Annual financial statements

of Carl Zeiss Meditec AG (HGB)

Fiscal year 2017/18

Contents

Summary management report

The management report of Carl Zeiss Meditec AG and the Group management report have been combined pursuant to Section 315 (3) HGB, in conjunction with Section 298 (3) HGB, and published in the 2017/18 Annual Report. The annual financial statements and combined management report for Carl Zeiss Meditec AG and the Group for fiscal year 2017/18 are submitted to the operator of the Bundesanzeiger (Federal Gazette) and published in the Bundesanzeiger.
Both are also available for inspection on Carl Zeiss Meditec AG's website at http://www.zeiss.com/meditec-ag/ir.

Balance sheet (HGB)
as of 30 September 2018

	30 Sep 2018	30 Sep 2017
	€k	€k
ASSETS		
A. Fixed assets		
I. Intangible fixed assets		
1. Purchased concessions, industrial and similar rights and assets, and licenses in such rights and assets	64,510	72,572
2. Goodwill	51,339	58,673
	115,849	**131,245**
II. Tangible assets		
1. Land, land rights and buildings, including buildings on third-party land	2,124	2,393
2. Technical equipment and machinery	3,399	3,601
3. Other equipment, furniture and fixtures	11,057	12,095
4. Payments on account and assets under construction	3,603	978
	20,183	**19,067**
III. Financial assets		
1. Shares in affiliated companies	334,670	253,448
2. Loans to affiliates	24,000	91,941
3. Investments	-	-
4. Other loans	900	825
	359,570	**346,214**
	495,602	**496,526**
B. Current assets		
I. Inventories		
1. Raw materials, consumables and supplies	62,116	59,512
2. Unfinished goods	18,691	20,102
3. Finished goods and merchandise	46,654	36,913
4. Advances paid	115	476
5. Payments received on account of orders	(1,526)	(1,869)
	126,050	**115,134**
II. Receivables and other assets		
1. Trade receivables	20,979	37,820
2. Receivables from affiliated companies	782,310	701,555
3. Receivables from investments	-	-
4. Other assets	10,909	10,137
	814,198	**749,512**
III. Cash-in-hand and bank balances	**71**	**69**
	940,319	**864,715**
C. Deferred income	**835**	**808**
D. Asset side difference arising from asset offsetting	**9,996**	**18,627**
Total ASSETS	**1,446,752**	**1,380,676**

Balance sheet (HGB)
as of 30 September 2018

	30 Sep 2018	30 Sep 2017
	€k	€k
EQUITY AND LIABILITIES		
A. Equity		
I. Subscribed capital	**89,441**	**89,441**
II. Capital reserves	**954,942**	**954,942**
III. Sales reserves		
1. Other sales reserves	2,940	2,940
IV. Net retained profits	**236,201**	**188,466**
	1,283,524	**1,235,789**
B. Special reserve for investment subsidies	**16**	**48**
C. Provisions		
1. Provisions for pensions and similar obligations	653	1,669
2. Tax provisions	8,386	4,260
3. Sundry other provisions	54,285	41,600
	63,324	**47,529**
D. Liabilities		
1. Trade payables	45,109	44,118
2. Liabilities to affiliated companies	48,568	48,364
3. Liabilities to other investees and investors	6	-
4. Other liabilities	4,167	2,682
	97,850	**95,164**
E. Deferred income	**2,038**	**2,146**
F. Deferred tax liabilities	**-**	**-**
Total EQUITY AND LIABILITIES	**1,446,752**	**1,380,676**

Income statement
for fiscal years 2017/18 and 2016/17 (HGB)

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

Notes to the annual financial statements
for fiscal year 2017/18

GENERAL INFORMATION AND EXPLANATORY NOTES TO THE ANNUAL FINANCIAL STATEMENTS

1 Description of operations

Carl Zeiss Meditec AG, Jena ("Company") is engaged in the development, manufacture and marketing of products and systems as well as the rendering of services for diagnosis and treatment in the field of medical technology. 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. Additional operating facilities are located in Oberkochen, Berlin and Munich. The Company has major subsidiaries in the USA, France, Japan, Spain, the United Kingdom, Turkey and Germany. Together, these form the Carl Zeiss Meditec Group.

The Company's customers are physicians in various fields and hospitals worldwide.

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

2 Foundation, stock exchange listing

Carl Zeiss Meditec AG was originally founded on 4 October 1995 as AESCULAP-MEDITEC GmbH with its registered office in Jena.

On 10 November 1999 AESCULAP-MEDITEC GmbH was transformed into a stock corporation and traded from this date under the name Asclepion-Meditec AG. The Company went public on 22 March 2000 and was listed on the Frankfurt Stock Exchange.

In 2002, Carl Zeiss Ophthalmic Systems AG transferred its entire assets to Asclepion Meditec AG by way of a merger by absorption with effect from 1 October 2001.

Asclepion Meditec AG was also renamed Carl Zeiss Meditec AG at this point.

With effect from 1 October 2010, Carl Zeiss Meditec AG, as the acquiring company, merged a number of subsidiaries by assuming the assets of the transferor companies Carl Zeiss Surgical GmbH, *Acri.Tec GmbH, Carl Zeiss Meditec Systems GmbH and Carl Zeiss Meditec Software GmbH. This merger was entered in the Company's commercial register on 1 June 2011.

3 Development of share capital and capital reserves in fiscal year 2017/18

Authorized capital
Authorized Capital 2016
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, with the consent of the Supervisory Board, to increase the share capital of the Company, on one or several occasions in the period until 5 April 2021, by up to €40,654,805.00 by issuing new no-par value bearer shares against cash and/or contributions in kind.
The Management Board is authorized, with the consent of the Supervisory Board, to exclude shareholders' subscription rights. The exclusion of shareholders' subscription rights is, however, only possible 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 exclued, 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 the shares of the same type and structure already publicly quoted. Sales of own shares on the basis of other authorizations pursuant to Section 186 (3) sentence 4 AktG must be taken into account in the restriction to 10% of the share capital;
- for capital increases against contributions in kind to grant shares for the purpose of acquiring companies, parts of companies or interests in companies.

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

In March 2017 Carl Zeiss Meditec AG implemented a capital increase against cash contributions. The existing authorized capital pursuant to Section 4 (5) of the Articles of Association amounts to € 32,523,845.00 after this partial utilization.

Authorized Capital 2017

Pursuant to the resolution of the Annual General Meeting on 30 May 2017, the Management Board is authorized, with the consent of the Supervisory Board, to increase the share capital on one or several occasions up until 29 May 2022, by issuing new no-par value shares against cash and/or contributions in kind, up to a total value of €12,196,440.00 (Authorized Capital 2017). Shareholders shall be granted a subscription right, with the following restrictions. The Management Board shall be authorized, with the consent of the Supervisory Board, to exclude fractional amounts from the shareholders' subscription right and also to exclude the subscription right to the extent necessary to grant the bearers of warrants and convertible bonds issued by Carl Zeiss Meditec AG or its subsidiaries a subscription right to new shares in the scope to which they would be entitled after exercising such warrant or convertible bond. The Management Board shall furthermore be authorized, with the consent of the Supervisory Board, to exclude the subscription right, in the case of a capital increase against cash contributions, for an amount of up to 10% of the share capital existing at the time the Authorized Capital 2017 enters into effect or – if lower – the share capital existing at the time of the resolution on the appropriation of the Authorized Capital 2017, if the issuing amount of the new shares is not significantly lower than the market price of the Company shares already listed at the date of final specification of the issue amount, which should occur as close as possible to the date of placement of the shares. This upper limit of 10% of the share capital shall take into account the pro rata amount of the share capital that is attributable to shares issued from Authorized Capital 2017 since granting of this authorization up until utilization of this authorization pursuant to Section 186 (3), sentence 4 AktG, with the exclusion of subscription rights, either on the basis of an authorization of the Management Board to exclude subscription rights in direct or analogous application of Section 186 (3), Sentence 4 AktG, or sold as acquired own shares in accordance with Section 186 (3), sentence 4 AktG, as well that pro rata amount of the share capital attributable to shares to which conversion and/or option rights or conversion obligations arising from bonds apply, which are issued up until utilization of this authorization, with the exclusion of subscription rights, pursuant to Section 186 (3), sentence 4 AktG. The Management Board shall also be authorized, with the consent of the Supervisory Board, to exclude the subscription right for a capital increase against contributions in kind to grant shares for the purpose of acquiring companies, parts of companies or investments in companies or other investable assets, including accounts receivable. In addition, the Management Board shall be authorized to stipulate the further details of the capital increase and its implementation, with the consent of the Supervisory Board.

Own shares
By way of a resolution of the Annual General Meeting of Carl Zeiss Meditec AG on 18 March 2015, the Management Board is authorized to purchase own shares until 17 March 2020 up to a value of € 8,130,000.00, in order, 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.

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

The Company did not make use of these authorizations during fiscal year 2017/18.

4 Annual financial statements according to HGB and AktG, consolidated financial statements

The figures in the annual financial statements of Carl Zeiss Meditec AG for the fiscal year ending on 30 September 2018 are stated in thousands of euros (€k) – unless specified otherwise - in accordance with the provisions of the German Commercial Code (HGB) and the German Stock Corporation Act (AktG).

The income statement was prepared using the cost of sales format.

The Company’s annual financial statements are incorporated into the consolidated financial statements of Carl Zeiss AG, Oberkochen. The consolidated financial statements of Carl Zeiss AG are published in the Federal Gazette (Bundesanzeiger).

The Company also prepares consolidated financial statements according to the International Financial Reporting Standards (IFRSs). The consolidated financial statements of Carl Zeiss Meditec AG are published in the Federal Gazette (Bundesanzeiger). The consolidated financial statements can also be obtained from Carl Zeiss Meditec AG in Jena on request. They are also available for inspection on Carl Zeiss Meditec AG's website at http://www.zeiss.com/meditec-ag/investor-relations.

The following accounting and valuation principles were mainly applied unchanged for the preparation of the annual financial statements.

5 Information and explanatory notes on accounting and valuation principles

Fixed assets

Intangible fixed assets

Purchased intangible fixed assets are carried at cost less scheduled straight-line amortization in accordance with their expected useful life. Write-downs to the lower of cost or market are performed where impairments are expected to be permanent. Internally generated intangible fixed assets are not recognized.

The goodwill arising from the merger transactions on 1 October 2010 is amortized in accordance with the expected useful life. This is more than 5 years, provided that the purchased assets can be expected to make a positive contribution to earnings over a longer period. The estimated useful life of goodwill of the former companies Carl Zeiss Surgical GmbH, *AcriTec GmbH and Carl Zeiss Medical Software GmbH was determined to be 15 years. The Company made use of the option under the German Accounting Law Modernization Act (*Bilanzrechtsmodernisierungsgesetz*, BilMoG), as the investment is considered a long-term investment. Points of reference for estimating the individual useful operating life include the continually expanding market for medical technology, the positive economic and business conditions, the very low levels of employee turnover at the acquired companies and the life cycles of the products which, thanks to patent protection, etc., range between 10 and 20 years.

As of 30 September 2018, no use had been made of the option to capitalize development costs.

Tangible assets

Tangible assets are carried at cost less scheduled depreciation.

Tangible assets are depreciated in accordance with their expected useful life. Movable items of tangible assets added before the enactment of the BilMoG, are – as a general rule – subject to the sliding-scale method of depreciation. A transition shall be made to the straight-line method in the year in which the straight-line method results in higher annual depreciation amounts for the first time. The other assets are depreciated on a straight-line basis. Up to 31 December 2017 low-value assets up to a value of € 410.00 were written off in full in the year of acquisition. Since 1 January 2018, this has applied to low-value assets up to a value of €800.00. Additions to tangible assets are depreciated pro rata temporis.

Extraordinary write-downs to the lower of cost or market are performed where impairments are expected to be permanent. If the reasons for an extraordinary write-down no longer exist, the impairment loss shall be reversed up to a maximum of the depreciated cost.

Financial assets

Under financial assets shares in affiliated companies are recognized at cost and loans to affiliated companies are recognized at nominal value. Appropriate valuation allowances are made for potential risks and impairment of financial assets.

Current assets

Inventories

Raw materials, consumables and supplies are valued at cost or moving average price. The lower of cost or market principle is strictly applied for this valuation.

Work in progress and finished goods are measured at cost. In addition to direct material costs and direct production costs, these also include an appropriate portion of the material and production overheads, as well as the pro rata depreciation of the fixed production assets. Inventory risks relating to the storage period or reduced marketability were taken into account by write-downs using a combination of the lower of cost or market test, marketability discounts and loss-free valuation, and by special individual write-downs.

Trade goods are valued at the lower of cost or market as of the balance sheet date.

Receivables and other assets

Receivables and other assets are stated at their nominal amount. Appropriate valuation allowances have been set up for discernible individual risks. The general credit risk on trade receivables is covered by a global valuation allowance.

Receivables due after more than one year are discounted.

Equity

Share capital

This is measured at the nominal amount.

Provisions and liabilities

Provisions

Provisions for pensions and similar obligations are calculated based on future wage/salary and pension trends using the projected unit credit method. The calculation of the present values of the pension obligations is based on the average market discount rate for an assumed residual period of 15 years. The obligations are measured using Prof. Dr. Klaus Heubeck's 2018 G mortality tables.

As of 30 September 2016 measurement is based on the following accounting principles:

» Discount rate pursuant to the German Regulation on the Discounting of Provisions (*Rückstellungsabzinsungsverordnung)*:	3.34 % p.a.	(prior year: 3.77 % p.a.)
» Pension growth:	1.75 % p.a.	(prior year: 1.75 % p.a.)
» salary growth:	2.75 % p.a.	(prior year: 2.75 % p.a.)
» Fluctuation factor:	ca. 2.00 % p.a.	(prior year: ca. 2.00 % p.a.)

The assets that are withheld from access to all other creditors and that are exclusively used to fulfill liabilities arising from pension commitments or similar long-term commitments (plan assets in the sense of Section 246 (2) Sentence 2 HGB), are recognized at fair value and offset against the relevant pension or other long-term commitments.

If there is no active market that can be used as a basis for calculating the fair value, the fair value is determined using the following valuation methods: present value method and option pricing model.

Provisions for anniversary bonuses and partial retirement were valued according to actuarial principles.

The Company contracted out the funding of pension obligations. This outsourcing is based on the model of a contractual trust arrangement (CTA). Thus the pension obligations are primarily covered by external plan assets and are separate from the Company's other operating assets. Access to the assets by the employer or other third parties is generally excluded. In the event of the Company becoming insolvent, employees shall have a direct claim against the pension fund.

The Company also contracted out the financing of partial retirement claims. As with the pension commitments for the entitled group of employees, Carl Zeiss Meditec AG transferred the appropriate funds to the Trustee. For further information, please refer to the notes on plan assets for pension provisions.

The provision for deferred compensation commitments corresponds to the asset values of the reinsurance policy determined according to actuarial principles.

The other provisions set up provide adequate cover for discernible risks, uncertain obligations and impending losses from pending transactions. The amount to be allocated to these provisions is determined using prudent commercial judgment. Cost increases not expected to have an effect until the future, up until fulfillment of the obligation, were recognized for the first time. Long-term provisions are measured at their net present value using the discount rates appropriate for the term in accordance with the German Regulation on the Discounting of Provisions (Rückstellungsabzinsungsverordnung).

Liabilities
Liabilities are stated at their respective amounts payable.

Foreign currency translation
Receivables and liabilities denominated in foreign currency are translated using the exchange rate prevailing on the date of the transaction. Exchange rate gains/losses are recognized for short-term receivables and liabilities in accordance with Section 256a HGB through remeasurement at the average spot exchange rate at the balance sheet date. In the case of a remaining term of more than one year, this shall apply only if the translation results in a lower amount, for receivables, or a higher amount, for liabilities.

Deferred taxes

Deferred taxes are calculated on the basis of temporary and quasi-permanent differences between the carrying amounts of assets, liabilities and prepaid expenses/deferred income under commercial law and their tax bases, or on the basis of tax loss carryforwards, using the tax rates applicable to the individual companies at the time the differences are reduced, without discounting the resulting tax burden or relief. Deferred tax assets and liabilities are offset. Any surplus of deferred taxes is not capitalized due to exercise of the recognition option that exists for this.

Amounts excluded from distribution

As of the balance sheet date there is a payout block in the amount of €36,513k (prior year: €31,030k) less deferred tax liabilities attributable thereto of €0 (prior year: €0) pursuant to Section 268 (8) HGB, arising from the fair valuation of plan assets in the amount of €13,502k (prior year: €13,396k), less deferred tax liabilities attributable thereto of €0 (prior year: €0) and from the difference arising pursuant to Section 253 (6) HGB from the recognition of pension commitments in the amount of €22,804k (prior year: €17,635k). This is offset by sufficient reserves, and therefore there is no blocking effect as a result of the payout block for the net income for fiscal year 2017/18.

Derivative financial instruments

As a company with global operations, Carl Zeiss Meditec is exposed to the effects of exchange rate fluctuations and enters into currency forward contracts to hedge against its currency risks based on planned transactions in foreign currencies as hedges for peaks of receivables and liabilities. The aim of currency hedging is to fix prices on the basis of hedging rates, to protect against future unfavorable exchange rate fluctuations. These contracts generally have a term of twelve months. The fair value of currency forward contracts is calculated based on the average spot exchange rate as of the balance sheet date, adjusted for forward premiums and discounts for the respective residual term of the contract, compared with the contracted forward exchange rate. A provision for contingent losses was set up in the amount of €10,292k (nominal value: €351,248k) for currency forward contracts with a negative market value in the same amount. The currency forward contracts with a positive market value amount to €3,460k (nominal value: €244,521k).

NOTES TO INDIVIDUAL ITEMS IN THE BALANCE SHEET

6 Fixed assets

The addition to intangible assets is mainly attributable to the acquisition of computer software.

Tangible assets in the fiscal year relate in particular to tools (€5,059k), production facilities and test equipment (€1,054k), as well as the assumption of service and study equipment into fixed assets (€667k).

The addition to shares in affiliated companies results from the capital increase implemented in the fiscal year by subsidiary Carl Zeiss Meditec Inc.

As part of this capital increase, a loan of Carl Zeiss Meditec Inc. was paid back, which largely explains the decline in loans to affiliated companies.

	Acquisition and production costs						Accumulated depreciation and amortization						Net book value	
	1 Oct 17	Additions	Revaluation	Reclassifications	Disposals	**30 Sep 2018**	1 Oct 17	Depreciation and amortization in the fiscal year	Disposals	Reclassifications	Reversal of impairment losses	**30 Sep 2018**	30 Sep 2018	1 Oct 17
	€k	€k	€k	€k	€k	€k	€k	€k	€k	€k	€k	€k	€k	€k
Intangible fixed assets														
Purchased concessions, industrial and similar rights and assets, and licenses in such rights and assets	157,046	4,406			45	161,407	84,474	12,432	9			96,897	64,510	72,572
Goodwill	110,012	-				110,012	51,339	7,334				58,673	51,339	58,673
	267,058	**4,406**	**-**	**-**	**45**	**271,419**	**135,813**	**19,766**	**9**	**-**	**-**	**155,570**	**115,849**	**131,245**
Tangible assets														
Land, land rights and buildings, including buildings on third-party land	4,810	45				4,855	2,417	314				2,731	2,124	2,393
Technical equipment and machinery	12,581	1,014		7	817	12,785	8,980	769	363			9,386	3,399	3,601
Other equipment, furniture and fixtures	42,062	4,195		400	2,610	44,047	29,967	4,036	1,013			32,990	11,057	12,095
Payments on account and assets under construction	978	3,467		(407)	435	3,603	-					-	3,603	978
	60,431	**8,721**	**-**	**-**	**3,862**	**65,290**	**41,364**	**5,119**	**1,376**	**-**	**-**	**45,107**	**20,183**	**19,067**
Long-term financial assets														
Shares in affiliated companies	253,448	81,222				334,670	-					-	334,670	253,448
Loans to affiliates	91,941	46,775			114,716	24,000	-					-	24,000	91,941
Investments	-	2			2	-	-					-	-	-
Other loans	825	75				900	-					-	900	825
	346,214	**128,074**	**-**	**-**	**114,718**	**359,570**	**-**	**-**	**-**	**-**	**-**	**-**	**359,570**	**346,214**
	673,703	**141,201**	**-**	**-**	**118,625**	**696,279**	**177,177**	**24,885**	**1,385**	**-**	**-**	**200,677**	**495,602**	**496,526**

7 Inventories

Inventories (€126,050k, prior year: €115,134k) include cumulative depreciation, amortization and write-downs totaling €26,033k (prior year: €23,846k).

8 Trade receivables

Trade receivables amount to €20,979k as of the balance sheet date (prior year: €37,820k), including cumulative specific and global valuation allowances totaling €4,790k (prior year: €4,456k). Discounted trade receivables amounting to €1,204k (prior year: €2,699k) are due in more than one year.

9 Receivables from affiliated companies

The balances disclosed under receivables from affiliated companies comprise trade receivables (€169,145k; prior year: €114,122k), receivables from the Group treasury of the ZEISS Group of €603,296k (prior year: €576,023k) and other receivables (€9,869k; prior year: €11,411k).

Based on the control and profit and loss transfer agreement concluded on 30 May 2017, the wholly owned subsidiary Carl Zeiss Meditec Asset Management Verwaltungsgesellschaft mbH transferred earnings of €4,432k (prior year: €5,888k) to Carl Zeiss Meditec AG for the first time.

Other receivables include a short-term loan to subsidiary Carl Zeiss Meditec Iberia S.A. and a value adjustment from the prior fiscal year in the same amount.

As of the balance sheet date there were no receivables due after more than one year (prior year: €0).

Receivables from shareholders amounted to €2,853k (prior year: €2,909k).

10 Other assets

Other assets amount to €10,909k as of the balance sheet date (prior year: €10,137k). These mainly include other domestic receivables amounting to €10,184k (prior year: €8,118k), most of which are receivables from tax authorities from advance VAT returns, receivables for payments on account in the amount of €662k (prior year: €1,487k), and for creditors with debit balances in the amount of €41k (prior year: €492k).

11 Cash-in-hand and bank balances

Cash refers solely to bank balances. Term deposit balances are deposited with the Group treasury of the ZEISS Group and are recognized under "Receivables from affiliated companies".

12 Prepaid expenses

The other prepaid expenses include rent in the amount of €288k, and vacation pay of €530k.

13 Asset-side difference arising from asset offsetting

The asset-side difference arises from the offsetting, in accordance with Section 246 (2) Sentence 2 HGB, of provisions for pensions with the CTA plan assets, which serve exclusively to fulfill pension commitments and are withheld from access of all other creditors. As of 30 September 2018 there is therefore an excess of €9,996k. The remaining provision for pensions thus amounts to €652k.

14 Equity

Subscribed capital
Carl Zeiss Meditec AG's subscribed capital amounts to € 89,440,570 and is composed of 89,440,570 no-par value ordinary bearer shares (no-par value shares), each with a theoretical interest in the share capital of € 1.00 per no-par value share. This is stated at the nominal value.

Capital reserves
As of 30 September 2018 capital reserves still amounted to €954,942k.

Sales reserves
As of 30 September 2017 sales reserves still amounted to €2,940k.

Net retained profits
Based on Carl Zeiss Meditec AG's net income for the year of €96,927k, taking into consideration the retained profits brought forward from the prior year of €188,466k, and less the dividend payment of €49,192k, net retained profits amounted to €236,201k as of 30 September 2018.

15 Special reserve for investment subsidies

The special reserve for investment subsidies includes investment grants and subsidies carried as liabilities in the amount of €16k.

16 Provisions

Provisions for pensions and similar obligations
The assets that have been transferred in trust to Carl Zeiss Pensions-Treuhand e.V., Oberkochen, as part of a CTA are are therefore earmarked assets for the fulfillment of pension commitments to active employees of the Company, are plan assets in the sense of Section 246 (2) Sentence 2 HGB and are therefore offset at fair value against the respective pension commitments.

Information on offsetting pursuant to Section 246 (2) Sentence 2 HGB:

	2017/18
	€k
Amount payable for pensions and similar obligations	97,921
Acquisition costs for plan assets	93,555
Fair value of plan assets	107,264
Offset expenses	(12,131)
Offset income	939

The difference between the recognition of pension provisions with a 10-year average market interest rate and the recognition of pension provisions with a 7-year average market interest rate amounts to €22,804k (prior year: €17,635k less deferred tax liabilities attributable thereto of €0 (prior year: €0).

The disclosures on the settlement amount for pension commitments and on plan assets also include the values of the obligations arising from deferred compensation and the relevant claims from reinsurance policies.

The corresponding personnel expenses are included under pension costs; the interest expenses of the obligations, the current income from the plan assets and the income or expenses arising from changes in the fair value of the plan assets are carried under interest income.

Tax provisions
This item includes corporation and trade tax.

Sundry other provisions
Partial retirement arrangements
The amount payable for provisions for partial retirement arrangements is €829k as of 30 September 2018. The fair value of the CTA plan assets against which these provisions were offset is €587k. The resulting interest expenses amount to €9k.

Miscellaneous other provisions
» Other provisions relating to personnel (€13,464k, prior year: €11,121k)
» Outstanding invoices (€12,890k, prior year: €10,230k)
» Currency forward contracts (€10,292k, prior year: €1,258k)
» Vacation entitlements and flexitime balances (€4,193k, prior year: €3,809k)
» Special payments to employees (€4,034k, prior year: €4,021k)
» Warranties (€3,544k, prior year: €2,270k)
» Litigation risks (€1,484k, prior year: €1,484k)
» Losses on supply and purchase commitments (€1,143k, prior year: €2,588k)

17 Liabilities

Liabilities of Carl Zeiss Meditec AG relate to unsecured liabilities of €97,850k (prior year: €95,164k), thereof none due in more than one year (prior year: €0k).

Trade payables
These include the usual obligations in the form of trade payables to outside suppliers and accrued commissions.

Liabilities to affiliated companies
Liabilities to affiliated companies consist of trade payables of €46,718k (prior year: €46,887k) and other liabilities of €1,850k (prior year: €1,478k).

Liabilities to shareholders amount to €12,622k (prior year: €10,760k).

Other liabilities
Other liabilities mainly consist of liabilities from withheld wage and church tax (€1,820k, prior year: €1,682k), as well as liabilities from payable import sales tax of €1,907k (prior year: €186k).

Maturity structure of liabilities

	30 Sep 2018			30 Sep 2017		
Figures in €k	Total	thereof due within one year	thereof due in 1 to 5 years	Total	thereof due within one year	thereof due in 1 to 5 years
Trade payables	45,109	45,103	6	44,118	44,117	1
Liabilities to affiliated companies	48,568	48,568	-	48,364	48,364	-
Other liabilities including liabilities to other investees and investors	4,173	4,173	-	2,682	2,682	-
thereof from taxes	1,820	1,820	-	1,697	1,697	-
thereof for social security	-	-	-	-	-	-

18 Deferred income

This item relates to deferred income for service and maintenance contracts extending beyond the end of the fiscal year.

19 Deferred tax liabilities

Deferred tax liabilities amount to €0k (prior year: €0).

20 Contingent liabilities and other financial commitments

Contingent liabilities
As of the balance sheet date there were limited guarantees with a total value of €12,054k (prior year: €68,858k) thereof in favor of affiliated companies, €12,054k (prior year: €68,858k).

Utilization of this liability is considered unlikely, since this item consists exclusively of intragroup contingent liabilities. Equity investments are tested regularly for impairment – and revalued, if necessary – particularly within the scope of preparing the annual financial statements. These tests did not identify any risks that jeopardize the continuation of operations of the equity investments.

Off-balance-sheet transactions/Other financial commitments
Off-balance-sheet transactions in the area of operating leases mainly relate to rent for buildings, motor vehicle leases and office equipment leases, including for computer hardware. These contracts provide an alternative source of financing that essentially avoids liquidity and equity being tied up as well as the assumption of major economic risks. In addition, they offer planning and costing reliability in terms of the fixed lease conditions for the term of the lease. There is a risk that the Company may not have unrestricted access to the assumed properties, particularly in the case of underutilization of capacity. Rental and leasing obligations were calculated on the basis of the earliest possible termination dates or the end of the contractual term. The nominal amounts were used.

Rental agreements give rise to the following financial obligations:

	30 Sep 2018
	€k
due 2018/19	6,371
thereof to affiliated companies	4,450
due 2019/20 to 2022/23	15,462
thereof to affiliated companies	8,164
due after 2022/23	4,924
thereof to affiliated companies	-

The financial commitments arising from rental agreements mainly relate to rental agreements with Carl Zeiss AG, Oberkochen, for rented production and office space in Jena and Oberkochen, as well as externally rented production and office space in Munich and Berlin.

The following financial commitments exist due to leases:

	30 Sep 2018
	€k
due 2018/19	1,048
thereof to affiliated companies	600
due 2019/20 to 2022/23	458
thereof to affiliated companies	150
due after 2022/23	-
thereof to affiliated companies	-

The main commitments here relate to a lease agreement for the property let to Carl Zeiss Meditec Asset Management Verwaltungsgesellschaft mbH, Jena, at Göschwitzer Str. 51-52, and motor vehicle leases.

Purchase commitments

The purchase commitment for investments gives rise to financial commitments of €2,278k (prior year: €2,494k).

NOTES TO INDIVIDUAL ITEMS IN THE INCOME STATEMENT

21 Sales

	2017/18	2016/17
Sales by region	€k	€k
Germany	53,889	54,429
Europe, Middle East and Africa	193,424	195,500
Asia/Pacific region	408,803	355,543
Americas	142,422	160,690
Total	**798,538**	**766,162**

Sales by business unit	2017/18 €k	2016/17 €k
Microsurgery SBU	252,333	235,259
Ophthalmic Devices SBU	546,205	530,903
Total	**798,538**	**766,162**

22 Cost of materials

	2017/18 €k	2016/17 €k
a) Cost of raw materials and supplies, and of purchased merchandise	349,770	350,420
b) Cost of purchased services	5,795	3,766
Total	**355,565**	**354,186**

23 Personnel expenses

	2017/18 €k	2016/17 €k
a) Wages and salaries	109,429	101,063
b) Social security, post-employment and other employee benefit costs	20,915	18,562
- thereof in respect of post-employment benefits	4,836	3,486
Total	**130,344**	**119,625**

24 Other operating income

The other operating income of €50,135k (prior year: €43,504k) mainly includes income from currency translation of €33,776k (prior year: €30,626k), on-charging to Group companies of €7,304k (prior year: €6,379k), write-ups to financial assets (€5,000k, prior year: €1,500k), and prior-period income from the reversal of provisions of €4,032k (prior year: €4,079k).

25 Other operating expenses

This item includes costs of foreign currency translation amounting to €35,843k (prior year: €36,827k) and expenses for the development of distribution activities of growing business areas in the USA amounting to €6,210k (prior year: €9,509k).

26 Income from investments

Income from investments in the amount of €5,778k (prior year: €27,335k) results from a dividend payment of Carl Zeiss Meditec Co. Ltd., Tokyo, Japan.

27 Income from profit and loss transfer agreements

Carl Zeiss Meditec AG has a control and profit and loss transfer agreement with its wholly owned subsidiary, Carl Zeiss Meditec Asset Management Verwaltungsgesellschaft mbH. In fiscal year 2017/18 the agreement resulted in income of €4,432k (prior year: €5,888k).

28 Write-downs of long-term financial assets and securities classified as current assets

	2017/18	2016/17
	€k	€k
Write-downs of long-term financial assets and securities classified as current assets	-	-
thereof from long-term financial assets of affiliated companies	-	-
thereof from receivables from affiliated companies	-	-

29 Other interest and similar expenses

	2017/18	2016/17
	€k	€k
Other interest and similar expenses	11,016	3,278
thereof from pension provisions	11,744	8,153
thereof from plan assets	(445)	(719)
thereof from fair value adjustment	(494)	(4,403)
thereof from unwinding of the discount	98	111
thereof from tax back payment	95	124
thereof from other interest expenses	18	11

30 Income taxes

This item does not include any income from the change in deferred taxes recognized (prior year: €1,372k).

31 Other taxes

The item other taxes includes employee-related taxes amounting to €211k (prior year: €280k) and vehicle tax of €22k (prior year: €24k) It also includes foreign input tax of €65k (prior year: €77k) and the reimbursement of foreign input tax of €34k (prior year: €75k).

OTHER MANDATORY DISCLOSURES

32 Auditors' fees

The Annual General Meeting on 10 April 2018 appointed Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft as auditor for fiscal year 2017/2018. To total fee charged by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft for the fiscal year can be seen in the corresponding notes accompanying the consolidated financial statements.

33 Disclosures on the existence of an equity interest in the Company

Since September 2003 Carl Zeiss AG has held a direct and indirect majority interest in the Company's voting capital below the threshold of 75% pursuant to Section 33 (1) German Securities Trading Act (WpHG).

Carl Zeiss AG, Oberkochen, Germany informed the Company on 27 October 2006 that the share of the voting rights held by its wholly owned subsidiary Carl Zeiss, Inc., Thornwood, USA in Carl Zeiss Meditec AG fell below the threshold of 10% on 27 October 2006 and amounts to 7.47% (6,074,256 ordinary shares) from this date.

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

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

34 Information on shareholdings

Information on shareholdings (consolidated companies)

Name and registered office of the company	Currency	Share of voting capital (in %)	Equity as of 30 Sep 2018 translated at the closing rate[1] as of the balance sheet date	thereof profit/loss for fiscal year 2017/18 translated at average annual exchange rate[1]
Carl Zeiss Meditec Inc., Dublin, USA	USDk €k	100.00	299,235 258,496	12,407 10,420
Carl Zeiss Meditec Production LLC, Ontario, USA	USDk €k	100.00	16,160 13,960	2,660 2,234
Carl Zeiss Meditec Asset Management Verwaltungsgesellschaft mbH, Jena, Germany[2]	€k	100.00	68,394	0
Carl Zeiss Meditec Iberia S.A., Tres Cantos, Spain	€k	100.00	5,201	1,591
Carl Zeiss Meditec Co. Ltd. Tokyo, Japan	JPYk €k	51.00	5,008,093 38,163	300,899 2,289
Carl Zeiss Meditec Medikal Çözümler Ticaret ve Sanayi A.S., Ankara, Turkey	TRYk €k	100.00	27,809 3,993	4,877 929
Carl Zeiss Meditec Vertriebsgesellschaft mbH, Oberkochen, Germany	€k	100.00	23,428	0
Atlantic S.A.S., Périgny/ La Rochelle, France	€k	100.00	52,389	-9,634
HYALTECH Ltd., Livingston, United Kingdom	GBPk €k	100.00	10,408 11,730	3,076 3,477
France Chirurgie Instrumentation S.A.S., Paris, France	€k	100.00	9,050	3,573
Carl Zeiss Meditec France S.A.S., Marly-le-Roi, France	€k	100.00	8,743	1,255
Carl Zeiss Meditec S.A.S., Périgny/La Rochelle, France	€k	100.00	7,453	711
France Chirurgie Instrumentation SUD Ltd., Quatre Bornes, Mauritius	€k	100.00	2,788	507
France Chirurgie Instrumentation Ophthalmics Inc., Pembroke, USA	USDk €k	100.00	7,176 6,199	1,073 901
Ophthalmic Laser Engines LLC, Lafayette, USA	USDk €k	52.00	2,228 1,925	-3,308 -2,778
Carl Zeiss Meditec Digital Innovation risks LLC, Temple, USA	USDk €k	100.00	915 790	299 251

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

35 Information on employees

Number of employees

The Company had an average of 1,303 employees during fiscal year 2017/18 (prior year: 1,241 employees), plus 6 trainees (prior year: 6 trainees). This number does not include the members of the Management Board of Carl Zeiss Meditec AG.

The table below shows the average distribution of employees during the year across the following areas:

	Number
Production	476
Sales	346
Administration	109
Research and development	372
Total	**1,303**

As of the balance sheet date 30 September 2018, the Company had a workforce of 1,320, plus 7 trainees and one Management Board member directly employed by Carl Zeiss Meditec AG.

36 Information on the Company's executive bodies

Management Board

The following were appointed as members of the Management Board of Carl Zeiss Meditec AG in fiscal year 2017/18 and entered in the commercial register:

Member of Management Board	Membership of statutory supervisory boards and similar supervisory bodies at companies of the Carl Zeiss Group	Membership of statutory supervisory boards and similar supervisory bodies at other companies
Dr. Ludwin Monz President and CEO of Carl Zeiss Meditec AG Area of responsibility: SBU Ophthalmic Systems, SBU Microsurgery, strategic business development, Group functions Human Resources, Corporate Communications, MarCom, Digital Year of first appointment 2007 In addition: Member of the Management Board of Carl Zeiss AG, Oberkochen, Germany	» Chairman of the Board of Directors of Carl Zeiss Meditec Inc., Dublin, USA » Chairman of the Board of Directors of Carl Zeiss Meditec Co. Ltd., Tokyo, Japan » Chairman of the Board of Directors of Carl Zeiss Iberia S.A., Tres Cantos, Spain » Chairman of the Board of Directors of Carl Zeiss Meditec Iberia S.A., Tres Cantos, Spain » Member of the Board of Directors of Carl Zeiss Co. Ltd., Tokyo, Japan	» Member of the university council of Friedrich Schiller University, Jena, Germany » Member of the board of trustees of the Leibniz Institute of Photonic Technology, Jena, Germany
Dr. Christian Müller (until 30 Sep 2018) Area of responsibility: Group functions Finance and Controlling, Investor Relations, IT, Law, Taxes, Global Service and Customer Care, Quality, Regulatory Year of first appointment 2009 Since 01 Oct 2018 Member of the Executive Board (CFO) of Carl Zeiss AG, Oberkochen, Germany	» Member of the Board of Directors of Carl Zeiss Meditec France S.A.S., Marly-le-Roi, France (until 30 Sep 2018) » Member of the Board of Directors of Carl Zeiss Meditec Inc., Dublin, USA (until 30 Sep 2018) » Member of the Board of Directors of Carl Zeiss Meditec Iberia S.A., Tres Cantos, Spain (until 30 Sep 2018) » Member of the Board of Directors of Carl Zeiss Meditec Co. Ltd., Tokyo, Japan (until 30 Sep 2018)	none

As of the new fiscal year 2018/19, the following members of the Management Board have been appointed in addition to Dr. Ludwin Monz and entered in the commercial register:

Member of Management Board	Membership of statutory supervisory boards and similar supervisory bodies at companies of the Carl Zeiss Group	Membership of statutory supervisory boards and similar supervisory bodies at other companies
Jan Willem de Cler Area of responsibility: Human Resources, Global Service and Customer Care, Cultural Development, Training Year of first appointment 2018 (Member of Management Board since 01 Oct 2018)	» President of the Board of Directors of FCI Ophthalmic Inc., Pembroke, USA » Member of the Board of Directors of FCI Sud, Goodlands, Mauritius » President of FCI SAS, Paris, France » Member of the Board of Directors of Hyaltech Ltd., Livingston, UK	none
Justus Felix Wehmer Area of responsibility: Group functions Finance and Controlling, Investor Relations, IT, Legal Affairs, Taxes, Quality, Regulatory Year of first appointment 2018 (Member of Management Board (CFO) since 1 Oct 2018)	» Member of the Board of Directors of Carl Zeiss Meditec, Inc., Dublin, USA (since 1 Oct 2018) » Member of the Board of Directors of Carl Zeiss Meditec Iberia S.A., Tres Cantos, Spain (since 1 Oct 2018) » Member of the Board of Directors of Carl Zeiss Meditec Co. Ltd., Tokyo, Japan (since 1 Oct 2018)	» Member of the Executive Board of Spectaris e.V. (since 13 Sep 2018)

Remuneration paid to the active members of the Management Board in financial year 2017/18

The total remuneration paid to the active members of the Management Board pursuant to Section 285 No. 9a HGB amounted to €1,876k in fiscal year 2017/18 (prior year: €1,792k). Details of this remuneration are contained in the remuneration report in the consolidated management report.

Projected unit credits for pensions for former members of the Company's Management Board amounted to €877k (prior year: €798k).

Supervisory Board

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

Member of Supervisory Board	Membership of statutory supervisory boards and similar supervisory bodies at companies of the Carl Zeiss Group	Membership of statutory supervisory boards and similar supervisory bodies at other companies
Prof. Dr. Michael Kaschke Chairman Chairman of the Supervisory Board since 2002 Suspended mandate pursuant to Section 105 AktG between 22 July 2008 and 21 July 2009. Re-elected Chairman of the Supervisory Board since 2010 Chairman of the Executive Board of Carl Zeiss AG, Oberkochen, Germany	» Chairman of the Supervisory Board of Carl Zeiss ZEISS Microscopy GmbH, Jena, Germany (until 28 Feb 2018) » Chairman of the Board of Directors of Carl Zeiss Pte. Ltd., Singapore, Singapore » Chairman of the Board of Directors of Carl Zeiss Far East Co., Ltd., Kwai Chung/Hong Kong, China » Chairman of the Board of Directors of Carl Zeiss India (Bangalore) Pte. Ltd., Bangalore, India » Chairman of the Supervisory Board of Carl Zeiss SMT GmbH, Oberkochen, Germany » Chairman of the Supervisory Board of Carl Zeiss Industrielle Messtechnik GmbH, Oberkochen, Germany » Chairman of the Board of Directors of Carl Zeiss Inc., Thornwood, USA (until 30 Sep 2018) » Chairman of the Board of Directors of Carl Zeiss Co. Ltd., Seoul, South Korea » Member of the Board of Directors of Carl Zeiss (Shanghai) Co. Ltd., Shanghai, China	» Member of the Supervisory Board, Audit Committee, of Henkel AG & Co. KGaA, Düsseldorf, Germany » Member of the Supervisory Board, Audit Committee, of Deutsche Telekom AG, Bonn, Germany » Member of the Supervisory Board of Robert Bosch GmbH, Stuttgart, Germany

Member of Supervisory Board	Membership of statutory supervisory boards and similar supervisory bodies at companies of the Carl Zeiss Group	Membership of statutory supervisory boards and similar supervisory bodies at other companies
Dr. Markus Guthoff Member of the Supervisory Board since 2004 Chief Executive of NATIONAL BANK AG, Essen, Germany (until 31 Aug 2018) Member of the Management Board of NATIONAL-BANK AG, Essen, Germany (since 1 Sep 2018)	none	» Member of the Supervisory Board of Innovation City Management GmbH, Bottrop, Germany (since 21 Mar 2018)
Thomas Spitzenpfeil Deputy Chairman (since 22 Jan 2018 until 10 Apr 2018) Member of the Supervisory Board since 2011 Member of the Executive Board (CFO) of Carl Zeiss AG, Oberkochen, Germany (until 30 Sep 2018) Member of the management/CFO of Schenck Process Holding GmbH, Darmstadt, Germany (since 1 Oct 2018)	» Chairman of Carl Zeiss Pensions-Treuhand e.V., Oberkochen, Germany (until 30 Sep 2018) » Chairman of the Administrative Board of Carl Zeiss AG., Feldbach, Switzerland (until 11 Jan 2018) » Chairman of the Board of Directors of Carl Zeiss AB, Stockholm, Sweden (until 30 Sep 2018) » Member of the Board of Directors of Carl Zeiss Inc., Thornwood, USA (until 30 Sep 2018) » Chairman of the Supervisory Board of Carl Zeiss Jena GmbH, Jena, Germany (until 30 Sep 2018) » Chairman of the Board of Directors of Carl Zeiss Ltd., Cambridge, United Kingdom (until 31 Dec 2017) » Member of the Management Board of Carl Zeiss Pensions Trust Properties, Thornwood, USA (until 30 Sep 2018)	none
Dr. Carla Kriwet Deputy Chairwoman (until 31 Dec 2017) Member of the Supervisory Board from 2014 (until 31 Dec 2017) CEO Connected Care & Health Informatics, Member of the Executive Board, Royal Philips N.V., Amsterdam, Netherlands	» Member of the Supervisory Board of Carl Zeiss AG Oberkochen, Germany (since 1 Jan 2018)	» Member of the Advisory Board of the Hamburgische Investitions- und Förderbank IFB, Hamburg, Germany » Member of the Supervisory Board of Save the Children e.V., Berlin, Germany
Tania von der Goltz Deputy Chairwoman (since 10 Apr 2016) Member of the Supervisory Board since 2018 Senior Vice President Global Financial Strategy, Fresenius Medical Care AG & Co. KG, Bad Homburg, Germany	none	none
Cornelia Grandy[3] Member of the Supervisory Board since 2011 Chairwoman of the Works Council of Carl Zeiss Meditec AG, Oberkochen site, and member of the General Works Council of Carl Zeiss Meditec AG, Jena, Germany	none	none
Jörg Heinrich[3] Member of the Supervisory Board since 2011 Chairman of the Works Council of Carl Zeiss Meditec AG, Jena site, Germany Chairman of the General Works Council of Carl Zeiss Meditec AG, Jena, Germany	none	none

[3] elected employee representatives

Committees of the Supervisory Board

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

Remuneration of the active members of the Supervisory Board in fiscal year 2017/18
The remuneration of the active members of the Supervisory Board amounted to €208k for fiscal year 2017/18 (prior year: €220k). The itemized breakdown of the remuneration paid to the Supervisory Board can be found in the management report accompanying the annual financial statements 2017/18.

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.

37 German Corporate Governance Code/Declaration according to Section 161 AktG

The Management Board and Supervisory Board have issued the declaration required in accordance with Section 161 AktG, stating that the Company conforms and plans to conform in future to the recommendations of the Government Commission on the German Corporate Governance Code, as published by the German Federal Ministry of Justice in the official section of the Federal Gazette (Bundesanzeiger), and have made it permanently accessible to shareholders on the website of Carl Zeiss Meditec AG at www.zeiss.com/meditecag/investor-relations. The statement also cited which recommendations the Company does not yet comply with.

38 Appropriation of profits for fiscal year 2017/18

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

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

Jena, 23 November 2018
Carl Zeiss Meditec AG

Dr. Ludwin Monz
President and CEO

Justus Felix Wehmer
Member of the
Management Board

Jan Willem de Cler
Member of the
Management Board

Declaration by the legal representatives

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

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

Jena, 23 November 2018
Carl Zeiss Meditec AG

Dr. Ludwin Monz
President and CEO

Justus Felix Wehmer
Member of the
Management Board

Jan Willem de Cler
Member of the
Management Board

Auditor's report

"Auditor's report by the independent auditor

To Carl Zeiss Meditec AG

Statement on the audit of the annual financial statements and the report on the position of the Company and the Group

Audit opinions
We have audited the annual financial statements of Carl Zeiss Meditec AG, Jena – comprising the balance sheet as of 30 September 2018 and the income statement for the fiscal year from 1 October 2017 to 30 September 2018 and the accompanying notes, including the presentation of the accounting and valuation principles. We have also audited the report on the position of the Company and the Group of Carl Zeiss Meditec AG for the fiscal year from 1 October 2017 to 30 September 2018.

According to our assessment, based on the findings of our audit,

» the accompanying annual financial statements comply, in all material respects, with the prevailing requirements of German commercial law for stock corporations and provide a true and fair view of the net assets and financial position of the Company as of 30 September 2018 and of its results of operations for the fiscal year from 1 October 2017 to 30 September 2018, in compliance with the German generally accepted accounting principles, and
» the accompanying report on the position of the Company and the Group conveys an accurate picture of the position of the Group overall. In all material respects, this report on the position of the Company and the Group is consistent with the annual financial statements, complied with the requirements of German commercial law and accurately presents the opportunities and risks of future development.

Pursuant to Section 322 (3) Sentence 1 HGB, we declare that our audit did not raise any objections to the correctness of the annual financial statements or the report on the position of the Company and the Group.

Basis for the audit opinions
We conducted our audit of the annual financial statements and the report on the position of the Company and the Group in compliance with Section 317 HGB and the EU Audit Regulation (No. 537/ 2014, in the following "EU-APrVO") in accordance with the German generally accepted principles for auditing financial statements promulgated by the Institute of Auditors (*Institut der Wirtschaftsprüfer*, IDW). Our responsibility pursuant to these requirements and principles is described in further detail in the section entitled "Responsibility of the auditor for the audit of the annual financial statements and the report on the position of the Company and the Group" in our auditor's report. We are independent from the Company in conformance with the requirements of European law and German commercial and professional law, and fulfilled our other professional duties as stipulated in Germany in accordance with these requirements. In addition, we declare, pursuant to Art. 10 (2) section f) EU Audit Regulation, that we did not provide any prohibited non-audit services pursuant to Art. 5 (1) EU Audit Regulation. In our opinion, the audit evidence we obtained is adequate and appropriate to serve as a basis for our audit opinions on the consolidated financial statements and the report on the position of the Company and the Group.

Key audit matters in the audit of the annual financial statements
Key audit matters are those matters which, according to our best judgment, were the most significant in our audit of the annual financial statements for the fiscal year from 1 October 2017 to 30 September 2018. These matters were taken into consideration in connection with our audit of the financial statements as a whole and in the formation of our audit opinion on these financial statements; we shall not be giving a separate audit opinion on these matters.

In the following we describe what we consider to be the key audit matters:

1. Test for impairment of long-term financial assets
Reasons for the designation as a key audit matter

All of the Company's investments are reviewed for indicators of potential impairment based on a specific schedule. If one or more of these indicators are identified, the fair values of the expected future cash flows shall be calculated within the scope of an annual impairment test, using a discounted cash flow model (DCF model). The expected future cash flows were derived from the budgets prepared by the legal representatives of the respective subsidiaries.

Given the discretionary factors and estimation uncertainties in deriving future cash flows as part of the valuation, the impairment test for long-term financial assets was one of the most significant audit matters within the scope of our audit.

Audit procedure
We followed the applied DCF models methodically and mathematically for the subsidiaries for which an indicator of impairment was identified, consulting with internal valuation experts, and analyzed whether these were calculated in accordance with the relevant accounting standards IDW S1 and IDW RS HFA 10.

In addition, we examined the key input parameters for the budgets (sales, cost of sales and selling expenses) to see whether the future development corresponds to general economic framework data and industry-specific market forecasts. Furthermore, we examined the planning/estimation uncertainty, by means of plan/actual comparisons for previous fiscal years, to determine whether there are any implications for deriving future cash flows.

Our audit activities did not raise any objections with regard to the impairment testing of long-term financial assets.

Reference to related disclosures
For information on the accounting and valuation principles applied for long-term financial assets please refer to Note 5 in the accompanying notes to the annual financial statements.

2. Value adjustment on inventories
Reasons for the designation as a key audit matter:

The amount of value adjustments on inventories, which include both medical devices and medical consumables, is, depending on the type of product, dependent on specific valuation risks concerning the minimum shelf lives of medical devices and marketability parameters.

In addition, spare parts have to be kept in stock for the medical devices for longer periods, even after the end of series production. Within the scope of the inventory valuation, the legal representatives have to make assumptions regarding the future usability of the spare parts. These mainly concern estimates of the necessary stock levels, as well as the duration of the technical usefulness of spare parts.

Furthermore, certain medical devices are provided to the customer for test use (loan equipment). The loan equipment is based, in particular, on assumptions of sale over the short-term saleability and on the realizable proceeds from the sale of the equipment.

Given the underlying complexity of the respective write-down routines, and the recalculation of marketability parameters every three years and the associated higher risk of error, the value adjustments on inventories were one of the key matters within the scope of our audit.

Audit procedure
During our audit we addressed the processes and internal controls set up by the Company for determining value adjustments on inventories, and assessed the implemented controls for their effectiveness.

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

We also retraced the system-side implementation of the write-down routines in SAP by consulting appropriate IT specialists.

Our audit activities did not raise any material objections in terms of the value adjustments on inventories.

Reference to related disclosures
For information on the accounting and valuation principles applied for inventories please refer to the note 5 in the accompanying notes to the annual financial statements and, for disclosures on inventories, to note 7 in the notes to the annual financial statements.

Other information
The legal representatives are responsible for the other information. The other information includes the assurance of the legal representatives.

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

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

» contains any significant inconsistencies with the annual financial statements, the report on the position of the Company and the Group or our audit findings, or
» appears to be otherwise materially misstated.

Responsibility of the legal representatives and the Supervisory Board for the annual financial statements and the report on the position of the Company and the Group

The legal representatives are responsible for preparing the annual financial statements, which comply, in all material respects, to the prevailing requirements of German commercial law for stock corporations, and for ensuring that the annual financial statements provide a true and fair view of the net assets, financial position and results of operations of the Company in compliance with the German generally accepted accounting principles. The legal representatives are furthermore responsible for the internal controls, which they have deemed necessary, in accordance with German generally accepted accounting principles, for the preparation of annual financial statements that are free from material – intentional or unintentional – misstatements.

When preparing the annual financial statements, the legal representatives are responsible for assessing the Company's ability to continue as a going concern. In addition, they are responsible for stating any pertinent issues in connection with the continuation of business activity. They are also responsible for preparing the accounts on the basis of the going-concern principle, unless there are any factual or legal circumstances that prevent this.

The legal representatives are also responsible for preparing the report on the position of the Company and the Group which, on the whole, presents a true and fair view of the position of the Company and is consistent, in all material respects, with the annual financial statements, complies with the requirements of German commercial law and accurately presents the opportunities and risks of future development. In addition, the legal representatives are responsible for the precautions and measures (systems) that they have deemed necessary to enable the preparation of a report on the position of the Company and the Group in compliance with the applicable provisions of German commercial law and to furnish sufficient and appropriate evidence to substantiate the statements in the report on the position of the Company and the Group.

The Supervisory Board is responsible for monitoring the Company's accounting process for preparing the annual financial statements and the report on the position of the Company and the Group.

Responsibility of the auditor for the audit of the annual financial statements and the report on the position of the Company and the Group

Our objective is to obtain reasonable assurance as to whether the annual financial statements as a whole are free from material – intentional or unintentional – misstatements, and whether the report on the position of the Company and the Group presents a true and fair view of the position of the Company and is consistent, in all material respects, with the annual financial statements and the findings of the audit, complies with the requirements of German commercial law and accurately presents the opportunities and risks of future development, and to issue an auditor's report that includes our opinions on the financial statements and the report on the position of the Company.

Reasonable assurance is a high degree of certainty, but not a guarantee that an audit performed in accordance with Section 317 HGB and the EU Audit Regulation, in compliance with the German generally accepted principles for auditing financial statements promulgated by the Institute of Auditors (Institut der Wirtschaftsprüfer, IDW) will always uncover a material misstatement. Misstatements may result from infringements or inaccuracies, and shall be considered material, if it could– Weise be expected for such misstatements to individually or collectively influence the economic decisions taken by recipients on the basis of these annual financial statements and the report on the position of the Company and the Group.

During the audit, we use our best judgment and maintain a critical approach. In addition,

» we identify and evaluate the risks of material – intentional or unintentional – misstatements in the annual financial statements and in the report on the position of the Company and the Group, plan and perform audit procedures in response to these risks, and obtain audit evidence that is adequate and appropriate to serve as a basis for our audit opinions. The risk of material misstatements not being uncovered is higher for infringements than for inaccuracies, as infringements may include fraudulent collaboration, falsifications, deliberate incompleteness, misleading representations or the overriding of internal controls;
» we gain an understanding of the internal control system relevant for the audit of the annual financial statements and the precautions and measures relevant for the audit of the report on the position of the Company and the Group, in order to plan audit procedures that are appropriate in the given circumstances, but not with the aim of giving an audit opinion on the efficacy of these systems of the Company;
» we assess the appropriateness of the accounting methods applied by the legal representatives, as well as the tenability of the estimated values and related disclosures presented by the legal representatives;
» we draw conclusions concerning the appropriateness of the going-concern principle applied by the legal representatives, and, based on the audit evidence obtained, as to whether there is a material uncertainty in connection with events or circumstances that may pose significant doubts about the-'s ability to continue as a going concern. If we come to the conclusion that a material uncertainty exists, we are obliged to highlight in our auditor's report the relevant disclosures in the annual financial statements and the report on the position of the Company and the Group, or, if these disclosures are inappropriate, to modify our respective audit opinion. We draw our conclusions based on the audit evidence obtained up until the date of our auditor's report. Future events or circumstances may, however, lead to the Company no longer being able to continue as a going concern;
» we assess the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in such a way that the annual financial statements prepared in compliance with German generally accepted principles of accounting give a true and fair view of the net assets, financial position and results of operations of the Group;
» we assess the consistency of the report on the position of the Company and the Group with the annual financial statements, its compliance with legal requirements and the view it conveys of the position of the Company;
» we conduct audit procedures concerning the forward-looking statements presented by the legal representatives in the report on the position of the Company and the Group. Based on sufficient, appropriate audit evidence, we retrace in particular the significant assumptions underlying the forward-looking statements of the legal representatives and assess the factual derivation of the forward-looking statements from these assumptions. We shall not be giving a separate audit opinion on the forward-looking statements or on the underlying assumptions. There is a significant, unavoidable risk that future events may differ significantly from the forward-looking statements.

We discuss the planned scope and scheduling of the audit with those responsible for monitoring, as well as important audit findings, including any deficiencies in the internal control system that we identify during our audit.

We issue a declaration to those responsible for monitoring, stating that we complied with the relevant independence requirements, and discuss with them all relationships and other matters that might be reasonably assumed to have an effect on our independence, and the protective measures taken in this regard.

Based on the issues discussed with those responsible for monitoring, we determine the issues that were the most significant in the audit of the financial statements for the current reporting period, and therefore constitute the key audit matters. We describe these matters in the auditor's report, unless laws or other legal requirements preclude the public disclosure of these matters.

Other statutory and other legal requirements

Other disclosures pursuant to Art. 10 EU Audit Regulation

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

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

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

» Audit review of IFRS Reporting Package on 31 March 2018.

Responsible auditor

The auditor responsible for the audit is Susanne Jäger."

Eschborn/ Frankfurt am Main, 23 November 2018

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft (Chartered Accountants)

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

Imprint/Disclaimer

Financial calendar 2018/19

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

Annual General Meeting, Weimar
19 March 2019

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

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

Publication of annual financial statements and Analyst Conference
6 December 2019

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This report was published on
7 December 2018.

The Annual Report 2017/18 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/investor-relations

Disclaimer
This report contains certain forward-looking statements concerning the development of Carl Zeiss Meditec AG. At the present time, Carl Zeiss Meditec AG 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. Carl Zeiss Meditec AG 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.

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