

Further information can be found in note (2(p)). Non-current provisions for personnel and social commitments include provisions for partial retirement obligations. The fair value of the plan assets was offset against the provision at the end of the reporting period as follows:

	30 Sep 2016	30 Sep 2015
	€k	€k
Present value of partial retirement obligations	746	969
Fair value of plan assets	524	760
Reported net liability for partial retirement obligations	**222**	**209**

24 Non-current financial liabilities

Non-current financial liabilities comprise the following:

	30 Sep 2016	30 Sep 2015
	€k	€k
Annuity loans	851	1,340
Non-current currency forward contracts	-	65
Other non-current financial liabilities	1,251	-
Total non-current financial liabilities	**2,102**	**1,405**
Less current portion of non-current financial liabilities	492	489
Non-current financial liabilities less current portion	**1,610**	**916**

The variable-interest annuity loan of one Group company has a term of 18 years and is redeemed in quarterly installments of €124k, each including interest. In fiscal year 2015/16 this loan bore an average interest rate of 0.63% p. a.

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

As of 30 September 2016 the Company's non-current liabilities had the following maturities:

Fiscal year ending 30 September	Liabilities
	€k
2017	492
2018	984
2019	626
Thereafter	-
Non-current liabilities, total	**2,102**

25 Current accrued liabilities

Current accrued liabilities include the following items:

	30 Sep 2016	30 Sep 2015
	€k	€k
Outstanding invoices	26,911	18,598
Christmas bonus, special payments, and other personnel-related liabilities	37,445	39,483
Commissions/bonuses	4,051	4,118
Year-end costs	706	563
Consultancy fees	231	140
Insurance	21	774
Other accrued liabilities	1,803	1,771
Current accrued liabilities	**71,168**	**65,447**

26 Other current non-financial liabilities

Other current non-financial liabilities comprise the following:

	30 Sep 2016	30 Sep 2015
	€k	€k
Deferred income	19,810	21,020
Payments received on account of orders	6,190	5,209
Liabilities from taxes not related to income	4,249	5,998
Liabilities from social security	1,878	2,310
Wage withholding tax	2,388	1,725
Other liabilities	899	2,238
Other current non-financial liabilities	**35,414**	**38,500**

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 2016 and 30 September 2015.

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

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

	30 Sep 2015 Carrying amount, statement of financial position acc. to IAS 39							
	Valuation category according to IAS 39	Carrying amount	Amortized cost	Fair value recognized in equity	Fair value recognized through profit or loss	Carrying amount cash reserve	Carrying amount statement of financial position IAS 17	Fair value*
		€k	€k	€k	€k	€k	€k	€k
Primary financial instruments								
Assets								
Trade receivables	LaR	**193,736**	193,736	-	-	-	-	**193,736**
Receivables from related parties	LaR	**58,900**	58,900	-	-	-	-	**58,900**
Treasury receivables	LaR	**301,412**	301,412	-	-	-	-	**301,412**
Investments	AfS	**124**	124	-	-	-	-	**124**
Loans	LaR	**1,349**	1,349	-	-	-	-	**1,349**
Other non-current financial assets	LaR	**1,332**	1,332	-	-	-	-	**1,332**
Other current financial assets	LaR	**2,444**	2,444	-	-	-	-	**2,444**
Cash	LaR	**13,041**	-	-	-	13,041	-	**13,041**
Equity and liabilities								
Trade payables	FLAC	**42,859**	42,859	-	-	-	-	**42,859**
Liabilities to related parties	FLAC	**23,454**	23,454	-	-	-	-	**23,454**
Treasury payables	FLAC	**36,043**	36,043	-	-	-	-	**36,043**
Loans from banks	FLAC	**1,556**	1,556	-	-	-	-	**1,420**
Financial liabilities which cannot be allocated to any category within the meaning of IAS 39:								
Leasing liabilities	n.a.	**11,735**	-	-	-	-	11,735	**13,904**
Derivative financial instruments								
Assets								
Currency hedging contracts	FVTPL	**5,023**	-	-	5,023	-	-	**5,023**
Equity and liabilities								
Currency hedging contracts	FVTPL	**3,067**	-	-	3,067	-	-	**3,067**
Thereof aggregated by valuation category pursuant to IAS 39								
Loans and receivables (LaR)		**572,214**	559,173	-	-	13,041	-	**572,214**
Available-for-sale financial assets (AfS)		**124**	124	-	-	-	-	**124**
Financial assets/liabilities through profit or loss (FVTPL)		**8,090**	-	-	8,090	-	-	**8,090**
Financial liabilities measured at amortized cost (FLAC)		**103,912**	103,912	-	-	-	-	**103,776**

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

The abbreviations of the valuation categories according to IAS 39 are explained in note (2(i)). 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
» Non-current loans to employees » Other non-current financial assets	LaR LaR	» Other non-current assets
» Other current financial assets » Asset-side currency hedging contracts	LaR FAHfT	» 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 FLAC	» Non-current financial liabilities » Current financial liabilities
» Loans from banks	FLAC FLAC	» Non-current financial liabilities » Current financial liabilities
» Liabilities-side currency hedging contracts	FLHfT	» 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 2016 the Company had currency hedging contracts with a total nominal value of €469,072k (prior year: €372,382k) . Gains and losses on the valuation of derivative financial instruments not yet due totaling €-5,191k (prior year: €+2,117k) 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: at fair value	From subsequent valuation: Foreign currency translation	From subsequent valuation: Valuation allowance	Amortiza-tion	Other comprehen-sive income	Net income
		€k	€k	€k	€k	€k	€k	€k
From loans and receivables	30 Sep 2016	618	n.a.	3,298	(3,105)	(26)	n.a.	785
	30 Sep 2015	1,270	n.a.	1,538	(9,105)	(65)	n.a.	(6,362)
From available-for-sale financial assets	30 Sep 2016	-	-	-	(810)	-	-	(810)
	30 Sep 2015	-	-	-	(11,493)	-	-	(11,493)
From held-for-trading financial assets and liabilities	30 Sep 2016	-	(5,191)	(6,988)	-	-	-	(12,179)
	30 Sep 2015	-	2,117	(11,463)	-	-	-	(9,346)
From financial liabilities carried at amortized cost	30 Sep 2016	(713)	n.a.	(460)	n.a.	n.a.	n.a.	(1,173)
	30 Sep 2015	(367)	n.a.	(1,114)	n.a.	n.a.	n.a.	(1,481)
Other	30 Sep 2016	(2,419)	-	-	294	-	-	(2,125)
	30 Sep 2015	(2,379)	-	-	421	-	-	(1,958)
Total	**30 Sep 2016**	**(2,514)**	**(5,191)**	**(4,150)**	**(3,621)**	**(26)**	**-**	**(15,502)**
	30 Sep 2015	**(1,476)**	**2,117**	**(11,039)**	**(20,177)**	**(65)**	**-**	**(30,640)**
thereof through profit or loss	30 Sep 2016	(2,514)	(5,191)	(4,150)	(3,621)	(26)	-	(15,502)
	30 Sep 2015	(1,476)	2,117	(11,039)	(20,177)	(65)	-	(30,640)
thereof selling and marketing expenses	30 Sep 2016	-	-	-	(3,105)	(26)	-	(3,131)
	30 Sep 2015	-	-	-	(1,704)	(65)	-	(1,769)

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" (note 5). 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 recognized under "Selling costs", as well as the write-off of the final tranche paid out to Oraya in January, which is included in the result from investments measured at equity. 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 the currency risk arising from the net investment in Japanese yen, a forward exchange contract with matching maturity and a residual term of less than one year was concluded in the second quarter of the fiscal year. This forward exchange contract was designated as a net investment hedge in compliance with the hedge accounting regulations. The fair value of the hedge amounted to €7,201k as of 30 September 2016 . There were no significant ineffective portions in the current fiscal year.

Financial assets carried at fair value by valuation category

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

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

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

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

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

		Category 1	Category 2	Category 3	Total
		€k	€k	€k	€k
Financial assets recognized at fair value through profit or loss	30 Sep 2016	-	3,470	-	3,470
	30 Sep 2015	-	5,023	-	5,023
Financial liabilities recognized at fair value through profit or loss	30 Sep 2016	-	(8,660)	-	(8,660)
	30 Sep 2015	-	(3,067)	-	(3,067)
Derivative financial instruments with hedge relationship	30 Sep 2016	-	(7,201)	-	(7,201)
	30 Sep 2015	-	-	-	-

OTHER DISCLOSURES

28 Leases

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 2015/16 and 2014/15 amounted to €13,986k and €14,118k, respectively .

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

	Lease and rental payments
	€k
Up to 1 year	12,989
1 to 5 years	32,424
More than 5 years	13,020
Total minimum lease and rental payments	**58,433**

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 obligations from finance leases are as follows:

	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15
	€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	953	1,651	37	55	990	1,706
Due within 1 to 5 years	3,795	3,690	91	119	3,886	3,809
Due after more than 5 years	723	208	-	-	723	208
Total	**5,471**	**5,549**	**128**	**174**	**5,599**	**5,723**

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

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

There are also finance lease agreements pertaining to company vehicles.

The obligations from finance leases are as follows:

	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15
	€k	€k	€k	€k	€k	€k
	Present value of future lease payments		Interest portion of future lease payments		Total future lease payments	
Due within 1 year	2,854	2,806	681	850	3,535	3,656
Due within 1 to 5 years	6,126	8,929	691	1,401	6,817	10,330
Due after more than 5 years	-	-	-	-	-	-
Total	**8,980**	**11,735**	**1,372**	**2,251**	**10,352**	**13,986**

29 Contingent liabilities and other financial commitments

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

Purchase commitments
The Carl Zeiss Meditec Group has purchase commitments towards suppliers for property, plant and equipment amounting to €971k (prior year: €911k) and for intangible assets totaling €648k (prior year: €630k) .

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.

Furthermore, a litigation risk arises from the claim of a former sales partner in Egypt for compensation and damages. The Company believes that there is no sufficient basis for this claim and is therefore contesting it.

An extrajudicial claim for damages is being brought against the Californian-based Aaren Scientific Inc. – whose entire shares are held by the Company's US subsidiary – by its Italian distributor. Both the Company and Aaren Scientific Inc. believe these claims to be unfounded; Aaren Scientific Inc. is therefore appealing them.

Provisions have been set up for the expected costs (note 23).

30 Securities

Assets pledged as security
Borrowings in the amount of €851k (prior year: €1,340k) are secured by land and buildings, plant and machinery. There are no restrictions on rights of disposal.

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

31 Segment reporting

Pursuant to IFRS 8, the Group publishes its operating segments based on the information that is reported internally to the Management Board, which is also Chief Operating Decision Maker. The Group has three operating segments, which are simultaneously the Group’s Strategic Business Units ("SBUs"). On 1 August 2016, the two existing SBUs "Surgical Ophthalmology" and "Ophthalmic Systems" were combined into a joint **Ophthalmic Devices** SBU. The Company’s aim with this combination is to increase customer focus after the alignment of the organizational structure by customer groups in the last fiscal year. This means that all activities in the area of ophthalmology, such as intraocular lenses, surgical visualization solutions and medical laser and diagnostic systems shall be allocated to the **Ophthalmic Devices** SBU. The **Microsurgery** segment shall continue to comprise the activities of neuro, ear, nose and throat surgery, as well as the activities in the field of intraoperative radiation. 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 Systems		Surgical Ophthalmology		**Ophthalmic Devices**		**Microsurgery**		**Total**	
	2015/16	2014/15	**2015/16**	2014/15	**2015/16**	2014/15*	**2015/16**	2014/15	**2015/16**	2014/15
	€k	€k	€k	€k	€k	€k	€k	€k	€k	€k
External revenue	**421,183**	**391,958**	**370,683**	**355,267**	**791,866**	**747,225**	**296,499**	**292,836**	**1,088,365**	**1,040,061**
Gross profit	186,987	169,895	210,820	197,059	397,807	366,954	181,739	172,729	579,546	539,683
Selling and marketing expenses	(93,793)	(90,696)	(87,486)	(83,862)	(181,279)	(174,558)	(74,049)	(73,391)	(255,328)	(247,949)
General administrative expenses	(14,713)	(16,152)	(20,748)	(21,105)	(35,461)	(37,257)	(11,019)	(11,929)	(46,480)	(49,186)
Research and development expenses	(49,351)	(44,846)	(44,319)	(45,274)	(93,670)	(90,120)	(29,736)	(21,837)	(123,406)	(111,957)
Earnings before interest and taxes	**29,130**	**18,201**	**58,267**	**46,818**	**87,397**	**65,019**	**66,935**	**65,572**	**154,332**	**130,591**
Depreciation and amortization	7,173	5,707	10,997	10,368	18,170	16,075	2,056	3,087	20,226	19,162
Appropriation to provisions	14,695	10,638	3,825	5,614	18,520	16,252	1,514	4,162	20,034	20,414

Reconciliation of segments’ comprehensive income to the Group’s period-end result:

	2015/16	2014/15
Comprehensive income of the segments	**154,332**	**130,591**
Consolidated earnings before interest and taxes (EBIT)	**154,332**	**130,591**
Financial result	(12,371)	(28,871)
Consolidated earnings before income taxes	**141,961**	**101,720**
Income tax expense	(41,991)	(36,159)
Consolidated profit	**99,970**	**65,561**
Thereof attributable to:		
Shareholders of the parent company	98,330	62,297
Non-controlling interests	1,640	3,264

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

As a general rule there were no intersegment sales.

The information on geographic regions is based on the regions of Germany, the USA, Japan, Europe (excluding Germany) and Other 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.

	2015/16		2014/15	
	Revenue	Non-current assets	Revenue	Non-current assets
	€k	€k	€k	€k
Germany	522,857	63,359	485,793	59,172
USA	345,641	120,031	343,557	116,799
Japan	102,991	1,293	96,186	945
Europe (excluding Germany)	116,876	100,585	114,525	102,279
Other	-	439	-	420
Total	**1,088,365**	**285,707**	**1,040,061**	**279,615**

Segment assets comprise the non-current assets of the segment less deferred income taxes of €89,621k (prior year: €72,985k), investments of €124k (prior year: €124k), other loans of €2,348 (prior year: €1,349k) and non-current trade receivables of €11,097k (prior year: €8,919k) .

Major customers

Carl Zeiss AG and its subsidiaries (except Carl Zeiss Meditec Group) constitute one of the Carl Zeiss Meditec Group's major customers, accounting for more than 10% of total revenue. Revenue is generated with Carl Zeiss AG and its subsidiaries in all segments (note (33)).

32 Government grants

Grants allocated for fiscal year 2015/16 and 2014/15 were as follows:

	2015/16	2014/15
	€k	€k
Research and development subsidies	87	116
Grants for assets	281	193
Wage subsidies	279	274
Total	**647**	**583**

Grants received in the amount of €281k (prior year: €193k) were deferred and amortized through profit or loss. Specifically, the investment grant is subject to the respective property, plant and equipment remaining in the assisted area for five years. The Group has not identified any risks of repayment for which a provision has not been set up. The subsidies awarded for research and development costs were recognized under "Research and development expenses".

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

33 Related party disclosures

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

	Transaction amount			
	2015/16		2014/15	
	ZEISS Group	thereof Carl Zeiss AG	ZEISS Group	thereof Carl Zeiss AG
	€k	€k	€k	€k
Sale of merchandise	360,478	15	308,146	7
Purchase of merchandise	42,217	88	52,929	1,182
Services rendered	13,353	2,744	14,794	2,295
Purchased services*	122,979	47,319	104,892	51,638
including:				
Lease and rental costs	5,260	3,546	5,264	3,482
Research and development expenses	19,231	8,723	18,520	11,383
Licensing costs and expenses for other rights of use	11,158	2,145	9,999	9,259

* includes the amounts recognized in equity from derivative financial instruments

	Outstanding balance			
	30 Sep 2016		30 Sep 2015	
	ZEISS Group	thereof Carl Zeiss AG	ZEISS Group	thereof Carl Zeiss AG
	€k	€k	€k	€k
Receivables	417,277	2,199	360,312	1,672
Liabilities	61,085	11,517	59,497	8,640

The amounts presented above include income – mainly financial income from the execution and valuation of currency hedging transactions – and expenses – mainly financial expenses from the execution and valuation of currency hedging transactions – totaling €9,306k (prior year: €10,273k) and €23,550k (prior year: €21,066k), and amounts offset against equity of €7,201k (prior year: €0k) as well as receivables from and liabilities to Carl Zeiss Financial Services GmbH in the amount of €354,528k (prior year: €301,412k) and €28,656k (prior year: €36,043k). Licensing costs and expenses for other rights of use include patent and trademark costs for the first time from this fiscal year on.

Receivables from Carl Zeiss Financial Services GmbH included a current fixed-term deposit of €110,000k in the past fiscal year, which expired in the first quarter of fiscal year 2015/16 and was not renewed. Aside from this fixed-term deposit, the loans granted and monies invested by Carl Zeiss Financial Services GmbH are subject to a variable interest rate. All loans granted by Carl Zeiss Financial Services GmbH and funds invested are subject to normal market conditions.

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

	2015/16	2014/15
	€k	€k
Short-term payments due	2,477	1,955
Payments due after termination of employment contract	455	287
Other long-term payments due	264	251
Total remuneration paid to key personalities within the Group	**3,196**	**2,493**

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

34 Notifiable transactions in the reporting period

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

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

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

35 Financial risk management

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

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

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

Market risk

Interest fluctuation risk

The Group mainly holds interest-bearing financial instruments via its short-term cash and cash equivalent investments, loans and treasury receivables - from the Carl Zeiss group cash management of Carl Zeiss Financial Services GmbH, Oberkochen (see note (2(i)). The Group also holds non-current, interest-bearing financial receivables and liabilities and leasing liabilities.

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

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

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

	30 Sep 2016	30 Sep 2015
	€k	€k
Variable-interest financial assets	-	-
Fixed-interest financial assets	-	-
Total interest-bearing assets	-	-
Variable-interest financial liabilities	889	1,466
Fixed-interest financial liabilities	8,875	11,599
Total interest-bearing liabilities	**9,764**	**13,065**

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

		Carrying amount	Effects of interest risks on			
			result		Equity	
			+100 BP	-100 BP	+100 BP	-100 BP
		€k	€k	€k	€k	€k
Variable-interest financial instruments	30 Sep 2016	889	(27)	27	-	-
	30 Sep 2015	1,466	(73)	73	-	-

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

Other price risks

IFRS 7 requires that the presentation of market risks also includes information about the effects hypothetical changes in risk variables could have on the prices of financial instruments. Possible risk variables are in particular stock market prices or indices. As in the prior year, there were no material risks of this kind within the Group as of 30 September 2015.

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 years in the amount of the ratio 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	CAD	CNY	AUD	PLN	CZK	BRL	Other
		€k	€k	€k	€k	€k	€k	€k	€k	€k	€k	€k	€k
Assets													
Loans	30 Sep 2016	2,348	-	2,348	-	-	-	-	-	-	-	-	-
	30 Sep 2015	1,349	-	1,349	-	-	-	-	-	-	-	-	-
Trade receivables	30 Sep 2016	200,341	199,256	1,085	-	-	-	-	-	-	-	-	-
	30 Sep 2015	193,736	191,788	1,948	-	-	-	-	-	-	-	-	-
Receivables from related parties	30 Sep 2016	60,216	21,375	20,070	-	1,751	1,768	145	2,971	1,132	674	8,183	2,147
	30 Sep 2015	58,900	27,895	10,165	-	3,615	1,064	461	2,703	2,254	513	8,505	1,725
Asset-side currency hedging contracts	30 Sep 2016	3,470	-	1,451	31	1,707	99	1	-	10	6	-	165
	30 Sep 2015	5,023	-	573	328	656	532	53	1,755	53	5	-	1,068
Total assets	**30 Sep 2016**	**266,375**	**220,631**	**24,954**	**31**	**3,458**	**1,867**	**146**	**2,971**	**1,142**	**680**	**8,183**	**2,312**
	30 Sep 2015	**259,008**	**219,683**	**14,035**	**328**	**4,271**	**1,596**	**514**	**4,458**	**2,307**	**518**	**8,505**	**2,793**
Equity and liabilities													
Trade payables	30 Sep 2016	57,105	48,518	6,597	1,068	40	-	-	-	-	-	-	882
	30 Sep 2015	42,859	37,053	4,423	1,060	21	-	-	-	-	-	-	302
Liabilities to related parties	30 Sep 2016	29,426	27,252	285	-	5	1	1,615	-	-	-	107	161
	30 Sep 2015	23,454	19,658	1,012	-	42	-	2,319	3	15	-	27	378
Liabilities-side currency hedging contracts	30 Sep 2016	8,660	-	1,938	5,063	8	69	524	756	67	13	-	222
	30 Sep 2015	3,067	-	2,413	465	65	-	57	-	3	25	-	39
Derivative financial instruments with hedge relationship	30 Sep 2016	7,201	-	-	7,201	-	-	-	-	-	-	-	-
	30 Sep 2015	-	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	**30 Sep 2016**	**102,392**	**75,770**	**8,820**	**13,332**	**53**	**70**	**2,139**	**756**	**67**	**13**	**107**	**1,265**
	30 Sep 2015	**69,380**	**56,711**	**7,848**	**1,525**	**128**	**-**	**2,376**	**3**	**18**	**25**	**27**	**719**

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

		Carrying amount	Effects of currency risks on			
			result		Equity	
		€	+10%	-10%	+10%	-10%
Assets		€k	€k	€k	€k	€k
Loans	30 Sep 2016	2,348	(235)	235	-	-
	30 Sep 2015	1,349	(135)	135	-	-
Trade receivables	30 Sep 2016	200,341	(109)	109	-	-
	30 Sep 2015	193,736	(195)	195	-	-
Receivables from related parties	30 Sep 2016	60,216	(3,884)	3,884	-	-
	30 Sep 2015	58,900	(3,179)	3,179	-	-
Asset-side currency hedging contracts	30 Sep 2016	3,470	5,528	(5,528)	-	-
	30 Sep 2015	5,023	10,099	(10,099)	-	-
Effect of financial instruments before taxes	**30 Sep 2016**	**266,375**	**1,300**	**(1,300)**	**-**	**-**
	30 Sep 2015	**259,008**	**6,590**	**(6,590)**	**-**	**-**
Equity and liabilities						
Trade payables	30 Sep 2016	57,105	(859)	859	-	-
	30 Sep 2015	42,859	581	(581)	-	-
Liabilities to related parties	30 Sep 2016	29,426	(217)	217	-	-
	30 Sep 2015	23,454	390	(390)	-	-
Liabilities-side currency hedging contracts	30 Sep 2016	8,660	25,474	(25,474)	-	-
	30 Sep 2015	3,067	16,003	(16,003)	-	-
Derivative financial instruments with hedge relationship	30 Sep 2016	7,201	-	-	5,748	(5,748)
	30 Sep 2015	-	-	-	-	-
Effect of financial instruments before taxes	**30 Sep 2016**	**102,392**	**24,398**	**(24,398)**	**5,748**	**(5,748)**
	30 Sep 2015	**69,380**	**16,974**	**(16,974)**	**-**	**-**

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 from the derivative financial instruments used is not believed to be material, due to credit checks, among other things. There is no discernible concentration of default risks 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. With the exception of the loan to Oraya (note 12), 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	
	2015/16	2014/15
	€k	€k
As of 1 Oct 2015	**5,534**	**5,007**
Appropriation	3,749	2,766
Utilization	(411)	(1,246)
Reversal	(644)	(1,062)
Exchange rate differences	(6)	69
As of 30 Sep 2016	**8,222**	**5,534**
Gross carrying amount of impaired trade receivables	52,586	47,193
Net carrying amount of impaired trade receivables	44,364	41,659

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 2016	2,348	2,348	-	-	-	-	-
	30 Sep 2015	1,349	1,349	-	-	-	-	-
Trade receivables	30 Sep 2016	200,341	107,443	13,747	9,966	5,977	2,766	7,856
	30 Sep 2015	193,736	106,378	14,567	13,697	3,831	5,501	8,103
Receivables from related parties	30 Sep 2016	60,216	53,092	962	1,724	2,328	1,937	173
	30 Sep 2015	58,900	49,011	2,718	2,685	4,143	275	68
Treasury receivables	30 Sep 2016	354,528	354,528	-	-	-	-	-
	30 Sep 2015	301,412	301,412	-	-	-	-	-

The majority of the trade receivables result from sales with companies of the 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 68.2%, the risk of insolvency is currently considered negligible.

As in the prior year, the primary financial liabilities of the Group had essentially a short-term maturity as of 30 September 2016, with the exception of leasing liabilities.

As of 30 September 2016 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 2016	330,662	330,662	-	-
	30 Sep 2015	191,692	175,923	15,769	-
Cash inflows	30 Sep 2016	348,807	348,807	-	-
	30 Sep 2015	194,868	178,801	16,067	-

36 Additional disclosures on capital management

The Group manages its capital with the aim of minimizing the Group's capital costs and, at the same time, maintaining the balance between cash flow volatility and financial flexibility. In order to achieve this goal, the ratio of equity to borrowed capital, among other things, must be optimized accordingly. Currently the Company is moving within the specified target corridor. The main decisions relating to the financing structure are made by the Management Board. The key ratios "equity ratio" and "net debt" are used as a control ratio for the ratio between equity and borrowings. Carl Zeiss Meditec AG calculates these key ratios regularly and reports them to the Management Board to allow the Management Board to introduce any measures necessary. The key ratio "equity ratio" is defined as the percentage ratio of equity, including non-controlling interests, to total capital. Net debt is calculated from the Group's borrowings less cash and cash equivalents and treasury receivables (Group treasury of Carl Zeiss AG). As the fixed-term deposit expired at the beginning of the fiscal year, the prior year's net debt as well as the prior year’s value of the dynamic gearing ratio was adjusted to €110,000k for better comparability. In the past fiscal year, the equity ratio stood at 68.2% (prior year: 70.0%) Net debt amounted to €33,329k (prior year: €27,387k). 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 2016	30 Sep 2015
	€k	€k
Equity (incl. non-controlling interests)	851,163	797,450
Borrowed capital	396,567	341,840
Total assets	**1,247,730**	**1,139,290**
Cash and cash equivalents	8,710	13,041
Treasury receivables	354,528	301,412
Equity ratio in percent	68.2%	70.0%
Net debt	**33,329**	**27,387**

The dynamic gearing ratio of the Group, i.e., the ratio of net debt to cash flow from operating activities, amounts to 0.3 years in the course of fiscal year 2015/16 (prior year: 0.5 years). The interest coverage ratio, i.e., the coverage of interest income by the operating result before depreciation and amortization (EBITDA), amounted to 69.4 in fiscal year 2015/16 (prior year: 101.5).

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

37 Subsequent events

Dividend payments
The Management Board and Supervisory Board propose a dividend payment of €34,150k (€0.42 per share). Based on fiscal year 2014/15, a dividend of €30,898k (€0.38 per share) was proposed in the fiscal year under review and distributed to the shareholders.

Sale of Aaren assets
A contract was concluded between Aaren and Aaren Laboratories, LLC, US, a third party, on 4 November 2016 with effect from 6 November 2016, providing for the disposal of assets related to the operation of hydrophilic intraocular lenses at Aaren.

The disposal includes property, plant and equipment at a carrying amount of €0.4m and inventories amounting to €1.0m. The purchase price amounts to €9.3m, and was paid in November 2016.

The expected disposal proceeds amount to €7.9 m. This will be recognized in the income statement of the Group in the first quarter of fiscal year 2016/17.

In this same contract dated 4 November 2016 Carl Zeiss Meditec Inc., Dublin, USA, Aaren,'s direct parent company, and Aaren Laboratories, LLC, USA, agreed that the purchaser may buy the legal entity Aaren at a purchase price of USD3m. The acquisition date for the legal entity is within a three-month period starting 6 November 2017.

38 Other mandatory disclosures pursuant to Section 315a HGB

Disclosures on executive bodies of the parent company

Management Board

The following were appointed as members of the Management Board of Carl Zeiss Meditec AG in fiscal year 2015/16 and entered in the commercial register:

Member of Management Board	Membership of statutory supervisory boards and similar supervisory bodies at companies of the 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 Physics graduate, MBA Area of responsibility: Ophthalmic Systems SBU, strategic business development, Group functions Human Resources, Corporate Communications, MarCom, Digital Year of first appointment 2007 In addition: Member of the Executive Board of Carl Zeiss AG, Oberkochen Germany	» Chairman of the Board of Directors of Carl Zeiss Meditec Inc., Dublin, USA » Chairman of the Board of Directors of Carl Zeiss Meditec Co. Ltd., Tokyo, Japan » Chairman of the Board of Directors of Carl Zeiss S.A.S., Marly-le_Roi, France » Chairman of the Board of Directors of Carl Zeiss Ltd., Cambridge, United Kingdom » 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 S.p.A., Arese, Italy (until 1 December 2015)	» Member of the Board of the International Council of Ophthalmology Foundation, San Francisco, USA (until 27 September 2016)
Thomas Simmerer (until 30 September 2016) Dipl.-Ing. Area of responsibility: Microsurgery SBU, Sales, Service, Regulatory Affairs Year of first appointment 2011	» Member of the Board of Directors of Carl Zeiss Meditec Co. Ltd., Tokyo, Japan (until 31 August 2016) » Chairman of the Board of Directors of Carl Zeiss Meditec Iberia S.A., Tres Cantos, Spain (until 30 September 2016) » Chairman of the Board of Directors of Carl Zeiss Meditec France S.A.S., Marly-le-Roi, France (until 30 September 2016) » Member of the Board of Directors of Carl Zeiss S.p.A.,Arese, Italy (until 30 September 2016) » Member of the Board of Directors of Carl Zeiss GmbH, Vienna, Austria (until 30 September 2016) » Member of the Administrative Board of Carl Zeiss AG, Hombrechtikon, Switzerland (until 12 January 2016) » Member of the Board of Directors of Carl Zeiss de Mexico S.A. de C.V:, Mexico City, Mexico (until 30 September 2016)	» Member of the Advisory Board of Ondal Holding GmbH, Hünfeld, Germany
Dr. Christian Müller Dipl.-Kaufmann (MBA) Area of responsibility: Surgical Ophthalmology SBU, Group functions Finance and Controlling, Investor Relations, IT, Legal Affairs, Taxes, Quality Year of first appointment 2009	» Member of the Board of Directors of Carl Zeiss Meditec France S.A.S., Marly-le-Roi, France » Member of the Board of Directors of Carl Zeiss Meditec, Inc., Dublin, USA » Member of the Board of Directors of Carl Zeiss Meditec Iberia S.A., Tres Cantos, Spain » Chairman of the Board of Directors of Aaren Scientific, Inc., Ontario, USA » Member of the Board of Directors of Carl Zeiss Meditec Co. Ltd., Tokyo, Japan (since 1 September 2016)	» Member of the Board of Directors of Oraya Therapeutics, Inc., Newark, USA (in liquidation)

The total remuneration paid directly to the active members of the Management Board pursuant to Section 314 (1) No. 6a HGB amounted to €2,201k in fiscal year 2015/16 (prior year: €1,665k). Details of this remuneration are contained in the remuneration report in the management report. Projected unit credits for pensions for active members of the Company's Management Board amounted to €1,051k (prior year: €751k). The service cost of active Management Board members was €218k (prior year: €201k). Furthermore, projected unit credits for pensions for former members of the Management Board of Carl Zeiss Meditec AG amounted to €991k (prior year: €765k).

Supervisory Board

The Supervisory Board of Carl Zeiss Meditec AG had the following members in fiscal year 2015/16:

Member of Supervisory Board	Membership of statutory supervisory boards and similar supervisory bodies at companies of the ZEISS Group	Membership of statutory supervisory boards and similar supervisory bodies at other companies
Prof. Dr. Michael Kaschke Chairman Chairman of the Supervisory Board since 2002 Suspended mandate pursuant to Section 105 AktG between 22 July 2008 and 21 July 2009. Re-elected Chairman of the Supervisory Board since 2010 Chairman of the Executive Board of Carl Zeiss AG, Oberkochen, Germany	» Chairman of the Supervisory Board of Carl Zeiss Microscopy GmbH, Jena, Germany » Chairman of the Board of Directors of Carl Zeiss Pte. Ltd., Singapore, Singapore » Chairman of the Board of Directors of Carl Zeiss Pty. Ltd., North Ryde, Australia » Chairman of the Board of Directors of Carl Zeiss Far East Co., Ltd., Kwai Chung/Hong Kong, China » Chairman of the Board of Directors of Carl Zeiss India (Bangalore) Pte. Ltd., Bangalore, India » Chairman of the Supervisory Board of Carl Zeiss SMT GmbH, Oberkochen, Germany » Chairman of the Board of Directors of Carl Zeiss (Pty.) Ltd., Randburg, South Africa » Member of the Board of Directors of Carl Zeiss de Mexico S.A. de C.V:, Mexico City, Mexico (until 31 December 2015) » 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 (since 4 May 2016)	» Member of the Supervisory Board, Audit Committee, of Henkel AG & Co. KGaA, Düsseldorf, Germany » Member of the Executive Board, Audit Committee, of Deutsche Telekom AG, Bonn, Germany » Member of the Supervisory Board of Robert Bosch GmbH, Stuttgart, Germany (since 8 April 2016)
Dr. Markus Guthoff Deputy Chairman (until 6 April 2016) Member of the Supervisory Board since 2004 Member of the Management Board (CFO) of ALBA Group plc & Co. KG, Berlin, Germany	» none	» none

* as in the prior year inclusive of 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 ZEISS Group	Membership of statutory supervisory boards and similar supervisory bodies at other companies
Thomas Spitzenpfeil Dipl.-Wirtsch.-Ing. Member of the Supervisory Board since 2011 Member of the Executive Board (CFO) of Carl Zeiss AG, Oberkochen, Germany	» Chairman of Carl Zeiss Pensions-Treuhand e.V., Oberkochen, Germany » Chairman of the Board of Directors of Carl Zeiss B.V., Sliedrecht, Netherlands (until 30 September 2015) » Chairman of the Board of Directors - Carl Zeiss N.V.-S.A., Zaventem, Belgium (until 30 September 2015) » Chairman of the Administrative Board of Carl Zeiss AG., Feldbach, Switzerland » Chairman of the Board of Directors of Carl Zeiss AB, Stockholm, Sweden » Member of the internal Advisory Board of Carl Zeiss GmbH, Vienna, Austria (until 29 October 2015) » Chairman of the Board of Directors of Carl Zeiss Inc., Thornwood, USA (until 3 May 2016) » Member of the Board of Directors of Carl Zeiss Inc., Thornwood, USA (since 4 May 2016) » Chairman of the Board of Directors of Carl Zeiss A/S, Birkerød, Denmark (until 15 July 2016) » Chairman of the Board of Directors of Brock & Michelsen Invest A/S, Birkerød, Denmark (until 15 July 2016) » Chairman of the Board of Directors of Carl Zeiss Co., Ltd., Tokyo, Japan » Chairman of the Supervisory Board of Carl Zeiss Jena GmbH, Jena, Germany (since 1 October 2015)	» none
Dr. Carla Kriwet Deputy Chairwoman (since 6 April 2016) Member of the Supervisory Board since 2014 Executive Vice President Philips Healthcare, Andover, USA	» none	» Member of the Advisory Board of the Hamburgische Investitions- und Förderbank IFB, Hamburg, Germany » Member of the Supervisory Board of Save the Children e.V., Berlin, Germany
Cornelia Grandy* Member of the Supervisory Board since 2011 Service engineer and deputy chairwoman of the General Works Council of Carl Zeiss Meditec AG, Jena, Germany	» none	» none
Jörg Heinrich* Member of the Supervisory Board since 2011 Employee for quality/complaint management and member 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. Markus Guthoff Thomas Spitzenpfeil (until 6 April 2016) Dr. Carla Kriwet (since 6 April 2014)
Audit Committee	Dr. Markus Guthoff, Chairman Jörg Heinrich Prof. Dr. Michael Kaschke (until 6 April 2016) Thomas Spitzenpfeil (since 6 April 2016)
Nominating Committee	Thomas Spitzenpfeil, Chairman Dr. Markus Guthoff Dr. Carla Kriwet (until 6 April 2016) Prof. Dr. Michael Kaschke (since 6 April 2016)

The total remuneration of the active members of the Supervisory Board amounted to €255k in fiscal year 2015/16 (prior year: €251k)*. Details of this remuneration are contained in the remuneration report in the management report. The remuneration of Supervisory Board members is governed by Art. 19 of the Articles of Association of Carl Zeiss Meditec AG.

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

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

Auditors' fees

The total fee charged by the Group auditor in Germany is composed as follows:

	2015/16	2014/15
	€k	€k
Auditing of financial statements	313	328
Other audit expenses	6	54

* Mr. Thomas Spitzenpfeil waived his entitlement to remuneration by notices of waivers for fiscal year 2015/16 as in the prior year.

Information on shareholdings (consolidated companies)

Name and registered office of the company	Currency	Share of voting capital (in %)	Equity as of 30 Sep 2016 translated at the market rate at the end of the reporting period*	thereof gain/(loss) for fiscal year 2015/16 translated at average annual rate*
Carl Zeiss Meditec Inc., Dublin, USA	USDk	100	178,234	-15,902
	€k		159,694	-14,320
Aaren Scientific Inc., Ontario, USA	USDk	100	5,599	2,132
	€k		5,017	1,920
Carl Zeiss Meditec Asset Management Verwaltungsgesellschaft mbH, Jena, Germany	€k	100	68,394	67
Carl Zeiss Meditec Iberia S.A., Tres Cantos, Spain	€k	100	5,966	269
Carl Zeiss Meditec Co. Ltd., Tokyo, Japan	JPYk	51	12,076,321	481,939
	€k		106,785	3,885
Carl Zeiss Meditec Medikal Çözümler Ticaret ve Sanayi A.S., Ankara, Turkey	TRYk	100	21,706	614
	€k		6,465	189
Carl Zeiss Meditec Vertriebsgesellschaft mbH, Oberkochen, Germany	€k	100	23,428	8,246
Atlantic S.A.S., Périgny/ La Rochelle, France	€k	100	89,078	2,635
HYALTECH Ltd., Livingston, United Kingdom	GBPk	100	9,056	1,495
	€k		10,518	1,911
France Chirurgie Instrumentation S.A.S., Paris, France	€k	100	8,380	1,633
Carl Zeiss Meditec France S.A.S., Marly-le-Roi, France	€k	100	6,819	1,226
Carl Zeiss Meditec S.A.S., Périgny/ La Rochelle, France	€k	100	9,377	723
France Chirurgie Instrumentation SUD Ltd., Quatre Bornes, Mauritius	€k	100	2,080	286
France Chirurgie Instrumentation Ophthalmics, Inc., Pembroke, USA	USDk	100	5,038	1,178
	€k		4,514	1,061
Oraya Therapeutics, Inc., Newark, USA**	USDk	29.61	-2,422	-3,798
	€k		-2,170	-3,420

* The figures show the values recognized under the respective national accounting standards.
** Further information on the investment can be found in note (12).

Information on shareholdings (unconsolidated companies)

Name and registered office of the company	Currency	Share of voting capital (in %)
Hexavision S.A.R.L, Paris, France	USDk	100

Aaren Scientific Inc., acquired in fiscal year 2013/14, has a smaller distribution company in France, which is, however, of secondary importance for the Meditec Group, due to its suspended or very limited operations, and for this reason it is not consolidated. The non-consolidated sales company of Aaren in Spain, Aaren Scientific S.L., Barcelona, which existed in the prior year, has been liquidated in the current fiscal year.

Disclosures pursuant to Section 160 (1) No. 8 AktG

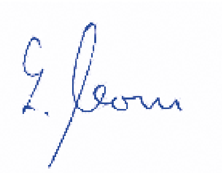
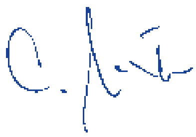
All voting rights announcements can be inspected on the Company’s website at http://www.zeiss.com/meditec-ag/ir under the section Reports and Publications at the singel-entity financial statements of Carl Zeiss Meditec AG.

German Corporate Governance Code/Declaration according to Section 161 AktG (German Stock Corporation Act)
The declaration mandated under Section 161 German Stock Corporation Act (AktG) was issued by the Management and Supervisory Boards and made available to the shareholders on the Company’s website at: http://www.zeiss.com/meditec-ag/ir under the section Declaration on Corporate Management.

39 Clearance for publication

The Management Board of Carl Zeiss Meditec AG cleared these IFRS consolidated financial statements to be handed over to the Supervisory Board on 24 November 2016. The Supervisory Board's task is to review the consolidated financial statements and declare whether it approves the consolidated financial statements.

Jena, 24 November 2016
Carl Zeiss Meditec AG

Dr. Ludwin Monz
President and Chief Executive Officer

Dr. Christian Müller
Member of the Management Board

Declaration by the legal representatives
pursuant to Section 297 (2) Sentence 4 HGB and
Section 315 (1) Sentence 6 HGB

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

Jena, 24 November 2016
Carl Zeiss Meditec AG

Dr. Ludwin Monz	Dr. Christian Müller
President and CEO	Member of the Management Board

Audit opinion

We have issued the following audit opinion on the consolidated financial statements and the report on the position of the Company and the Group:

"We have audited the consolidated financial statements, comprising the statement of financial position, income statement, statement of comprehensive income, statement of changes in shareholders' equity, statement of cash flows, as well as the notes to the consolidated financial statements and the report on the position of the Company and the Group for the fiscal year from 1 October 2015 to 30 September 2016. The preparation of the consolidated financial statements and the report on the position of the Company and the Group according to the IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315a (1) German Commercial Code (*Handelsgesetzbuch*, HGB) is the responsibility of the Company's legal representatives. Our responsibility is to express an opinion, based on our audit, on the consolidated financial statements and the report on the position of the Company and the Group.

We conducted our audit of the consolidated financial statements in accordance with Section 317 HGB, in compliance with German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer, IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the principles of proper accounting and in the report on the position of the Company and the Group are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. Within the scope of the audit, the effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the report on the position of the Company and the Group are primarily examined on a random basis. The audit includes assessing the annual financial statements of those entities included in the consolidated financial statements, determining the entities to be included in consolidation, the accounting and consolidation principles applied and significant estimates made by the Company's legal representatives, as well as evaluating the overall presentation of the consolidated financial statements and the report on the position of the Company and the Group. We believe that our audit provides a reasonably reliable basis for making our assessment.

Our audit led to no objections.

In our opinion, based on the results of our audit, the consolidated financial statements comply with IFRSs as these are to be applied in the EU and the supplementary provisions of the HGB as stipulated under Section 315a (1) HGB, and convey a true and fair view of the Group's net assets, financial position and results of operations. The report on the position of the Company and the Group is consistent with the consolidated financial statements and as a whole provides an accurate view of the Group's position and correctly presents the opportunities and risks of future development."

Eschborn/Frankfurt am Main, 24 November 2016

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft

Jäger	Bätz
German Public Auditor	German Public Auditor

Financial calendar Imprint/Disclaimer

Financial calendar 2016/17

Publication of the 3-month report and conference call
10 February 2017

Annual General Meeting, Weimar
12 April 2017

Publication of the 6-month report and conference call
10 May 2017

Publication of the 9-month report and conference call
7 August 2017

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

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This report was published on 9 December 2016.

The Annual Report 2015/16 of Carl Zeiss Meditec AG was published in German and English.

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

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

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

This is a translation of the original German-language annual financial report of the Carl Zeiss Meditec Group. Carl Zeiss Meditec shall not assume any liability for the correctness of this translation. If the texts differ, the German report shall take precedence.

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