Single-entity financial statements of Carl Zeiss Meditec AG (HGB)

Financial year 2012/2013

Content

Management report for financial year 2012/2013[1]

1 CARL ZEISS MEDITEC AG

1.1 Business

A distinction is made within Carl Zeiss Meditec AG ("Carl Zeiss Meditec", the "Company") essentially between two main areas in which the Company operates: Ophthalmology and Microsurgery.

Ophthalmology
Ophthalmic equipment and systems offered by the Company are used for the diagnosis, progress control, treatment and follow-up treatment of different ophthalmic conditions. These are vision defects (refraction), cataracts, glaucoma and retinal disorders, the incidence of which increases particularly with age. The various diseases each occur in different sections within the human eye. The lens, among other things, can be affected, in that it gradually begins to turn opaque, as is the case with cataracts. Retinal diseases can also impair the vision of the human eye and can even cause irreparable damage or, ultimately, blindness.

Ophthalmology within Carl Zeiss Meditec unites the two strategic business units (SBUs) **Ophthalmic Systems** and **Surgical Ophthalmology**. The Ophthalmic Systems SBU covers almost the entire spectrum of laser and diagnostic systems for ophthalmology. The Surgical Ophthalmology SBU combines Carl Zeiss Meditec's activities in the field of ophthalmic implants (intraocular lenses or IOLs) and disposables.

Microsurgery
In the **Microsurgery** SBU, Carl Zeiss Meditec offers surgical microscopes and visualization solutions, e. g. for ear, nose and throat surgery or neurosurgery. These products are mainly used as supporting equipment for the removal of tumors as well as the treatment of vascular diseases and functional disorders. The future technologies for intraoperative radiation therapy have also been assigned to this SBU.

1.2 Markets

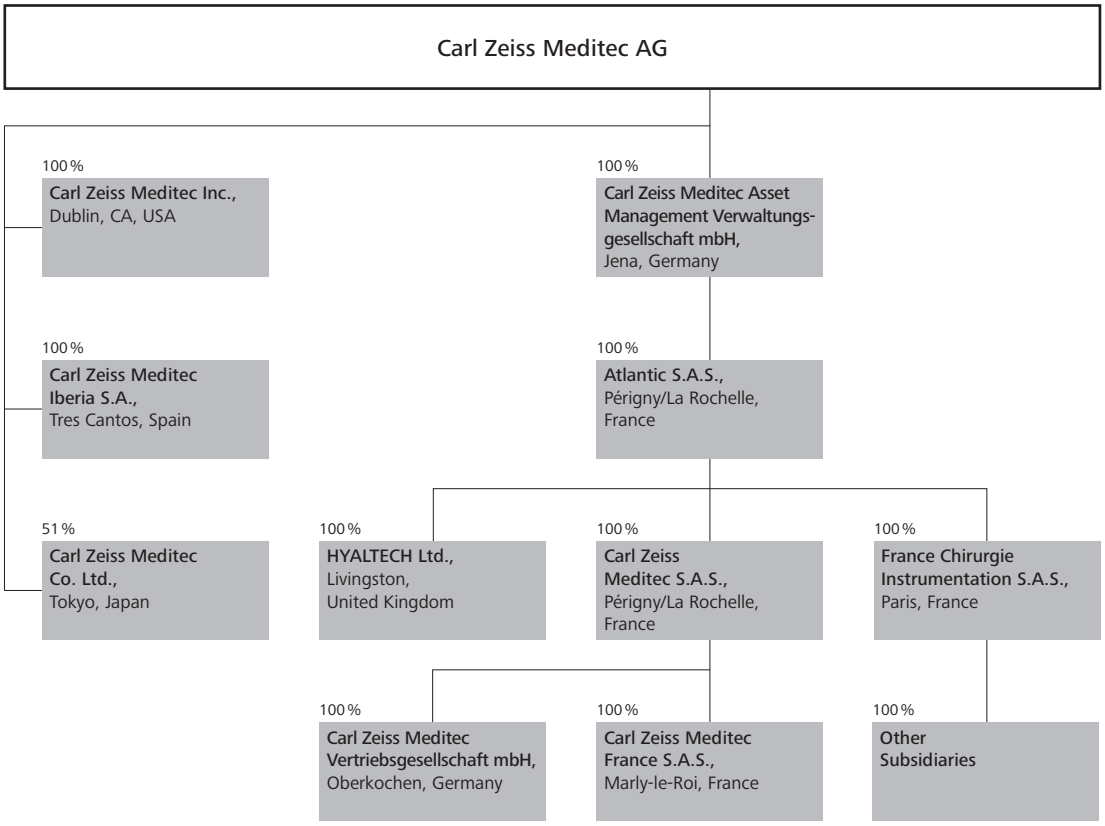
Carl Zeiss Meditec is a company with a global presence. With headquarters in Jena (Germany) and operating sites and subsidiaries in Germany, France, Spain, the USA and Japan, the Company has a direct presence in the world's most important medical technology markets. The Company benefits from the Carl Zeiss Group's powerful global distribution network and ensures itself customer proximity and a distinct advantage over international rivals through its around 40 sales companies and more than 100 agencies worldwide.

[1] This management report contains certain forward-looking statements. Forward-looking statements are all statements contained in this management report that do not relate to historical facts or events, including information regarding the future net assets, financial position and results of operations of Carl Zeiss Meditec AG, its strategy, plans, expectations and goals, as well as future developments and possible regulatory changes in its existing or target markets. These forward-looking statements are based on the Company's current estimate, to the best of its knowledge, of its future prospects and financial development. Words such as "anticipate", "assume", "believe", "estimate", "expect", "intend", "can/could", "plan", "project", "should" and similar terms are characteristic of such forward-looking statements. By their nature, such forward-looking statements involve risks, uncertainties, assumptions and other factors that may cause Carl Zeiss Meditec AG's actual results of operations, including its financial condition and profitability, to differ materially from or be more negative than those made or described in, or suggested by, these forward-looking statements. Furthermore, even if Carl Zeiss Meditec AG's results of operations are consistent with the expectations contained in this report, those results may not be indicative of results in subsequent periods.

1.3 Group structure

Carl Zeiss Meditec AG, Jena, Germany, is the parent company of the Carl Zeiss Meditec Group (the "Group"), which comprises additional subsidiaries. These are presented in the chart below, which shows the investment structure of the Carl Zeiss Meditec Group as of 30 September 2013.

Figure 1: Investment structure of the Carl Zeiss Meditec Group as of 30 September 2013



1.4 Corporate strategy – Meditec Excellence and Growth Agenda (MEGA)

Carl Zeiss Meditec has set itself the task to develop innovative products to improve the diagnosis and treatment of diseases. The solutions the Company develops aim to improve the treatment result, simplify clinical workflows and, ultimately, reduce costs of treatment. They also allow physicians to focus all their attention on their work and their patients. After all, at the end we want the patient to leave the clinic with the best possible outcome and a high level of satisfaction.

The Company's aim with the MEGA 2015 program is to focus on mission-critical areas, and work specifically on these. The individual focus areas are Innovation, Customer Focus, New Markets, Employees and Processes. We have made major progress in each of these areas, and the Company is now reaping the benefits.

1.5 Management of the Company

The overriding corporate objective is to contribute to the advancement of medical technology with targeted innovations and thus generate long-term value-added for the Company. The tools for the financial management of Carl Zeiss Meditec comprise a system of key performance indicators, the scope and content of which far exceed the legal requirements. The greatest importance is attached to Economic Value Added® ("EVA®")[2], free cash flow[3], 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.

2 BUSINESS REPORT

2.1 Underlying conditions for business development

Macroeconomic conditions[4]
The global economy picked up a little during the past financial year. The revival was most pronounced in the advanced economies, while the pace of growth in the emerging economies barely increased at all.

The development of the US economy was increasingly more stable following the elections at the beginning of the year, although it remained restrained overall. A positive effect was had by the expansionary monetary policy and the improved situation on the labour market, which resulted in a slight overall increase in private consumption again. Economic experts forecast an increase in gross domestic product (GDP) of 1.5 % in the USA in 2013. Due to the intensifying sovereign debt and banking crisis in the eurozone, the US dollar found itself on a both short-term and medium-term upwards trend; however, this was once again diminished as a result of the US budget crisis. Overall, the dollar has fallen 1.2 % against the euro since the beginning of financial year 2012/2013.

In the eurozone the continuous decline in private domestic demand and the ongoing efforts to consolidate public budgets had a curbing effect on the economy.

In contrast, there was the expansionary monetary policy of the central banks and the extensive reform efforts in the individual countries. Overall, the economy in the eurozone experienced another slight slowdown during the course of 2013.

Germany continued to play a special positive role within the eurozone, due to its stable economic development. The optimism of German companies rose continuously this year. Positive impetus continued to come from exports and from the rise in spending by private households. Germany's GDP is expected to grow by 0.4 % in 2013 as a whole, while GDP in the eurozone is expected to shrink by 0.4 %.

The comparatively restrained economic expansion in Asia thus far in 2013 is particularly attributable to the decline in economic growth in China. Japan experienced renewed growth, due in particular to the special effects of the reconstruction following the earthquake disaster – although momentum slowed considerably over the course of the year. Experts forecast growth of 7.5 % in China but just 109 % in Japan. Overall, the Asian economy is expected to grow by 4.5 % in 2013.

The overall forecast for the global economy in 2013 is GDP growth (gross domestic product) of 2.8 % compared with the previous year.

[2] Calculation: EVA® = operating result after taxes minus capital costs

[3] Calculation: FCF = EBIT +/- changes in trade receivables +/- changes in inventories including advance payments +/- changes in provisions +/- changes in current accrued liabilities +/- changes in trade payables [- increase in investments in intangible assets and property, plant and equipment] [+ amortization of intangible assets and depreciation of property, plant and equipment] = Free Cash Flow

[4] Joint Economic Forecast project group (publisher): Autumn 2013 "Economy picking up – Put budget surpluses to good use", Joint Economic Forecast Autumn 2013,15 October 2013, Essen

Situation in the medical technology sector
Medical technology is one of the fast-growing sectors in the medium to long term. This is due, firstly, to the ever-growing global population and, secondly, to the increasing proportion of older people in the overall population. This means that the total number of patients suffering from age-related diseases will inevitably rise. At the same time, there is a growing need for comprehensive and high-quality health care.

In the traditional selling markets of the western industrialized nations it is assumed that the demand for high-quality medical technology innovations and more product variety shall continue to rise, as a result of more and more demanding consumer and patient desires due to a high income level and a growing tendency to pursue health care services. At the same time, the growing cost pressure in the key industrialized countries means there is increasing demand for the development of effective devices and efficient treatments.

The demand for health care goods and services in the RDEs shall also increase as a result of the rising per capita income and growing prosperity, which will, in turn, create massive growth potential for the medical technology sector in future. Increases in the volumes of conventional medical technology and medical health care products, in particular, shall play an increasingly more important role here, due to improvements in the standard of living.

It can therefore be assumed that the demand for diagnostic and therapeutic products will continue to grow in the long term, both in microsurgery and in ophthalmology.

a) Market for ophthalmic products
The market for ophthalmic products in the broader sense includes devices and systems for the diagnosis, treatment and post-treatment of ophthalmic diseases, implants for ophthalmic surgery and pharmaceuticals for ophthalmology, contact lenses, contact lens care products, consumables – with the exception of glasses and glasses frames. According to our estimates, the market had a global volume of around US$ 33.7 billion (about € 26.0 billion) in 2012.

The Company's product range includes devices and systems, implants, consumables and instruments for ophthalmology and ophthalmic surgery. According to our estimates, these sub-markets had a volume of around US$ 9.1 billion, or around € 7.0 billion, in 2012.

We estimate our share of the "devices and systems for ophthalmology" market segment, traditionally served by the Company, at about 21 % in 2012. In the market segment "implants, consumables and instruments for ophthalmic surgery", we estimate our global market share in 2012 at about 3 – 4 %. However, our regional market shares in the countries we are currently focusing on range between 5 and 20 %.

Overall, based on the knowledge at hand, we estimate that we largely maintained or, in some cases, slightly increased our market shares in the market segments we serve, compared with the previous year.

b) Market for microsurgery products
Besides ophthalmology, the Company also operates in the market for microsurgery, particularly neuro/ear, nose and throat surgery ("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 recent Company estimates, this market segment had a total volume of around US$ 1.2 billion in 2012, or over € 0.9 billion. The above-average increase in market size compared with the previous year is due to changed estimates based

on new findings in specific areas of the sub-segment "Other Visualization", which are not served by Microsurgery. With a market share it estimates to be around 20 %, Carl Zeiss Meditec is thus one of the largest providers in this segment. According to own estimates, Carl Zeiss Meditec continues to be the global market leader in the sub-segment "Surgical microscopes", with a market share of more than 50 %.

2.2 Overall assertion on the economic position of Carl Zeiss Meditec at the end of the financial year

In spite of a number of challenges in specific business segments and regional uncertainties that revealed themselves during the course of the financial year under review, the past financial year was a very successful year for Carl Zeiss Meditec. All three strategic business units and regions made varying positive contributions to the revenue growth of 9.1 %. This encouraging growth and a consistently good level of profitability mean that the Company can once again report significant earnings growth for the past financial year.

2.3 Summary of business development

Carl Zeiss Meditec AG has brought financial year 2012/2013 to a successful close, thus continuing its growth trend of the previous financial years. Sales increased by 9.1 % compared with the previous year (€ 519.7 million) to € 567.0 million.

Sales in Ophthalmology increased significantly compared with the previous year, due in particular to the new CIRRUS™ photo and femtosecond technology products. In Microsurgery, the greatest increases in sales were attributable to the OPMI® Pentero® 900 and OPMI LUMERA® 700 surgical microscopes. In the third business unit, Surgical Ophthalmology, sales were mainly driven by the CT ASPHINA® micro-incision intraocular lenses and the AT LISA® IOL series of products.

With regard to sales development, the individual regions enjoyed greatly differing levels of growth. The most significant growth was achieved in the "Americas" region, where sales increased by 22.7 % year-on-year, from € 109.8 million to € 134.7 million. With sales growth of 9.9 % to € 191.4 million (previous year: € 174.2 million), the "Asia/Pacific" region achieved the second-highest rate of sales growth, after the "Americas" region. Proportionately, however, the region with the highest sales, "Europe, Middle East and Africa" (EMEA), grew at a rate of just 2.2 %, to € 240.9 million (previous year: € 235.7 million).

The result from ordinary activities increased from € 66.5 million the previous year to € 83.1 million in financial year 2012/2013. Net income in the year under review amounted to € 51.0 million (previous year: € 47.1 million).

Contrary to the previous year, Carl Zeiss Meditec AG reported almost no cash and cash equivalents as of 30 September 2013, since all balances are now deposited with the Group treasury of Carl Zeiss AG and these are carried as receivables from affiliated companies. This item amounts to € 151.5 million as of 30 September 2013. In comparison, the previous year's items cash and cash equivalents and receivables (i. e. credit) from the Group treasury of Carl Zeiss AG amounted to € 120.0 million and € 50.1 million, respectively, as of 30 September 2012 . Working capital increased due to the expansion of business compared with the previous year, which has also resulted in a reduction of cash flow from operating activities. In the financial year the Company generated cash flows from operating activities amounting to € 43.5 million (previous year: € 56.6 million). The payment of the dividend to our shareholders in the amount of € 32.5 million, also resulted in a cash outflow.

Based on the good economic performance of Carl Zeiss Meditec AG, the Management Board will again propose to the Supervisory Board and the Annual General Meeting the distribution of a portion of the Company's net retained profits in the form of a dividend.

2.4 Results of operations

Table 1: Summary of key ratios in the income statement (figures in € '000, unless otherwise stated)

	Financial year 2012/2013	Financial year 2011/2012	Change from previous year
Sales	566,978	519,683	+9.1 %
Gross profit on sales	245,228	232,380	+5.5 %
Operating result	83,088	66,477	+25.0 %
Net income	51,017	47,083	+8.4 %

Sales

Carl Zeiss Meditec AG generated sales of € 567.0 million in financial year 2012/2013. This corresponds to an increase of 9.1 % year-on-year (previous year: € 519.7 million).

Sales by strategic business unit

The launch of the new CIRRUS™ photo, in particular, is having a noticeable effect in the Ophthalmic Systems strategic business unit. The products of the ZEISS Refractive Laser Solution, which include the VisuMax® and the MEL 80™ increased their share of sales further. Other primary sales drivers are the diagnostic systems the IOLMaster® 500 and Cirrus™ HD-OCT. The main products in the Surgical Ophthalmology SBU are in particular the CT ASPHINA® micro-incision intraocular lenses, the AT LISA® IOL series and the ZEISS Toric Solution IOLs. The biggest sales drivers in the Microsurgery SBU are the OPMI® Pentero® 900, OPMI® VARIO 700 and OPMI LUMERA® 700 surgical microscopes.

Service sales also increased compared with the previous year.

Table 2: Share of strategic business units in sales in financial year 2012/2013, in percent (sales figures in € '000)

Strategic business unit	Financial year 2012/2013		Financial year 2011/2012		Change from previous year
	Sales	Share of sales	Sales	Share of sales	
Ophthalmic Systems	191,681	33.8 %	174,370	33.6 %	+9.9 %
Surgical Ophthalmology	80,462	14.2 %	71,719	13.8 %	+12.2 %
Microsurgery	294,835	52.0 %	273,594	52.6 %	+7.8 %
Total	**566,978**	100.0 %	**519,683**	100.0 %	9.1 %

Sales by region

Growth rates in the individual regions varied in terms of sales development. The "Americas" region grew the most, at 22.7 %. This is mainly due to the recovery of the US market, but also to the rapidly growing country Brazil. The sales generated in countries of the Middle East, which were allocated in the previous year to the "Asia/Pacific" region, were assigned to the "EMEA" region in accordance with the regional distribution of our sales organization. The figures for the previous year were adjusted accordingly to ensure comparability. The sales growth of 9.9 % in the "Asia/Pacific" region is primarily attributable due to the countries China, Japan and Singapore; sales in India, on the other hand, declined. It's a very mixed picture in the region "Europe, Middle East and Africa" (EMEA) with a restrained growth rate of just 2.2 %. On the one hand, countries such as Russia, Saudi Arabia, Spain and Germany are enjoying encouraging growth rates, while sales in countries like France, Austria and the United Kingdom have declined.

Table 3: Share of regions in sales in financial year 2012/2013, in percent (sales figures in € '000)

Region	Financial year 2012/2013		Financial year 2011/2012		Change from previous year
	Sales	Share of sales	Sales	Share of sales	
EMEA	240,947	42.5 %	235,681	45.4 %	+2.2 %
Asia/Pacific	191,360	33.8 %	174,234	33.5 %	+9.9 %
Americas	134,671	23.7 %	109,768	21.1 %	+22.7 %
Total	**566,978**	100.0 %	**519,683**	100.0 %	+9.1 %

Presentation of results of operations

In financial year 2012/2013 gross profit on sales increased from € 232.4 million to € 245.2 million. The corresponding margin decreased, due to a rather unfavorable product and region mix, to 43.2 % (previous year: 44.7 %).

The Company shall continue to work on the development of high-margin products in future with the aim of continuously improving its gross margin.

The result from ordinary activities in financial year 2012/2013 was € 83.1 million (previous year: € 66.5 million). The following major effects should be taken into account in period under review:

- Selling expenses rose by € 4.6 million compared with the previous year. In percentage terms, sales increased even more, however, causing the corresponding cost ratio to decrease from 16.6 % in financial year 2011/2012 to 16.1 % in the reporting period. The operative increase is mainly attributable to the rise in personnel expenses, due to the recruitment of new sales staff, write-downs of demonstration and study equipment added to fixed assets, and higher logistics costs in connection with the increase in volume sales.
- Administrative costs increased minimally to € 34.7 million year-on-year (previous year: € 34.6 million). Relative to sales, the administrative costs ratio for financial year 2012/2013 amounts to 6.1 % (previous year: 6.7 %).
- Research and development costs rose by 6.4 % year-on-year, before offsetting against subsidies received. Taking subsidies into account, R&D costs total € 67.8 million. In the reporting period the company received € 0.1 million in public subsidies (previous year: € 0.5 million). Relative to sales, investment in research and development decreased slightly, compared with the previous year, resulting in a ratio of 12.0 % (previous year: 12.3 %) of sales.
- Other operating income rose by € 18.6 million year-on-year and mainly consists of exchange rate gains (€ 19.7 million; previous year: € 9.1 million), prior-period income from the reversal of provisions (€ 18.3 million; previous year: € 11.9 million), and oncharging to Group companies (€ 7.4 million; previous year: € 6.1 million).
- In addition to exchange rate losses (€ 12.1 million; previous year: € 15.7 million), other operating expenses include. prior-period expenses (€ 0.9 million; previous year: € 0.0 million).
- Net interest income arises in particular from the financial investment of the cash and cash equivalents, which attract interest at normal market rates. It also includes income from the profit-related payment of a convertible bond, issued by the subsidiary Atlantic S.A.S. to finance the acquisition of shares in the former Ioltech S.A. (now operating as Carl Zeiss Meditec S.A.S.). In the reporting period this performance-related remuneration amounted to € 1.9 million (previous year: € 2.5 million). A contrary effect is had by a credit note for an excess performance-related remuneration received in financial year 2010/2011, in the amount of € 3.3 million. The financial year also includes interest expenses for tax arrears payments amounting to € 1.3 million.
- The extraordinary result exclusively reflects the effects of the transition to the German Act to Modernize the Accounting Law *(Bilanzrechtsmodernisierungsgesetz, BilMoG)*. It includes expenses for the appropriation of pension provisions amounting to one fifteenth, i. e. € 0.7 million.

Overall, therefore, Carl Zeiss Meditec AG generated total net income for the year of € 51.0 million (previous year: € 47.1 million).

Key ratios relating to results of operations

Table 4: Key ratios relating to results of operations in financial year 2012/2013, in percent

Key ratio	Definition	Financial year 2012/2013	Financial year 2011/2012	Change from previous year
Return on sales	Net income / Sales	9.0 %	9.1 %	- 0.1 %-pts
EBIT	Earnings before interest and income taxes	€ 84.8 million	€ 59.5 million	+ 42.5 %
EBIT return	EBIT / Sales	15.0 %	11.4 %	+ 3.6 %-pts
Gross margin	Gross profit on sales / Sales	43.3 %	44.7 %	- 1.4 %-pts

2.5 Financial position

Objectives and principles of financial management

A primary objective of financial management at Carl Zeiss Meditec AG is to ensure the solvency of the Company and to manage this efficiently throughout the Group. The Company'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 Company are also based. The Company therefore operates a global financial management system that covers 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. Carl Zeiss Meditec has manufacturing subsidiaries in the USA and Europe and is thus only partly exposed to a direct currency risk, which it hedges against using simple currency forward contracts.

Financial management

The debt ratio of the Company, i. e., the ratio of borrowed capital to equity, decreased to 15.9 % as of 30 September 2013 (30 September 2012: 18.1 %).

Cash inflows generated from operating activities provide an important source of financing for Carl Zeiss Meditec AG. The Company can also create additional liquidity by issuing new shares on the capital market. Furthermore, the Company has the option to assume loans either from the Group treasury of Carl Zeiss AG or from banks.

As Carl Zeiss Meditec has enough cash funds at its disposal to finance its operating and strategic objectives, changes in interest rates and credit conditions are not currently having any material effect on the Company's financial position.

Cash flow statement

Carl Zeiss Meditec's cash flow statement shows the origins and utilization of the cash flows during a financial 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 balance sheet are recorded in the cash flow statement. In contrast, the balance sheet presents the figures as they stood at the balance sheet date on 30 September 2013. As a result, the statements in the analysis of the financial position may differ from the presentation of net assets based on the balance sheet.

Figure 2: Summary of key ratios in the cash flow statement (figures in € '000)

	Financial year 2012/2013	Financial year 2011/2012
Cash flow from operating activities	**43,549**	56,584
Cash flow from investing activities	**-13,703**	-13,206
Cash flow from financing activities	**-149,867**	-72,363
Change in cash and cash equivalents	**-120,021**	-28,985

Cash flow from operating activities amounted to € 43.5 million in financial year 2012/2013 (previous year: € 56.6 million). Net income for the year contributed to this. Inventories, which have been stockpiled, due, in particular, to the increased volume of business and the launch of new products, had the opposite effect. Trade receivables from affiliated companies also increased. This is partly due to the extended payment terms, which were adjusted in line with market requirements.

Cash flow from investing activities amounted to € -13.7 million (previous year: € -13.2 million). This is mainly attributable to investments in tangible assets with a total value of € -9.1 million in connection with the relocation and capacity expansion of our production site in Oberkochen. It is also due to the increase in a Group loan to our subsidiary in Spain and the resulting conversion of this loan into net equity capital of € 4.0 million.

Payments relating to investments in intangible assets amounted to € 0.2 million in the period under review.

Cash flow from financing activities led to a cash outflow of € -149.9 million in reporting year 2012/2013 (previous year: € -72.4 million). This mainly includes changes in the financial investments, which attract interest at normal market rates, with the Group treasury of Carl Zeiss AG and the repayment of a mezzanine loan in the amount of € -6.0 million. Dividend expenses to the amount of € 32.5 million (previous year: € 24.4 million), on the other hand, led to a real outflow of funds.

For information on the off-balance sheet financing instruments (currency forward contracts), please refer to the presentation in the accompanying Notes.

Investment and depreciation policy

To achieve a leading market position in the medical technology sector companies need to make well considered investments. A distinction is made here between two types of investment: capacity expansions and replacement investments. These investments are usually financed from operative cash flow.

In terms of the production of devices and systems, the Company mostly confines itself to the integration of individual components to create system solutions. For this reason, the ratio of tangible assets to total assets and investments in such tangible assets is comparatively low. One exception, however, is the production of intraocular lenses, which generally demands higher investments due to a large vertical range of manufacture.

Due, on the one hand, to the relocation of our production facility in Oberkochen to a new building and the associated installation of furniture, fixtures and fittings, and the capitalization of demonstration and study equipment, on the other, the addition to tangible assets remains on the same level as the previous year[5]. This is also reflected by the capex ratio, the ratio of total investment in tangible assets to sales. In the reporting year the capex ratio was 1.6 %; in the previous financial year it was 1.8 %. For details on the depreciation policy, please refer to the Notes to these annual financial statements.

Key ratios relating to financial position

Table 5: Key ratios relating to financial position

Key ratio	Definition	30 September 2013	30 September 2012	Change from previous year
Net cash and cash equivalents	Cash-in-hand and bank balances + balances with or receivables from the Group treasury of Carl Zeiss AG	€ 151.5 million	€ 170.2 million	-11.0 %
Ratio of inventories to current assets	Total inventories / Current assets	23.5 %	23.9 %	-0.4 %-pts
Net working capital	Current assets ./. cash and cash equivalents ./. treasury receivables from Group treasury of Carl Zeiss AG ./. less current liabilities	€ 156.6 million	€ 124.6 million	25.7 %
Working capital ratio	Current assets / Current liabilities	658.4 %	666.5 %	-8.1 %-pts

2.6 Net assets

Presentation of net assets

Pursuant to German commercial law (HGB), Carl Zeiss Meditec had total assets of € 943.9 million as of 30 September 2013. Compared with the previous year (€ 938.5 million), this corresponds to an increase of 0.6 %.

The increase in inventories to € 85.4 million (previous year: € 82.9 million) is mainly due to stockpiling for new products. Trade receivables increased from € 20.1 million as of 30 September 2012 to € 21.0 million as of 30 September 2013. Receivables from affiliated companies amounted to € 255.9 million as of the balance sheet date 30 September 2013 (previous year: € 120.4 million). The increase is mainly attributable to receivables from the Group treasury of the Carl Zeiss Group, which rose from € 50.1 million in the previous year to € 151.5 million in the reporting year. In addition, short-term Group loans totaling € 12.0 million were issued to two subsidiaries. Finally, the increased business volume and, in some cases, longer payment terms, also led to the increase in receivables from affiliated companies. This balance sheet item also includes receivables from the French interim holding Atlantic S.A.S. from the performance-related convertible bond remuneration. In the reporting period this performance-related remuneration amounted to € 1.9 million (previous year: € 2.5 million).

[5] In financial year 2012/2013 investments in tangible assets totalled € 9.1 million, compared with € 9.4 million the previous year

The item "Shares in affiliated companies" increased year-on-year by € 6.0 million This growth includes the increase of an original Group loan to Carl Zeiss Meditec Iberia S.A., which was thus converted into an equity interest. The item "Shares in affiliated companies" therefore includes the share of subsidiaries held by Carl Zeiss Meditec AG. Essentially these are Carl Zeiss Meditec, Inc., Dublin, USA (investment book value: € 177.2 million), Carl Zeiss Meditec Co. Ltd., Tokyo, Japan (investment book value: € 0.3 million), Carl Zeiss Meditec Iberia S.A., Madrid, Spain (investment book value: € 9.8 million) and Carl Zeiss Meditec Asset Management Verwaltungsgesellschaft mbH, Jena, Germany (investment book value: € 52.1 million).

Loans to affiliated companies decreased by € 2.1 million year-on-year from € 134.0 million to € 131.9 million as of 30 September 2013. This is mainly attributable to the conversion of a previously short-term Group loan of € 2.0 million into an equity investment.

The largest item in terms of value relates to a convertible bond issued by the French interim holding company Atlantic S.A.S. The acquisition of the former Ioltech S.A. was partly financed by a convertible bond issued by Atlantic S.A.S. in financial year 2004/2005 with a total value of € 103 million, which was subscribed by Carl Zeiss Meditec AG. A portion of € 35.0 million of this convertible bond was converted to share capital of Atlantic S.A.S. in financial year 2007/2008. These shares were subsequently transferred to Carl Zeiss Meditec Asset Management Verwaltungsgesellschaft mbH by way of an appropriation to reserves.

Contrary to the previous years, cash and cash equivalents comprise only cash-in-hand. The original financial investments at third-party banks in the previous year, in the amount of € 120.0 million, are now deposited with the Group treasury of the Carl Zeiss Group in the amount of € 100.0 million, and are carried under "Receivables from affiliated companies".

A year-on-year comparison as of the balance sheet date revealed the following significant changes on the liabilities side of the balance sheet. Net retained profits increased on a par with the net income for the year of € 51.0 million (see also Note "2.4 Results of operations" for further details). The dividend of € 32.5 million had the reverse effect.

Provisions decreased compared with the previous year, to € 55.2 million (previous year: € 67.7 million). This is mainly due to the lower provisions for outstanding invoices and currency forward contracts. For more information on this please refer to the Notes under "Provisions".

Figure 3 below charts the most important changes in the balance sheet structure as of 30 September 2013 and 2012:

Figure 3: Balance sheet structure of Carl Zeiss Meditec AG as of 30 September 2013 and 2012 (figures in € ’000)

	30 September 2013	30 September 2012
Fixed assets	**572,160**	580,514
Current assets (excluding cash and cash equivalents)	**363,237**	226,669
Cash and cash equivalents	**3**	120,024
Difference*	**7,494**	10,457
Equity	**813,046**	794,553
Provisions	**55,223**	67,693
Liabilities	**55,171**	52,044
Deferred tax liabilities	**18,965**	23,139

* from the capital account

Key ratios relating to net assets
In the period under review Carl Zeiss Meditec maintained its extraordinarily sound asset structure of previous years.

Table 6: Key ratios relating to net assets

Key ratio	Definition	30 September 2013	30 September 2012	Change from previous year
Equity ratio	Equity / Total assets	86.1 %	84.7 %	+ 1.4 %-pts
Debt ratio	Total borrowed capital (excluding deferred income) / Equity	15.9 %	18.0 %	- 2.1 %-pts
Liquidity ratio A	Equity / Fixed assets	142.1 %	136.9 %	+ 5.2 %-pts
Liquidity ratio B	Equity + long-term borrowed capital / Fixed assets	142.1 %	136.9 %	+ 5.2 %-pts
Liquidity ratio for medium-term and long-term assets	Equity + medium-term and long-term borrowed capital / Fixed assets + receivables due in > 1 year	141.7 %	136.6 %	+ 5.1 %-pts

Orders on hand
Orders on hand decreased to € 68.6 million as of 30 September 2013 and were thus € 7.5 million lower than the previous year's level of € 76.1 million. This shows that the delivery time was reduced, in spite of the higher volume of business. The Company believes that the trend for customers to place orders at short notice will continue unabated.

2.7 Events of particular significance

There were no events of particular significance during the reporting period.

3 NON-FINANCIAL PERFORMANCE INDICATORS

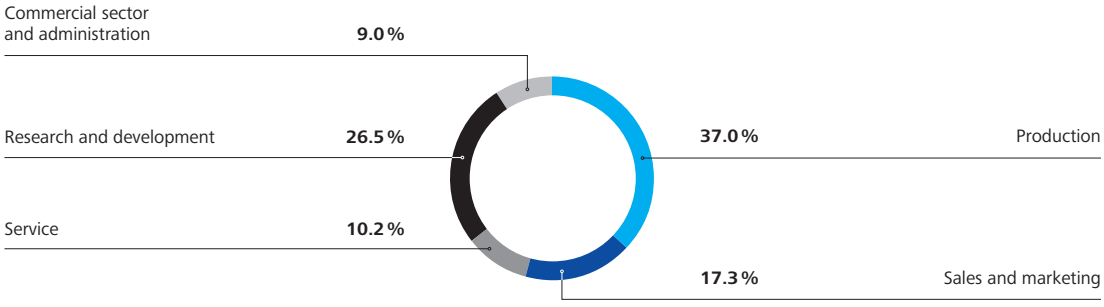
3.1 Employees

Development of the workforce
As of 30 September 2013, Carl Zeiss Meditec had 1,104 employees. This figure does not include Management Board members. There were also 8 trainees. In the previous year, the Company had 1,034 employees, plus 11 trainees. Neither of the above figures include partially retired employees.

On average, the Company had a 1,085 employees in financial year 2012/2013 (previous year: 1,017 employees). In addition, the Company had an average of 11 trainees in the reporting period (previous year: 11 trainees). Carl Zeiss Meditec's success relies on the commitment, the motivation and the qualification of its employees. Based on the growth of our business volume we increased the number of employees slightly.

The following chart gives an overview of the personnel structure by function (average):

Figure 4: Company personnel structure by function



It is the Company's employees, with their competence and achievements, who lay the foundations for Carl Zeiss Meditec's global success. That is why the sustained development and targeted support of our employees' potential is the primary task of the human resources management at Carl Zeiss Meditec. The focus here is particularly on the personal and professional development of employees in our Company. The Company considers this a sound basis for ensuring its long-term economic success. Carl Zeiss Meditec AG aims to increase its attractiveness as an employer through strategic employee development.

3.2 Production

Production plants
With facilities in Jena, Oberkochen and Berlin, Carl Zeiss Meditec has a network of production plants in Germany. Systems and devices for ophthalmology are manufactured by the Company in Jena. The Company manufactures surgical microscopes and microsurgical visualization solutions in Oberkochen; intraocular lenses are manufactured in Berlin.

Production concept
The production of devices and systems at Carl Zeiss Meditec focuses on the assembly of system components. Intraocular lenses (IOL), on the other hand, are largely manufactured in-house, i. e., no pre-manufactured products are purchased from third-parties. Only certain specific steps in the production process are outsourced to external companies.

About a quarter of all purchased preliminary products were procured from suppliers within the Carl Zeiss Group. The remainder are sourced from other suppliers outside the Carl Zeiss Group.

In order to reduce its dependency on individual suppliers, Carl Zeiss Meditec strives to qualify additional suppliers for key components and vendor parts.

In a series of measures to optimize our production processes, our main focus was on being able to react quickly to customer enquiries and requirements, to achieve short chains of command and to be able to quickly and efficiently carry innovations over into production. These measures shortened throughput times and reduced inventories, also cutting production costs and further increasing product quality at the same time.

Production planning
Production planning in Jena and Oberkochen is based on the rolling forecast method. The majority of distribution partners prepare a sales forecast once a quarter for the next 15 months. This sales forecast

is then translated into a demand forecast for production units, taking inventory changes into account. In order to keep stocks to a minimum, products are usually assembled to customer order (series production of individual items). The rolling forecast method described above is also applied for the manufacture of intraocular lenses. Limited quantities of the finished products are stockpiled, however, since customers expect the implants to be delivered very quickly.

3.3 Research and development

Objectives and focus of research and development
Research and development has a very important role to play at Carl Zeiss Meditec AG. Our excellence in the area of research and development (R&D) is measured based on our ability to continuously and sustainably raise the performance and increase the growth of the Company through innovations. According to our strategy, innovations are a key driver of future growth. The Company has the necessary resources to secure the Company's future earnings strength with its research and development activities. We shall therefore continue to offer innovations in future that make leading technologies available for our customers, enable improvements in efficiency and continuously enhance treatment results for patients.

That is why we are aiming to expand our broad product range and constantly improve products that are already on the market. Our priority shall be, in particular, to increase the efficiency and effectiveness of diagnosis and treatment. We attach great importance to the needs of our customers and constantly work closely together with them.

In financial year 2012/2013 research and development expenses increased by 6.4 % to € 67.8 million (previous year: € 63.7 million). Due to the encouraging sales growth the R&D ratio decreased slightly to 12.0 % (previous year: 12.3 %).

In the reporting period, the Company had an average of 287 research and development employees (previous year: 253). This corresponds to 26.5 % of the overall workforce of Carl Zeiss Meditec.

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

- examining new technological concepts in terms of their clinical relevance and effectiveness. The concept of "evidence-based medicine" plays a major role in this, i. e., we consider it extremely important to prove the efficacy of the developed diagnostic and treatment methods.
- 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.

A number of new innovations were thus launched on the market both during the reporting period and directly thereafter.

CIRRUS™ photo 800/600
The new CIRRUS™ photo gives physicians and patients the option to use the functions of two devices in a single session. It combines the rapid, precise OCT analysis with clear, informative images from the fundus camera. The fact that the patient no longer needs to be moved back and forth between the various devices means an improvement in the treatment process for the physician and a more comfortable treatment for the patient.

FORUM Archive & Viewer 3.1
Ophthalmologists can now analyze visual field data interactively, on any device, using the FORUM Glaucoma Workplace and the enhanced version of the FORUM Archive & Viewer 3.1, and can improve their efficiency by combining structural and functional information. From now on, customers shall also have mobile access to diagnostic patient data with the new FORUM Viewer App.

Work was completed on a number of other innovations in the course of the past financial year, which were promptly presented at the end of the financial year at the summer meeting of the European Society of Cataract and Refractive Surgeons (ESCRS) in Amsterdam:

MEL® 90 Excimer Laser
The MEL® 90 is a new and improved excimer laser for laser vision correction. It enables a reduction in the depth of ablation and treatment times, and also ensures even greater reproducibility at the same time. The MEL® 90 guarantees gentle correction and excellent predictability, even in patients with very high or very low ametropia. The shorter treatment time increases comfort for both the patient and the surgeon.

ZEISS Cataract Suite markerless
The ZEISS Cataract Suite markerless enables a comprehensive, end-to-end workflow for cataract surgery with astigmatism correction, will all components working together in perfect harmony. It incorporates components such as the ZEISS IOLMaster® 500 for quick reference images of the eye, the comprehensive data management system FORUM®, the OR assistance system CALLISTO eye®, right through to the OPMI LUMERA® 700 surgical microscope. Surgeons can therefore devote their full attention to the surgical procedure and patients benefit from a more comfortable treatment.

VISALIS® 500 with APM™ mode
The new ultrasound modulation APM™ (Advanced Power Modulation) for the VISALIS® 500, the phacoemulsification device, is proving impressive in medical tests by significantly reducing phaco energy and increasing anterior chamber stability. For the patient this means better treatment outcomes and a faster recovery of the eye after surgery, as well as a significantly shorter treatment time.

AT LISA® tri toric 939MP
The toric trifocal intraocular lens expands the Company's range of premium intraocular lenses.

The AT LISA® tri toric 939MP is the first preloaded trifocal toric intraocular lens on the market. Following the extremely successful launch of the AT LISA® tri 839MP last year, ophthalmologists can now also give cataract patients with astigmatism an almost natural visual experience without glasses in the near, distance and intermediate range. Based on the LISA concept and its product platform, the AT LISA® tri toric also offers very good light transmission, as well as an innovative enhancement of asymmetric light distribution: for the patient this means very good vision, even in difficult light conditions, the preservation of contrast sensitivity and the reduction of halos and undesirable glare effects, which is particularly important at night.

Brands and patents
The Carl Zeiss Meditec Group currently owns more than 800 patent families worldwide. Patent protection varies from country to country. However, the Company aims to patent all its products in its various markets. Therefore, Carl Zeiss Meditec invests in innovations and solutions and ensures that these have an innovative edge through patents. On average, Carl Zeiss Meditec is granted more than one patent a week. Since a number of products have been on the market for some time already, patent protection does not extend to the basic functionality of these products, but, rather, to specific features and enhancements that protect beneficial solutions. This enables us to sustain our successful position on the market long term.

The Company also has more than 560 registered brands and brand registrations (as of 30 September 2013). These include, among others, product names, slogans, images, logos and other specific characteristics of the Company.

4 REMUNERATION REPORT

4.1 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 financial position and market environment.

In its meeting on 29 November 2012, the General and Personnel Committee of the Supervisory Board examined the achievement of the objectives of the Management Board members in relation to financial year 2011/12. The corresponding variable remunerations were then determined during the Supervisory Board meeting on the same date. This meeting also reviewed the salary of Mr. Thomas Simmerer and adjusted it based on the standard remuneration. The salaries of Management Board members Dr. Ludwin Monz and Dr. Christian Müller were reviewed on the date of effectiveness of their contract extensions, which were agreed in financial year 2011/2012, on 1 Octobers 2012 and 1 June 2012, respectively.

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 financial 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 financial year, is contingent upon the achievement of certain quantitative and qualitative targets. The quantitative targets, which bear the most weight, are mainly Economic Value Added® (EVA®) and free cash flow, as well as the non-financial indicator NPS (Net Promoter Score). Strategic targets agreed individually between the Chairman of the Supervisory Board and the members of the Management Board are also taken into consideration. This portion of the remuneration is paid after the end of the respective financial year. The amount is contingent upon the degree of target fulfilment.

In addition to the two components of Management Board remuneration described above, there is also a so-called Long Term Incentive Program ("LTIP"), which was redesigned and published in financial year 2011. This program constitutes a remuneration component with a long-term incentive, which enables Management Board members to achieve, at the end of a three-year period, an additional income equating to 50 % of the current variable remuneration paid out to the individual member for the financial year that precedes the beginning of the term of an LTI tranche, plus interest. A precondition for payment of this remuneration is that the members of the Management Board have not handed in their notice at the end of the applicable three-year period per tranche, and the equity ratio of the Carl Zeiss Group is higher than 20 % at this point. The first payment shall be made with the salary payment in December 2014.

Table 7: Itemized breakdown of the remuneration paid to the members of the Management Board of Carl Zeiss Meditec AG (figures in € '000)

	Management Board remuneration for financial year 2012/2013					
	Fixed remuneration	Payments in kind[6]	Variable remuneration[7]	Total remuneration paid directly	LTIP	Total remuneration pursuant to Section 285 No. 9a HGB
Dr. Ludwin Monz	270.0	16.9	200.8	487.7	0.0	487.7
2011/2012	249.7	17.0	187.4	454.1	0.0	454.1
Dr. Christian Müller	216.0	16.5	163.9	396.4	0.0	396.4
2011/2012	198.7	20.4	140.2	359.3	0.0	359.3
Thomas Simmerer	224.4	17.6	169.1	411.1	0.0	411.1
2011/2012	220.0	17.4	151.6	389.0	0.0	389.0

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. Pursuant to HGB, an amount of € 125 thousand was appropriated for Management Board member Dr. Ludwin Monz in financial year 2012/2013; an amount of € 26 thousand was appropriated for Management Board member Dr. Christian Müller, and an amount of € 20 thousand was appropriated for Management Board member Thomas Simmerer.

Projected unit credits for pensions for other former members of the Management Board of Carl Zeiss Meditec amounted to € 424 thousand (previous year: € 393 thousand).

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.

4.2 Remuneration of the Supervisory Board

The remuneration of the members of the Supervisory Board has been changed, effective from 1 October 2010, by way of an amendment of Art. 19 of Carl Zeiss Meditec AG's Articles of Association resolved during the Annual General Meeting on 12 April 2011.

In addition to a basic remuneration and remuneration for work on the committees, the Supervisory Board remuneration determined on this basis also includes a variable component, which takes appropriate account of the Company's earnings per share. The basic remuneration for each member of the Supervisory Board is € 20,000. The Chairperson of the Supervisory Board receives double this amount and the Deputy Chairperson one-and-a-half times this amount. With the exception of 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 Chairman of the Audit Committee receives double this amount.

If consolidated earnings per share amount to at least € 0.20, a total amount of € 1,000.00 shall be calculated for each full € 0.02 consolidated earnings per share above € 0.20 consolidated earnings per share for the respective financial year just ended, multiplied by the number of members of the Supervisory Board. From this total amount, each member shall be entitled to a portion equivalent to his/her share of the annual remuneration of all members – consisting of basic and committee remuneration. The amount of variable remuneration paid is limited to the annual fixed remuneration (sum of basic and committee remuneration).

[6] 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 pension schemes, as well as contributions to group accident insurance.

[7] Variable remunerations include both the formation of a provision for the bonus for the current financial year and payments for the bonus for the previous year, insofar as this differs from the previous year's figure.

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

Table 8: Itemized breakdown of the remuneration paid to the Supervisory Board of Carl Zeiss Meditec pursuant to Art. 19 (1) of Carl Zeiss Meditec AG's Articles of Association (figures in € '000)

	Supervisory Board remuneration for financial year 2012/2013			
	Basic remuneration	Committees	Remuneration for earnings per share	Total remuneration
Prof. Dr. Michael Kaschke (Chairman)	40.0	5.0	45.0	90.0
2011/2012	40.0	5.0	45.0	90.0
Dr. Markus Guthoff (Deputy Chairman)	30.0	–	30.0	60.0
2011/2012	30.0	–	30.0	60.0
Thomas Spitzenpfeil	20.0	5.0	25.0	50.0
2011/2012	20.0	5.0	25.0	50.0
Dr. Wolfgang Reim	20.0	10.0	30.0	60.0
2011/2012	20.0	10.0	30.0	60.0
Cornelia Grandy (from 11 October 2011)	20.0	–	20.0	40.0
2011/2012	19.4	–	19.4	38.8
Jörg Heinrich (from 11 October 2011)	20.0	5.0	25.0	50.0
2011/2012	19.4	4.7	24.1	48.2
Franz-Jörg Stündel (until 11 October 2011)	–	–	–	–
2011/2012	0.6	0.2	0.7	1.5
Wilhelm Burmeister (until 11 October 2011)	–	–	–	–
2011/2012	0.6	–	0.6	1.2

The Company did not pay members of the Supervisory Board any additional remunerations or benefits for personally rendered services (in particular consultancy and agency services) in financial year 2012/2013.

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 amendment to the Articles of Association of the Company. This corresponds to at least 10 % of the damage up to at least one-and-a-half times the fixed annual remuneration.

5 REPORT ON RISKS AND OPPORTUNITIES

5.1 Risk management

The term "risk" refers to all circumstances and developments within and outside the Company which could have an adverse effect on the fulfilment of business targets and objectives within a defined period of assessment.

Carl Zeiss Meditec AG is, by its nature, exposed to a large number of risks in the course of its business activities. Regulating and controlling these risks within the usual bounds of risk-taking is a basic prerequisite for the Company's success. Entrepreneurial risks are essentially only taken if these can be controlled and the opportunities associated with them are likely to result in an appropriate increase in value. Effective risk management is therefore an important success factor for the sustained protection of corporate value. As a stock corporation, Carl Zeiss Meditec is also subject to the rules and standards applicable for listed companies. All fully consolidated companies of Carl Zeiss Meditec are included in opportunity and risk management.

Risk management is an integral part of corporate management at Carl Zeiss Meditec and is based on the following two major components:

- **Risk reporting system:** In order to be able to identify risks in good time, evaluate them and take the appropriate countermeasures, the Company has set up an efficient risk reporting system. This is a clearly structured, traceable feedback loop which encompasses all corporate activities, is integrated in the organizational structure and processes and comprises a systematic and ongoing process. The following phases are defined: Identification – Evaluation – Control/Monitoring – Documentation. A key component of this is a database-assisted software solution, which is used to regularly record, systematize and evaluate risks, their estimated probability of occurrence and their damage potential.
- **Internal control system:** The internal control system is the set of all of the activities (control activities) prescribed by management that serve to control the systematic, enduring risks and thus ensure proper running of operations and correct management reporting. The organizational measures are integrated in the operative business processes. This means that they occur concomitantly with the process, are immediately upstream or downstream from the process steps, occur during the period at planned and monitored intervals through additional sequences of operations.

The internal control system provides support for:

- achieving business policy objectives via effective and efficient business management
- compliance with acts of law and regulations
- protecting company assets
- ensuring the reliability and completeness of internal and external accounting
- timely and reliable financial reporting.

5.1.1 Risk reporting system

The risk reporting system is an integral part of the Company's overall controlling and reporting process and ensures the systematic recording and evaluation of risks. It also guarantees that the relevant information is immediately passed on to the responsible decision-makers. The main features of this system are as follows:

- The coordinated adoption of measures from the risk reporting system is ensured through the compilation of all relevant facts in Carl Zeiss Meditec's risk manual, which contains information about the functioning of the risk management system, provides a comprehensive overview of potential risk areas, sets out regulations regarding responsibility for monitoring these and contains instructions for dealing with such risks, should they arise.
- Under the direction of a central risk manager, the responsible employees at the different sites regularly assess processes, transactions and developments for existing risks.
- Risks are identified and evaluated according to standard risk matrices.
- An early-warning system assesses business risks according to their potential implications in a planning period of typically five years. The risks are evaluated and classified according to their probability of occurrence and damage potential.
- Regular risk reports are sent to the Management Board, the Managing Directors of the subsidiaries and other decision-makers within the Group on the basis of specified thresholds for relevant risks and in accordance with the classification using the risk matrices. Significant risks arising at very short notice are immediately reported to Carl Zeiss Meditec's Management Board.

On this basis, appropriate steps are taken to avoid identified risks or reduce the probability of their occurrence, and to minimize the potential financial losses of such risks. The measures for reducing risks and the early-warning indicators are regularly updated.

Like the internal reporting system, the risk reporting system is also subject to periodic auditing and ongoing development. The risk reporting system is also audited as part of the audit performed by the appointed auditor of Carl Zeiss Meditec AG.

5.1.2 Internal control system (ICS)

The structure of the internal control system of Carl Zeiss Meditec AG is based on the component dimension of the internationally accepted COSO (Committee of Sponsoring Organizations of the Treadway Commission) Enterprise Risk Management Framework. The processes established in the course of Carl Zeiss Meditec's business are compared for this purpose with the components of the COSO Enterprise Risk Management Framework. Based on the objectives of the COSO Enterprise Risk Management Framework and taking into consideration the standardized risk catalogue of the Carl Zeiss Group, process-related risks have been identified by a multi-functional team and the associated, typical process/control measures have been recorded with the relevant organizational responsibilities. The result is a complete risk-based ICS description, which is maintained within the scope of the quarterly risk reporting cycles and is available for independent assessments or audits. Information about the functioning of the internal control system, the regulation of responsibilities and instructions are compiled in the guidelines on risk management at Carl Zeiss Meditec.

The **accounting-related part** of the internal control system is a system structured under the CFO's supervision which ensures that the preparation of the annual financial statements is in line with German Commercial Code (HGB) and that external financial reporting is reliable.

As a component of the internal control system of Carl Zeiss Meditec **instruments** are implemented in **Controlling**, which help to support the risk identification and prevention process: The Controlling department at Carl Zeiss Meditec regularly updates the Management Board and all responsible decision-makers about risks that arise for the Company based on key ratios, thereby supplementing the information provided by the risk management system. Continuous risk prevention is ensured by direct and regular contact between the individual functional areas using standardized procedures.

The operative function of the internal control system is closely associated with the risk reporting system. Insofar as the assessment of the internal control system reveals a need for improvement in control mechanisms, its effect is evaluated in the risk reporting process and subjected to separate countermeasures. After all measures have been implemented the control mechanisms in the internal control system continue with some adjustments and improvements.

The internal control system is an integral part of risk management and corporate management for controlling the risks associated with the course of business.

Assessment of the internal control system

The internal control system is regularly assessed and further developed with respect to the efficacy of compliance with external requirements and the containment of organizational risks.

Like any organizational model, the internal control system can only provide reasonable but not absolute assurance regarding the attainment of the relevant targets, regardless of how carefully it is structured and operated. Measures implemented within the scope of the internal control system may therefore only aim to overcome the known or potential systematic sources of error. In addition, the cost/benefit ratio must be taken into account when setting up an internal control system; in other words, the benefits of the controls must be proportionate to the costs incurred.

Evidence of the effectiveness of the internal control system is seen from the results of the measures specifically set up to assess the effectiveness of the internal control system or from observing processes anchored in normal business operations. Information and data from other sources is also a key component of management assessment, as these can show up management shortcomings or confirm the effectiveness of the established measures.

These information sources include:

- Reports of the Group Auditing department of Carl Zeiss AG;
- Reports on audits performed by the supervisory authorities or on their behalf;
- Reports by external auditors;
- Reports commissioned to assess the effectiveness of processes outsourced to third parties.

The effectiveness of the internal control system is monitored by the **Audit Committee** of the Supervisory Board of Carl Zeiss Meditec AG. Monitoring in this respect is based on an adequate level of information. It is supported firstly by a transparent description and structure of the internal control system based on the COSO Enterprise Risk Management Framework and, secondly, by riskrelated auditing activities.

The assessment performed by the Management Board, which includes the information from all the above-mentioned sources, led to the conclusion that the internal control system is appropriately structured, effectively implemented and efficient in terms of the correctness of the accounting process and compliance.

5.2 Significant risks

The individual risks identified by the risk management system are detailed below.

Economic environment
The worldwide distribution of Carl Zeiss Meditec's products and system solutions and its research and production locations in Germany, France, the UK and the USA attest to the global nature of the Company. As a company with global operations, the Company is particularly exposed to developments that pose a risk for the global economy. Therefore, in addition to the types of risks described above, the general global political situation, major natural disasters, overall economic development and market trends in individual regions of the world may have many effects on Carl Zeiss Meditec's chances of success.

In particular the underlying conditions in the global economy have become more volatile over the past few years, which has heightened economic risks overall. Although there was a substantial revival in incoming orders in the medical technology business in financial year 2012/2013, economic growth may be significantly curbed by the euro crisis and the debt situation in the United States and a number of EU countries, as well as by a slowdown of growth in China. Growth prospects in the short to medium term depend on whether and how these debt problems are resolved. Thanks to the early-warning system established within the Carl Zeiss Meditec AG, these risks are recognized in good time and can be countered accordingly. In addition, the international presence makes the Company more independent from regional crises. Furthermore, Carl Zeiss Meditec's highly differentiated product and customer structure limits its marketing risks.

The development of the overall economic situation may have an adverse effect on the economic situation of the Company's customers and their demand for the Company's products. This could lead, at least temporarily, to demand short-falls and thus negative consequences for sales and earnings.

Market and competition
The search for new treatment methods in the medical technology industry has intensified as a result of global competition. Some competitors are larger than Carl Zeiss Meditec AG in terms of their total sales and have greater financial resources at their disposal to deal with this competitive pressure. Existing competitors may also be bought up by large, financially powerful companies, new competitors may enter the market, or existing competitors may join to form alliances. The resulting or heightened competitive pressure this would cause could lead to lower selling prices, margin pressure and/or the loss of market shares. The Company prepares itself for the potential risks of a changing market environment by continuously observing the market, in order to be able to react with the necessary foresight.

Aside from the growing competitive pressure, the fluctuating willingness to consume among consumers, which is particularly contingent upon general economic conditions, poses a fundamental business risk. Health insurance funds, insurance companies or government health schemes reimburse the costs of certain medical treatments carried out using products of Carl Zeiss Meditec. Changes in health and reimbursement policy in Germany or abroad could lead to the denial or reduction of reimbursement services. If reimbursement rates are too low, the profit margin of doctors and hospitals may fall, prompting them to suspend or restrict the performance of the respective treatments. Market and competition-related risks are thus posed by possible benefit cuts in the health care sector, which could have an impact on growth opportunities. In addition, there can be no guarantee that patients will be willing or able to cover all or some of the costs of the treatment carried out with products of the Carl Zeiss Meditec Group themselves. In addition: in the case of new products, it is also impossible to predict with any certainty whether health insurance funds, insurance companies or government health schemes will offer any reimbursement at all. The complete or partial denial of reimbursements could reduce the demand for products of Carl Zeiss Meditec.

Some of the Company's products are mainly used for treatments for which patients receive no reimbursement from health insurance funds, insurance companies or government health schemes. This applies in particular to laser treatments for the correction of vision defects. Demand behavior in this case may be influenced by factors such as a fall in the disposable income of private households, uncertainty regarding the further development of the income of private households, the publication of press reports about potential risks of such treatments, or changes in fashion and trends. A decline in the demand for such treatments may lead to a decrease in Carl Zeiss Meditec's revenue, as physicians and treatment centers may no longer purchase the same quantities of such devices.

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

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.

New technologies and products

The markets in which the Company operates are characterized by a constant stream of technological innovations. A capacity for innovation and rapid product development are key competitive factors. New scientific findings may lead to shorter development and product cycles, alternative technologies or new pharmaceutical procedures. Whoever is first to launch innovative products for better treatment methods on the market may gain market shares from other suppliers. The success of Carl Zeiss Meditec therefore depends heavily on the quick development of innovative and market-driven products, and on the timely recognition and conversion of new technology trends and new medical findings into new products. Should the Company lose touch with technological developments on the market, react too late to major technological developments, or fail to identify a market trend in due time or at all, this could have an impact on its competitive position. There is also a risk of one or more of the Company's products being entirely superseded by alternative technologies, pharmaceutical procedures or treatment methods. This could diminish or even completely eliminate demand for certain products in future, resulting in losses in sales and earnings.

Carl Zeiss Meditec actively counters this risk by investing heavily in the research and development of products with a technological edge and unique selling points, as well as in the upstream areas of market intelligence, strategic business development and advanced technology. To this end, the management concerns itself with detailed market and competition analyses, market scenarios, the relevant cost drivers and critical success factors of the Company.

Personnel risks
The ability of the Company to develop new products and technologies or enhance existing ones and market these successfully also depends on its ability to recruit well qualified employees and keep them with the Company long term. Employee competence, commitment and motivation play a vital role in determining the Company's success and competitive chances. Carl Zeiss Meditec relies on qualified specialists and executives to realize the Company's strategic objectives. When looking for qualified employees, the Company has to compete with many other companies in the same sector. In order to grow further, it is an absolute necessity for the Company to recruit and retain highly qualified employees for all functions in all regions; otherwise, the technological advancement and sale of the products and services the Company offers could become compromised. Carl Zeiss Meditec counters this risk with active employee development and successor planning. It is therefore very important for the Company to maintain and increase its attractiveness as an employer.

Product approval and political environment
In almost all of the countries in which the Company operates, business activities in the medical technology sector are subject to extensive government regulations. Particular attention must be paid to legal requirements concerning the manufacture and marketing of medical devices. In many countries, medical devices require explicit marketing approval or certification. Since Carl Zeiss Meditec's products are intended for a global market, they must comply with the relevant legal requirements worldwide.

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 various registrations of Carl Zeiss Meditec will still exist or be renewed in the future. This could lead to losses in sales. If, for instance, the regulatory approval of a product is delayed, competitors may launch new products in the meantime and thereby win market shares, as a product whose market launch is delayed may, in some circumstances, not be met with (full) acceptance. It is also possible for a sales ban to be imposed on the products of the Company, or for the regulatory approval requirements to be tightened in future.

In order to be able to identify such developments in good time and react appropriately, the Company keeps a close eye on developments in this area and monitors approval procedures in great detail as part of its quality management system.

Dependence on affiliated companies and external suppliers
The Carl Zeiss Meditec Group and the Carl 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 Carl Zeiss Group. This distribution network provides major opportunities, which are rooted particularly in the close-meshed coverage worldwide, a high level of professional distribution expertise, and a more cost-efficient market development approach.

To a very large extent Carl Zeiss Meditec uses components from external suppliers to manufacture its products. Cooperation with external suppliers is becoming progressively more intense, due to general cost pressure and the complexity of the components being supplied, which is leading to mutual dependencies. Outsourcing contracts to third parties is associated with a risk of non-delivery or delivery delays, if individual business or cooperation partners do not duly fulfil their contractual obligations. No guarantee can be given that external suppliers will not raise the prices of the services they render in future. In addition, suppliers may decide, for a large number of reasons, to terminate their business relationships with the companies of Carl Zeiss Meditec. Qualifying new suppliers, which would be necessary in this case, could take a long time. Furthermore, Carl Zeiss Meditec may be liable vis-à-vis its own customers for the breach of contractual obligations by its business and cooperation partners. This could have negative implications for the production, sale and the quality of Carl Zeiss Meditec's products.

No assurance can be given that the conditions for the services provided by suppliers will not deteriorate in future. This presents the risk that Carl Zeiss Meditec may be unable to quickly turn to other, lower-cost providers.

Monitoring supplier risks plays a key role in the early-warning, risk information and risk management system. In a difficult economic climate, suppliers must ensure their own solvency. There is an increased risk of supplier insolvency, which means there is at least a possibility of temporary shortages of specific goods and vendor parts. In order to limit the risks of such supplier shortages, the Company selects its suppliers carefully. By implementing consistent supply chain measures, such as qualifying its suppliers, identifying secondary suppliers and preparing a strategic inventory plan, Carl Zeiss Meditec protects itself as best it can against supplier dependencies and changes on the commodities market.

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 order to counter this risk, Carl Zeiss Meditec protects its own inventions with patents, acquires or licenses patents from third parties and endeavors to protect these patents and its other intellectual property. The expiry of property rights, particularly patents, as well as the geographical limitation of property rights could, however, result in new or existing competitors exploiting the inventions of the Company to enter the market or strengthen their market position.

Furthermore, in spite of the measures taken by the Company to protect its patents and other intellectual property, third parties may still attempt to copy or partly copy products of the Company, since the unauthorized use of intellectual property is generally difficult to monitor and copyright laws only provide for limited protection. The Company may become involved in lengthy and costly litigation proceedings in this respect. There is also no guarantee that the measures taken by the Company to protect its own intellectual property rights will successfully prevent the development and design of products or technologies that are either similar to or that could compete with the products of the Company. If Carl Zeiss Meditec fails to ensure adequate protection of its technological innovations, this could impair the Company's competitiveness.

In order to avoid the above-mentioned legal disputes, patents and patent applications in the relevant fields are analyzed by the Patents department at regular intervals.

Loss of confidential data
Carl Zeiss Meditec owns a large number of business secrets. No guarantee can be given that the confidentiality of these business secrets will be effectively protected and remain intact. If business secrets of the Company become known to competitors, this may have negative effects on the Company's competitive position.
To limit this risk, ethical rules of behaviour were laid down in the Carl Zeiss Group's "Code of conduct" and brought to the attention of all employees.

In the sphere of IT solutions the Company has established a number of mechanisms to protect confidential data. Conformance to and the effectiveness of these measures is continuously monitored.

Product liability risk
There is an inherent risk of malfunctions in some of the medical technology devices, systems solutions and implants manufactured by the Company causing injury or treatment errors to patients. This may be due, among other things, to components and raw materials purchased from external suppliers not meeting the specified quality requirements. These risks cannot be entirely excluded, even if the Carl Zeiss Meditec Group applies all reasonable quality control measures and complies with all legal requirements. Although no significant product liability claims have been made against the Company to date, no guarantee can be given that Carl Zeiss Meditec will not be faced with such claims in the future. This may lead, on the one hand, to considerable legal costs, irrespective of whether a claim for damages ultimately materializes. On the other hand, it could damage the reputation of Carl Zeiss Meditec in the long term.

The Company covers itself against potential product liability claims by taking out product liability insurance. Potential product liability claims which could be brought against Carl Zeiss Meditec in the USA pose a particular risk in this respect, as the damages awarded by the courts there can be very high. Product liability cases may also require costly recall campaigns. The possibility cannot be entirely excluded that the Company's existing insurance coverage may not be sufficient to cover potential claims. Nor can it be guaranteed that the Company will be able to take out insurance policies against product liability risks at acceptable economic conditions in future.

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

Infrastructure risks

Terrorist attacks and other acts of violence, or acts of war, the long-term failure of energy networks, pandemics or natural disasters, such as earthquakes, tsunamis or hurricanes could have an adverse effect on the respective affected economy or beyond. A disaster causing the Company to lose a significant number of its employees or requiring it to interrupt its business operations at the affected locations could prevent the Company from rendering regular production, distribution and other services in these areas and generating the expected earnings. 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 its local suppliers there and their readiness to supply. As a result, the Company's reputation, business activities, financial condition and results of operations, and its cash flow, could become significantly compromised.

The Company has taken a number of precautions to minimize these effects. The headquarters, with main research and development departments, and other central corporate functions are situated in Germany. This region is not generally afflicted by severe natural disasters. In order to minimize potential damage and enable a concerted, effective reaction by corporate management, Carl Zeiss Meditec 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). Although the described risks may materialize, the Company believes, in view of these measures and the organization of Carl Zeiss Meditec, that the risk of material adverse effects on its business activities, financial condition and results of operations, and on its cash flow, is limited.

Information technology plays a crucial role in the execution of the Company's business processes. Providing and exchanging up-to-date, complete and correct information, and being able to implement fully functional IT applications, are of central importance for a global company like Carl Zeiss Meditec. 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. Carl Zeiss Meditec has defined appropriate measures so that risks can be avoided and potential losses can be limited. The Company continuously adapts these measures to changing circumstances. For example, the Company minimizes potential disruptions to operations in the computer centers through measures such as mirrored databases, local data management, outsourced archiving, high-availability computers, as well as appropriate contingency plans. In spite of all precautionary measures taken, it cannot fully be guaranteed that disruptions to information technology will not occur and have adverse effects on the Company's business processes.

Subsidiaries and company acquisitions
Carl Zeiss Meditec is indirectly exposed to the respective risk environment of its subsidiaries. Relations with its subsidiaries can result in statutory and contractual liabilities.

Another potential risk in this connection relates to the impairment of the investment book value of the subsidiaries of Carl Zeiss Meditec, Inc., Dublin, USA, Carl Zeiss Meditec Iberia S.A., Tres Cantos, Spain, and Carl Zeiss Meditec Asset Management Verwaltungsgesellschaft mbH, Jena, Germany. These companies were stated at their fair market value at the time of their acquisition or non-cash contribution. This risk would only exist, however, in the event of a permanent deterioration of the net assets, financial position and results of operations of these subsidiaries. In this case, Carl Zeiss Meditec AG would be forced to recognize as an expense a lower investment book value. This could have negative effects on the potential net retained profits in the corresponding period and thus reduce or prevent possible dividend distributions. The investment book values are therefore regularly examined for impairment at least once a year. No impairment requirement arose as a result of this during the previous financial year.

Additional risk potential arises from the subscribed convertible bond with an original value of € 103.0 million, which was issued by Atlantic S.A.S. to finance the acquisition of the shares in Ioltech S.A. (now Carl Zeiss Meditec S.A.S.), due to its long term of 10 years. This risk presented by this financial asset would only exist, however, in the event of a permanent deterioration of the net assets, financial position and results of operations of the issuing subsidiary. A portion of € 35.0 million of this convertible bond was converted to share capital in financial year 2007/2008 and transferred to Carl Zeiss Meditec Asset Management Verwaltungsgesellschaft mbH.

As a result of the merger on 1 October 2010 Carl Zeiss Meditec reported net goodwill totaling € 88.0 million in its balance sheet as of 30 September 2013. The gross value at the date of the merger was € 110.0 million and shall be amortized over a period of 15 years.

The impairment tests carried out in the current financial year did not give any indication of impairment of the goodwill-bearing cash-generating units (CGUs). Based on the development of business, the Company also anticipates positive results from subsequent tests. For the future, however, the possibility cannot be entirely ruled out that the net assets, financial position and results of operations of individual or all of the goodwill-bearing CGUs may deteriorate. In such an event, Carl Zeiss Meditec may be forced to recognize through profit or loss an impairment of the goodwill entered in the balance sheet of its annual financial statements.

Potential risks associated with acquisitions are carefully and systematically assessed in advance. In order to conclude transactions successfully, a standard process for mergers & acquisitions was established that pays particular attention to due diligence. Each transaction is systematically assessed for impairment and synergy potential. The transparency that this creates helps the Company to make more confident decisions.

In future, Carl Zeiss Meditec may achieve further growth by acquiring other companies, among other things. When looking for suitable acquisition targets, the Company competes with other manufacturers. There is a risk that suitable target companies may not exist or be available at acceptable conditions. Acquisitions also bear the additional 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 not being achievable. With regard to other companies that may be acquired in future, there is a fundamental possibility of it being impossible to fully integrate these companies into Carl Zeiss Meditec. Such an event could have adverse effects on the net assets, financial position and results of operations of the Company.

Legal risks
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. These also include the risk of payment of damages and compensation claims in the event of the termination of distribution agreements with external suppliers.

Within the scope of its business operations, Carl Zeiss Meditec may be party to various litigation proceedings or may become involved in such proceedings in future. These could individually have a significant impact on the economic position of the Company. It is not possible to determine or predict the outcome of pending or threatened proceedings. Involvement in any litigation could lead to considerable costs for the Company, irrespective of the outcome. At the present time, there is no pending litigation that poses a substantial risk. Should it be necessary, adequate provisions will be set up as a precaution.

Financial risks
As a result of the European debt crisis there is a latent credit quality risk concerning business banks at which Carl Zeiss Meditec holds deposits. These risks have been reduced by the package of measures adopted by the EU to stabilize the capital markets and the affected countries. Nonetheless, Carl Zeiss Meditec has taken a number of additional measures to limit these risks. One of these measures was to introduce a monitoring procedure to monitor the current situation on the capital markets.

The financial risks also include liquidity risks, price fluctuation risks for financial instruments and risks associated with fluctuations in cash flows.

In spite of the enduring financial crisis, the Company has categorized Carl Zeiss Meditec's financial risks as low. The basis for this categorization is our sound financing structure with an equity ratio of 86.1 %, the large reserve of cash and cash equivalents in the form of balances deposited with the Group treasury of Carl Zeiss AG, as well as a strong cash flow from operating activities.

Cash and cash equivalents are kept in reserve at Carl Zeiss Meditec based on a rolling monthly cash forecast within a fixed planning period, and are transferred to Group companies as required as part of a Group-wide Carl Zeiss cash pool. The Company does not therefore anticipate any material adverse effect on its financial result.

Other disclosures pursuant to Section 289 (2) No. 2 HGB, Section 315 (2) No. 2 HGB
Price fluctuation risks can essentially not be ruled out. However, Carl Zeiss Meditec counters these risks by focusing on product innovations and optimising its production costs with 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 way of an active credit control system. The Company also regularly sets up adequate provisions to cover such risks. On the whole, however, we consider this to be a limited risk.

Carl Zeiss Meditec's financial situation can be considered stable. Cash and cash equivalents, which were mainly carried as receivables from the Group treasury of Carl Zeiss AG, amounted to € 151.5 million as of the balance sheet date 30 September 2013. The Company also generated cash flow from operating activities of € 43.5 million in the period under review. At the present time, therefore, there are no liquidity risks.

Carl Zeiss Meditec is not subject to any significant fluctuations in cash flow that would result, for example, from a distinct seasonality of its business.

All cash and cash equivalents, including the balances via 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

balances existing there may be endangered. Carl Zeiss Meditec 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.

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

5.3 Overall statement on the Company's risk situation

Compared with the previous year there were no significant changes in the risk situation of Carl Zeiss Meditec during the reporting period. The assessment of the overall risk situation is the result of a consolidated consideration of all material individual risks. The Company exercises active and efficient risk control in all areas of Carl Zeiss Meditec to keep a general check on risks to the Company and ensure that they are manageable.

From today's perspective there are no perceptible risks which could – on their own or collectively – jeopardize the future operations of Carl Zeiss Meditec.

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

The share capital of Carl Zeiss Meditec AG amounts to € 81,309,610 and is composed of 81,309,610 no-par value ordinary bearer shares (no-par value shares). Each share entitles the bearer to one voting right and an equal share in Company profits.

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. Carl Zeiss AG also indirectly holds 7.47 % of the voting rights or 6,074,256 no-par value shares in Carl Zeiss Meditec AG via its wholly owned subsidiary Carl Zeiss Inc., Thornwood, USA.

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

Pursuant to Section 179 and Section 133 AktG, an amendment to the Articles of Association requires a resolution by the General Meeting which, in turn, requires a simple majority of the votes cast and a majority comprising at least three quarters of the share capital represented at the time the resolution is passed. The Articles of Association may specify a different capital majority; in the case of an amendment to the purpose of the Company, however, only a larger capital majority may be specified. Art. 25 of Carl Zeiss Meditec AG's Articles of Association states that in cases for which the law requires a majority of the share capital represented at the time of resolution, a simple majority of the share capital represented is sufficient, provided that a greater majority is not mandatory by law. In accordance with Art. 28 of Carl Zeiss Meditec AG's Articles of Association, 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 I. Subject to the approval of the Supervisory Board, the Management Board is accordingly authorized to increase the share capital, on one or several occasions in the period until 11 April 2016, by up to € 39,654,800.00. New no-par value bearer shares may be issued against cash and/or contributions in kind for this. The Management Board is authorized, subject to the approval of the Supervisory Board, to exclude the statutory subscription right of shareholders in the following cases:

- to balance out fractional amounts,
- if the capital increase is effected against cash contributions and the new shares, for which the subscription rights are excluded, are equivalent to no more than 10 % of the share capital, neither on the date the increase becomes effective, nor on the date this authorization is exercised, and the issuing price of the new shares is not significantly lower than the market price of shares of the same type and structure already publicly quoted. Sales of own shares on the basis of other authorizations pursuant to Section 186 (3) sentence 4 AktG must be taken into account in the restriction to 10 % of the share capital.
- for capital increases against contributions in kind to grant shares for the purpose of acquiring companies, parts thereof or interests in a company.

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

Based on the resolution of the General Meeting of Carl Zeiss Meditec AG on 4 March 2010, the Management Board is authorized to purchase own shares. This authorization is valid until 3 March 2015. 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 own 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 own 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 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.

7 SUPPLEMENTARY REPORT

No further events of material significance for the Company's net assets, financial position and earnings occurred after the end of financial year 2012/2013. The development of business at the beginning of financial year 2013/2014 validates the statements made in the following "Outlook".

8 OUTLOOK

8.1 Meditec Excellence and Growth Agenda (MEGA)

We aim to continue the success of the past 12 months and achieve sustainable growth in financial year 2013/2014. Our strategy is geared towards the strategic focus areas of the MEGA program: Innovation, Customer Focus and New Markets. Innovation, in particular, shall play a key role.

Innovation
A key element of our growth strategy consists in making cutting-edge technology in medical application accessible to our customers. We are therefore striving to establish our products as the new gold standards in medical diagnostics and therapy. Based on the breadth of our product range, we are offering our customers, particularly in the area of ophthalmology, the opportunity to make their workflows more efficient and improve their clinical results by cleverly combining devices and systems. For example, we already support the entire workflow of our customers in cataract treatment and offer them additional options for the treatment of astigmatic patients with product innovations developed in the reporting year.

New markets
At the present time we see the greatest market potential in the rapidly growing markets of Asia and Latin America. Particularly in markets like India or China, it is necessary to develop a market-specific product range. Our use of Carl Zeiss AG's local research centers puts us in a position to work closely with our customers on site and determine local needs. We expect to further expand our presence in the new markets in 2013/2014.

Customer focus
A primary objective of our innovation strategy is to improve the diagnosis and treatment of diseases. Our customers value our support and service in order to be able to satisfy the ever-growing growing demands for treatment quality and efficiency. Continuously expanding our global service business shall thus be a key growth driver for us for the next few years. We expect the share of consolidated revenue generated by our Service business to increase further in financial year 2013/2014.

Process excellence
Our aim is to exceed the expectations our customers have of our products with excellent quality. This requires stable processes in all areas of the Company that are constantly further developed. In the reporting year progress was achieved in particular with the supply chain for the intraocular lens business, to ensure quick and reliable processing of the continuously increasing number of orders.

Employees
For us, a forward-looking human resources policy means sustainable and targeted development of the potential of our employees. We have already seen some success in this respect with the MEGA program, and we aim to strengthen and continue this in future. Significant in this respect are, for example, the mentoring program, employee training and systematic successor planning.

8.2 Future conditions for business development

Macroeconomic conditions[8]
According to the forecast of the Joint Economic Forecast project group in autumn 2013, a sustainable recovery of the global economy is expected in 2014. In order for global GDP to increase by 3.5 %, as expected, companies, private households and investors will have to gradually learn to put their trust in the reform and consolidation efforts being made in the eurozone, private consumption in the USA will have to continue to rise and the emerging economies will have to maintain their growth. In autumn 2013 sentiment indicators were on an upwards trend, particularly in the German economy, and are thus still considered more favorable than in the rest of the eurozone.

[8] Joint Economic Forecast project group (publisher): Autumn 2013 "Economy picking up – Put budget surpluses to good use", Joint Economic Forecast Autumn 2013,15 October 2013, Essen

Private demand in the USA is expected to rise. Nevertheless, financial adjustments and the budget dispute in the US Congress continue to put pressure on the economy, so that projected economic growth for 2014 as a whole is just 2.2 %.

Economic experts anticipate a gradual stabilization of the economy in the eurozone in 2014 and a slow emergence from the recession for the crisis countries. With growth of 0.9 %, economic momentum will remain slow, but will gradually turn into a slight economic recovery. According to the assumptions, additional impetus is expected to come from countries like Russia, among others. For the German economy the research institutes are forecasting growth of 1.8 and a sustainable upwards trend. This would mean Germany would remain the nation with the highest growth rate among the largest economies in the eurozone. Overall, the heterogeneous development in the individual countries is expected to continue.

For Asia, the financial institutes are once again predicting a slight increase in growth rates. GDP is expected to rise by 4.8 %, particularly because the Asian economies are expected to benefit disproportionately from the slight growth of the global economy. The Chinese economy, in particular, is expected to be able to achieve growth of 7.5 %. The situation is reversed in Japan: Growth there is expected to slow to 1.8 % in 2014. India is expected to grow by 4.5 %.

The overall forecast for the global economy in 2014 is GDP growth (gross domestic product) of 3.5 % compared with the previous year.

Future situation in the medical technology industry
Carl Zeiss Meditec 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 are playing an important role from an efficiency and cost perspective. Consequently, the products and procedures of medical technology manufacturers shall no longer be measured based only 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.

Last but not least, the development of the global economy influences the growth of the medical technology industry inasmuch 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 until 2020 in the low to mid-single-digit percentage range. The statements on the future development of Carl Zeiss Meditec's business were made on the basis of the above-mentioned assumptions, which are in line with the information the Company currently has at hand.

8.3 Future development in the strategic business units of Carl Zeiss Meditec AG

Based on the underlying and persistent long-term growth trends, and in spite of imponderable macroeconomic conditions, the management of Carl Zeiss Meditec assumes that there will be further revenue growth in the next two financial years that is at least on a par with the expected market growth for this industry.

a) Ophthalmic Systems strategic business unit
During the past financial year we further increased our revenue in the "Ophthalmic Systems" SBU and expect this growth to continue in 2013/2014. We can attribute this in particular to our technological core competencies in products already on the market for the diagnosis and therapy of ophthalmic diseases. With our broad product range it is our ambition to be able to provide our customers with efficient solutions for a smooth workflow, with the best possible benefit for the patient. System networking and integrated data management are another important strategic focus points in this respect.

The year under review was characterized in the "Ophthalmic Systems" SBU by growing competitive pressure. Having largely redesigned our model range in optical coherence tomography at the beginning of the reporting year, however, as well as launching product innovations with refractive lasers, such as the ReLEx® smile procedure and the new excimer laser MEL® 90, we feel cautiously optimistic about the new financial year and are confident that we will be able to defend our market shares.

b) Surgical Ophthalmology strategic business unit
The "Surgical Ophthalmology" SBU continued to grow in the past financial year. We expect this growth to continue in financial year 2013/2014. To achieve this we need to exploit and exhaust any potential that remains in the markets in which we operate and further strengthen market position through innovations. MICS lenses, which are already well established in the market, play a key role in this, as well as the injectors suitable for implantation, and the successfully established VISALIS® 500 phaco system, which is capable of microincision surgery. Carl Zeiss Meditec's AT LISA® tri, in combination with the BLUEMIXS™ 180 Injector, are the only preloaded MICS-compliant trifocal intraocular lenses on the market. In the reporting year a toric version of the AT LISA® tri was also developed for astigmatic patients. We are therefore confident that we will be able to further increase our market shares in 2013/2014.

c) Microsurgery strategic business unit
Our "Microsurgery" SBU recorded further revenue growth in the year under review and thus further improved our already extremely strong market position. We expect this growth to continue in 2013/2014. With our surgical microscopes OPMI® Pentero® for neuro, spinal or plastic surgery, the OPMI LUMERA® for surgical procedures on the eye, and the OPMI® VARIO, which is used in ENT surgery, among others, we are well 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 making significant contributions to earnings in future. We are confident that we will be able to defend our market shares in the new financial year.

8.4 Future selling markets

As a global Company, our continued aim in the years ahead shall be to maintain as balanced a distribution of revenue as possible across our individual markets. The Carl Zeiss Meditec Group is currently generating around one third of its revenue in all three of its strategically important business regions: "EMEA", "Americas" and "Asia/Pacific". We see particularly promising business prospects in the Asia/Pacific region. These prospects shall become even more important in the medium to long term, due to the rapid economic growth in this region. Carl Zeiss AG's research centers in India and China, which Carl Zeiss Meditec uses for product development, shall help to expand and ensure this growth. These centers help us to work closely together with our customers on site and thus to gear our activities, in respect of the marketing, development, procurement and production of our products, to the market conditions specific to the region, and to the prevailing needs of customers there. Another promising market, which we consider to hold significant market potential for our products, is Latin America. We aim to exploit the potential in these countries to an even greater extent in future and generate further sales growth.

8.5 Future research & development activities

We aim to continue to be a pioneer of innovative solutions and processes and to continuously develop our expertise in this area. Carl Zeiss Meditec invests more than 12 percent of its revenue in research and development projects and plans to invest in R&D on a similar scale in 2013/2014. Efficient and targeted development processes play a key role in this. Upstream from these is the search for new technologies and market trends, which are systematically identified and evaluated on an ongoing basis, in order to specifically carry over the most promising ideas to new development projects and then to establish ourselves 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.

8.6 Future investments

Investments are a basic requirement to be able to maintain our technology leadership in future, too. The investment ratio at Carl Zeiss Meditec has been largely constant in the past few years. The investments required to realize growth targets will not lead to a material change in the current investment ratio in the coming financial year. We are aiming to invest around 1 % to 3 % of sales revenues in tangible assets in financial year 2013/2014, and thus remain at the previous years' level.

8.7 Future dividend policy

Carl Zeiss Meditec 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 € 0.45 per share for the past financial year. 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.

8.8 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.

8.9 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 previous year's level. Short-term cash and cash equivalents, including receivables from the Group treasury of the Carl Zeiss Group are available for financing as of 30 September 2013, in the amount of € 151.5 million, which are deposited with the Group treasury of the Carl Zeiss Group at normal market conditions. In view of this and the ongoing expectation of positive business development and a positive cash flow from operating activities as a result, as well as the possibility to use other financial instruments and sources of financing, we consider Carl Zeiss Meditec's financing capacity to be adequate. In 2013/2014 we aim to achieve operative cash flow in the mid to high double-digit millions, based on active working capital management.

8.10 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.

We continue to foresee a high level of growth particularly in the rapidly developing economies (RDEs) in Asia and Latin America. We plan to further strengthen our market presence and exploit the existing potential there in order to further consolidate our position in these markets. Additional opportunities are provided by our innovative and broad product range, which we shall continue to expand in the coming financial year. Our strong financial profile, which shields 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, which we shall evaluate and follow up, where appropriate. It is not possible at this point to gauge how feasible such opportunities might be.

8.11 Overall assertion on future development

At the time of publication of this Annual Report the management of Carl Zeiss Meditec considers the outlook for the next two financial years to be positive. This assumption is based on the underlying development trends which have persistent for a long time: an ever-growing global population and the constantly growing number of elderly 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 advanced 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. Accordingly, the Company's management assumes that the demand for products and solutions of Carl Zeiss Meditec will continue to increase in the next two financial years.

General economic conditions and economic development are crucial to making a forecast about the future development of business. Given the large number of imponderables in the individual regions in the year under review and the increasingly high level of uncertainty with regard to future development, the Company's management plans to keep a close eye on the further course of general business so that it can react to any changes in good time. Staying in regular contact with our customers shall play an important role in this. The investment behaviour of our customers depends heavily on economic development. Planned investments in the private sector may be delayed, or significant cuts in public budgets may adversely affect demand.

Based on the generally favorable conditions for market development, in the medium and long term, and Carl Zeiss Meditec's good strategic position, the Company's management assumes, both from a current perspective, and for the next two years, that revenue will continue to grow, provided that general economic conditions remain stable. We anticipate revenue growth at least on a par with the market growth expected for the industry.

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. The Carl Zeiss Meditec Group already achieved its objective of increasing this share of revenue to 25 % by 2015 in reporting year 2012/2013, and thus two years earlier than planned. From a current perspective, we expect a further increase in financial year 2013/2014. In the medium term the Group is aiming to increase this percentage of revenue to around 30 % of consolidated revenue. Carl Zeiss Meditec AG will play its part in this.

In financial year 2012/2013, we increased our EBIT margin further, from 11.5 % in the previous year to 15 %. We shall therefore continue to adhere to our goal of achieving a sustainable operating margin of 15 % in the next few years, without foregoing investments that are necessary to sustainably protect the existence of the Company.

If there are any significant changes in the economic environment currently forecast over the course of the financial year and should it thus become necessary to amend the statements made here on business development from today's perspective, we shall publish these amendments promptly and specify our expectations in more detail.

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

As a member of 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.

10 DECLARATION ON CORPORATE GOVERNANCE PURSUANT TO SECTION 289A HGB

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. You can find this information on our website at **www.meditec.zeiss.com/ir**.

Jena, 20 November 2013

Dr. Ludwin Monz President and Chief Executive Officer	Dr. Christian Müller Chief Financial Officer and Member of the Management Board	Thomas Simmerer Member of the Management Board

Income statement for financial years 2012/2013 and 2011/2012 (HGB)

(Figures in € '000)

	Notes		Financial year 2012/2013		Financial year 2011/2012
Revenue	(21)		**566,978**		**519,683**
Cost of sales			(321,750)		(287,303)
Gross profit			**245,228**		**232,380**
Selling costs			(91,105)		(86,471)
General and administrative expenses			(34,701)		(34,566)
R&D costs		(67,916)		(64,205)	
minus subsidies received		112	(67,804)	469	(63,736)
Other operating income	(24)		46,181		27,553
Other operating expenses	(25)		(12,969)		(15,662)
Income from investments and long-term loans	(26)		2,808		5,894
Other interest and similar income	(26)		1,334		2,211
Interest and similar expenses	(26)		(5,884)		(1,126)
Result from ordinary activities			**83,088**		**66,477**
Extraordinary expenses			(748)		(748)
Extraordinary results	(27)		**(748)**		**(748)**
Income taxes	(28)		(31,323)		(18,646)
Net income			**51,017**		**47,083**
Retained earnings			63,849		41,159
Dividend			(32,524)		(24,393)
Net retained profits			**82,342**		**63,849**

The following notes to the financial statements are an integral part of the single-entity financial statements.

Balance sheet as of 30 September 2013 and 30 September 2012 (HGB)

(Figures in € ‘000)

	Notes	30 September 2013		30 September 2012	
ASSETS					
Fixed assets	(6)				
Intangible assets					
Purchased concessions, industrial and similar rights and assets and licenses in such rights and assets		92,026		101,514	
Goodwill		88,010		95,344	
			180,036		196,858
Tangible assets					
Land, land rights and buildings, including buildings on third-party land		3,227		3,390	
Technical plant and machinery		4,618		4,797	
Other equipment, operating and office equipment		10,879		7,192	
Payments on account and assets under construction		1,259		936	
			19,983		16,315
Financial assets					
Shares in affiliated companies		239,370		233,370	
Loans to affiliated companies		131,930		133,969	
Shares in other investees and investors		2		2	
Other loans		839		–	
			372,141		367,341
			572,160		580,514
Current assets					
Inventories	(7)				
Raw materials, consumables and supplies		42,071		36,048	
Unfinished goods		10,601		14,621	
Finished goods and merchandise		33,687		33,319	
Payments on account		216		216	
Payments received on account of orders		-1,181		-1,309	
			85,394		82,895
Receivables and other assets					
Trade receivables	(8)	20,993		20,088	
Receivables from affiliated companies	(9)	255,907		120,399	
Receivables from investees		14		–	
Other assets	(10)	929		3,287	
			277,843		143,774
Cash and cash equivalents	(11)				
Cash-in-hand		3		6	
Bank balances		–	3	120,018	120,024
			363,240		346,693
Prepaid expenses	(12)				
Discount		–		18	
Other prepaid expenses		990		816	
			990		834
Asset-side difference arising from asset offsetting	(13)		7,494		10,457
Total Assets			**943,884**		**938,498**

The following notes to the financial statements are an integral part of the single-entity financial statements.

(Figures in € '000)

	Notes	30 September 2013		30 September 2012	
LIABILITIES AND EQUITY					
Equity	(14)				
Issued capital		81,310		81,310	
Capital reserves		646,454		646,454	
Revenue reserves					
Other revenue reserves		2,940		2,940	
Net retained profits		82,342		63,849	
			813,046		794,553
Special reserve for investment subsidies	(15)		333		113
Provisions	(16)				
Tax provisions		6,736		8,188	
Other provisions		48,487		59,505	
			55,223		67,693
Liabilities	(17)				
Trade payables		25,829		24,790	
Liabilities to affiliated companies	(9)	25,803		18,461	
Liabilities to other investees or investors		189		206	
Other liabilities		3,350		8,587	
			55,171		52,044
Prepaid expenses	(18)		1,146		956
Deferred tax liabilities	(19)		18,965		23,139
Total liabilities			**943,884**		**938,498**

The following notes to the financial statements are an integral part of the single-entity financial statements.

Statement of changes in fixed assets (gross)

(Figures in € '000)	Acquisition and production costs					
	1 October 2012	Additions	Additions from Carl Zeiss EyeTec GmbH	Transfer (+/-)	Disposals	**30 September 2013**
Intangible assets						
Purchased concessions, industrial and similar rights and assets and licenses in such rights and assets	134,691	212	–	–	479	134,424
Goodwill	110,012	–	–	–	–	110,012
	244,703	**212**	**–**	**–**	**479**	**244,436**
Tangible assets						
Land, land rights and buildings, including buildings on third-party land	4,432	247	–	–	–	4,679
Technical plant and machinery	9,394	734	–	11	79	10,060
Other equipment, operating and office equipment	26,636	6,830	47	910	2,742	31,681
Payments on account and assets under construction	936	1,244	–	(921)	–	1,259
	41,398	**9,055**	**47**	**–**	**2,821**	**47,679**
Financial assets						
Shares in affiliated companies	233,370	6,000	–	–	–	239,370
Loans to affiliated companies	133,969	–	–	–	2,039	131,930
Shares in other investees and investors	9	–	–	–	7	2
Other loans	–	839	–	–	–	839
	367,348	**6,839**	**–**	**–**	**2,046**	**372,141**
	653,449	**16,106**	**47**	**–**	**5,346**	**664,256**

The following notes to the financial statements are an integral part of the single-entity financial statements.

(Figures in € '000)	Accumulated depreciation and amortization					Net book value	
	1 October 2012	Depreciation and amortization financial year	Disposals	Transfer (+/-)	**30 September 2013**	30 September 2013	1 October 2012
Intangible assets							
Purchased concessions, industrial and similar rights and assets and licenses in such rights and assets	33,177	9,700	479	–	42,398	92,026	101,514
Goodwill	14,668	7,334	–	–	22,002	88,010	95,344
	47,845	**17,034**	**479**	**–**	**64,400**	**180,036**	**196,858**
Tangible assets							
Land, land rights and buildings, including buildings on third-party land	1,042	410	–	–	1,452	3,227	3,390
Technical plant and machinery	4,597	925	77	(3)	5,442	4,618	4,797
Other equipment, operating and office equipment	19,444	3,892	2,537	3	20,802	10,879	7,192
Payments on account and assets under construction	–	–	–	–	–	1,259	936
	25,083	**5,227**	**2,614**	**–**	**27,696**	**19,983**	**16,315**
Financial assets							
Shares in affiliated companies	–	–	–	–	–	239,370	233,370
Loans to affiliated companies	–	–	–	–	–	131,930	133,969
Shares in other investees and investors	7	–	7	–	–	2	2
Other loans	–	–	–	–	–	839	–
	7	**–**	**7**	**–**	**–**	**372,141**	**367,341**
	72,935	**22,261**	**3,100**	**–**	**92,096**	**572,160**	**580,514**

The following notes to the financial statements are an integral part of the single-entity financial statements.

Notes to the annual financial statements for financial year 2012/2013

GENERAL INFORMATION AND EXPLANATORY NOTES TO THE ANNUAL FINANCIAL STATEMENTS

(1) Description of operations

Carl Zeiss Meditec AG, Jena ("Carl Zeiss Meditec" or the "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. The Company's registered office is located in Jena, Germany's traditional centre of excellence for optical and optical-related technologies. Additional operating facilities are located in Oberkochen, Berlin and Munich. The Company has subsidiaries in, among others, the United States (100 % interest), Germany (100 % interest), France (100 % interest), Spain (100 % interest), United Kingdom (100 % interest) and Japan (51 % interest). Together, these form the Carl Zeiss Meditec Group (the "Group").

The Company's customers are ophthalmologists in private practice, surgeons, optometrists, opticians and clinics worldwide.

(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 ("Asclepion"). 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 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 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 commercial register of the Company on 1 June 2011.

(3) Development of share capital and capital reserves in financial year 2012/2013

Authorized Capital I
The General Meeting on 12 April 2011 resolved to eliminate the existing authorized capital, which expired in financial year 2010/2011, and to authorize the Management Board, with the consent of the Supervisory Board, to increase the share capital by up to € 39,654,800.00 against cash and/or contributions in kind by issuing new no-par value bearer shares until 11 April 2016 (Authorized Capital I).

Based on this resolution of the General Meeting on 12 April 2011 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 account for no more than 10 % of the existing share capital, either on the date it becomes effective, or on the date this authorization is exercised, and the issuing price of the new shares is not significantly below the market price of the shares of the same type and structure already listed. 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 limitation 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 I.

This resolution was entered in the Company's commercial register on 19 May 2011.

Own shares
By way of a resolution of the Annual General Meeting of Carl Zeiss Meditec AG on 4 March 2010, the Management Board is authorized to purchase own shares until 3 March 2015 up to a value of € 8,130,000.00 – equivalent to less than 10 % of the share capital of € 81,309,610.00 – in order, with the consent of the Supervisory Board, to:

- 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 own 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 own 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.

In the past financial year 2012/2013, the Company made no use of this authorization.

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

The annual financial statements of Carl Zeiss Meditec for the financial year ending 30 September 2013 have been prepared in thousands or euros (€ '000) – 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 electronic edition of 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 **www.meditec.zeiss.com/ir**.

(5) Information and explanatory notes on accounting and valuation principles

Fixed assets

Intangible assets

Purchased intangible 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 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 operative useful 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 2013, no use had been made of the option to capitalize development costs.

Tangible assets

Purchased 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. Low-value assets up to a value of € 410.00 are written off in full in the year of their acquisition. Additions to tangible assets are depreciated pro rata temporis.

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.

Contrary to the previous year, demonstration equipment and study equipment with a remaining useful life of more than one year were transferred to fixed assets. The resulting addition to fixed assets amounts to € 2,789 thousand.

Financial assets

Shares in affiliated companies and loans to affiliated companies are shown at cost. 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
Subscribed capital
This is measured at the nominal amount.

Provisions and liabilities
Provisions
Pension provisions 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 period of 15 years. The obligations are measured using Dr. Klaus Heubeck's 2005 G mortality tables.

The measurement as of 30 September 2013 is based on the following accounting principles:

- discount rate pursuant to the German Regulation on the Discounting of Provisions *(Rückstellungsabzinsungsverordnung):* 4.94 % p. a.
- pension growth: 2.00 % p. a.
- salary growth: 3.00 % p. a.
- fluctuation factor: 2.00 % p. a.

Under Section 67 (1) Sentence 1 of the Introductory Act to the German Commercial Code (EGHGB), the difference arising from the first-time application of the German Accounting Law Modernization Act (BilMoG) is added for a period of 15 years.

Assets which meet the criteria as plan assets for fulfilment of pension and partial retirement obligations are measured at fair value and have been offset against the respective individual commitment.

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). For the first time, in September 2006, Carl Zeiss Meditec AG had transferred an amount of cash to a trustee equivalent to the pension provisions for the entitled group of employees. These funds are to be managed by the trustee, giving appropriate consideration to yield potential and maintenance of assets, and may only be used in future to fulfil the respective pension obligations. 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 contracted out the financing of partial retirement claims in the financial year. 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 and uncertain obligations. 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 fulfilment 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 *(Rückstellungs-abzinsungsverordnung)*.

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, pursuant to Section 274 HGB, in accordance with the balance sheet-orientated method (temporary concept). Deferred tax assets are offset against deferred tax liabilities. After offsetting, the Company still has an overhang of deferred tax liabilities. Deferred taxes are measured based on the company-specific tax rate of 29.36 % at € 18,965 thousand (previous year: tax rate: 29.36 % at € 23,139 thousand).

Deferred taxes relate to the balance sheet items listed below:

Table 1

Balance sheet item	30 September 2013 Deferred tax assets	30 September 2013 Deferred tax liabilities
Intangible assets		x
Tangible assets		x
Measurement receivables	x	
Measurement cover fund	x	
Measurement pension provisions	x	
Measurement other provisions	x	
Measurement liabilities	x	

At the balance sheet date, the resulting amount in accordance with Section 268 (8) HGB is € 3,443 thousand (previous year: € 1,607 thousand), which is fully covered by free reserves.

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 have a term of twelve months. The fair value of currency forward contracts is calculated based on the average spot exchange rate at 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. The nominal value of the Company's currency forward contracts as of 30 September 2013 is composed of € 196,214 thousand in receivables and € 71,942 thousand in liabilities. A provision for contingent losses was set up in the amount of € 1,044 thousand for currency forward contracts with a negative market value in the same amount. The currency forward contracts with a positive market value amount to € 5,222 thousand.

NOTES TO INDIVIDUAL ITEMS IN THE BALANCE SHEET

(6) Fixed assets

The development of individual fixed assets in financial year 2012/2013 can be seen in the Annex to these Notes.

The addition to intangible assets is attributable to the acquisition of licenses and patents and computer software.

Investments in tangible assets in the financial year relate in particular to leasehold improvements and fixtures and fittings (€ 3,396 thousand), the transfer of service and study equipment to fixed assets (€ 2,789 thousand), production and test facilities (€ 1,302 thousand) and tools (€ 313 thousand).

In the course of financing the acquisition of Ioltech S.A. (now operating as Carl Zeiss Meditec S.A.S.), the French intermediate holding company Atlantic S.A.S. issued a convertible bond in financial year 2004/2005 with a total value of € 103.0 million, which was subscribed to by Carl Zeiss Meditec AG. This was carried in the balance sheet under "Loans to affiliated companies". These securities are endowed with a profit-related, annual remuneration of up to 8.775 % of their nominal value, and will be converted to Atlantic S.A.S. shares at the end of their term of 10 years on 30 September 2015 at the latest. A portion of this convertible bond of Atlantic S.A.S., which is subscribed to by Carl Zeiss Meditec, was converted into share capital of Atlantic S.A.S. in financial year 2007/2008. Shares with a total value of € 35.0 million were subsequently transferred to Carl Zeiss Meditec Asset Management Verwaltungsgesellschaft mbH by way of an appropriation to reserves.

The addition to shares in affiliated companies is the result of the capital increase of the wholly owned subsidiary Carl Zeiss Meditec Iberia S.A., in the amount of € 6,000 thousand. Other loans include an addition in connection with the payment of € 839 thousand to the contractual trust arrangement for accrued flexitime.

The disposal of loans to affiliated companies relates in particular to the write-down of the annuity loan of a Group company with a term of 18 years, in the amount of € 39 thousand, and repayment of a loan from an affiliated company in the amount of € 2,000 thousand.

OTHER ASSET ITEMS

(7) Inventories

Inventories (€ 85,394 thousand, previous year € 82,895 thousand) include cumulated valuation allowances of € 13,162 thousand (previous year: € 12,314 thousand).

(8) Trade receivables

Trade receivables amount to € 20,993 thousand as of the balance sheet date (previous year: € 20,088 thousand), including cumulated specific and global valuation allowances totalling € 2,948 thousand (previous year: € 2,769 thousand). Discounted trade receivables amounting to € 652 thousand (previous year: € 351 thousand) are due in more than one year.

(9) Receivables from/liabilities to affiliated companies

The disclosed receivables from affiliated companies consist of trade receivables (€ 84,182 thousand, previous year: € 62,498 thousand), receivables from the Group treasury of the Carl Zeiss Group in the amount of € 151,488 thousand (previous year: € 50,145 thousand), and other receivables (€ 19,239 thousand; previous year: € 7,756 thousand). This item also includes receivables due in more than one year amounting to € 998 thousand (previous year: € 848 thousand).

Receivables from shareholders amount to € 7,028 thousand (previous year: € 5.377 thousand).

Liabilities to affiliated companies consist of trade payables of € 23,884 thousand (previous year: € 16,043 thousand) and other liabilities of € 1,918 thousand (previous year: € 2,418 thousand).

Liabilities to shareholders amount to € 6,145 thousand (previous year: € 2,476 thousand).

(10) Other assets

Other assets amount to € 929 thousand as of the balance sheet date (previous year: € 3.287 thousand). These mainly include receivables for payments on account (€ 550 thousand, previous year: € 160 thousand), creditors with debit balances (€ 174 thousand, previous year: € 342 thousand), corporation tax (€ 41 thousand, previous year: € 690 thousand), trade income tax (€ 39 thousand, previous year: € 662 thousand), and for deferred interest (€ 0 thousand, previous year: € 1,107 thousand).

(11) Cash and cash equivalents

Cash and cash equivalents consist exclusively of cash-in-hand. The bank balances still carried under cash and cash equivalents in the previous year are now deposited with the Group treasury of the Carl Zeiss Group and are recognized as receivables from affiliated companies.

(12) Prepaid expenses

Contrary to the previous year there is no item for discount in the current financial year. The other prepaid expenses include rent in the amount of € 397 thousand, vacation pay of € 307 thousand and other prepaid expenses totaling € 286 thousand.

(13) Asset-side difference arising from asset offsetting

This item consists of receivables from CTA plan assets for pensions totaling € 7,494 thousand.

(14) Equity

Subscribed capital
The share capital comprises 81,309,610 no-par-value bearer shares, each with a theoretical value of € 1.00. This is stated at the nominal value.

Capital reserve
As of 30 September 2013 capital reserves still amounted to € 646,454 thousand.

Net retained profits
Due to Carl Zeiss Meditec AG's net income for the year of € 51,017 thousand, and taking into consideration the retained profits brought forward of € 45,753 thousand remaining as of 30 September 2013 after distribution of the dividend of € 32,524 thousand, net retained profits amount to € 82,342 thousand (previous year: € 63,849 thousand). There is a dividend payout restriction of € 3,443 thousand € 1,607 thousand).

The dividend payout restriction results from the capitalization of assets (plan assets) at fair value: € 4.874 thousand (previous year: € 2,275 thousand), less deferred tax liabilities € 1,431 thousand (previous year: € 668 thousand).

(15) Special reserve for investment subsidies

The special reserve for investment subsidies contains investment grants and subsidies carried as liabilities in the amount of € 333 thousand.

(16) Provisions

Provisions for pensions and similar obligations
The actuarial report for the assessment of pension obligations as of 30 September 2013 was prepared by Towers Watson GmbH, Wiesbaden. The obligations are offset against the attributable plan assets from the CTA. The gross amount of the provision is € 40,737 thousand (previous year: € 35.014 thousand). The fair value of the CTA plan assets against which the provision was offset, amounts to € 48,230 thousand (previous year: € 45,471 thousand); the acquisition costs amount to € 46,799 thousand as of 30 September 2013 (previous year: € 43,196 thousand).

As in the previous year there is no open provision after offsetting. The asset-side difference amounts to € 7,494 thousand (previous year: € 10,457 thousand). The total appropriation of the difference not yet allocated by the end of 30 September 2012 under BilMoG was € 9,214 thousand; by 30 September 2013 the figure was € 8,466 thousand – which is to be accumulated by no later than 31 December 2024.

Interest expenses for pension provisions (€ 3,858 thousand), income from plan assets (€ 452 thousand) and income from fair value adjustments (€ 2,760 thousand) are presented in the income statement on a net basis under the item "Interest and similar expenses" (€ 646 thousand).

Tax provisions
This item includes corporation tax, trade income tax and other taxes.

Other provisions
Partial retirement arrangements
Gross provisions for partial retirement obligations amount to € 1,850 thousand as of 30 September 2013. The fair value of the CTA plan assets against which these provisions are offset is € 808 thousand. The resulting interest expenses amount to € 31 thousand.

The item also includes a provision for a deferred compensation programs (postponed remuneration) in the amount of € 1,628 thousand (previous year: € 1,625 thousand). This is offset against the receivables in the same amount from Gerling Lebensversicherung AG and DBV-Winterthur Lebensversicherung AG.

Miscellaneous other provisions

- Warranties (€ 13,710 thousand, previous year: € 11,812 thousand)
- Outstanding invoices (€ 11,398 thousand, previous year: € 18,449 thousand)
- Other provisions for personnel expenses (€ 9,057 thousand, previous year: € 10,973 thousand)
- Litigation risks (€ 2,255 thousand, previous year: € 2,248 thousand)
- Special payments to employees (€ 1,732 thousand), € 2,129 thousand)
- Currency forward contracts (€ 1,044 thousand, previous year: € 5,554 thousand)

(17) Liabilities

Liabilities of Carl Zeiss Meditec AG relate to unsecured liabilities of € 55,171 thousand (previous year: € 52,044 thousand), all of which are due in less than one year.

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

Other liabilities
Other liabilities mainly consist of import sales tax payable of € 1,774 thousand (previous year: € 1,260 thousand), as well as liabilities from withheld wage and church tax of € 1,469 thousand (previous year: € 1,192 thousand). In the previous year other liabilities included a mezzanine loan of € 6,000 thousand, which expired in the financial year.

Maturity structure of liabilities

Table 2: Maturity structure of liabilities (in € '000)

	30 September 2013		30 September 2012	
	Total	thereof due within one year	Total	thereof due within one year
Trade payables	25,829	25,829	24,790	24,790
Liabilities to affiliated companies	25,803	25,803	18,461	18,461
Other liabilities including liabilities to other investees and investors	3,539	3,539	8,793	8,768
thereof taxes	3,243	3,243	2,452	2,452
thereof social security	25	25	51	25

(18) Deferred income

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

(19) Deferred tax liabilities

Deferred tax liabilities amount to € 18,965 thousand (previous year: € 23,139 thousand).

(20) Contingent liabilities and other financial commitments

Contingent liabilities
At the balance sheet date there were limited guarantees with a total value of € 6,924 thousand (previous year: € 15,083 thousand); thereof in favor of affiliated companies € 6,924 thousand (previous year: € 15,083 thousand).

Utilization of this liability is considered unlikely, since this item consists exclusively of intragroup contingent liabilities. Equity investments are tested regularly for impairment, 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:

Table 3 (in € '000)

	30 September 2013	
due 2013/2014	6,841	
thereof to affiliated companies:		*4,890*
due 2014/2015 to 2017/2018	22,362	
thereof to affiliated companies:		*17,000*
due after 2017/2018	21,873	
thereof to affiliated companies:		*18,245*

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, Berlin and Hennigsdorf.

The following financial commitments exist due to **leases:**

Table 4 (in € '000)

	30 September 2013	
due 2013/2014	1,150	
thereof to affiliated companies:		*620*
due 2014/2015 to 2017/2018	2,940	
thereof to affiliated companies:		*2,481*
due after 2017/2018	775	
thereof to affiliated companies:		*775*

The main commitments here relate to a lease agreement for the property let to CZM 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 € 1,441 thousand € 795 thousand).

NOTES TO INDIVIDUAL ITEMS IN THE INCOME STATEMENT

(21) Sales

Table 5: Sales by region[1] (in € '000)

	2012/2013	2011/2012
Germany	48,492	43,821
Europe, Middle East and Africa	192,455	191,860
Asia/Pacific region	191,360	174,234
Americas	134,671	109,768
Summe	**566,978**	**519,683**

[1] The sales generated in countries of the Middle East, which were allocated in the previous year to the "Asia/Pacific" region, were assigned to the "EMEA" region in accordance with the regional distribution of our sales organization. The figures for the previous year were adjusted accordingly to ensure comparability.

Table 6: Sales by business unit (in € '000)

	2012/2013	2011/2012
Ophthalmic Systems	191,681	174,370
Surgical Ophthalmology	80,462	71,719
Microsurgery	294,835	273,594
Total	**566,978**	**519,683**

(22) Cost of materials

Table 7 (in € '000)

	2012/2013	2011/2012
a) Cost of raw materials, consumables and supplies, and of purchased merchandise	280,046	261,699
b) Cost of purchased services	2,012	1,869
Total	**282,058**	**263,568**

(23) Personnel expenses

Table 8 (in € '000)

	2012/2013	2011/2012
a) Wages and salaries	77,230	70,210
b) Social security and other pension costs – *thereof in respect of old-age pensions € 1,615 thousand (previous year: € 2,815 thousand)*	13,066	13,305
Total	**90,296**	**83,515**

(24) Other operating income

Other operating income of € 46,181 thousand (previous year: € 27,553 thousand) mainly consists of prior-period income from the reversal of provisions (€ 18,276 thousand, previous year: € 11,867 thousand), income from foreign currency translation (€ 19,660 thousand, previous year: € 9,144 thousand), on-charging to Group companies (€ 7,442 thousand, previous year: € 6,106 thousand), investment grants and subsidies (€ 525 thousand, previous year: € 166 thousand), and accounting profits on asset disposals (€ 276 thousand, previous year: € 231 thousand).

(25) Other operating expenses

This item includes costs of foreign currency translation amounting to € 12,109 thousand (previous year: € 15,662 thousand) and prior-period expenses of € 860 thousand (previous year: € 0 thousand).

(26) Financial result

Table 9 (in € '000)

	2012/2013	2011/2012
Income from long-term loans – *thereof from affiliated companies € 2,808 thousand (previous year: € 5,894 thousand)*	2,808	5,894
Other interest and similar income – *thereof from affiliated companies € 72 thousand (previous year: € 197 thousand)*	1,335	2,211
Other interest and similar expenses – *thereof to affiliated companies € 3,354 thousand (previous year: € 0 thousand)* – *thereof from interest cost € 91 thousand (previous year: € 369 thousand)* – *thereof from pension provisions € 808 thousand (previous year: € 167 thousand)* – *thereof from tax arrears payments € 1,348 thousand (previous year: € 0 thousand)* – *thereof from subordinated bank loans € 251 thousand (previous year: € 477 thousand)* – *thereof from other interest expenses € 32 thousand (previous year: € 113 thousand)*	5,884	1,126
Total	**-1,741**	**6,979**

(27) Extraordinary result

The extraordinary result is solely attributable to extraordinary expenses; at € 748 thousand (previous year: € 748 thousand), these relate to the minimum appropriation to pension provisions.

(28) Taxes on income

Taxes on income and earnings are based entirely on the result from ordinary activities. This item includes deferred taxes amounting to € 4,174 thousand.

OTHER MANDATORY DISCLOSURES

(29) Auditor's fees

Table 10 (in € '000)

	2012/2013	2011/2012
a) Auditing of financial statements (annual financial statements and consolidated financial statements)	237*	242**
b) Other auditing services	0	33
c) Tax consultancy services	0	3
Summe	**237**	**278**

* thereof for previous year's auditor, financial year 2011/2012 € 13 thousand
** thereof for financial year 2010/2011 € 26 thousand

(30) 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 21 (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 22 (1) Sentence 1 No. 1 WpHG.

All voting rights announcements can be inspected on the Company's website at **www.meditec.zeiss.com/ir**, "Corporate Governance – Vote Rights Disclosures".

(31) Information on shareholdings

Composition and development

Table11

Name and registered office of the company	Currency	Share of voting capital in %	Equity as of 30 September 2013 translated at the market rate on the balance sheet date[2]	thereof profit/loss for financial year 2012/2013 at average annual exchange rate[2]
Carl Zeiss Meditec, Inc., Dublin, USA	USD '000 € '000	100	194,442 144,037	15,159 11,551
Carl Zeiss Meditec Asset Management Verwaltungsgesellschaft mbH, Jena, Germany	€ '000	100	68,058	202
Carl Zeiss Meditec Iberia S.A., Tres Cantos, Spain	€ '000	100	5,075	-1,151
Carl Zeiss Meditec Co. Ltd. Tokyo, Japan	JPY '000 € '000	51	9,474,398 71,773	1,350,933 11,092
Carl Zeiss Meditec Vertriebsgesellschaft mbH, Oberkochen, Germany	€ '000	100	-1,381	1,987
Atlantic S.A.S., Périgny/La Rochelle, France	€ '000	100	73,462	7,673
HYALTECH Ltd., Livingston, United Kingdom	GBP '000 € '000	100	14,662 17,541	1,898 2,257
F.C.I. S.A.S., Paris, France	€ '000	100	12,812	813
Carl Zeiss Meditec France S.A.S., Marly-le-Roi, France	€ '000	100	3,492	670
Carl Zeiss Meditec S.A.S., Périgny/La Rochelle, France	€ '000	100	57,195	2,790
F.C.I. SUD Ltd., Quatre Bornes, Mauritius	MUR '000 € '000	100	77,104 1,873	18,476 456
F.C.I. Ophthalmics, Inc., Pembroke, USA	USD '000 € '000	100	3,053 2,262	579 442

(32) Information on employees

Number of employees

The Company had an average of 1,085 employees during financial year 2012/2013 (previous year: 1,017 employees), plus 11 trainees (previous year: 11 trainees). This number does not include the members of the Management Board of Carl Zeiss Meditec AG.

[2] The figures show the values calculated according to the respective national accounting standards.

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

Table 12

	Number
Production	401
Service	111
Sales	188
Administration	98
Research and development	287
Total	**1,085**

As of the balance sheet date 30 September 2013 the Company had a workforce of 1,104, plus 8 trainees and three Management Board members directly employed by Carl Zeiss Meditec AG.

(33) 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 financial year 2012/2013 and entered in the commercial register:

Table 13

Member of Management Board	Membership of statutory supervisory boards and similar supervisory bodies at companies of the Carl Zeiss Group	Membership of statutory supervisory boards and similar supervisory bodies at other companies
Dr. Ludwin Monz Chairman Physics graduate, MBA Area of responsibility: SBU "Ophthalmic Systems", "Microsurgery", strategic business development, Group functions Human Resources, Corporate Communications, Quality Year of first appointment 2007	• Chairman of the Board of Directors of Carl Zeiss Meditec, Inc., Dublin, USA • Member of the Board of Directors of Carl Zeiss Meditec Co. Ltd., Tokyo, Japan • Chairman of the Supervisory Board of Carl Zeiss Microscopy GmbH, Jena, Germany	• Member of the Board of the International Council of Ophthalmology Foundation, San Francisco, USA (since 05.12.2012)
Thomas Simmerer Dipl.-Ing. Area of responsibility: Sales, Service Year of first appointment 2011	• Member of the Board of Directors of Carl Zeiss Ltd., Cambridge, United Kingdom • Member of the Board of Directors of Carl Zeiss Meditec Co. Ltd., Tokyo, Japan • Member of the Board of Directors of Carl Zeiss Meditec France S.A.S., Marly-le-Roi, France • 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 S.p.A., Arese, Italy (since 27.12.2011)	
Dr. Christian Müller Dipl.-Kaufmann (MBA) Area of responsibility: "Surgical Ophthalmology" SBU, Group functions Finance and Controlling, Investor Relations, IT, Legal Affairs, Taxes 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	

Remuneration paid to the active members of the Management Board in financial year 2012/2013
The total remuneration paid directly to the active members of the Management Board amounted to € 1,295 thousand in financial year 2012/2013 (previous year: € 1,202 thousand). Details of this remuneration are contained in the remuneration report in the management report.

Projected unit credits for pensions for former members of the Company's Management Board amounted to € 424 thousand (previous year: € 393 thousand).

Supervisory Board
The Supervisory Board of Carl Zeiss Meditec AG had the following members in financial year 2012/2013:

Table 14

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 Management Board of Carl Zeiss AG, Oberkochen, Germany Member of the Supervisory Board since 2002. Suspended mandate pursuant to Section 105 AktG between 22 July 2008 and 21 July 2009. Member of the Supervisory Board since 2010	• Chairman of the Board of Directors of Carl Zeiss India Pte. Ltd., Singapore, Singapore • 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 Supervisory Board of Carl Zeiss Microscopy GmbH, Jena, Germany • Chairman of the Board of Directors of Carl Zeiss Co., Ltd., Tokyo, Japan • Chairman of the Board of Directors of Carl Zeiss Co. Ltd., Seoul, South Korea • Chairman of the Board of Directors of Carl Zeiss Far East Co., Ltd., Kowloon, 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 Advisory Board of CZ Vision Holding GmbH, Aalen, Germany (until 06.08.2013)	• Member of the Supervisory Board of Henkel AG & Co. KGaA, Düsseldorf, Germany
Dr. Markus Guthoff Deputy Chairman Member of the Managing Board (CFO) of ALBA Group plc & Co. KG, Berlin, Germany Member of the Supervisory Board since 2004	• none	• none
Thomas Spitzenpfeil Chairman of the Management Board of Carl Zeiss AG, Oberkochen, Germany Member of the Supervisory Board since 2011	• Chairman of Carl Zeiss Pensions-Treuhand e.V., Oberkochen, Germany • Chairman of the Board of Directors of Carl Zeiss Ltd., Cambdridge, United Kingdom • Chairman of the Board of Directors of Carl Zeiss B.V., Sliedrecht, Netherlands • Chairman of the Board of Directors of Carl Zeiss N.V.-S.A., Zaventem, Belgium • Chairman of the Administrative Board of Carl Zeiss AG., Feldbach, Switzerland • Chairman of the Board of Directors of Carl Zeiss AB, Stockholm, Sweden • Chairman of the Administrative Board of Carl Zeiss GmbH, Vienna, Austria • 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 S.p.A., Arese, Italy • Chairman of the Board of Directors of Carl Zeiss (Pty.) Ltd., Randburg, South Africa • Member of the Board of Directors of Carl Zeiss Inc., Thornwood, USA • Chairman of the Board of Directors of Brock & Michelsen A/S, Birkerød, Denmark (since 03.01.2012) • Chairman of the Board of Directors of Brock & Michelsen Invest A/S, Birkerød, Denmark (since 03.01.2012) • Member of Board of Directors of Carl Zeiss Beteiligungs-GmbH, Oberkochen, Germany (since 24.02.2012) • Chairman of the Board of Directors of Carl Zeiss SBE, LLC, Thornwood, USA (since 29.05.2012) • Member of the Supervisory Board of Carl Zeiss GmbH, Jena, Germany (since 13.03.2013) • Member of the Advisory Board of CZ Vision Holding GmbH, Aalen, Germany (until 06.08.2013)	• none

Member of Supervisory Board	Membership of statutory supervisory boards and similar supervisory bodies at companies of the Carl Zeiss Group	Membership of statutory supervisory boards and similar supervisory bodies at other companies
Dr. Wolfgang Reim Independent MedTech consultant Member of the Supervisory Board since 2007	• none	• Member of the Board of Directors of GN Store Nord, Ballerup, Denmark • Member of the Board of Directors of Elekta AB, Stockholm, Sweden • Chairman of the Advisory Board of Ondal Medical Systems GmbH, Hünfeld, Germany (since October 2012) • Member of the Advisory Board of Klingel GmbH, Pforzheim, Germany (until October 2012, and again since December 2012) • Member of the Advisory Board of Medlumics S.L., Madrid, Spain (since January 2013) • Chairman of the Advisory Board of Sabirmedical, S.L., Barcelona, Spain (until September 2012) • Member of the Board of Directors of ESAOTE S.p.A., Genoa, Italy (until December 2012)
Cornelia Grandy* Service engineer and deputy chairwoman of the Works Council of Carl Zeiss Meditec AG, Jena, Germany Member of the Supervisory Board since 2011	• none	• none
Jörg Heinrich* Employee for quality/complaint management and member of the General Works Council of Carl Zeiss Meditec AG, Jena, Germany Member of the Supervisory Board since 2011	• none	• none

* elected employee representatives

Committees of the Supervisory Board

Table 15

	Members
General and Personnel Committee	Prof. Dr. Michael Kaschke, Chairman Dr. Markus Guthoff Thomas Spitzenpfeil
Audit Committee	Dr. Wolfgang Reim, Chairman Prof. Dr. Michael Kaschke Jörg Heinrich
Nominating Committee	Thomas Spitzenpfeil, Chairman Dr. Wolfgang Reim Dr. Markus Guthoff

Remuneration of the active members of the Supervisory Board in financial year 2012/2013
The remuneration of the active members of the Supervisory Board amounted to € 350 thousand for financial year 2012/2013 (previous year: € 350 thousand). The itemized breakdown of the remuneration paid to the Supervisory Board can be found in the management report accompanying the annual financial statements 2012/2013.

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.

(34) German Corporate Governance Code/Declaration pursuant 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 accessible to shareholders on the website of Carl Zeiss Meditec AG at **www.meditec.zeiss.com/ir**. The statement also cited which recommendations the Company does not yet comply with.

(35) Appropriation of profits for financial year 2012/2013

Financial year 2012/2013 closes with net income for the year of € 51,016,979.72. The Management Board proposes utilizing the net retained profits of € 82,342,484.67 for financial year 2012/2013 as follows:

- Payment of a dividend of € 0.45 per no-par value share for 81,309,610 no-par-value shares: € 36,589,324.50.
- Carryforward of residual profit to new account: € 45,753,160.17.

Jena, 20 November 2013

Carl Zeiss Meditec AG

Dr. Ludwin Monz
President and
Chief Executive Officer

Dr. Christian Müller
Chief Financial Officer
and Member of the
Management Board

Thomas Simmerer
Member of the
Management Board

Responsibility statement pursuant to Section 264 (2) Sentence 3 HGB and Section 289 (1) Sentence 5 HGB

To the best of our knowledge, and in accordance with the applicable reporting principles, the annual financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of Carl Zeiss Meditec AG, and the 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, 20 November 2013

Dr. Ludwin Monz
President and
Chief Executive Officer

Dr. Christian Müller
Chief Financial Officer
and Member of the
Management Board

Thomas Simmerer
Member of the
Management Board

Audit opinion

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of Carl Zeiss Meditec AG, Jena, for the fiscal year from 1 October 2012 to 30 September 2013. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with Sec. 317 HGB [*Handelsgesetzbuch:* German Commercial Code] and German generally accepted standards for the audit of financial statements promulgated by the *Institut der Wirtschaftsprüfer* [Institute of Public Auditors in Germany] *(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 annual financial statements in accordance with [German] principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with [German] principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Eschborn/Frankfurt am Main, 22 November 2013

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Jäger
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Bätz
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