CARL ZEISS (1816 – 1888)
200th BIRTHDAY

Fiscal Year 2015/16 ZEISS Group

Navigable PDF

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Financial Highlights
(IFRSs)

	2015/16		2014/15		2013/14	
	€ m	%	€ m	%	€ m	%
Revenue	**4,881**	**100**	4,511	100	4,287	100
» Germany	612	13	547	12	515	12
» Other countries	4,269	87	3,964	88	3,772	88
Research and development expenses	**436**	**9**	466	10	448	10
EBIT	**615**	**13**	369	8	360	8
Consolidated profit/loss	**404**	**8**	208	5	190	4
Cash flows from operating activities	**425**		396		280	
Cash flows from investing activities	**-357**		-206		-288	
Cash flows from financing activities	**-207**		-25		-86	
Total assets	**5,658**	**100**	5,417	100	5,056	100
Property, plant and equipment	**979**	**17**	1,005	19	1,013	20
» Capital expenditures	154		160		188	
» Amortization, depreciation and impairment	155		150		152	
Inventories	**1,118**	**20**	1,081	20	1,080	21
Equity	**1,416**	**25**	1,357	25	1,249	25
Net liquidity	**568**		374		187	
Employees as of 30 September	**25,433**		24,946		24,817	
» Germany	10,770		10,895		10,773	
» Other countries	14,663		14,051		14,044	

More information at:
www.zeiss.com/annualreport

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ZEISS Deutschland
Carl Zeiss Tag 2016
Programmheft
ZEISS
200. Geburtstag von Carl Zeiss
Carl Zeiss Tag am 11. September 2016 in Jena
ZEISS feierte gemeinsam mit Akteuren der Stadt Jena, Partnern aus Wissenschaft, Wirtschaft und Gesellschaft die Gründerpersönlichkeit Carl Zeiss.
Am Carl Zeiss Tag präsentierten sich ZEISS und die mitwirkenden Institutionen auf einer Carl Zeiss Route, die durch die Jenaer Innenstadt führte. Auf der Route konnten verschiedenste Orte entdeckt werden, an denen das Leben und Wirken von Carl Zeiss Spuren hinterlassen hat. Außerdem konnten große und kleine Besucher Wissenschaft und Technik hautnah erleben.
Video: Impressionen zum Carl Zeiss Tag

200th birthday of Carl Zeiss

Carl Zeiss was born on 11 September 1816 in Weimar. Exactly 200 years later employees, partners, customers and the general public celebrated his birthday in Jena. Around 50,000 people made their way to downtown Jena to visit a large number of locations in which the company founder lived and worked.

Today's company ZEISS continues to uphold the convictions of its founder. His passion for precision and quality, his constant exchange with science and research, his in-depth understanding of the needs of his customers and his entrepreneurial tenacity – these are all qualities that are firmly enshrined in the company and the ZEISS brand.

The first ZEISS Symposium titled Optics in the Digital World continued precisely this tradition. Experts from industry and science met to discuss how to address and shape the paradigm shift in technology confronting the modern world. The digital revolution would never have been possible without optics and photonics which ZEISS will continue to evolve and enhance with its leading-edge technologies. Recognizing and harnessing future-oriented trends such as digitalization and Industry 4.0 are an integral part of the ZEISS DNA.

You can find more information at www.zeiss.com/carlzeiss200.

Foreword from the Executive Board

Ladies and Gentlemen,
Dear Friends of ZEISS,

We can look back at an extremely successful 2015/16 fiscal year. We have continued the growth trajectory of the ZEISS Group and have made excellent progress: our record revenue of 4.881 billion euros (prior year: 4.511 billion euros) represents a sharp increase of 8 percent. Consolidated profit rose by 94 percent to 404 million euros, also the highest figure on record. This success is attributable to a very well balanced portfolio in all segments and was enabled by the consistent implementation of the corporate programs we have launched to increase our competitiveness.

A very pleasing trend was also reported by the individual segments: in the Research & Quality Technology segment the Industrial Metrology business group is benefiting in particular from the strong automotive market and from the buoyant demand for its Industry 4.0 solutions. The Microscopy business group significantly improved its competitiveness and has achieved a turnaround in its business. Medical Technology held its ground on the hotly contested health care market and further expanded its leading position. The Vision Care/Consumer Products segment has generated substantial growth thanks to the successful launch of new products and consistent brand management. The Semiconductor Manufacturing Technology segment also recorded pleasing growth and lies above our expectations in its solid Deep Ultra Violet (DUV) lithography business with immersion lithography systems. At the end of fiscal year 2015/16 an important step was achieved in the ongoing development and acceleration of the Extreme Ultra Violet (EUV) technology with an intensification of the long-standing, successful partnership with ASML. With this move, ZEISS and ASML are paving the way for even more powerful lithography systems and hence also for new generations of high-performance chips.

The healthy results obtained for the fiscal year emphatically underscore our determination to focus fully on our innovative strength: the ZEISS Agenda 2016 and the associated largest investment program in the company's history are paying off. Today we are already a highly sought-after provider of solutions addressing the key issues of the future. In many business groups we are actively shaping global trends such as digitalization and Industry 4.0. In this way we are succeeding in capturing and defending leading positions on the market. We can rightly say that ZEISS has become more modern, more global and more dynamic. We will continue on the same course with our new Agenda spanning the period to 2020.

This fiscal year we celebrated the 200th birthday of our company founder Carl Zeiss. His passion and his refusal to rest on his laurels in times of success continue to characterize our corporate culture to this very day. Our company founder would certainly see his principles and goals reflected in today's company – and in the unwavering efforts of our employees to win the trust of our business partners and customers every day anew. Also on behalf of my colleagues on the Executive Board, I would like to extend my sincere gratitude to them all.

Oberkochen, December 2016

Prof. Dr. Michael Kaschke
President and Chief Executive Officer

Hermann Gerlinger
Dr. rer. nat.

Member of the Executive Board responsible for:
» Semiconductor Manufacturing Technology (President and Chief Executive Officer of Carl Zeiss SMT GmbH)
» Corporate Research & Technology
» Corporate Security
» the sales and service company in South Korea

Joined ZEISS in 1984, Member of the Executive Board since 2006

Ludwin Monz
Dr. rer. nat.

Member of the Executive Board responsible for:
» Medical Technology (President and Chief Executive Officer of Carl Zeiss Meditec AG)
» Corporate Quality Management
» the sales and service companies in France, the United Kingdom, Spain and Turkey

Joined ZEISS in 1994, Member of the Executive Board since 2014

Michael Kaschke
Prof. Dr. sc. nat.

President and Chief Executive Officer

Member of the Executive Board responsible for:
» Research & Quality Technology
» Strategic Corporate Development
» Corporate Communications
» Corporate Legal & Patents
» Corporate Human Resources
» the sales and service companies in Australia, China, India, Southeast Asia, USA (holding company), Canada and South Africa

Joined ZEISS in 1992, Member of the Executive Board since 2000, President and Chief Executive Officer since 2011

Matthias Metz
Dr. rer. pol.

Member of the Executive Board responsible for:
» Vision Care/Consumer Products (President and Chief Executive Officer of Carl Zeiss Vision International GmbH)
» the sales and service companies in Belgium, Brazil, Italy, Mexico and the Netherlands

Joined ZEISS as a Member of the Executive Board in 2015

Thomas Spitzenpfeil

Member of the Executive Board responsible for:
» Corporate Finance & Controlling
» Corporate Information Technology
» Corporate Auditing & Risk Management
» Digital Innovation Partners
» Financial Services
» Consolidation & Accounting Center
» Business Services & Infrastructure
» Shared Production Unit
» the sales and service companies in Austria, Switzerland, Japan (holding company), Czech Republic, Nordics and Poland

Joined ZEISS as a Member of the Executive Board in 2010

From an Optical Workshop to a Global Player

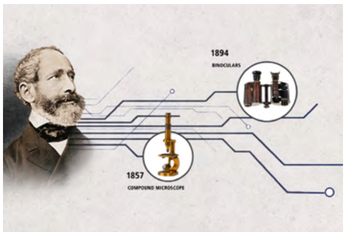
Carl Zeiss was born on 11 September 1816 in Weimar. In 1846 the mechanic opened a small workshop for precision mechanics and optics in Jena, laying the foundation for today's global technology player ZEISS. This year marks his 200th birthday – the perfect opportunity to look back at the achievements and the formative role played by Carl Zeiss, without which the company's current success would not have been possible.

Carl Zeiss opened his first workshop in Jena at the young age of 30. His work shaped the reputation of the city of Jena as an international hub of optics and photonics and home to global players and prestigious research institutes.

During his training as a young man, he already came into direct contact with scientists and mathematicians at the University of Jena. Within a very short time after founding his workshop, he built up a base of customers by repairing their scientific instruments or producing them to their own specifications. One of his legacies – the network he forged between industry and science – lives on to this very day. His passion for precision is legendary and still characterizes the company ZEISS, its employees and its products.

The personal history of Carl Zeiss could well describe the career of a start-up entrepreneur today. His principles of constantly pushing the boundaries and working on his goals with tenacity and determination are still upheld by the company. Numerous events were organized to celebrate his 200th birthday in honor of the extraordinary person Carl Zeiss and his outstanding achievements.

Day of Microscopy
In mid-September 2016 ZEISS organized the 15th Day of Microscopy in the Jena Volksbad. An extensive program of events focused on the life of the company founder, historical milestones and leading-edge microscopy technologies from ZEISS awaited the 400 international guests from the fields of research, science and industry.

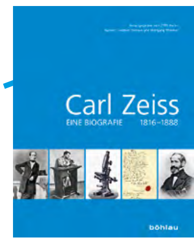


The visionary entrepreneur on film
No other entrepreneur's vision of the future is more closely linked to quality, precision and science than that of Carl Zeiss. A new film provides fascinating insights into the pioneering founder of ZEISS.

Kickoff for German Optical Museum
In September the decision was made to set up the German Optical Museum Foundation in Jena. This secured the long-term financing of the future German Optical Museum which, as a modern education center, will be a leading museum for optics and photonics and therefore a major tourist attraction for the city and the surrounding region.

***200 Years of Carl Zeiss* exhibition**
Who was Carl Zeiss? The exhibition *Carl Zeiss (1816–1888) – A Visionary Entrepreneur* provides information about the entrepreneur, family man and citizen. It was designed by the ZEISS Archives to mark the 200th birthday of the company founder.

Carl Zeiss Day
On 11 September 2016 more than 50,000 visitors attended the Carl Zeiss Day in downtown Jena. ZEISS celebrated the 200th birthday of its company founder together with protagonists from the city of Jena and partners from science, industry and society. The Carl Zeiss Route featured a whole host of places where the life and work of Carl Zeiss are still very much alive in Jena today.



New biography of Carl Zeiss
Issued in May 2016, the biography with around 100 photographs provides the reader with more details about the precision mechanic who revolutionized the design of optical instruments from his Jena base. The book, which was published by Böhlau in German and English, examines new aspects in the life of the company founder to mark his 200th birthday.

Optics and Photonics as Pioneers of Digital Transformation

The ability to interact with the scientific world played a key role in the economic success of company founder Carl Zeiss. In the face of the constant technological changes now facing society and industry as a result of increasing digitalization, this networking is as important today as it was then. Therefore, it was no coincidence that the first ZEISS Symposium titled *Optics in the Digital World* took place in the year of the company founder's 200th birthday.

200

international scientists and leading representatives took part in the first ZEISS Symposium

50%

of participants came from the world of science

Optics

4.0

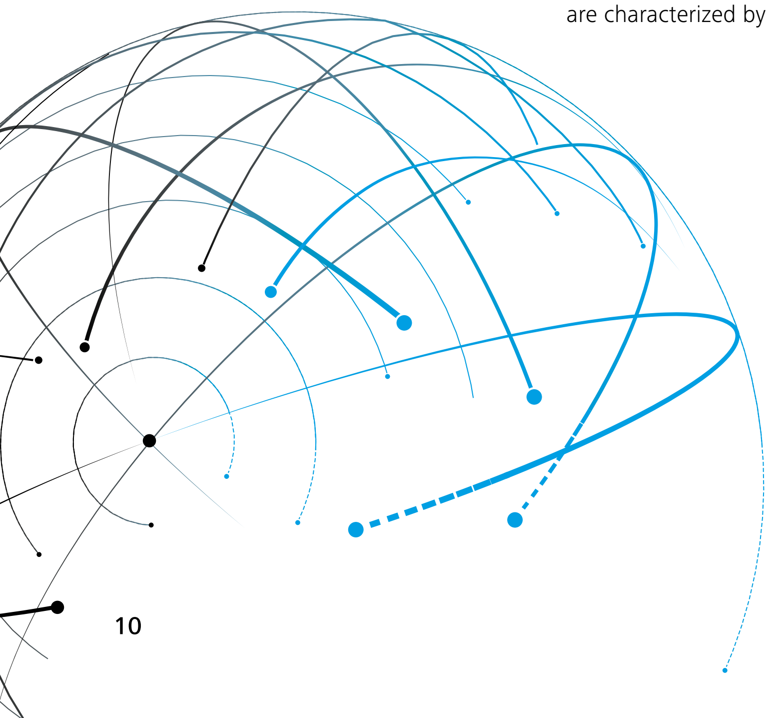
The values held dearly by Carl Zeiss continue to be very relevant today. In June 2016, with the symposium titled *Optics in the Digital World*, ZEISS not only offered a platform for Optics 4.0, but also networked around 200 international scientists and leading representatives from industry in the fields of optics and photonics at Group headquarters in Oberkochen.

The keynote speakers Laura Waller from the University of California in Berkeley, Ingmar Posner from Oxford University and David Bohn from Microsoft first outlined the research requirements to be met in the future. The participants subsequently discussed trends in optics and photonics and presented the state of the art in technology. Together, they identified and defined where action was needed in strategically important fields of research in the coming years. These are characterized by increasing digitalization and big data applications and are shaping trends in optical technologies. Examples include computer-aided image processing, processing large datasets in optics, obtaining information from data, visualization for augmented and virtual reality scenarios (AR/VR) as well as computer vision and machine learning.

As technologies sharply focused on the future, optics and photonics are impacting society, science and culture and are hence pioneering the digital revolution. New, additional subject areas here include communication, sensor systems, illumination and medical technology. Digitalization enables, for example, the production of microchips with increasingly smaller structures and hence more computing power on a smaller surface area. Another exciting field of innovation is immersive microscopy with the newly available VR/AR scenarios for digitalized big data visualizations using VR headsets, data gloves and other devices.

The extensive results obtained in the three workshops conducted at the ZEISS Symposium *Optics in the Digital World* were published in white papers.

www.zeiss.com/zeiss-symposium




WELCOME TO THE
ZEISS SYMPOSIUM
OPTICS IN THE
DIGITAL WORLD
INCLUDING ZEISS RESEARCH AWARD

Future Trends in Focus

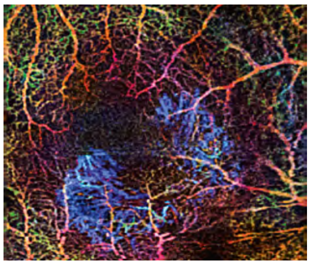
Carl Zeiss was compelled to chart a course through increasing industrialization in a rapidly changing world and to anticipate ways to be successful under these difficult conditions. He succeeded in his endeavors by resolving to always be at the leading edge of development and by being prepared to break new ground to achieve this goal. The company continues to follow the principles of its founder. In his day it was industrialization that was changing the global economy; today it is digitalization. The parallels between then and now are obvious. Recognizing the trends of the future and seeing them as a challenge to be harnessed are integral parts of the ZEISS DNA.

Digitalization is playing an increasingly important role in the global economy. This trend offers good opportunities for ZEISS, particularly in the areas of health care and Industry 4.0. Numerous new business opportunities are resulting from new networking possibilities and digital data exchange – using special software solutions from ZEISS, for example. These possibilities must be utilized by creating the appropriate solutions and products and by shaping the challenges, processes and structures in such a way that they become more customer-oriented, dynamic and efficient.

Technologies are evolving at tremendous speed – and this also applies to the digitalization of the optical industry. And digitalization would simply not exist without optics. Whether it is metrology, semiconductor manufacturing technology, medical technology, microscopy or optical systems – Industry 4.0 is impacting all areas of ZEISS. Together with its partner ASML, for example, ZEISS is laying the foundations in semiconductor manufacturing technology to ensure that digitalization at today's performance level can take place in the first place. Furthermore, software solutions like ZEISS PiWeb blend perfectly and seamlessly into the digital factory concept of various sectors and industries and, through the central collection, storage and analysis of different measuring and quality data, form the core of Industry 4.0.

In the health care market of the future ZEISS also sees major opportunities to drive the diagnosis and treatment of eye diseases and microsurgery in various medical disciplines to new heights of excellence with its leading-edge products and solutions. In the past fiscal year ZEISS has already succeeded in identifying the trends of the future and hence actively addressing the resulting needs of its customers. This is underscored by a summary of some of the highlights from fiscal year 2015/16.

ZEISS techniques support doctors in clinical procedures
ZEISS AngioPlex OCT angiography helps doctors to visualize blood vessels in the patient's retina without the injection of fluorescent dyes: the retina and choroid can be examined non-invasively in three-dimensional maps using Optical Coherence Tomography (OCT), hence supporting doctors in making their clinical decisions.



New EUV optics impress customers
With the new Starlith 3400, ZEISS has further enhanced the optical performance attainable with EUV technology. This substantial improvement has been achieved thanks to improved imaging optics and a new illumination system design. As a result, the chip manufacturers benefit from greater flexibility and increased resolution, allowing even smaller structures to be imaged on the microchips.

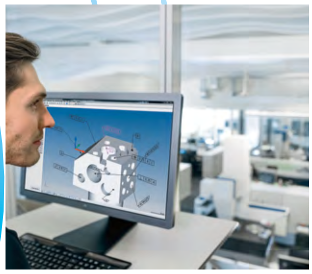
ZEISS LSM 8 family with Airyscan
The ZEISS LSM 800 and LSM 880 systems with Airyscan enable confocal super-resolution microscopy with four to eight times higher sensitivity and up to four times greater scanning speed. The confocal laser scanning microscopes for flexible living cell examinations received several awards last fiscal year, including the Thuringia Innovation Prize in the category *Light & Life*.

ZEISS and ExoLens® – accessory lenses for the iPhone®
ZEISS and its strategic partner ExoLens have developed a wide-angle, tele-photo and macro accessory lens for the iPhone. The new optics which can be mounted on the iPhone using an aluminum bracket offer smartphone photographers and videographers new creative possibilities and hitherto unparalleled quality.

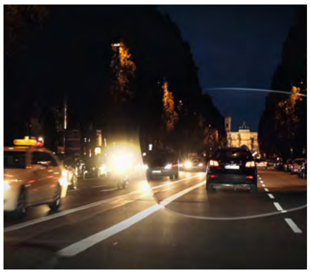
ZEISS Metrology Cloud Services – networking quality data intelligently
The digital transformation and the increased demand for quickly and easily comparing and networking quality data have been standard practice in industry for quite some time. A study from ZEISS echoes this trend: ZEISS Metrology Cloud Services. This service makes it possible to network measuring machine data worldwide and therefore optimize production and cost efficiency.

Munich: the digital hub
As part of the digital transformation process, ZEISS is setting up a site in the German city of Munich. In this modern, agile development environment experts will design and bring to market new digital solutions for customers in close collaboration with the ZEISS business units.

ZEISS Car Body Solutions – quality assurance the systematic way
In the age of Industry 4.0 measuring and inspection technology is increasingly becoming a steering instrument for the production area. The ZEISS Car Body Solutions process chain offers multi-faceted solutions for the production workflow and ensures that quality data in car body construction are recorded and managed faster and more flexibly at various sites: in the measuring room as well as at and in the production line.



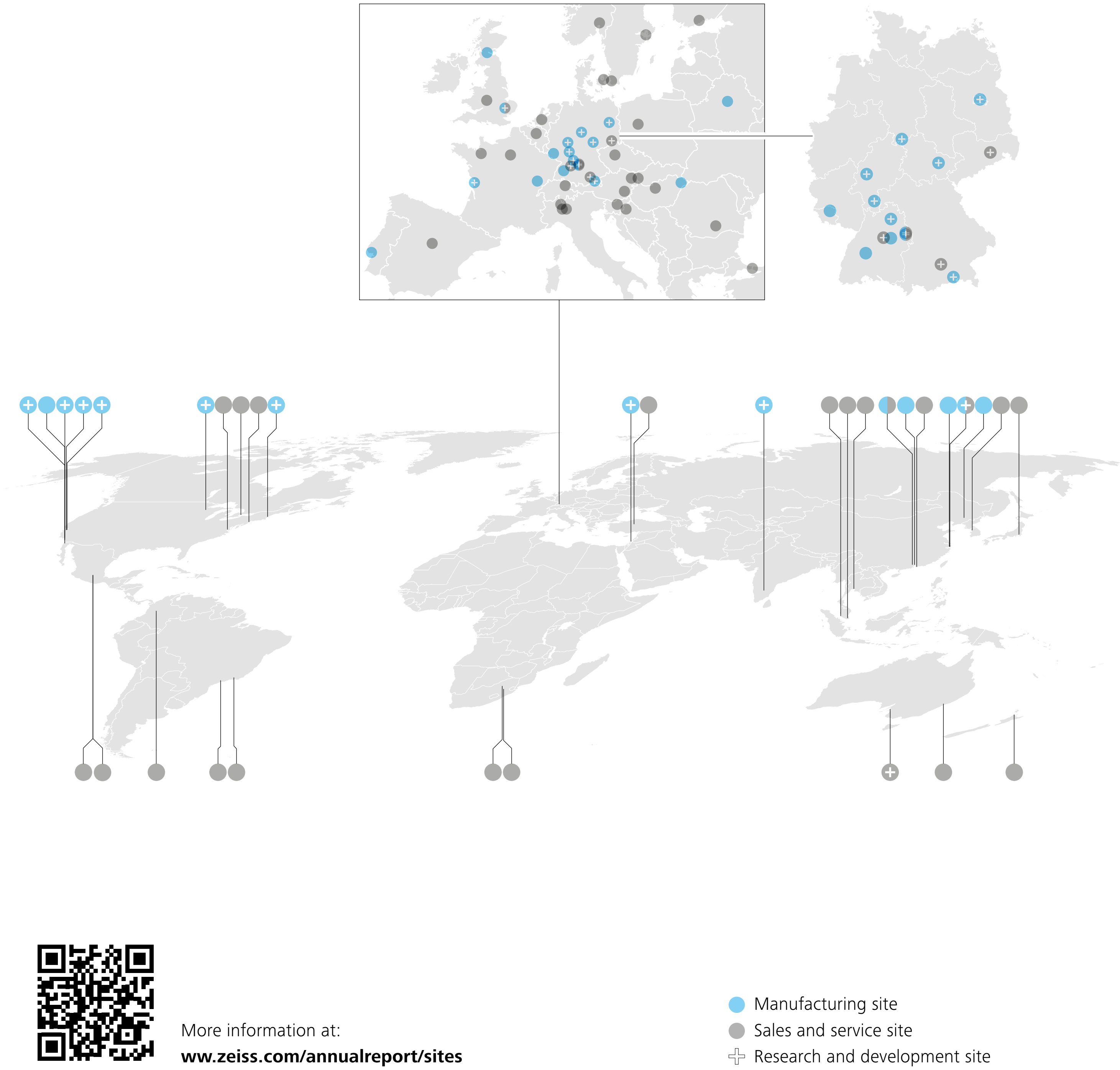
ZEISS PiWeb – software for the future
The high level of automation in production is leading to constantly increasing volumes of measuring and process data. Software solutions such as ZEISS PiWeb merge large amounts of data from different sources and analyze these in an extremely short time. In this way ZEISS PiWeb increases the customer's efficiency, further enhances the reproducibility of measurements and minimizes operator influence.



ZEISS DriveSafe eyeglass lenses – the ideal better vision solution for drivers
ZEISS DriveSafe are special eyeglass lenses designed by ZEISS. Thanks to a specially developed coating, they can reduce subjectively perceived glare while driving in the adverse light or poor visibility resulting from rain, fog or oncoming traffic in the dark. The optical design enhances the driver's vision in all situations and guarantees that the lenses are simultaneously suitable for all-day wear.

Sites

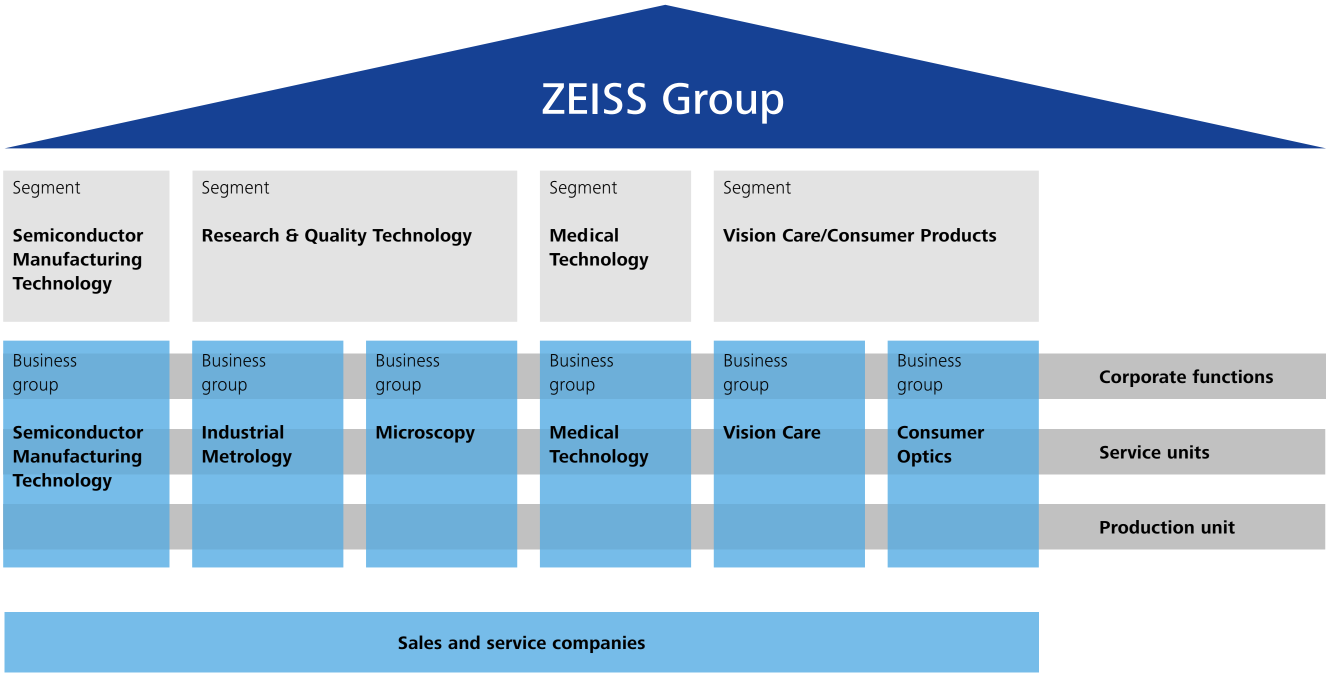
A lot has happened since ZEISS opened its first branch outside Germany in London in 1893. Today the ZEISS Group is represented in over 40 countries. Over 25,000 employees worldwide work at more than 30 manufacturing sites, over 50 sales and service locations and about 25 research and development facilities. The company is headquartered in Oberkochen in southwestern Germany.



More information at:
ww.zeiss.com/annualreport/sites

Organizational Structure

ZEISS is an internationally leading technology enterprise operating in the fields of optics and optoelectronics. The company has been helping to shape technological progress for 170 years. The broad portfolio of the ZEISS Group is divided up into four segments and comprises six business groups and various strategic business units.



Semiconductor Manufacturing Technology
Today, a large proportion of all microchips around the globe is produced with ZEISS technologies. As the technology leader in the field of semiconductor manufacturing equipment, ZEISS is playing a pivotal role in shaping the age of microelectronics with increasingly powerful, more energy-efficient and more cost-effective microchips.

Research & Quality Technology
ZEISS ensures standards of quality wherever maximum precision is a must: with coordinate measuring machines, metrology software and microscope systems for research and material inspection. ZEISS plays its part in ensuring that even the tiniest structures and processes become visible.

Medical Technology

With its products and solutions for ophthalmology, neurosurgery, ENT surgery and dentistry, ZEISS helps drive progress in medicine and assists doctors all over the world in enhancing the quality of life of their patients.

Vision Care/Consumer Products
As one of the world's leading manufacturers of eyeglass lenses, ZEISS stands for maximum visual comfort. The movie and camera lenses, binoculars, spotting scopes, planetariums and sighting systems for flight simulators from ZEISS offer their users outstanding optical quality and therefore unforgettable moments.

Responsibility

Responsibility has a long tradition at ZEISS. As a company belonging to the Carl Zeiss Foundation, the Group has adhered to the provisions on social responsibility enshrined in the foundation statutes for over 125 years. These include profitable growth, responsibilities toward employees, commitment to the interests of society and the promotion of science and education.

ZEISS commits to its social and societal responsibility, not only within the company itself but also in its direct surroundings. To fulfill these commitments, ZEISS founded the Carl Zeiss Promotion Fund to mark the 20th anniversary of the reunification of the company in the east and west of Germany. Since then, roughly five million euros have been used to promote social projects, initiatives and facilities at the company's main German sites.

The company's social commitment also extends beyond Germany. One example is the *Back to Bush* campaign that ZEISS launched in Australia and Oceania back in 2006. The goal of the program is to provide better access to surgical equipment in disadvantaged regions and therefore to enable better treatment outcomes for the diseases prevalent there. The campaign consists of two components: first, medical centers in the outback of Australia and Oceania in need of aid may apply to receive refurbished ZEISS surgical microscopes and other instruments if they meet the defined requirements. Second, surgeons in the region can apply to rent portable ZEISS technology for their voluntary work in underprivileged regions. ZEISS customers are key supporters of the *Back to Bush* campaign: when purchasing a new ZEISS product, they can trade in their old device and donate it to the campaign. ZEISS refurbishes the old product at no charge and makes it available to the campaign on behalf of the donor.

Partners of the ZEISS *Back to Bush* program use a donated ZEISS surgical microscope to provide medical care in Papua-New Guinea

The *Back to Bush* program is only one of the many health care projects that ZEISS supports. ZEISS makes financial donations and donations in kind in the form of ZEISS instruments and solutions to provide many people around the globe with access to high-quality medical care.

Responsibility in the supply chain
As complying with legal requirements, ethical conduct and a good reputation all have a major influence on a company's success, ZEISS also attaches key importance to responsibility in the supply chain. The company therefore requires its business partners and suppliers to meet stringent stipulations.

The social responsibility of companies and their employees is now growing, for example, in the context of modern forms of slavery. This includes child labor, forced labor and poor working conditions. This makes it more and more important to also sensitize business partners to these issues along the supply chain. Here ZEISS works closely with a global network of suppliers. Economic, environmental and

Ownership Structure

The Carl Zeiss Foundation is the sole shareholder of Carl Zeiss AG. This special ownership structure ensures stability and creates long-term perspectives: the Foundation's constitution prohibits the sale of shares, e.g. through an initial public offering. The shares are not therefore listed on any stock exchange.

ethical factors play an important role in the selection of and collaboration with the suppliers. ZEISS has triggered a string of different measures in a bid to live up to its social responsibility in the supply chain. For example, ZEISS informs all suppliers of the minimum standards set forth in the internationally recognized Electronic Industry Citizenship Coalition Code of Conduct and expects them to comply with these provisions. ZEISS therefore ensures that employees are treated with respect and that ecological and ethical considerations are taken into account in corporate processes. In addition, starting in the new fiscal year, selected suppliers will be required to complete a self-information form and undergo a risk assessment procedure. A further measure from 2016/17 onward will be a sustainability assessment, which involves audits being conducted at selected ZEISS supplier sites. These audits are aimed at identifying weak points in the supply chain and finding appropriate ways of eliminating them. ZEISS also offers its employees special training and information material to sensitize them to the subject of modern slavery and ensure that any breaches of the law are identified.

More information at:
www.zeiss.com/responsibility

In 1889 the physicist and entrepreneur Ernst Abbe created the Carl Zeiss Foundation to which Carl Zeiss AG and SCHOTT AG belong. The objectives of the foundation stipulated by Abbe remain valid to this very day:

» safeguarding the future and responsible management of the two foundation enterprises
» fulfilling its special responsibility toward employees
» meeting its responsibility toward society through the commitment of its member companies to non-profit activities in their surrounding regions
» promoting science

With this unique corporate model, the Carl Zeiss Foundation and its two member enterprises wrote industrial and social history. The Foundation uses the dividends generated by Carl Zeiss AG and SCHOTT AG to promote science – in particular the natural and engineering sciences, mathematics and information technology at universities in the German federal states of Baden-Württemberg, Rhineland-Palatinate and Thuringia.

More information at:
http://www.carl-zeiss-stiftung-125jahre.de/english/

Structure of the Carl Zeiss Foundation

Carl Zeiss Foundation
Heidenheim an der Brenz and Jena, Foundation acting as a stockholder

100%	100%
ZEISS Group	SCHOTT Group
Foundation company	Foundation company
Carl Zeiss AG	**SCHOTT AG**
Oberkochen	*Mainz*
Subsidiaries	**Subsidiaries**

Report of the Supervisory Board

Dr. Dieter Kurz

Ladies and Gentlemen,

We can look back on a very successful 2015/16 fiscal year. ZEISS has impressively underscored its leadership and competitiveness.

In the past fiscal year the Supervisory Board once again oversaw and advised the Executive Board in accordance with the duties entrusted to supervisory boards by law, the articles of association and rules of internal procedure. The Executive Board provided us with written and verbal information about the business situation and development, the current earnings situation, the risk situation, risk management, short-term and long-term planning, investments and organizational measures. I was also in close contact with the Executive Board and received information about the development of the business situation and important business transactions. The Supervisory Board was involved in all decisions of importance for ZEISS and passed the resolutions required by law, the articles of association and rules of internal procedure. Our decisions were based on the reports and decisions proposed by the Executive Board which we subjected to in-depth scrutiny. In constant dialog the Executive Board and the Supervisory Board worked intensively on shaping the business of ZEISS successfully from a strategic perspective.

Subjects of the Supervisory Board meetings

The Supervisory Board convened on five occasions during fiscal year 2015/16. We addressed, above all, the issue of accelerated, value-enhancing growth at ZEISS. At a strategy meeting measures on the ongoing development of ZEISS as a portfolio company were decided – in particular in relation to the rapid global development of digitalization.

The consistent ongoing development of the next lithography generation EUV is an absolute must for the global semiconductor industry. It was therefore with particular conviction that we approved the intensification of the partnership between Carl Zeiss SMT with ASML. The 24.9 percent stake of the Dutch company at a purchase price of one billion euros gives ZEISS planning security for the next EUV lithography generation. The intensification of the partnership between ASML and ZEISS takes into account the great complexity of the EUV development and secures future growth in the Semiconductor Manufacturing Technology segment.

The efficiency of the Supervisory Board and its committees was examined self-critically. Ideas and suggestions for improvement were recorded and implemented.

Work of the Supervisory Board committees

The Audit Committee met three times as scheduled. It evaluated the efficacy of risk management and discussed subjects such as compliance, internal auditing, the internal control system, accounting and the key issues of the annual audit and the annual financial statements.

The Chairman’s Committee also convened three times. During the meetings there were in-depth discussions about target setting, the remuneration of the Executive Board and the realignment of the Executive Board remuneration system. Preparations were made for resolutions to be passed by the Supervisory Board on these issues. In the Supervisory Board meetings the Chairmen of the Audit and Chairman’s Committees reported regularly about the work of the committees. The Mediation Committee did not convene in the past fiscal year.

Changes to the Supervisory Board

Fiscal year 2015/16 saw a change to the composition of the Supervisory Board: Dr. Joachim Heppner left the committee on 29 February 2016. He was succeeded by Gerhard Bösner, Chairman of the Employee Representative Council of SMT. I thank Dr. Heppner for his commitment and extend my best wishes to Mr. Bösner for his work on the Supervisory Board.

Audit of the annual and consolidated financial statements

The audit firm Ernst & Young GmbH, Stuttgart, audited the consolidated financial statements of Carl Zeiss AG, including the Management Report, for fiscal year 2015/16 prepared pursuant to Sec. 315a (3) of the German Commercial Code (HGB) in accordance with International Financial Reporting Standards (IFRS) and issued an unqualified auditor's report in each case. Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, also audited the dependent company report prepared by the Executive Board.

All members of the Supervisory Board received the independent auditor's documents and audit reports in good time. We closely examined the documents and discussed them in detail at the meeting of the Audit Committee on 14 December 2016 and at the Supervisory Board meeting held on 25 January 2017. The independent auditor attended both meetings, presented the major results of the audit, provided supplementary information and answered questions. The Chairman of the Audit Committee reported in the plenary assembly about the result of the examination of the consolidated financial statements by the Audit Committee. After examining the documents, the Supervisory Board endorsed the results obtained by the independent auditor and approved the financial statements prepared by the Executive Board. The Carl Zeiss AG financial statements were thereby adopted, effective 30 September 2016. Pursuant to Sec. 312 German Stock Corporations Act (AktG), the Executive Board has prepared the above-mentioned dependent company report for the period from 1 October 2015 to 30 September 2016.

The independent auditor has issued the following opinion on the findings of their audit: "Based on our audit, which was carried out in accordance with professional standards, we confirm that

1. the actual disclosures contained in the report are correct and
2. the payments made by the company in the legal transactions listed in the report were not unreasonably high."

The Supervisory Board agreed with the results of the audit presented by the independent auditors. Following the final result of the review by the Supervisory Board, there were no objections to the Executive Board's concluding statement in the dependent company report.

The Executive Board's proposal to pay a dividend of 25 million euros from net income to the sole stockholder, the Carl Zeiss Foundation, was approved.

On behalf of the Supervisory Board I would like to thank the members of the Executive Board and all employees of ZEISS for the extremely successful 2015/16 fiscal year and for their achievements.

Oberkochen, January 2017
On behalf of the Supervisory Board

Dr. Dieter Kurz
Chairman of the Supervisory Board

Supervisory Board of Carl Zeiss AG
(Status: 30 September 2016)

Supervisory Board of Carl Zeiss AG

Dr. Dieter Kurz
Chairman
Lindau, Chairman of the Foundation Council of the Carl-Zeiss-Stiftung, Heidenheim an der Brenz and Jena

Manfred Wicht[1]
Deputy Chairman
Königsbronn, Chairman of the Group Employee Representative Council of Carl Zeiss AG, Oberkochen

Hariolf Abele[1]
Aalen, Deputy Chairman of the Employee Representative Council of Carl Zeiss Industrielle Messtechnik GmbH, Oberkochen

Prof. Dr. Martin Allespach[1]
Weinheim, Director and Head of the European Academy of Labour at the University of Frankfurt am Main

Gerhard Bösner[1]
Aalen, Chairman of the Employee Representative Council of Carl Zeiss SMT GmbH, Oberkochen

Dr. Klaus Dieterich
Stuttgart, former President of Corporate Research and Development, Robert Bosch GmbH, Stuttgart

Angelika Franzke[1]
Oberkochen, Chairwoman of the Employee Representative Council of Carl Zeiss AG, Oberkochen

Roland Hamm[1]
Aalen, First Authorized Representative of IG Metall trade union, Administration Office, Aalen

Dr.-Ing. Mathias Kammüller
Gerlingen, Managing Partner of TRUMPF GmbH + Co. KG, Ditzingen

Dr. Joachim Kreuzburg
Hanover, Chairman of the Executive Board of Sartorius AG, Göttingen

Eva-Maria Menzel[1]
Jena, Deputy Chairwoman of the Employee Representative Council at Jena site of Carl Zeiss Jena GmbH, Jena, and Carl Zeiss AG, Oberkochen

Prof. Dr. Jürgen Mlynek
Berlin, former President of the Helmholtz Association of German National Research Centres, Berlin

Dr. Lothar Steinebach
Leverkusen, Former Member of the Management Board of Henkel AG & Co. KGaA, Dusseldorf

Prof. Dr. Dr. h. c. Günter Stock
Berlin, Chairman of the Executive Board of the Einstein Foundation Berlin, Berlin

Wilhelm Ulrich[1]
Aalen, Head of Optics Department (Corporate Research & Technology) of Carl Zeiss AG, Oberkochen

Dr. Eberhard Veit
Göppingen, Managing Partner of 4.0-Veit GbR, Göppingen

Committees of the Supervisory Board

Chairman's Committee
Dr. Dieter Kurz (Chairman)
Dr. Klaus Dieterich
Roland Hamm[1]
Manfred Wicht[1]

Audit Committee
Dr. Lothar Steinebach (Chairman)
Hariolf Abele[1]
Dr. Dieter Kurz
Wilhelm Ulrich[1]

Mediation Committee
Dr. Dieter Kurz (Chairman)
Dr. Mathias Kammüller
Eva-Maria Menzel[1]
Manfred Wicht[1]

[1] Employee representatives

Corporate Governance

For ZEISS, acting lawfully and responsibly and managing the company in a transparent manner that is focused on its long-term success, are basic principles of corporate policy.

With its corporate governance structure, ZEISS ensures that legal provisions, the constitution of the Carl Zeiss Foundation and the company's internal directives are observed in line with compliance stipulations.

The Code of Conduct is a core element of the compliance management system of the ZEISS Group. This summarizes the rudiments and principles of action that form the basis of responsible conduct. The Code of Conduct is binding upon all employees and is published on the company's website.

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Group Management Report

THE ZEISS GROUP

Business activity

ZEISS is an internationally leading technology enterprise operating in the optics and optoelectronics industries. The Group emerged from a workshop for precision mechanics and optics established by company founder Carl Zeiss in Jena (Thuringia) in 1846. Today, ZEISS is headquartered in Oberkochen (Baden-Württemberg).

ZEISS plays an active part in advancing leading-edge technology and drives forward the world of optics and other related fields with its solutions. The Group comprises 4 segments.

Semiconductor Manufacturing Technology
With its product portfolio, the Semiconductor Manufacturing Technology segment covers a variety of key processes in the production of microchips. ZEISS develops and manufactures lithography optics, optical systems for semiconductor manufacturing equipment as well as systems and solutions for manufacturing defect-free photomasks. The technologies from ZEISS enable further miniaturization of semiconductor structures, making microchips smaller, more powerful, energy-efficient and cost-effective.

Research & Quality Technology
The Research & Quality Technology segment comprises business with industrial metrology and microscope systems: ZEISS develops and produces bridge-type, horizontal-arm and production measuring machines, form, contour and surface measuring machines, and computer tomographs for industrial quality assurance. Excellent and user-friendly software solutions complete the offering.

The segment also covers the entire spectrum of microscopy: light, ion, electron and X-ray microscopes are used in the life sciences and materials research, as well as for industrial quality assurance.

The Research & Quality Technology segment comprises the Industrial Metrology and Microscopy business groups.

Medical Technology
The Medical Technology segment develops, manufactures, markets and sells diagnostic and therapy systems, as well as implants and consumables in the field of ophthalmology. In addition, ZEISS offers visualization systems for microsurgery – for example, neuro/ENT surgery, dentistry and gynecology. ZEISS aspires to improve the diagnosis and treatment of diseases by constantly enhancing its innovative products. As a solutions provider, the company plays an active part in the increasing digitalization and systems integration in the medical sector and creates the conditions needed for efficient processes and effective patient data management at its customers. The segment's activities are pooled primarily in the TecDAX-listed entity Carl Zeiss Meditec AG, in which Carl Zeiss AG has a 65.1% shareholding.

Vision Care/Consumer Products
The Vision Care/Consumer Products segment pools the eyeglass business of the Vision Care business group and the business with camera and cine lenses, binoculars, hunting optics, spotting scopes, planetariums and sighting systems for flight simulations of the Consumer Optics business group. ZEISS develops, produces and sells solutions for the entire eyeglass value chain. Alongside eyeglass lenses, this includes devices for vision testing, digital consultation and measurement applications as well as services for eye care professionals. ZEISS is one of the world's largest manufacturers of eyeglass lenses.

Global presence

The ZEISS Group is represented in more than 40 countries and has over 50 sales and service locations, more than 30 manufacturing sites and about 25 research and development centers around the globe.

Group structure

Carl Zeiss AG is the strategic management holding company that manages the ZEISS Group. It develops the corporate business activities and portfolio and provides central management and service functions. The sole owner of the company is the Carl Zeiss Foundation (Carl Zeiss Stiftung).

Group strategy

ZEISS has a broad and balanced business portfolio focusing on attractive future-oriented markets of optics, precision mechanics and optoelectronics. The objective of portfolio management is the sustainable business success of the ZEISS Group. This objective and the need to generate equity by means of internal financing require a systematic strategy geared to continuously enhancing value added.

The ZEISS mission statement is: “As the pioneer of science in optics, we continue to challenge the limits of our imagination. With our passion for excellence, we create value for our customers and inspire the world in new ways.” This statement encapsulates the Group’s fundamental objectives: ZEISS aims to leverage its customer focus to consolidate and expand its position as a global technology leader.

To achieve its objectives, ZEISS relies on the commitment and expertise of its employees, its innovative strength, its culture of innovation and its strong brand. Moreover, the Group is constantly working on increasing its international business activities.

The Carl Zeiss Agenda 2016 strategic program launched in 2011 still defines the direction for the development of the Group. The program aims to make ZEISS even more modern, global and dynamic. In this context, continually enhancing customer service and leveraging opportunities presented by digitalization play an important role.

Corporate management

The ZEISS Group is managed using financial and non-financial key indicators. These are summarized in a balanced scorecard. For ZEISS, revenue growth, EBIT, Economic Value Added (EVA®) and Free Cash Flow (FCF) are the most important financial indicators. Important non-financial indicators are customer and employee satisfaction, innovation excellence and process quality. In addition, there is a clear focus on sustainable further development of the leadership and corporate culture.

REPORT ON ECONOMIC POSITION

Macroeconomic and segment-specific environment

Macroeconomic environment
During the reporting period, global economic growth was considerably lower than forecast. The rapidly developing economies in Asia, such as India and China, continued to grow at above-average rates, even if growth in China cooled down considerably. The Latin American markets did not develop uniformly; while Brazil was in the throes of a serious recession, Mexico enjoyed moderate growth. The market growth of the industrial nations in fiscal year 2015/16 was moderate, but remained below expectations. While the upswing in the USA and Japan was significantly smaller than expected, market growth in the euro zone developed as expected.

Uncertainty in the markets, particularly in China and in Brazil, as well as the low oil price, uncertainty surrounding Brexit, the situation in the Middle East and persistent structural problems were key political and economic issues that negatively impacted the investing activities of industry and the public sector.

Segment-specific environment
Semiconductor Manufacturing Technology
Worldwide revenue with semiconductor products, which are primarily deployed in mobile devices such as smartphones and tablets, but also with solid state drives, networks and server farms, was characterized by stagnation in the reporting period. This was mainly due to a weak demand for electronic equipment and a surplus of memory chips. However, the investment climate in the market for semiconductor manufacturing equipment stabilized after a significant slowdown. At the end of fiscal year 2015/16, there were signs of noticeable growth momentum in this market.

Research & Quality Technology
In the market for industrial metrology, the positive trend continued at global level in fiscal year 2015/16. The automotive and the associated supplier industry was the key driver. Additionally, there was also stronger growth in other sectors, such as medical technology and air transport. The market developed positively in Germany and the USA in particular, while the pace of growth in the rapidly developing economies slackened slightly.

During the reporting period, the microscopy market grew slightly. Asian countries continued to gain importance in global research spending. In Europe and the USA, by contrast, investment in research was hesitant. The market for industrial microscopes continued to grow in the semiconductor, electronics and automotive sectors, while demand from the global steel industry and the mining, oil and gas sectors weakened.

Medical Technology
The market for medical technology again saw stable growth. Growth drivers are medical advances as well as megatrends such as demographic development as a result of increasing life expectancy, and population growth. While a growing per capita income increases the demand for basic medical care in the dynamically developing economies, the willingness of people in the western regions to pay more for better quality services is increasing.

Pressure to contain costs in the health care systems is increasingly generating price pressure. The growing regulatory requirements, and their variance from one region to another, are a growing challenge in the context of product development and licensing.

Vision Care/Consumer Products

Global market growth in the vision care market remains stable. The main growth drivers are the good market development in the rapidly developing economies as well as innovations for eye care professionals and consumers. However, the global market continues to be characterized by high price pressure and ongoing consolidation and acquisitions by competitors.

The market for camera lenses saw very positive development in fiscal year 2015/16, especially in the area of mirrorless cameras for which ZEISS offers lenses such as the Batis and Loxia lines. However, the camera market for single-lens reflex cameras declined. A fierce price war left its mark on the market for binoculars. The specialty markets for hunting optics, nature observation and planetariums stagnated. The market for the new business of flight simulators grew as a result of modernization investments.

Overall statement on the economic situation of the Group as of fiscal year-end

In fiscal year 2015/16, the economic environment was challenging. Nevertheless, ZEISS was able to continue the positive development of the prior years with a successful fiscal year 2015/16.

The Group recorded revenue of €4,881m in the reporting period (prior year: €4,511m). At €615m, EBIT exceeded the prior-year figure of €369m.

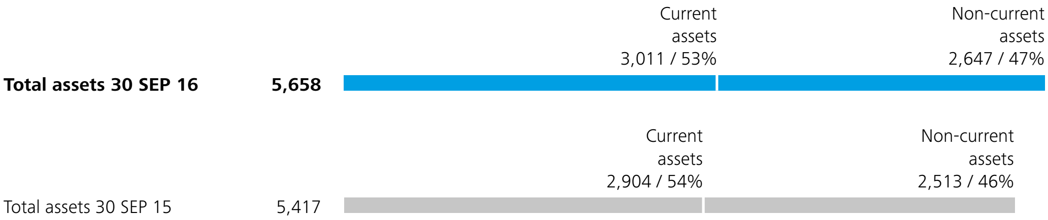
The development that had been forecast in the prior year was thus exceeded.

Net assets

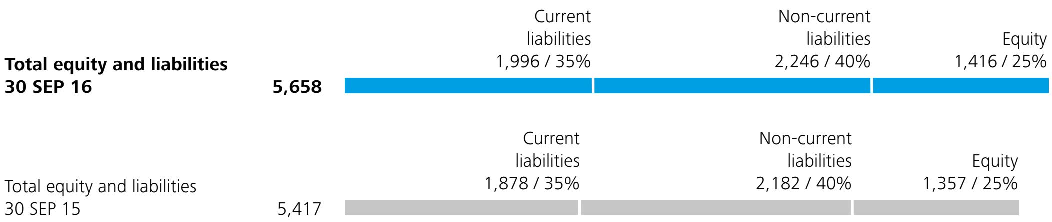
A new consolidation system was implemented in the reporting period as well as a revised group chart of accounts. The aim was to further increase capacity for analysis within the Group. In light of this, the comparative prior-year figures were adjusted accordingly and are indicated by an asterisk (*) in the following.

Total assets increased by €241m in the reporting period to €5,658m (prior year: €5,417m). With regard to assets, this resulted mainly from the increase in deferred tax assets as well as the change in inventories and trade receivables and other receivables. The change in other current financial assets results from fixed-term deposits, which is reflected in the decrease in cash and cash equivalents. In terms of equity and liabilities, the main effect was an increase caused by the change in provisions for pensions and similar obligations, trade payables and the changes in equity. This was countered by the development of non-current financial liabilities.

Structure of the statement of financial position – assets in € m/as a % of total assets



Structure of the statement of financial position – equity and liabilities in € m/as a % of total equity and liabilities



Intangible assets

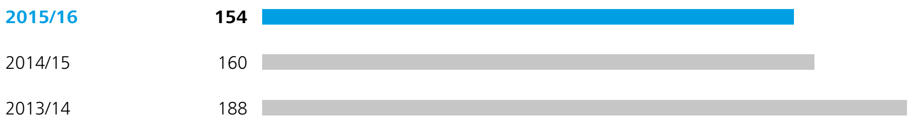
Intangible assets of €782m (prior year: €795m) mainly contain goodwill of €582m (prior year: €582m). The decrease in intangible assets by €13m is attributable to amortization.

The impairment tests performed in the reporting period did not give rise to the need to recognize any impairment losses on goodwill.

Property, plant and equipment

In fiscal year 2015/16, ZEISS invested a total of €154m in property, plant and equipment (prior year: €160m), mainly in modernization measures relating to production plants and in furniture and fixtures. Depreciation in the reporting period amounted to €155m (prior year: €150m).

Capital expenditures on property, plant and equipment in € m



Other non-current assets

Other non-current assets amounted to €150m (prior year: €137m) and mainly pertained to assets for securing flextime credits via a contractual trust arrangement (CTA), investments, loans as well as securities.

Working capital

The change in inventories and current trade receivables is consistent with the increase in business volume compared to the prior year. The increase in trade receivables by €47m to €970m relates to the cut-off date. Inventories came to €1,118m as of the reporting date (prior year: €1,081m).

Other current assets amounted to €399m (prior year*: €247m). The change mainly resulted from the fixed-term deposits at the end of the fiscal year, which were higher than in the prior year.

Trade payables came to €297m as of the reporting date (prior year: €228m).

Current provisions remained unchanged on the prior year at €247m and essentially comprise provisions for personnel-related and sales-related obligations, provisions for income taxes, and provisions in connection with required structural adjustments.

The increase in other current non-financial liabilities by €35m to €1,290m (prior year*: €1,255m) includes, among other things, the change in advances received, which increased by €18m in fiscal year 2015/16 to €512m (prior year: €494m).

Equity at a sound level

Equity amounted to €1,416m as of the reporting date (prior year: €1,357m). The consolidated profit of €404m generated in the reporting period increased equity. Countereffects resulted from the remeasurement of defined benefit plans, which reduced equity by €332m, and from the dividends paid of €26m.

The equity ratio of 25.0% remained on a par with the prior-year level (prior year: 25.1%).

Pension obligations

In fiscal year 2005/06, the financing of the pension obligations in Germany was restructured for the most part in the form of a contractual trust arrangement (CTA). The German entities transferred capital to cover pension obligations toward employees at that time to a dedicated trust, thus clearly separating the funds for operations from those for the pension obligations. This has increased the transparency and international comparability of the Group's financial reporting. The legally independent trust invests the assets transferred to it on the basis of an appropriate long-term investment strategy. The pension obligations of the corresponding entities remain unchanged.

The CTA assets in Germany, which are separated from operating funds, increased in the reporting period to €975m (prior year: €740m). This increase results from transfers to the CTA of €200m and from the return on existing plan assets. Benefit obligations in Germany again rose significantly on account of the interest rate under IFRS, which fell further to 1.30% in fiscal year 2015/16 (prior year: 2.35%). Due to the cut-off date, this resulted in a funded status of the pension obligations of 58% (prior year: 58%). The Group also has pension obligations toward employees of foreign subsidiaries. In accordance with IAS 19, the pension obligations reported in the statement of financial position correspond to the actual obligations as of the reporting date and therefore correspond to the present value of benefit obligations after deducting the fair value of plan assets as of the reporting date. Provisions for pensions are reported at an amount of €1,719m (prior year: €1,483m) in the consolidated statement of financial position. This is equivalent to 30% of total assets (prior year: 27%).

Financial liabilities

At €358m (prior year: €537m), financial liabilities were lower than the prior-year level. This amount essentially comprises promissory notes, a loan arranged with Kreditanstalt für Wiederaufbau as well as issued participating capital. The decrease compared to the prior year is mainly due to the repayment of the loan borrowed from the European Investment Bank of €150m in fiscal year 2011/12 as well as €33m of repaid promissory notes.

Profit participation
ZEISS employees participated in the company's profit for fiscal year 2015/16. The Group issued profit participation certificates with a total (nominal) volume of €3.9m to employees in Germany. The non-transferable certificates have an annual return, the level of which depends on the Group's return on sales. The profit participation certificates have a term of 5 years, after which they are repaid. In addition, employees in Germany received a bonus of up to €1,400 gross, paid in October 2016 after the end of the reporting period. Employees at the majority of entities outside Germany also participated in the profit for fiscal year 2015/16 on the basis of the respective country-specific regulations.

Financial position

Sound liquidity base despite concomitant special allocation to plan assets
In the reporting period, the financial position was again mainly characterized by purchases of property, plant and equipment, above all for modernization measures at production plants and in furniture and fixtures in all regions. In addition, there were cash outflows totaling €218m for allocations to plan assets in Germany and abroad, for investment in fixed-term deposits as well as the premature repayment of the loan of €150m from the European Investment Bank.

The cash outflows from investing activities were completely covered by the cash inflows from operating activities.

Cash flows from operating activities improved by 7% in the reporting period to €425m (prior year: €396m) and were largely determined by the profit for the year. In addition, there were allocations to plan assets in Germany and abroad of €218m.

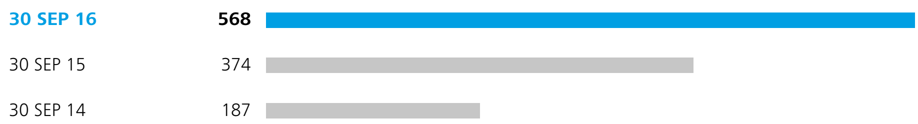
Cash flows from investing activities came to minus €357m in the reporting period (prior year: minus €206m). This development is mainly due to cash outflows related to fixed-term deposits. Investments in property, plant and equipment and intangible assets remained on a par with the prior-year level at minus €191m (prior year: minus €187m).

Cash flows from investing activities decreased by €182m in fiscal year 2015/16 to minus €207m (prior year: minus €25m). In the reporting period, loans payable of €197m were repaid. This includes cash outflows of €150m related to the early repayment of the loan to the European Investment Bank. Furthermore, dividend payments of €26m were made. These were partially offset by cash inflows of €15m. These relate, among other things, to the use of the revolving credit facility abroad.

Financial resources[1] came to €796m as of the end of the reporting period (prior year: €776m). Loans payable amounted to €228m (prior year: €402m), which resulted in net liquidity[2] of €568m (prior year: €374m).

[1] Cash and cash equivalents plus securities and fixed-term deposits
[2] Financial resources less loans payable

Net liquidity in € m



The financial position offers a sound base on which to realize the ZEISS Group's long-term growth strategy.

In addition, the Group has an extensive range of instruments at its disposal for raising external financing to fund its business operations. These include above all promissory notes totaling €167m, whose terms to maturity break down as follows:

» €72m with a term of 5 years
» €67.5m with a term of 7 years
» €27.5m with a term of 10 years

Of this amount, a total of €69m is subject to floating interest rates and €98m is subject to fixed interest rates.

In addition, a revolving credit facility with a total volume of €500m and a term of 5 years was concluded between Carl Zeiss AG and a syndicate of banks in fiscal year 2013/14. The credit facility includes an option of extending on 2 occasions, by 1 year in each case. The second extension option was exercised in May 2016, so that the extended maturity date is 16 July 2021. The revolving credit facility serves as a strategic liquidity reserve for the ZEISS Group, of which BRL 88m was drawn in the reporting period (prior year: BRL 35m).

The loan arranged in fiscal year 2011/12 with the Kreditanstalt für Wiederaufbau (€45m) remains in place. This is subject to fixed interest rates and is being repaid on a quarterly basis over the period from 31 March 2014 until 30 December 2021. The residual carrying amount totaled €30m as of the end of the reporting period.

The loan arranged in fiscal year 2011/12 with the European Investment Bank (€150m) was repaid at its full nominal amount in the reporting period.

Goals and principles of financial management
ZEISS has a global financial management system that incorporates all subsidiaries and is coordinated centrally at group level. This also includes monitoring and managing currency risks. The primary objective is to secure and effectively manage the liquidity of the Group. In addition, ZEISS strives to continuously improve its financial strength and minimize financial risks. Investments are made principally in securities from issuers with good credit ratings. For ZEISS, the operations of the segments, with which the financial activities and strategic orientation are aligned, are the main source of liquidity. The Group has sufficient cash and cash equivalents and lines of credit to finance its operational and strategic objectives.

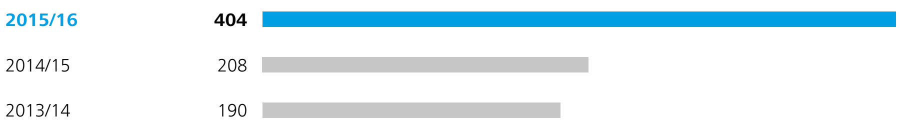
Results of operations

The income statement is prepared using the cost of sales method that is widely used internationally.

The results of operations are characterized by an increase in revenue in all divisions and regions as well as a markedly higher EBIT margin. Currency effects had no significant impact on the results of operations of the ZEISS Group in the reporting period.

ZEISS achieved a consolidated profit totaling €404m (prior year: €208m).

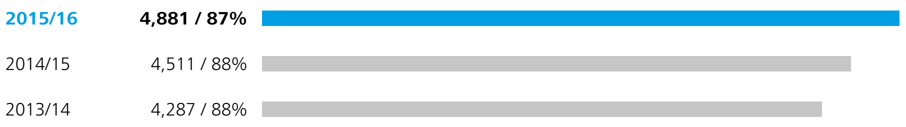
Consolidated profit/loss in € m



Revenue growth in a challenging market environment

In the reporting period, the ZEISS Group's revenue increased by 8% from €4,511m in the prior year to €4,881m, with the share of international revenue of 87% remaining unchanged at the very high level seen in prior years. The revenue development forecast in the prior year was achieved.

Revenue in € m/international share as a %



The ZEISS Group's incoming orders increased by 8% (adjusted for currency effects: 8%) in the reporting period to €5,019m (prior year: €4,653m) and thus exceeded €5b for the first time. Incoming orders in the instrument segment increased by a total of 6% (adjusted for currency effects: 6%). The Semiconductor Manufacturing Technology segment recorded an increase in incoming orders of 14% (adjusted for currency effects: 14%) compared to the prior year.

Consolidated revenue by segment

Revenue by segment	2015/16	2014/15	Change compared to prior year as a %	
	€ m	€ m		Adjusted for currency effects
Semiconductor Manufacturing Technology	972	893	9	9
Research & Quality Technology	1,466	1,356	8	8
Medical Technology	1,290	1,211	7	7
Vision Care/Consumer Products	1,089	1,007	8	8
Other	64	44	45	41
ZEISS Group	**4,881**	**4,511**	**8**	**8**

Semiconductor Manufacturing Technology
The Semiconductor Manufacturing Technology segment generated revenue of €972m. That is equivalent to an increase of 9% (adjusted for currency effects: 9%) compared to the prior year (€893m).

After an initially restrained start, demand for Deep Ultra Violet (DUV) lithography optics improved significantly over the course of the fiscal year. Stable DUV sales thus generated contributed significantly to the level of revenue achieved - together with a likewise growing repair and upgrade business. Cost and competitive pressure for all volume products remains high. The Semiconductor Manufacturing Technology segment also recorded an increasing number of orders for Extreme Ultra Violet (EUV) lithography optics during the reporting period. Business with components and modules for lithography lasers was unchanged. While revenue generated with systems and solutions for manufacturing defect-free photomasks in the reporting period did not quite match the prior-year figure, incoming orders for these products significantly exceeded the prior-year level at the end of the fiscal year. In addition, the service business in this segment made a strong contribution to revenue.

ZEISS has been working with its partners on EUV future-oriented technology for about 20 years. The chip manufacturers see this as the most suitable technology for the further miniaturization of microchip structures. They were positive about the progress made in EUV lithography in the reporting period and ordered several systems of the current generation from the strategic partner ASML. The productivity and stability of the EUV wafer scanners in the field have been improved. However, end users are demanding further progress with regard to the reliability of the scanners and, in particular, important improvements to the light source before the systems go into mass production of microchips. ASML and other development partners are working intensively on this with the support of ZEISS.

As of 30 September 2016, the segment had 2,674 employees worldwide (prior year: 2,836).

Research & Quality Technology
In fiscal year 2015/16, the segment increased its revenue by 8% (adjusted for currency effects: 8%) from €1,356m in the prior year to €1,466m.

Demand for metrology solutions from the Industrial Metrology business group developed very positively during the reporting period. The business group reported significant revenue growth above all in North America and Germany. Increases were also recorded in the rapidly developing economies. Growth in both the European and Asian markets was lower compared to that in other regions. Demand for services again grew in all regions and business areas. One focus of the segment is the expansion of software solutions in the Industry 4.0 environment.

Business with microscopy systems for research and teaching saw increasingly encouraging development during the reporting period due to the introduction of new light microscopy solutions. The industrial market continued to develop positively. The Microscopy business group benefited here from increasing investments in industrial research and production. By contrast, the area of materials analysis in the oil and gas industry was negatively impacted by the fall in the price of oil.

By means of rigorous implementation of the program designed to increase competitiveness launched in fiscal year 2014/15, savings were achieved both in cost of materials and non-personnel expenses as well as by means of personnel-related measures in individual areas. Negotiations with the employees' representatives on the measures were concluded successfully.

As of 30 September 2016, the segment had 6,069 employees worldwide (prior year: 5,869).

Medical Technology

The Medical Technology segment closed the fiscal year with a revenue increase of 7% (adjusted for currency effects: 7%). Revenue rose to €1,290m (prior year: €1,211m).

The Asia/Pacific region (APAC) proved to be the largest growth driver. China, Southeast Asia and South Korea in particular listed the highest growth rates. In the region of Europe, Middle East and Africa (EMEA), business development of individual markets remained extremely diverse. Good contributions to sales came from Germany, France and the UK. Revenue developed negatively, particularly in Southern Europe and the Middle East. The Americas region benefited from the development of the US dollar against the euro. The fact that it nevertheless recorded a drop in revenue was mainly due to the continued intense competition in the ophthalmic diagnostic business.

As of 30 September 2016, the segment had 4,299 employees worldwide (prior year: 4,144). Due to different bases of consolidation, the figures for the Medical Technology segment deviate from those published for Carl Zeiss Meditec AG.

Vision Care/Consumer Products

The Vision Care/Consumer Products segment increased revenue in the fiscal year by 8% (adjusted for currency effects: 8%) from €1,007m in the prior year to €1,089m.

In all regions, growth was achieved in particular with ZEISS brand eyeglass lenses and product innovations. In the EMEA region, the Vision Care business group reported a significant increase in revenue. The business group also developed positively in the rapidly growing economies, in particular in China and India and Eastern Europe. In the USA, progress was made in business development. However, this largest market continues to be a challenge.

The business of the Consumer Optics business group was characterized in all areas by fierce competition and high price pressure. New products such as full-frame autofocus lenses were successfully positioned in the market, as well as accessory lenses with the licensing partner Fellowes. Entry into simulation, a new business line which is still in the development stage, unlocked additional growth potential.

As of 30 September 2016, the segment had 9,320 employees worldwide (prior year: 9,076).

Consolidated revenue by region

Revenue by region and cooperation partners	**2015/16**	2014/15	Change compared to prior year as a %	
	€ m	€ m		Adjusted for currency effects
EMEA	1,611	1,552	4	5
» thereof Germany	599	547	10	10
Americas	1,260	1,215	4	3
APAC	1,123	953	18	17
Cooperation partners	887	791	12	12
ZEISS Group	**4,881**	**4,511**	**8**	**8**

In the economic region of EMEA, ZEISS reported an increase in revenue in the reporting period of 4% (adjusted for currency effects: 5%) to €1,611m (prior year: €1,552m), with revenue in Germany increasing by 10% to €599m (prior year: €547m).

Business in the Americas region increased slightly. Revenue came to €1,260m, 4% (adjusted for currency effects: 3%) higher than in the prior year (€1,215m). The development of the US dollar had a slight positive effect in fiscal year 2015/16.

Revenue in the APAC region increased by 18% compared to the prior year (adjusted for currency effects: 17%) to €1,123m (prior year: €953m). China continued its growth trajectory in the reporting period.

Business with cooperation partners increased by 12% to €887m in fiscal year 2015/16 (prior year: €791m). The main contributory factor was the stabilization in investment activity in the semiconductor sector after a considerable cooling down in the prior year.

Functional costs

Cost of sales increased by €103m in comparison to the prior year and came to €2,534m (prior year: €2,431m). Gross profit improved by €267m from €2,080m to €2,347m in the reporting period. ZEISS pursues the goal of systematically increasing its competitiveness. In this connection, the initiatives launched in the prior year were continued, leading to further productivity improvements. In the reporting period, these resulted in an increase in the gross margin to 48% (prior year: 46%).

Sales and marketing expenses in fiscal year 2015/16 came to €972m (prior year: €929m), which is equivalent to a slight decrease in proportion to revenue. General administrative expenses were kept constant at €329m (prior year: €323m), despite an increase in business volume.

Research and development expenses amounted to €485m in the reporting period (prior year: €473m) before subsidies (€18m; prior year: €7m) and financing from third parties (€31m; prior year: €0m). This again represents 10% (prior year 10%) of revenue, testifying to the ZEISS Group's continued strong focus on innovation. After taking into account subsidies and financing from third parties, the research and development expenses recognized in the income statement came to €436m (prior year: €466m).

Development of earnings

Earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to €819m in the reporting period (prior year: €572m).

Earnings before interest and taxes (EBIT) of €615m (prior year: €369m) with an EBIT margin of 13% (prior year: 8%) were generated in the reporting period. This development is attributable to the growth in revenue in the reporting period as well as to increases in efficiency and productivity. The EBIT margin projected in the prior year was exceeded.

	2015/16	2014/15	2013/14
	€ m	€ m	€ m
EBITDA	819	572	572
» EBITDA margin as a %	17	13	13
	615	369	360
» EBIT margin as a %	13	8	8

The financial result improved by €38m compared to the prior year to minus €67m (prior year: minus €105m). The interest result amounted to minus €56m in the reporting period (prior year: minus €49m). The other financial result increased by €34m to minus €11m (prior year: minus €45m). This is essentially attributable to measurement effects in connection with hedge accounting and to the development of the exchange rates important to ZEISS in the reporting year.

The tax expense for fiscal year 2015/16 totaled €144m (prior year: €56m), which resulted in a group tax rate of 26% (prior year: 21%). The increase in tax expenses mainly resulted from deferred tax assets recognized in profit or loss on loss carryforwards on account of improved business developments, which reduced the tax expenses of the prior year accordingly.

The consolidated profit thus came to €404m in the reporting period (prior year: €208m).

Economic value added generated

ZEISS measures value added generated using the Economic Value Added (EVA®) indicator. This is the internal measure of the company's success. In fiscal year 2015/16, EVA® amounted to €310m (prior year: €115m). ZEISS therefore once again achieved considerable value added and continued the positive development of prior years. EVA® is calculated as the operating profit after taxes less cost of capital. The internal interest rate used to determine weighted average of cost of capital ranges between 6.5 and 10%, depending on the business involved.

NON-FINANCIAL KEY PERFORMANCE INDICATORS

Responsibility

Responsibility has a long tradition at ZEISS. As a company operating under the umbrella of the Carl Zeiss Foundation (Carl Zeiss Stiftung), ZEISS has been implementing the stipulations anchored in the Foundation Statute for over 125 years.

Employees

The total headcount of the ZEISS Group increased as of 30 September 2016 by 487 worldwide to 25,433 (prior year: 24,946). The number of employees increased most in the APAC region, where it rose by 561 to 4,788 (prior year: 4,227).

ZEISS is an international company. Around 58% (prior year: 56%) of the ZEISS workforce – equivalent to 14,663 employees (prior year: 14,051) – works outside Germany.

The Group's research and development departments have a total of 2,551 employees – 10% of the workforce – working on new solutions and technologies for the optics industry (prior year: 2,648 employees, 11%).

Education and training is a high priority at ZEISS. As of the reporting date, the Group had 375 apprentices and trainees in Germany (prior year: 433).

The focal points of HR policy at ZEISS are employee training and leadership development. The Group invested more than €4m to this end in Germany alone. Employees can select a large number of courses in the internal qualification program. In addition, ZEISS supports off-the-job training and personnel development measures.

ZEISS promotes the health and performance of its employees through comprehensive occupational health and safety measures. This also includes the organization of occupational health care precautions. At both national and international level, standardized key performance indicators (KPI) of the International Labor Organization (ILO) are consolidated and evaluated for the assessment of occupational safety. The ILO KPIs of the ZEISS production sites worldwide have been measured centrally since fiscal year 2012/13. The health management system at ZEISS contributes to the sustainable creation of a modern working environment.

Societal and social engagement

ZEISS plays an active role in society. The Group supports educational measures and scientific projects and institutions as well as selected social and cultural initiatives at company locations. ZEISS has been cooperating for years with non-governmental organizations as well as giving donations in money and in kind to ensure that medical care and the training of medical professionals are also available to people in developing and emerging countries.

In addition, dividend distributions to the Carl Zeiss Foundation (Carl Zeiss Stiftung) are used within the framework of its aims to promote in particular scientific and mathematical studies in research and teaching.

Environment

ZEISS attaches great importance to the sustainable and economical use of resources as well as environmental protection. Sustainability is a key consideration – from the development and manufacture to the packaging and shipment, through to disposal of its products. The Group has also defined corresponding requirements for its suppliers.

All the major manufacturing sites worldwide and some international subsidiaries are certified to the international environmental management standard ISO 14001. ZEISS spent around €12m on environmental protection measures over the past year.

ZEISS launched its initiatives for the efficient handling of energy a good few years ago. Since December 2015, all business units of the ZEISS Group in the European Union have been certified to the globally recognized energy management standard ISO 50001.

Products and value chain

Optical technologies are key technologies of the future. The technological and scientific applications will increasingly penetrate all areas of life and improve people’s lives. For 170 years, ZEISS has been synonymous with innovation. The specific ownership structure of ZEISS ensures the scope required to enable investments in new developments and solutions in the long term.

ZEISS cooperates with global networks of renowned universities, research institutes and specialists in developing new technologies and solutions.

ZEISS invests in innovations and solutions, and secures its innovative advantage by means of patents. As of the reporting date, ZEISS held 7,793 patents worldwide (prior year: 7,071). In the reporting period, the Group applied for new patents for 447 inventions (prior year: 413).

Integrity and compliance at ZEISS

It is vital to the reputation of ZEISS that the business partners, customers, public authorities, the general public as well as competitors, have confidence in the responsible, law-abiding and ethical behavior of all ZEISS employees. Therefore, ZEISS approved a Code of Conduct in 2007 that is valid throughout the world. It specifies and explains the general rules of behavior for various areas of our business activities. The Group has also implemented framework conditions with the ZEISS Compliance Management System to ensure compliance with the law, regulatory requirements as well as internal corporate guidelines.

Suppliers around the world make an important contribution to the ZEISS products and services and thus also have an important influence on the sustainability performance of ZEISS. The company expects its suppliers to recognize the Code of Conduct of the Electronic Industry Citizenship Coalition (EICC) and to implement on-going measures to meet these requirements. The internationally recognized Code of Conduct is based on the UNO guiding principles for business and human rights and was derived from international standards. At the beginning of fiscal year 2016/17, selected suppliers will be required to complete sustainability questionnaires. ZEISS will then carry out sustainability assessments in on-site audits.

RISK AND OPPORTUNITY REPORT

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

Risk management system

The central risk management system at ZEISS stipulates uniform rules and processes to detect, assess and manage risks at an early stage. The key objective is to minimize the negative effects of potential risks.

In the business groups, risk management coordinators apply the central policies and procedures. The management of the business groups and strategic business units detects, manages and reports on operating and strategic risks. Overall responsibility lies with the Group's Executive Board, which regularly assesses risks and opportunities and their management at group level. While the Executive Board examines the appropriateness of the risk management system, the Supervisory Board's Audit Committee monitors the effectiveness of the risk management system.

Internal control system
The internal control system (ICS) of ZEISS is based on the COSO Enterprise Risk Management Model (COSO ERM model). It integrates organizational, process-related and technical measures to ensure proper operating activities and correct reporting. This integrated enterprise risk management system covers strategic and operational risks, i.e. it does not merely monitor financial risks. For central processes, there are defined key risks and defined control mechanisms, which are evaluated with regard to their effectiveness.

The Group's Executive Board ensures that an adequate and effective internal control system is in place and that it is continuously enhanced. The Supervisory Board's Audit Committee monitors the effectiveness of the internal audit function, risk management and the internal control system as well as the financial reporting process.

Strategic and operational risks

ZEISS systematically analyzes and evaluates risks. Special emphasis is placed on potential economic effects and on probability of occurrence. Risks are thus quantified and classified, and the risk-bearing capacity is identified. Due to the broad portfolio and the Group's global presence, the strategic and operational risks are spread broadly.

General risks and opportunities

ZEISS regularly checks for risks and opportunities that can arise from changes in markets and within the supplier and customer environment, consolidation within the industry and technological developments. In addition, ZEISS analyzes economic, legal and political developments or economic sanctions in the economic regions relevant for the Group and evaluates possible scenarios. Opportunities and risks that could arise from major natural disasters are also evaluated. The international orientation, sustainable operating policies and balanced ZEISS portfolio help spread the risk.

Innovation risks and opportunities

The results of operations and reputation of ZEISS are heavily dependent on the development of innovative products and solutions. New trends and current findings from science and research can give rise to abrupt technology shifts, new customer requirements, and also make new business models necessary. In order to take advantage of these opportunities at an early stage and to minimize the probability of occurrence and the economic impact of the risk, ZEISS cooperates with research institutes, engages in development partnerships and also makes targeted technology acquisitions.

Personnel risks and opportunities

Demographic change and the changing requirements of digital competences, as well as the differing training and qualifications standards around the globe, are creating new challenges when it comes to filling job vacancies. These give rise to moderate economic risks. ZEISS counters these with a global recruitment strategy, which leads to a low probability of occurrence. In order to retain employees in the long term, the Group offers various employee benefits depending on the location – these include, for example, offers for health promotion or child care.

Risks and opportunities in procurement and production

ZEISS ensures compliance with national and international standards, laws and regulations by means of an integrated management system that addresses the issues of quality, environmental protection, occupational health and safety, and energy management. The regulatory requirements for commodities and materials, the growing complexity of purchased parts and the limited number of suppliers (single source) for some technologies give rise to higher costs and a moderate procurement risk. ZEISS carries out systematic supplier audits to minimize these risks. ZEISS is continuously working to stabilize supply chains and to reduce the dependence on individual suppliers, as well as to keep the associated economic impact down. ZEISS systematically leverages opportunities that arise from bundling procurement activities.

Risks and opportunities of information technology

ZEISS constantly examines and utilizes the opportunities of digitalization in order to offer customers additional and enhanced services. At the same time, the Group constantly updates its existing information technology (IT) systems, and its IT protection and security systems. Some ZEISS IT systems are operated by external partners. For these service providers, the Group has defined high technical and legal standards regarding the hardware and software deployed as well as process monitoring and data security. ZEISS continuously monitors the implementation of and compliance with these standards. The probability of IT risks occurring is estimated to be low. However, the economic impact can be considerable.

Risks and opportunities from acquisitions

Acquisitions or investments offer ZEISS the opportunity to enlarge its competencies and technology portfolio or to increase its access to regional markets. ZEISS systematically checks the associated risks and opportunities. Due diligence reviews aimed at assessing the business development that can be expected are a key element prior to closing transactions. The economic impact and probability of occurrence are therefore low.

Goodwill totaling €582m from acquisitions is shown in the consolidated statement of financial position. This goodwill is subject to regular impairment tests. It cannot be ruled out that impairment losses on goodwill may need to be recognized on account of changes in economic conditions, business models or technologies.

Legal risks, patents and intellectual property

ZEISS safeguards its technologies and products through a comprehensive industrial property rights strategy. If ZEISS patent and brand rights are infringed by third parties, the Group takes legal steps in order to counter the associated high economic risk. The probability of such cases occurring is low.

When developing new products and technologies, ZEISS systematically checks whether the rights of a third party could be affected, develops non-protected solutions, if necessary, and acquires the requisite licenses and rights, or seeks other solutions by legal contract. Due to the complexity of possible industrial rights and the increased activity of institutional patent assertion entities there is a moderate risk of litigation with a moderate economic risk. Appropriate provision is made in the statement of financial position for any claims arising from unclear patent situations.

There is no pending litigation that poses any risk to the continued existence of ZEISS at present.

ZEISS has set out the basic principles of correct conduct in business activities in a Code of Conduct, which applies to all employees. In order to avoid breaches of compliance and minimize risks to the Group's reputation, ZEISS has established a corporate-wide compliance organization.

Financial risks and opportunities

The overall financial risks of the ZEISS Group are classified as moderate. The measures listed result in a low probability of occurrence.

The financial activities and the associated opportunities and risks of the ZEISS Group are managed centrally. The Group uses defined risk strategies to minimize risks resulting from changes in exchange rates, interest rates or the value of assets. Furthermore, the Group is generally exposed to credit and liquidity risks. On account of its global orientation, the ZEISS Group is exposed to risks from exchange rate fluctuations in its operations and the financial results and cash flows reported. Interest rate risk arises from fluctuations in market interest rates.

The ZEISS Group exclusively uses derivative financial instruments to hedge interest rate and currency risks. For this purpose, it enters into interest rate swaps and standard currency options and forward exchange contracts. These cover the underlying goods and services transactions of group entities and non-derivative financial transactions (hedged transactions).

Credit risk stems from an adverse development in the economic conditions of the company's borrowers or counterparties. On the one hand, this gives rise to the risk of default, in full or in part, on contractually agreed payments or performance and, on the other, potentially a need to recognize credit-risk-related impairment losses on financial instruments. The maximum credit risk position of the ZEISS Group as of the end of the reporting period is equivalent to the carrying amount of the financial instruments disclosed as financial assets and the guarantees issued to non-consolidated group entities.

The liquidity risk of the ZEISS Group represents the risk that Carl Zeiss AG or a subsidiary may not be able to meet its financial obligations (e.g. to repay financial liabilities or make interest payments). ZEISS has sufficient liquidity reserves in the form of cash and lines of credit. The Group's investment strategy is conservative: the focus here is on security and short-term availability. In addition, ZEISS ensures that the investments are broadly diversified.

Risks of default are limited by choosing counterparties with excellent credit ratings given by external rating agencies. Concentration risks are limited and managed by generally entering into transactions with various banks.

In the context of pension obligations, high risks also arise from the increasing life expectancy of the beneficiaries, from general interest rate developments and from the obligation to regularly adjust the amount of the pensions paid. The existing pension agreements could give rise to risks with regard to equity. The provisions negatively impact the statement of financial position and could therefore restrict scope for strategic action. In light of this, the pension rules were revised during the previous reporting period and adapted to the changed conditions on the financial market. By doing this, ZEISS is countering the risks that could arise in particular from the development of interest rates. The new pension rules came into effect as of the beginning of fiscal year 2015/16.

ZEISS has transferred the funds to cover pension obligations toward active employees in Germany to a contractual trust arrangement (CTA).

Further financial risks and risks relating to the statement of financial position can in principle arise from changes in accounting standards.

Market risks and opportunities

The broad and balanced ZEISS business portfolio helps spread risk. The economic risk arising from the differing development of the segments is classified as moderate with a moderate probability of occurrence. In order to further reduce both the probability of occurrence and the economic risk, ZEISS has launched programs designed to increase competitiveness in individual areas.

The volatility and increasing consolidation of the semiconductor sector entails risks and opportunities for the Semiconductor Manufacturing Technology segment, to which ZEISS must adapt in a flexible manner. The company is well positioned for changing market and technology requirements thanks to an optimized organizational structure. In particular, the use of EUV lithography for volume production of semiconductor chips offers considerable growth opportunities while also presenting high inherent technological risks for the business group. ZEISS therefore collaborates closely with its strategic partner ASML and other development partners in order to jointly steer this future-oriented technology to success.

The Research & Quality Technology segment is exposed to risks arising from the Industrial Metrology business group's dependence on the capital goods industry and particularly the automotive and the associated supplier industry, and their willingness to invest. These are reduced by the continuous development of new application areas and by the stringent expansion of the business group's business with customer services. Opportunities still arise for the business group from increasingly networked production processes (Industry 4.0), from the pursuit of increased productivity in all customer segments as well as from its positioning as a one-stop provider, and the expansion of local value chains in the key economic regions. The business development of the Microscopy business group depends heavily on government budgets for education and research, and on an innovative product portfolio. The segment is therefore improving its product portfolio in order to develop new market and customer segments with industrial applications and it is initiating measures to improve the development of delivery times. Increasing industrial requirements, new materials and the growing scarcity of resources call for new analytical methods in microscopy and offer new sales opportunities for the business group. Megatrends such as the aging population are triggering additional growth opportunities in the area of microscopy for research and routine biomedical applications; for example, in pharmaceuticals research or in diagnosis of diseases.

In the Medical Technology segment, political and regulatory decisions can have a long-term effect on the reimbursement of costs for medical treatment and thus on willingness to invest in new therapy systems. Cuts in public budgets can have similar consequences. Furthermore, new product launches can be delayed or even rejected due to changes in product approval requirements. Patients may be injured due to malfunctions or incorrect operation of medical devices. This can result in substantial litigation costs and cause long-term damage to the company's reputation. The steadily rising world population and higher life expectancy, which is likely to lead to increased demand for medical technology, are giving rise to growth opportunities for the Medical Technology segment. Further growth potential is inherent in the rapidly developing economies due to the growing demand for basic medical care.

Within the Vision Care/Consumer Products segment, the Vision Care business group is exposed to risks arising from fundamental changes in the market, ongoing consolidation in the industry and the concentration of customer structures. Other risks include the continued fall in the price of eyeglass lenses, as well as competitors who use online sales channels or deploy new technologies to establish their own production capacity. Opportunities continue to be offered by the growing importance of the brand for consumers, freeform technology and the associated new business fields, optimization of the value chain, and new business models resulting from digitalization. The Consumer Optics business group is subject to risks in the market for cine lenses due to increasing competitive and price pressure. Opportunities can arise from new developments and from sector and technology trends in this market. In the market for camera lenses, there are risks due to an increasingly weak market for single-lens reflex cameras, which also results in opportunities in the market for mirrorless cameras. The licensing business depends on the attractiveness of the ZEISS brand for partners of the business group. ZEISS counters this risk by means of a consistent brand strategy.

Another risk is presented by product delays in Sports Optics. This could give rise to idle capacity at manufacturing sites.

Overall statement on the risks faced by the company

When this report was prepared, no risks were discernible that could jeopardize the ability of the ZEISS Group to continue as a going concern. There are no significant differences for the overall assessment compared to the prior year. The Executive Board believes that the Group has a solid foundation for further development and uses a systematic strategy and planning process to provide the resources required in order to leverage the opportunities.

SUBSEQUENT EVENTS

By agreement dated 3 November 2016, a non-controlling interest of 24.9% in Carl Zeiss SMT, Oberkochen was acquired by ASML Holding N.V., Veldhoven, Netherlands. ASML Holding N.V. will pay a purchase price of €1b, which will lead to a corresponding increase in cash and cash equivalents as well as in equity. The objective of the agreement is to accelerate the development of a future generation of Extreme Ultra Violet (EUV) lithography systems. The transaction is subject to approval by the relevant authorities and is expected to be formally concluded in the second quarter of 2017.

In addition, an agreement has been reached under which the ASML Group will finance approximately €220m in research and development and approximately €540m in investments in the equipment and process chain of Carl Zeiss SMT, Oberkochen, over the next 6 years.

There were no additional significant events after the end of the fiscal year.

REPORT ON EXPECTED DEVELOPMENTS

Future conditions of business development

Moderate economic growth is currently still expected for fiscal year 2016/17.

The global economy is growing with very different regional variations. While growth rates in the industrialized countries are stagnating, growth in the rapidly developing economies is still good, although it is starting to flatten. According to forecasts, the US economy will see moderate growth, whereas Japan and Europe – also as a result of Brexit – will be negatively impacted. A "new normality" with flattening growth rates and a process of transformation in industry is expected in China. According to forecasts, the Indian economy will see above-average development. Brazil will emerge from the recession with marginal growth.

Uncertainties about the economic development in the growth markets, the low oil prices, the unpredictable impact of Brexit, the outcome of the presidential election in the USA, the situation in the Middle East and Ukraine as well as ongoing structural problems are significant political and economic factors which could negatively impact on investment activity of industry and the public sector.

Expected development of the markets and industries relevant for ZEISS

Semiconductor Manufacturing Technology

ZEISS expects that the global semiconductor market will recover in fiscal 2016/17, but will grow more slowly in the future. The remaining growth drivers are, in particular, the constantly rising storage and computing requirements due to the rapidly growing data volumes and increasing digitalization in all areas of life, as well as new applications especially in the automotive and industrial environment. The classic growth drivers will see negative (PCs) or low positive (tablets and smartphones) development. The Group expects growth in the market for semiconductor manufacturing equipment to be in the medium single-digit percentage range in fiscal year 2016/17. The outlook for the future is, as always in the field of semiconductors, characterized by great uncertainty.

Research & Quality Technology

The Group expects business development in industrial metrology to be stable overall. ZEISS expects rather cautious investment behavior for Europe - while there are positive indicators for business domestically, business in North America and, increasingly, also in Asia. ZEISS also expects the business group's extensive global service business to continue to grow.

For the microscopy business, it is apparent that the public subsidies for research, which are on the whole restrictive, will result in stagnating global growth in the academic environment. Positive impetus is expected for the industrial application of microscopes. The Group expects that this robust market environment will remain in place for the Microscopy business group.

Medical Technology

Medical devices and medical equipment will remain an attractive business field in the health care sector. ZEISS expects that growth drivers in the market for the Medical Technology segment, such as demographic trends and population growth as well as rising demand from the rapidly developing economies, will continue to exist. They will be supplemented by new technologies and applications, particularly in the area of minimally invasive surgery, that will contribute to growth of the industry. From the customer's perspective, a better cost-benefit balance of medical technology products and increasing digitalization and systems integration are playing a key role in day-to-day work in doctors' offices and hospitals.

Vision Care/Consumer Products

For the business of the Vision Care/Consumer Products segment, ZEISS expects global growth to remain stable. Major drivers of the development of the markets for the Vision Care business group are demographic trends, increasing income in the rapidly developing economies and rising demand for individualized precision eyeglass lenses. ZEISS expects the increasing digitalization in lens fitting and production, logistics, marketing and customer service to result in major changes. ZEISS expects the Consumer Optics business group to face tougher competition. In addition, the Group assumes that the US market will recover. With the size of the market for cine lenses set to remain constant, increased competitive pressure is expected due to the entry of new competitors from Asia.

Overall statement on anticipated development

When these consolidated financial statements for 2015/16 were prepared, moderately increasing global economic growth with differences between the various regions was becoming apparent. In light of the global economic development forecasts currently available, the Executive Board of Carl Zeiss AG regards the goals planned for fiscal year 2016/17 as challenging. In light of the initial signs of increasing market uncertainty, ZEISS expects less dynamic growth in some of the rapidly developing economies compared to prior years, with a slight decrease expected for China. Thanks to the solid positioning of the segments in their respective markets, which ZEISS established and expanded in the past, mainly through its innovative strength, for fiscal year 2016/17 the Group expects a roughly comparable return on EBIT and a slight increase in revenue.

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Consolidated Income Statement
for the period from 1 October 2015 to 30 September 2016

	Note	2015/16	2014/15
		€ k	€ k
Revenue	7	**4,880,839**	**4,510,862**
Cost of sales		2,533,789	2,431,247
Gross profit		**2,347,050**	**2,079,615**
» Sales and marketing expenses		971,937	928,611
» General administrative expenses		328,920	323,047
» Research and development expenses		435,725	466,495
» Other income	8	9,328	15,561
» Other expenses	9	4,972	7,828
Earnings before interest and taxes (EBIT)		**614,824**	**369,195**
» Share of profit/loss from investments accounted for using the equity method		-810	-11,493
» Interest income	10	11,529	7,475
» Interest expenses	10	67,134	56,451
» Other financial result	10	-10,955	-44,563
Financial result		**-67,370**	**-105,032**
Earnings before taxes (EBT)		**547,454**	**264,163**
» Income taxes	11	143,610	55,956
Consolidated profit/loss		**403,844**	**208,207**
» thereof profit/loss attributable to non-controlling interests		31,471	23,652
» thereof profit/loss attributable to the stockholder of the parent company		372,373	184,555

Consolidated Statement of Comprehensive Income
for the period from 1 October 2015 to 30 September 2016

	Note	2015/16	2014/15
		€ k	€ k
Consolidated profit/loss		**403,844**	**208,207**
Earnings to be reclassified:			
» Currency translation differences		6,917	40,321
» Gains/losses from available-for-sale financial assets		442	-15,758
» Gains/losses from cash flow hedges		8,300	4,211
» Deferred income tax		-126	9,879
Earnings not to be reclassified:			
» Remeasurement of defined benefit plans		-450,610	-159,631
» Deferred income tax		118,840	42,511
Other comprehensive income (after taxes)		**-316,237**	**-78,467**
Total comprehensive income		**87,607**	**129,740**
» thereof profit/loss attributable to non-controlling interests		23,164	27,586
» thereof profit/loss attributable to the stockholder of the parent company		64,443	102,154

Consolidated Statement of Financial Position
as of 30 September 2016

Assets	Note	30 SEP 16	30 SEP 15*	1 OCT 14*
		€ k	€ k	€ k
Non-current assets				
» Intangible assets	12	782,065	794,961	776,801
» Property, plant and equipment	13	978,686	1,004,726	1,012,562
» Investments accounted for using the equity method	14	0	0	0
» Trade and other receivables	24	30,640	27,258	29,458
» Other non-current financial assets	15	142,926	128,938	110,364
» Other non-current non-financial assets	16	6,903	8,355	8,138
» Deferred taxes	11	705,870	548,677	451,112
		2,647,090	**2,512,915**	**2,388,435**
Current assets				
» Inventories	17	1,118,173	1,080,689	1,079,757
» Trade and other receivables	24	969,684	923,495	873,558
» Other current financial assets*	15	310,363	154,980	122,535
» Tax refund claims		25,370	14,003	14,773
» Other current non-financial assets	16	88,516	91,691	93,766
» Cash and cash equivalents	18	498,733	638,876	483,333
		3,010,839	**2,903,734**	**2,667,722**
		5,657,929	**5,416,649**	**5,056,157**

Equity and liabilities	Note	30 SEP 16	30 SEP 15*	1 OCT 14*
		€ k	€ k	€ k
Equity	19			
» Issued capital		120,000	120,000	120,000
» Capital reserves		52,770	52,770	52,770
» Equity earned by the Group		1,851,412	1,493,731	1,317,938
» Other reserves		-865,147	-557,217	-474,816
» Non-controlling interests		257,320	247,908	232,696
		1,416,355	**1,357,192**	**1,248,588**
Non-current liabilities				
» Provisions for pensions and similar obligations	20	1,718,558	1,482,746	1,333,095
» Other non-current provisions	21	197,619	168,629	155,792
» Non-current financial liabilities	22	230,245	426,629	424,434
» Other non-current non-financial liabilities	23	38,045	39,217	33,474
» Deferred taxes	11	60,892	64,267	74,501
		2,245,359	**2,181,488**	**2,021,296**
Current liabilities				
» Current provisions*	21	247,464	246,956	228,779
» Current financial liabilities	22	127,639	109,892	131,353
» Trade payables	24	297,158	228,354	214,010
» Current income tax payables		33,695	37,377	38,485
» Other current non-financial liabilities*	23	1,290,259	1,255,390	1,173,646
		1,996,215	**1,877,969**	**1,786,273**
		5,657,929	**5,416,649**	**5,056,157**

* The prior-year figures were adjusted due to changes in disclosures in the group chart of accounts. For more information, please refer to note 6 of the notes to the consolidated financial statements.

Consolidated Statement of Changes in Equity
for fiscal year 2015/16[1]

	Issued capital	Capital reserves	Equity earned by the Group	Other reserves: from currency translation	Other reserves: from the remeasurement of defined benefit plans	Other reserves: from available-for-sale financial assets	Other reserves: from cash flow hedges	Equity attributable to the stockholder of the parent company	Non-controlling interests	Consolidated equity
	€ k	€ k	€ k	€ k	€ k	€ k	€ k	€ k	€ k	€ k
1 October 2014	**120,000**	**52,770**	**1,317,938**	**18,621**	**-486,167**	**5,632**	**-12,902**	**1,015,892**	**232,696**	**1,248,588**
» Consolidated profit/loss	0	0	184,555	0	0	0	0	184,555	23,652	208,207
» Other comprehensive income	0	0	0	33,116	-113,849	-5,879	4,211	-82,401	3,934	-78,467
Total comprehensive income	**0**	**0**	**184,555**	**33,116**	**-113,849**	**-5,879**	**4,211**	**102,154**	**27,586**	**129,740**
Dividends	0	0	-6,400	0	0	0	0	-6,400	-12,374	-18,774
Changes in basis of consolidation	0	0	0	0	0	0	0	0	0	0
Other changes	0	0	-2,362	0	0	0	0	-2,362	0	-2,362
30 September 2015	**120,000**	**52,770**	**1,493,731**	**51,737**	**-600,016**	**-247**	**-8,691**	**1,109,284**	**247,908**	**1,357,192**
» Consolidated profit/loss	0	0	372,373	0	0	0	0	372,373	31,471	403,844
» Other comprehensive income	0	0	0	6,723	-323,269	316	8,300	-307,930	-8,307	-316,237
Total comprehensive income	**0**	**0**	**372,373**	**6,723**	**-323,269**	**316**	**8,300**	**64,443**	**23,164**	**87,607**
Dividends	0	0	-12,500	0	0	0	0	-12,500	-13,176	-25,676
Changes in basis of consolidation	0	0	0	0	0	0	0	0	0	0
Other changes	0	0	-2,192	0	0	0	0	-2,192	-576	-2,768
30 September 2016	**120,000**	**52,770**	**1,851,412**	**58,460**	**-923,285**	**69**	**-391**	**1,159,035**	**257,320**	**1,416,355**

[1] For more information on the changes in equity, please refer to note 19 of the notes to the consolidated financial statements.

Consolidated Statement of Cash Flows

for the period from 1 October 2015 to 30 September 2016

	2015/16	2014/15
	€ k	€ k
Consolidated profit/loss	403,844	208,207
Amortization, depreciation and impairment net of reversals of impairment losses	203,156	202,056
Share of profit/loss from investments accounted for using the equity method	810	11,493
Other material non-cash income and expenses	0	2,273
Changes in provisions for pensions and similar obligations	2,236	19,483
Amounts allocated to the contractual trust arrangement and other plan assets outside Germany	-218,316	-36,697
Changes in other provisions	27,859	25,542
Gain/loss from the disposal of intangible assets and property, plant and equipment	748	1,234
Gain/loss from the disposal of affiliates	0	-9,410
Gain/loss from the disposal of current securities	319	228
Changes in inventories	-35,487	16,787
Changes in trade receivables	-15,415	-26,727
Changes in deferred taxes	-39,527	-50,954
Changes in other assets	-8,771	-38,267
Changes in trade payables	66,760	12,193
Changes in current accruals	23,778	21,070
Changes in advances received	17,706	26,806
Changes in other liabilities	-4,564	10,949
Cash flows from operating activities	**425,136**	**396,266**
Proceeds from the disposal of intangible assets and property, plant and equipment	28,032	27,334
Purchases of intangible assets and property, plant and equipment	-190,873	-186,540
Net cash outflow from investments in financial assets including fixed-term investments and securities maturing in >90 days	-191,803	-49,461
Net cash inflow/outflow for the acquisition of shares in affiliates	-2,709	2,409
Cash flows from investing activities	**-357,353**	**-206,258**
Dividend paid to Carl Zeiss Foundation (Carl Zeiss Stiftung)	-12,500	-6,400
Payments to non-controlling interests	-13,176	-12,374
Proceeds from (financial) loans	15,398	10,908
Repayments of (financial) loans and bonds	-196,789	-17,536
Cash flows from financing activities	**-207,067**	**-25,402**
Changes in cash and cash equivalents	**-139,284**	**164,606**
Changes in cash and cash equivalents from exchange rate movements and changes in the basis of consolidation	-859	-9,063
Cash and cash equivalents as of 1 October	638,876	483,333
Cash and cash equivalents as of 30 September	**498,733**	**638,876**

Additional information on the statement of cash flows	2015/16	2014/15
	€ k	€ k
Payments of		
» Income taxes	135,675	94,170
» Interest	18,846	18,483
» Dividends	25,676	18,774
Proceeds from		
» Income taxes	7,312	10,277
» Interest	6,666	7,298
» Dividends	433	594

Notes to the Consolidated Financial Statements
for fiscal year 2015/16

BASIS OF PRESENTATION

1 General principles

Carl Zeiss AG is a non-listed stock corporation incorporated under German law, headquartered at Carl-Zeiss-Strasse 22, 73447 Oberkochen, Germany. The Carl Zeiss Foundation (Carl Zeiss Stiftung), Heidenheim an der Brenz and Jena, is the sole stockholder of Carl Zeiss AG.

ZEISS is an internationally leading technology enterprise operating in the optics and optoelectronics industries. The ZEISS Group develops, produces and sells semiconductor manufacturing equipment, measuring technology, microscopes, medical technology, eyeglass lenses as well as camera and cine lenses, binoculars and planetarium technology. ZEISS comprises 4 segments: Semiconductor Manufacturing Technology, Research & Quality Technology, Medical Technology and Vision Care/Consumer Products.

Carl Zeiss AG exercises the option afforded by Sec. 315a (3) German Commercial Code (HGB) which, based on the member state option set out in the EU Regulation dated 19 July 2002, also allows companies not geared to the capital market to prepare their consolidated financial statements in accordance with International Financial Reporting Standards with exempting effect.

The accompanying consolidated financial statements of Carl Zeiss AG, comprising the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows and the notes to the consolidated financial statements, have been prepared in accordance with International Financial Reporting Standards (IFRSs) and the interpretations of the IFRS Interpretations Committee, as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB. All pronouncements of the International Accounting Standards Board (IASB) whose adoption is mandatory have been considered.

The consolidated financial statements are presented in euros (€). Unless otherwise specified, all amounts are stated in thousands of euros (€ k) and rounded in line with common business practice.

In order to improve clarity and transparency, individual items have been combined in the consolidated statement of financial position and the consolidated income statement and broken down and explained separately in these notes.

The consolidated financial statements and group management report prepared as of 30 September 2016 were authorized for issue to the Supervisory Board by the Executive Board on 14 December 2016.

2 Basis of consolidation

Subsidiaries, associates, joint ventures and special purpose entities are included in the consolidated financial statements. Subsidiaries and special purpose entities are entities that are controlled directly or indirectly and are consolidated in full. Control is the power to govern the financial and operating policies of another entity, directly or indirectly, such that the Group obtains benefits from the entity's activities. Associates are entities over which Carl Zeiss AG exercises significant influence and that are neither subsidiaries nor joint ventures. Associates and joint ventures are accounted for in the consolidated financial statements using the equity method.

The consolidated financial statements contain 33 (prior year: 31) fully consolidated German entities (including Carl Zeiss AG) and 103 (prior year: 106) fully consolidated entities in other countries. The entities are generally included in the consolidated financial statements from the date on which control is obtained.

A special fund was included in the consolidated financial statements as a structured entity because the fund activities are prescribed by the investment strategy defined by Carl Zeiss Financial Services GmbH. Carl Zeiss Financial Services GmbH is solely entitled to the earnings generated by the fund.

The entities included in consolidation and shareholdings are all contained in the list of shareholdings in accordance with Sec. 313 (2) HGB.

The number of fully consolidated entities changed as follows in the reporting period:

	Germany	Other countries	Total
1 October 2015	31	106	137
Disposals in the reporting period	1	3	4
Additions in the reporting period	3	0	3
30 September 2016	**33**	**103**	**136**

Disposals from the basis of consolidation
The following entities were removed from the basis of consolidation in the reporting period:
» Carl Zeiss Automated Inspection GmbH & Co. KG, Öhringen (Germany)
(wound up as of 1 October 2015)
» Carl Zeiss Vision GVLAB S.A.S., Aubergenville (France)
(merged as of 1 October 2015 into Carl Zeiss Vision France S.A.S., Fougères [France])
» Sola Ophthalmic Products Limited, Wexford (Ireland)
(liquidated as of 11 May 2016)
» Sola Optical Lens Marketing Pvt. Ltd., Mumbai (India)
(liquidated as of 20 March 2016)

Additions to the basis of consolidation
The following entities were included in the consolidated financial statements for the first time:
» Carl Zeiss CMP GmbH, Göttingen (Germany)
(incorporated on 29 April 2016)
» Carl Zeiss SMT Holding Management GmbH, Oberkochen (Germany)
(incorporated on 13 September 2016)
» Carl Zeiss SMT Holding GmbH & Co. KG, Oberkochen (Germany)
(incorporated on 13 September 2016)

The disposals and additions did not have any significant impact on the net assets, financial position and results of operations of the ZEISS Group.

3 Consolidation principles

The consolidated financial statements are based on the financial statements of the subsidiaries included in the Group as of 30 September 2016, which have been prepared according to uniform accounting policies.

Business combinations are accounted for using the purchase method pursuant to IFRS 3 *Business Combinations*.

The identifiable assets acquired and liabilities assumed in a business combination are measured at their fair values as of the acquisition date regardless of the extent of any non-controlling interests. Non-controlling interests are measured either at the fair value (full goodwill method) or the proportionate share of fair value of the assets acquired and liabilities assumed (partial goodwill method).

The cost of the interests acquired is offset against the Group's proportionate share in the subsidiary's net assets measured at fair value. Any acquisition-related costs incurred are expensed. Any excess of cost over the Group's interest in the net fair value remaining after offsetting is recognized as goodwill under intangible assets. Any excess of the Group's interest in the net fair value over cost is recognized through profit or loss. For business combinations prior to 14 May 2002, the option set forth in IFRS 1.18 in connection with IFRS 1.C1 was exercised by including the previous GAAP accounting for these business combinations in the consolidated financial statements in accordance with IFRSs. Transactions under common control are accounted for by rolling forward the carrying amount.

The profit or loss of the subsidiaries acquired in the reporting period is included in the consolidated income statement based on their group affiliation, i.e. from the date on which the Group obtains control.

A subsidiary is deconsolidated on the date on which Carl Zeiss AG loses control over the entity.

The shares in net assets that are attributable to non-controlling interests are reported under non-controlling interests within consolidated equity.

Joint ventures as defined by IFRS 11 *Joint Arrangements* are accounted for using the equity method.

When using the equity method in accordance with IAS 28 *Investments in Associates and Joint Ventures*, the shares are initially recognized at cost in the statement of financial position and subsequently measured at amortized cost to reflect changes in the Group's share of the equity (net assets) after the acquisition date and impairment losses.

Intercompany receivables and liabilities between consolidated entities are netted.

Intercompany profits from intercompany trade are eliminated.

The income tax implications are considered in the course of consolidation by recognizing deferred taxes.

Internal revenue and other intercompany income are offset against the corresponding expenses in the consolidated income statement.

4 Summarized financial information of material subsidiaries with non-controlling interests

Carl Zeiss Meditec AG, Jena, with its consolidated subsidiaries, qualifies as a material subsidiary with non-controlling interests in the ZEISS Group. The non-controlling interests amount to 34.9%.

The summarized financial information presented in the following corresponds to the financial information in the published consolidated financial statements of Carl Zeiss Meditec AG:

	2015/16	2014/15
	€ k	€ k
Revenue	1,088,365	1,040,061
Consolidated profit/loss	99,970	65,561
Other comprehensive income	-15,359	10,186
Total comprehensive income	84,611	75,747

	30 SEP 16	30 SEP 15
	€ k	€ k
Non-current assets	388,897	362,992
Current assets	858,833	776,298
Non-current liabilities	110,670	98,450
Current liabilities	285,897	243,390
Equity	851,163	797,450

	2015/16	2014/15
	€ k	€ k
Cash flows from operating activities	111,770	56,744
Cash flows from investing activities	77,332	-35,173
Cash flows from financing activities	-195,021	-19,290
Changes in cash and cash equivalents from exchange rate movements and changes in the basis of consolidation	1,588	33
Changes in cash and cash equivalents	-4,331	2,314

	2015/16	2014/15
	€ k	€ k
Consolidated profit/loss attributable to non-controlling interests	34,938	22,912
Total comprehensive income attributable to non-controlling interests	29,570	26,472
Dividends paid to non-controlling interests	10,798	11,367
Equity attributable to non-controlling interests	297,468	278,695

5 Currency translation

The consolidated financial statements are presented in euros. In the separate financial statements, foreign currency receivables and liabilities are valued at the exchange rate prevailing on the date of the transaction. Monetary items in foreign currencies are revalued at the mean closing rate, with exchange rate gains and losses being reported in the consolidated income statement under financial result.

Financial statements denominated in foreign currency of the subsidiaries included in the consolidation are translated into euros on the basis of the functional currency concept pursuant to IAS 21 *The Effects of Changes in Foreign Exchange Rates*. All assets and liabilities are translated using average closing rates, whereas equity is translated at historical rates. The income and expense items from the income statement are translated using annual average exchange rates. Any exchange differences arising are recognized through other comprehensive income within other reserves from currency translation.

The following key exchange rates for the consolidated financial statements as of 30 September 2016 and 2015 were used for currency translation:

		Closing rate		Average rate	
	€1 =	30 SEP 16	30 SEP 15	2015/16	2014/15
China	CNY	7.4463	7.1206	7.2563	7.1451
UK	GBP	0.8610	0.7385	0.7820	0.7430
Japan	JPY	113.0900	134.6900	124.0527	136.8381
USA	USD	1.1161	1.1203	1.1105	1.1485

6 Accounting policies

The financial statements of the entities included in the consolidated financial statements are prepared in accordance with the Group's accounting policies. Adjustments are made as necessary where the local GAAP financial statements of individual entities diverge from these policies. Where the reporting date of subsidiaries is different from the reporting date for the consolidated financial statements, interim financial statements are used.

New and revised financial reporting standards

The following financial reporting standards were adopted for the first time in the reporting period:

Date of issue	Standard/interpretation	Amendment/new standard or interpretation
21 November 2013	IAS 19 *Employee Benefits*	Clarification of the recognition of contributions by employees or third parties to defined benefit pension plans
12 December 2013	Improvements to IFRSs (2010–2012)	Clarifications and amendments to IFRS 2, 3, 8 and 13 as well as IAS 16, 24 and 38
12 December 2013	Improvements to IFRSs (2011-2013)	Clarifications and amendments to IFRS 1, 3 and 13 as well as IAS 40

The adoption of new and revised financial reporting standards did not have any significant impact on the net assets, financial position and results of operations of the ZEISS Group.

The IASB and the IFRS Interpretations Committee have issued a number of revised and new standards or interpretations, which did not come into effect in the reporting period. These new pronouncements have not been early adopted in the consolidated financial statements of Carl Zeiss AG.

Date of issue	Standard/interpretation	Amendment/new standard or interpretation	Effective date	Endorsed by the EU
6 May 2014	IFRS 11 *Joint Arrangements*	Clarification on accounting for the acquisition of interests in joint operations that constitute a business	Periods beginning on or after 1 January 2016	Yes
12 May 2014	IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*	Guidance on the depreciation and amortization methods applicable to property, plant and equipment and intangible assets	Periods beginning on or after 1 January 2016	Yes
25 September 2014	Improvements to IFRSs (2012-2014)	Clarifications and amendments to IFRS 5 and 7 as well as IAS 19 and 34	Periods beginning on or after 1 January 2016	Yes
18 December 2014	IAS 1 *Presentation of Financial Statements*	Clarifications on assessing the materiality of disclosures in the notes to the consolidated financial statements, information on aggregating items, the structure of disclosures in the notes to the financial statements and the presentation of significant accounting policies	Periods beginning on or after 1 January 2016	Yes
18 December 2014	IFRS 10, 12 and IAS 28 *Investment Entities*	Confirmation that the exemption from preparing consolidated financial statements applies to subsidiaries of investment entities	Periods beginning on or after 1 January 2016	Yes
19 January 2016	IAS 12 *Income Taxes*	Clarification on recognizing deferred tax assets from unrealized losses	Periods beginning on or after 1 January 2017	No
29 January 2016	IAS 7 *Statement of Cash Flows*	Disclosures on changes to liabilities from financing activities	Periods beginning on or after 1 January 2017	No
28 May 2014	IFRS 15 *Revenue from Contracts with Customers*	Recognition of revenue from contracts with customers	Periods beginning on or after 1 January 2018	Yes
24 July 2014	IFRS 9 *Financial Instruments*	Accounting for financial instruments	Periods beginning on or after 1 January 2018	No
13 January 2016	IFRS 16 *Leases*	Accounting for leases	Periods beginning on or after 1 January 2019	No
11 September 2014	IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*	Clarification on the extent of gains recognized from the sale or contribution of assets	Postponed indefinitely	No

A comprehensive analysis of the contracts in the ZEISS Group is currently being performed in connection with the introduction of IFRS 15. There will be a shift in the timing of revenue recognition in virtually all business groups. The exact impact on the contracts in these business groups is currently being assessed and the exact impact on future financial statements cannot yet be conclusively assessed. Analyses of IFRS 16 have revealed that it will cause an increase in total assets and an improvement in EBIT as operating lease contracts will have an accounting effect in the future if the ZEISS Group is the lessee. A final conclusion is not possible at this point in time. With regard to IFRS 9 and depending on the credit rating of the counterparty and the maturities of financial instruments, the application of the expected loss model may result in significant impairment losses that were not recognized under the incurred loss model of IAS 39. Furthermore, IFRS 9 is not currently expected to have any significant impact on the ZEISS Group’s net assets, financial position and results of operations. The remaining standards may give rise to changed disclosure requirements. Apart from this, no significant impact is expected.

The other accounting policies used were the same as in the prior year.

Changes in disclosures
A new group chart of accounts was introduced as of the fiscal year 2015/16. As a result of this and in order to improve the clarity of presentation, current securities, which were previously reported separately in the statement of financial position (prior year: €93,052k), are now recognized under other current financial assets. The item is broken down correspondingly in the notes to the consolidated financial statements. Also as a consequence of the new group chart of accounts and in order to improve presentation, accruals for personnel-related obligations, which were previously reported under current provisions (prior year: €85,119k), will be recognized under other current non-financial liabilities in the future. In light of this, the comparative prior-year figures were adjusted accordingly and are indicated by an asterisk (*) in the following. These changes in disclosures have no impact on the accounting policies and are on the whole immaterial for the company's net assets.

Use of estimates
The preparation of financial statements in accordance with IFRSs requires management to make estimates and assumptions. These can affect the measurement of assets and liabilities, the nature and scope of contingencies, and the reported amounts of income and expenses during the reporting period. The assumptions and estimates primarily relate to the following matters:

» The determination of uniform useful lives is subject to estimates by management.
» The measurement parameters for impairment testing, in particular regarding goodwill (see note 12 Intangible assets).
» The actuarial parameters on which the calculation of the defined benefit obligations is based (see note 20 Provisions for pensions and similar obligations)
» The recoverability of the future tax burden and relief.
» The timing of recognizing intangible assets pursuant to IAS 38.

In addition, estimates are required when assessing the recoverability of inventories and receivables as well as recognizing and measuring provisions. Actual results may differ from these estimates. The estimates and assumptions are regularly reviewed based on past experience. Changes are recognized through profit or loss as and when better information is available.

Intangible assets
In accordance with IAS 38 *Intangible Assets*, internally generated intangible assets are recognized only if it is probable that future economic benefits will flow to the entity and the cost of the asset can be measured reliably.

Acquired and internally generated intangible assets are initially measured at cost. Intangible assets with finite useful lives are subsequently measured at cost less any accumulated amortization and any accumulated impairment losses. Amortization is charged over the useful life using the straight-line method. The major part of amortization is contained in cost of sales.

Intangible assets with indefinite useful lives as well as goodwill are not amortized and are therefore recognized at cost less any impairment losses.

Development costs are capitalized if all of the criteria set forth in IAS 38.57 are satisfied. These include, for example, demonstrating the technical feasibility of completing the intangible asset so that it will be available for use or sale. Other criteria relate to the intention to complete the intangible asset and the ability to use or sell it. In addition, it must generate future economic benefits for the company.

The entities of the ZEISS Group perform development work at the limit of the possible and set new technological standards. That is why only a small portion of development costs is capitalized in the ZEISS Group, as the criteria for recognition as part of the cost of an intangible asset are not all satisfied until a relatively late stage.

The costs directly attributable to development, including appropriate development-related overheads, are recognized as part of the cost of an asset. Amortization of capitalized development costs begins when the asset is available for use and is charged using the straight-line method over the expected product life cycle or based on unit numbers defined in business plans. Research costs and development costs that cannot be capitalized are expensed in the period in which they are incurred.

Amortization is based on the following ranges of useful lives:

	Useful life
Patents, industrial rights, licenses, software	2 to 20 years
Development costs	2 to 10 years
Other intangible assets	2 to 10 years

Property, plant and equipment
Property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses in accordance with IAS 16 *Property, Plant and Equipment*. The cost of self-constructed assets includes direct costs and a portion of materials and production overheads. The cost of creating qualifying assets, i.e. for assets that take a substantial period of time to produce, includes borrowing costs. Depreciation is charged on a straight-line basis over the asset’s useful life.

Depreciation is based on the following ranges of useful lives:

	Useful life
Buildings and structures	2 to 50 years
Technical equipment and machinery	2 to 21 years
Other equipment, furniture and fixtures	2 to 25 years

Impairment of intangible assets and property, plant and equipment
IAS 36 *Impairment of Assets* requires assessing at the end of each reporting period whether there is any indication that the assets reported in the statement of financial position may be impaired. In addition, annual impairment testing is required for intangible assets with indefinite useful lives and goodwill. If any indication exists or if impairment testing is required, the Group carries out impairment testing. This involves estimating the recoverable amount of the asset or cash-generating unit (CGU) in order to determine any need to record an impairment loss. The recoverable amount is the higher of the fair value less costs to sell and the value in use – determined for the individual asset or cash-generating unit in each case.

In assessing fair value less costs to sell, the estimated future cash flows are discounted to their present value using an after-tax risk-adjusted discount rate based on the discounted cash flow method. The discount rates are calculated using the parameters risk-free base interest rate, risk premium (market risk premium and beta factor), borrowing spread and tax effect, and reflect the capital structure of the cash-generating unit. The detailed planning period for future cash flows covers 5 fiscal years. For the following fiscal years, the cash flows of the fifth detailed planning year are rolled forward taking into account appropriate growth. An impairment exists when the carrying amount of the asset or cash-generating unit exceeds the higher of its fair value less costs to sell and its value in use. Such impairment loss is recognized in the income statement immediately.

With the exception of goodwill, impairment losses recognized in prior years are reversed if the reasons for recognizing the impairment no longer exist. The reversal is limited to ensure that the carrying amount is not exceeded that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. The reversal of impairment losses recognized on goodwill is not permissible.

Government grants

In accordance with IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*, government grants are only recorded if it is reasonably certain that the conditions attached to the grants will be fulfilled and the grants actually awarded. Investment grants are generally deferred and amortized through profit or loss over the useful lives of the related assets. Grants related to income are offset against the corresponding expenses in the period in which the expenses are incurred.

Leases

A lease is classified as a finance lease if all risks and rewards incidental to ownership are transferred to the lessee. All other leases are classified as operating leases.

Leased assets classified as finance leases in accordance with IAS 17 *Leases* and thus constituting purchases of assets with long-term financing for economic purposes are recognized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. The corresponding liability is recorded as a lease liability in the statement of financial position. Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Lease payments for finance leases are apportioned between finance charges and reduction of the lease liability. Finance charges are recognized in the interest result in the income statement.

Operating lease payments are recognized immediately as an expense in earnings before interest and taxes in the income statement.

Sale-and-leaseback agreements are presented using the same principles.

Financial instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets and financial liabilities are reported in the consolidated statement of financial position as of the date on which the Group becomes party to the contract. Regular way purchases and sales of financial assets are generally recognized on the settlement date.

Under IAS 39 *Financial Instruments: Recognition and Measurement*, financial instruments are subdivided into the following categories:

» Financial assets and liabilities at fair value through profit or loss and financial assets and liabilities held for trading (FVTPL)
» Available-for-sale financial assets (AfS)
» Held-to-maturity investments (HtM)
» Loans and receivables (LaR)
» Financial liabilities carried at amortized cost (FLAC)

The classification depends on the nature and purpose of the financial instrument and is designated upon recognition.

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

The ZEISS Group does not apply the fair value option pursuant to IAS 39.

The financial assets held for trading exclusively relate to derivative financial instruments, which the ZEISS Group uses for interest and currency hedging purposes. These are measured at fair value. Any changes in market value are recognized through profit or loss unless hedge accounting is used.

Investments as well as securities and stock and pension fund shares are generally allocated to the category of available-for-sale financial assets and recognized at fair value accordingly. If there is no active market for investments and it is not practicable to determine a reliable market value, they are measured at cost. Unrealized gains and losses are recognized in a separate item within equity, taking deferred taxes into account. If there is objective evidence of impairment, the accumulated loss recognized directly in equity is reclassified to the income statement. Increases in the market value of equity instruments are always recognized directly in equity, even if they were previously written down through profit or loss.

Held-to-maturity investments, loans and receivables, and financial liabilities are measured at amortized cost. These are mainly loans, trade receivables, cash and cash equivalents, and other financial assets and liabilities. Non-interest-bearing loans and loans bearing off-market interest rates are recognized at present value and increased due to the passage of time over their term to maturity.

Offsetting of financial instruments

In the ZEISS Group, derivative financial transactions are concluded in accordance with the German master agreement for financial futures contracts. Offsetting is enforceable only in the event of insolvency and therefore does not fulfill the offsetting criteria pursuant to IAS 32.

In the ZEISS Group, credit notes received are offset against corresponding trade payables, and trade receivables are offset against corresponding credit notes if these fulfill the offsetting criteria pursuant to IAS 32.

Hedge accounting

In the ZEISS Group, hedge accounting is applied for hedging relationships designed to hedge exposure from changes in cash flows arising from fluctuation in interest or exchange rates. To the extent that changes in the fair value of a hedging instrument relate to the effective portion of a hedge, they are recognized under other reserves from cash flow hedges, a separate item within equity, net of the related deferred taxes. The ineffective portion of the hedge is recognized immediately through profit or loss. The cumulative amounts recognized in equity are reclassified to profit or loss in the period in which the hedged item affects profit or loss.

The criteria for hedge accounting include:

A hedge is considered to be highly effective in offsetting changes in fair value or cash flows attributable to the hedged risk; the effectiveness of the hedge can be reliably measured; and at the inception of the hedge there is formal designation and documentation of the hedging relationship as well as the ZEISS Group's risk management objectives and strategies for undertaking the hedge. In addition, it is documented at the inception of the hedge whether the derivatives used for hedging purposes are expected to be highly effective in offsetting changes in fair value or cash flows of the hedged item that are attributable to the hedged risk. This assessment is renewed thereafter on a quarterly basis, along with a retrospective assessment of whether the hedge actually was highly effective.

Inventories

Materials and supplies as well as merchandise are measured at costs of purchase, which are generally determined using the average cost method. Work in progress and finished goods are measured at costs of conversion. In addition to direct materials as well as direct labor, costs of conversion include an appropriate portion of materials and production overheads as well as production-related depreciation and production-related administrative expenses.

Write-downs are recorded on inventories when the costs of purchase or conversion exceed the estimated net realizable value. All inventory, selling and income risks are thus given adequate consideration. If the reasons for a write-down no longer apply, it is reversed to the lower of cost or estimated net realizable value.

Receivables and other assets

Receivables and other assets are accounted for at nominal value or amortized cost. Impairment losses are recognized in separate allowance accounts. Identifiable risks of default are accounted for by means of specific allowances. Any uncollectible receivables or other assets are derecognized.

Long-term construction contracts
Long-term construction contracts are recognized in accordance with the percentage-of-completion (PoC) method. Under this method, revenue and costs of sales incurred are recognized according to the stage of completion as of the reporting date, based on the contracts concluded with the customers, as soon as the outcome of the construction contract can be estimated reliably. The percentage of completion is determined based on the contract costs incurred by the reporting date as a share of total contract costs (cost-to-cost method). After deducting advances received, the revenue calculated using the PoC method is presented under trade receivables in the statement of financial position.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that it is probable will be recoverable. Any anticipated losses are expensed immediately in full.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and cash at banks as well as all investments with an original term of less than 3 months.

Provisions for pensions and other post-employment benefits
The entities of the ZEISS Group have various pension plans. In addition, some foreign subsidiaries have agreed to provide post-employment medical care benefits on a certain scale.

Payments for defined contribution obligations including contributions to statutory pension funds are recognized as an expense for the period.

Defined benefit obligations are measured according to IAS 19 *Employee Benefits* using the projected unit credit method allowing for expected future adjustments to salaries and pensions.

The provisions for pensions and similar obligations at German group entities are determined based on actuarial principles and using the 2005 G mortality tables published by Prof. Dr. Klaus Heubeck. The provisions for pensions and similar obligations at entities outside Germany are determined using the relevant local basis for calculation and local parameters.

External funds invested to cover defined benefit obligations are measured at fair value and offset against the corresponding obligations.

Changes in the portfolio and variances in actual trends compared to the assumptions used for calculation purposes, as well as changes in the assumptions for the measurement of defined benefit obligations, result in actuarial gains and losses, which are recognized directly in other reserves within equity and thus directly affect the consolidated statement of financial position and the consolidated statement of comprehensive income.

The balance of the defined benefit obligation and plan assets (net defined benefit obligation or net plan assets) is discounted using the interest rate on which the measurement of the defined benefit obligation is based. The resulting net interest cost or income is recognized in the interest expenses or interest income in the consolidated income statement. Service cost is disclosed in the earnings before interest and taxes (EBIT).

Deferred compensation
The Group offers employees with unlimited employment contracts the option of using untaxed compensation to make provision for old age. Depending on the terms of their contract, the employees may convert up to 3 monthly salaries. The amounts converted are paid into an employer's pension liability insurance policy and the associated benefits are pledged to the employees. The amount and timing of the receivables from the employer's pension liability insurance matches those of the benefits payable to employees. As the receivables are pledged, they generally satisfy the requirements for plan assets and are presented on a net basis. The pension plan is therefore classified as a defined contribution plan from a substance-over-form perspective. If the future benefits under the employer's pension liability insurance are higher than the benefit obligation to the employee, the employee receives the higher amount.

The amount is dependent on the age of the employees at the time of conversion of their compensation and the employees' decision on whether to have the deferred compensation paid out as a one-off payment or as a pension. In addition to the conversion of compensation, the deferred compensation system may include invalidity and surviving dependants' benefits, depending on the model chosen.

Other provisions
In accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, present obligations to third parties arising from past events are disclosed within other provisions if it is probable that an outflow of resources will be required and can be measured reliably. The provisions are recognized at full cost.

Where the effect of the time value of money is material and the remaining term of the obligation can be determined reliably, non-current provisions are recognized at the amount needed to settle the obligation, discounted to the reporting date. In such cases, the increase in the provision due to the passage of time is recognized as an interest expense.

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

Restructuring provisions
Restructuring provisions are recognized when an entity has made the decision to restructure and has a detailed formal plan for the restructuring, stating the parts of a business or locations concerned, the approximate number of employees affected and when the plan will be implemented, and it has been announced to those affected or their representatives before the reporting date. The amount of the provision covers all direct expenditures arising from the restructuring which necessarily arise during the restructuring and are not associated with the ongoing or future activities of the entity.

Warranty provisions
Warranty obligations may be legal, contractual or non-contractual. Provisions are recognized for expenses expected to be incurred under guarantee or warranty obligations. Warranty claims are expected especially when the warranty period has not yet expired, when warranty expenses were incurred in the past or when there is specific indication of pending warranty cases. The warranty risk is derived either from individual estimates or past experience and is provided for accordingly.

Provisions for litigation risks
Provisions are recognized for risks arising from litigation in which entities of the ZEISS Group are the defendants and if it is more likely than not that the outcome will be negative. They are measured at the amount that the company would have to pay in the event of a negative outcome. This amount includes the amounts payable by the company, such as damages and compensation payments as well as anticipated legal costs.

Deferred taxes
Deferred taxes are recognized using the liability method according to IAS 12 *Income Taxes*.

Deferred tax assets and liabilities are recognized on all temporary differences between the IFRS carrying amounts and the tax accounts of consolidated entities and on consolidation measures.

Further, deferred tax assets for future economic benefits from unused tax losses and unused tax credits are taken into account if it is probable that they will be used.

The carrying amount of deferred tax assets is reviewed at every reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the deferred tax asset to be utilized. A previously unrecognized deferred tax asset is reassessed and recognized to the extent that it has become probable that future economic benefits will be recovered.

Deferred tax liabilities are recognized for the expected income tax and withholding tax on expected dividend payments by subsidiaries. In contrast, deferred tax liabilities are not recognized for temporary differences from retained earnings of subsidiaries as the temporary differences will not reverse in the foreseeable future.

Deferred taxes relating to items recognized in other comprehensive income are likewise recognized in other comprehensive income and not through profit or loss.

Deferred tax assets and deferred tax liabilities are offset if a group entity has a legally enforceable right to offset current tax assets and current tax liabilities and these relate to income taxes levied by the same taxation authority on the same taxable entity. Consequently, deferred tax assets and liabilities are netted within consolidated tax groups.

Liabilities
Liabilities are carried at amortized cost using the effective interest method.

Revenue recognition and other income
The company recognizes revenue from the sale of goods based on the corresponding contract as soon as all parts of the product have been delivered, risks of ownership have been transferred, the sales price is fixed or can be determined, there are no significant obligations to customers and collection of the receivables is considered probable. Revenue is presented net of cash discounts, price reductions, customer bonuses and rebates. If the sale comprises services or maintenance agreements, this portion of the revenue is deferred and released to income in accordance with the stage of completion or pro rata temporis over the contractual period.

If rights of return are agreed when products are sold, revenue is not recognized unless corresponding values based on past experience are available. The expected volume of returns is estimated and recognized as reducing revenue based on past experience.

Interest income is recognized pro rata temporis using the effective interest method. Dividends are recognized when the legal right to receive the payment is established. If royalties are paid for multiperiod agreements, revenue is generally recognized on a straight-line basis.

Expense recognition
Expenses are generally recognized when it is probable that there will be an outflow of economic benefits from the entity.

Unless they can be capitalized as part of the cost of the asset, research and development costs are expensed as incurred. Subsidies for research and development are deducted from the expenses when they become receivable for research and development projects that have been performed and the associated expenditure.

The company is liable to its customers for flawless functioning of the products sold during the contractual warranty period. The corresponding warranty provisions are recognized by debiting cost of sales when revenue is recognized.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

7 Revenue

Revenue contains the amounts charged to customers for goods and services. Sales deductions such as rebates and discounts are deducted from revenue.

Revenue was generated from products, technical and other services for biomedical research and medical technology, system solutions for the semiconductor, automotive and mechanical engineering industries, planetariums and high-end consumer articles such as eyeglass lenses, camera and cine lenses and binoculars.

Revenue by region breaks down as follows:

	2015/16		2014/15	
	€ k	%	€ k	%
Germany	611,956	13	547,267	12
EMEA (without Germany)	1,837,115	38	1,743,842	39
Americas	1,297,907	26	1,258,848	28
APAC	1,133,861	23	960,904	21
	4,880,839	**100**	**4,510,862**	**100**

Of revenue, €4,405m (prior year: €4,104m) is attributable to the sale of goods, €428m (prior year: €360m) to the rendering of services and €48m (prior year: €47m) to the granting of licenses.

8 Other income

Other income breaks down as follows:

	2015/16	2014/15
	€ k	€ k
Rental income	5,762	4,957
Gain on the disposal of fixed assets	216	460
Royalties	1,409	765
Sale of scrap	602	624
Other operating income	1,339	8,755
	9,328	**15,561**

9 Other expenses

Other expenses break down as follows:

	2015/16	2014/15
	€ k	€ k
Rental expenses	179	4,541
Losses on the disposal of fixed assets	963	2,996
Other operating expenses	3,830	291
	4,972	**7,828**

During the revision of the group chart of accounts in fiscal year 2015/16, rental expenses were allocated to the individual functions for the first time.

10 Financial result

Interest result

	2015/16	2014/15
	€ k	€ k
Interest income	**11,529**	**7,475**
» thereof from affiliates	189	72
Interest expenses	**67,134**	**56,451**
» thereof to affiliates	426	182
» thereof interest cost for pensions	35,430	36,292
	-55,605	**-48,976**

Other financial result

	2015/16	2014/15
	€ k	€ k
Income from investments	3,425	1,325
Income from profit transfer	1,741	2,306
Expenses for loss absorption	3,426	3,951
Investment result	**1,740**	**-320**
Income/expenses from exchange differences	-11,038	-56,010
Income/expenses from changes in market value	-3,933	1,116
Reversal of impairment losses on financial assets	5	468
Gain/loss on the disposal of securities	-319	-229
Sundry other financial result	2,590	10,412
Other financial result	**-10,955**	**-44,563**

Income from investments includes income from affiliates of €1,420k (prior year: €662k).

Expenses from exchange differences and from changes in market value should be seen in the context of the hedging of currency risks and were offset in the reporting period by currency effects reported in the operating result.

11 Income taxes

Income taxes include domestic and foreign income taxes, the reversal of tax provisions, tax refunds and deferred taxes.

Income taxes break down as follows:

	2015/16	2014/15
	€ k	€ k
Current tax expenses less tax refunds and reversal of tax provisions	182,723	107,390
Deferred tax income	-39,113	-51,434
» thereof from temporary differences	-44,507	-22,229
» thereof from changes in tax rates	0	1,417
» thereof from unused tax losses including any reductions	5,394	-30,622
	143,610	**55,956**

Deferred taxes are determined on the basis of the tax rates that apply or are expected to apply based on the tax laws that have been enacted or substantively enacted in the individual countries at the time of realization. In Germany, a corporate income tax rate of 15.0% currently applies. Taking into account the solidarity surcharge and the different trade tax levy rates, the rates for German entities are in the range of 27.2% to 31.6% (prior year: 27.2% to 31.6%). The tax rates form the basis for the calculation of current taxes.

The nominal tax rates applicable outside Germany in the reporting period ranged between 9.0% and 38.9% (prior year: 9.0% and 38.9%).

The total amount of deferred tax assets and liabilities as of 30 September 2016 is allocated to the following items of the statement of financial position:

	30 SEP 16		30 SEP 15	
	Assets	Liabilities	Assets	Liabilities
	€ k	€ k	€ k	€ k
Non-current assets	**23,907**	**79,236**	**20,491**	**76,358**
Intangible assets	13,882	48,504	7,186	50,042
Property, plant and equipment	3,433	27,897	3,960	25,991
Other non-current assets	6,592	2,835	9,345	325
Current assets	**81,941**	**22,539**	**66,362**	**21,918**
Inventories	69,480	4,608	58,930	9,190
Receivables and other current assets	12,461	17,931	7,432	12,728
Non-current liabilities	**487,783**	**52**	**354,204**	**396**
Provisions for pensions and similar obligations	456,665	0	337,807	0
Other non-current liabilities	31,118	52	16,397	396
Current liabilities	**86,670**	**928**	**73,938**	**4,969**
Outside basis differences	**0**	**2,066**	**0**	**1,836**
Unused tax losses	**72,078**	**0**	**72,738**	**0**
Total deferred taxes	**752,379**	**104,821**	**587,733**	**105,477**
Impairment losses	2,580	0	-2,154	0
Offsetting	43,929	43,929	41,210	41,210
Deferred taxes, net	**705,870**	**60,892**	**548,677**	**64,267**

Apart from Germany, the following countries also recognized unused tax losses that are likely to be used: Austria, Brazil, China, Denmark, France, Italy, Spain, and the USA (prior year: Austria, Brazil, China, Denmark, France, Ireland, Italy, Norway, Spain, and the USA).

The unused tax losses for which no deferred taxes were recognized amount to €281,195k (prior year: €392,668k). Most of these are available for offsetting for more than 5 years or do not expire at all. As of the reporting date these unused tax losses were classified as not likely to be usable. Consolidation measures gave rise to deferred tax assets of €43,256k (prior year: €37,178k) and deferred tax liabilities of €42,968k (prior year: €31,113k).

A group tax rate of 31.1% was used as the tax rate applicable for the reconciliation of the expected income tax expense of €170,258k (prior year: €82,155k), based on earnings before taxes, to the current income tax expense of €143,610k (prior year: €55,956k).

The tax reconciliation statement is presented in the table below:

	2015/16	2014/15
	€ k	€ k
Earnings before taxes (EBT)	547,454	264,163
Expected income tax expense (= 31.1% x EBT; prior year: = 31.1% x EBT)	170,258	82,155
Differences from diverging tax rates	-12,752	-11,370
Effects of changes in tax rates	0	1,417
Effects of non-deductible expenses	19,994	22,295
Effects of tax-free income	-2,269	-307
Effects relating to other periods	-28,055	-29,499
Permanent effects	-805	-4,526
Other	-2,761	-4,209
Current income tax expense	**143,610**	**55,956**

The effects relating to other periods are primarily deferred tax assets recognized due to improved business developments.

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

12 Intangible assets

The goodwill amounting to €581,990k (prior year: €581,809k) is tested for impairment annually at the level of the cash-generating units.

The cash flows referred to in the impairment test are determined on the basis of detailed plans with a planning horizon of 5 years. For the following fiscal years, the cash flows of the last detailed planning year are rolled forward with a growth rate of 1.0%. The discount rates are based on an after-tax weighted average cost of capital (WACC) depending on the cash-generating unit. The cost of capital is a material parameter in impairment testing. A change in WACC has a direct impact on value in use.

In a sensitivity analysis, the discount rate was increased by 1 percentage point and the long-term growth rate was decreased by half a percentage point. This did not cause any need to recognize an impairment loss, either individually or when combining the 2 adjustments.

Goodwill is allocated to the cash-generating units on the basis of the internal organizational structure of the ZEISS Group. This allows goodwill to be allocated to the individual segments or, more specifically, business groups/strategic business units as follows:

	30 SEP 16		30 SEP 15	
	Carrying amounts	WACC (after tax)	Carrying amounts	WACC (after tax)
	€ k	%	€ k	%
» Semiconductor Metrology Systems	44,162	11.1	43,982	9.8
Semiconductor Manufacturing Technology	**44,162**		**43,982**	
» Industrial Metrology	39,437	9.3	39,437	8.3
» Microscopy	44,510	8.7	44,379	8.9
Research & Quality Technology	**83,947**		**83,816**	
» Ophthalmic Systems	24,403	8.4	26,371	9.2
» Microsurgery	1,747	8.4	2,075	9.2
» Surgical Ophthalmology	101,736	8.4	99,565	9.2
Medical Technology	**127,886**		**128,011**	
» Vision Care	325,995	7.4	326,000	5.9
Vision Care/Consumer Products	**325,995**		**326,000**	
Total	**581,990**		**581,809**	

The changes in the cash-generating units result from foreign currency translation in accordance with IAS 21.47.

Apart from goodwill, the ZEISS Group does not report any intangible assets with indefinite useful lives.

	Patents, industrial rights, licenses, software	Goodwill	Development costs	Other intangible assets	Total
	€ k	€ k	€ k	€ k	€ k
Cost					
1 October 2014	**327,927**	**641,651**	**199,182**	**148,240**	**1,317,000**
Change in the basis of consolidation	6,774	16,310	0	-543	22,541
Additions	13,829	0	4,513	7,301	25,643
Disposals	7,132	0	1,559	52	8,743
Reclassifications	20,968	0	0	-20,736	232
Exchange differences	8,960	20,596	7,099	5,398	42,053
30 September 2015	**371,326**	**678,557**	**209,235**	**139,608**	**1,398,726**
Amortization/impairment					
1 October 2014	**288,855**	**88,211**	**97,929**	**65,204**	**540,199**
Change in the basis of consolidation	0	0	0	-529	-529
Additions	23,049	0	16,741	13,070	52,860
Disposals	7,134	0	1,200	20	8,354
Reversal of impairment losses	0	0	0	0	0
Reclassifications	13	0	0	-13	0
Exchange differences	7,499	8,537	884	2,669	19,589
30 September 2015	**312,282**	**96,748**	**114,354**	**80,381**	**603,765**
Carrying amounts as of 30 September 2015	**59,044**	**581,809**	**94,881**	**59,227**	**794,961**
Cost					
1 October 2015	**371,326**	**678,557**	**209,235**	**139,608**	**1,398,726**
Change in the basis of consolidation	0	0	0	0	0
Additions	20,362	0	7,141	8,633	36,136
Disposals	0	0	650	125	775
Reclassifications	12,583	0	0	-12,089	494
Exchange differences	1,561	66	230	262	2,119
30 September 2016	**405,832**	**678,623**	**215,956**	**136,289**	**1,436,700**
Amortization/impairment					
1 October 2015	**312,282**	**96,748**	**114,354**	**80,381**	**603,765**
Change in the basis of consolidation	0	0	0	0	0
Additions	20,473	0	16,837	11,260	48,570
Disposals	0	0	55	0	55
Reversal of impairment losses	0	0	0	0	0
Reclassifications	316	0	0	-331	-15
Exchange differences	2,291	-115	20	174	2,370
30 September 2016	**335,362**	**96,633**	**131,156**	**91,484**	**654,635**
Carrying amounts as of 30 September 2016	**70,470**	**581,990**	**84,800**	**44,805**	**782,065**

13 Property, plant and equipment

	Land and buildings including buildings on third-party land	Technical equipment and machinery	Other equipment, furniture and fixtures	Assets under construction	Total
	€ k	€ k	€ k	€ k	€ k
Cost					
1 October 2014	**725,478**	**824,830**	**827,825**	**70,043**	**2,448,176**
Change in the basis of consolidation	-6,300	-19,192	220	0	-25,272
Additions	17,164	32,605	69,610	41,848	161,227
Disposals	5,916	50,670	58,288	4,348	119,222
Reclassifications	9,895	21,915	13,923	-45,965	-232
Exchange differences	6,950	15,664	10,122	1,343	34,079
30 September 2015	**747,271**	**825,152**	**863,412**	**62,921**	**2,498,756**
Depreciation/impairment					
1 October 2014	**268,771**	**526,705**	**640,138**	**0**	**1,435,614**
Change in the basis of consolidation	-4,743	-17,323	0	0	-22,066
Additions	27,360	63,004	59,636	0	150,000
Disposals	5,127	45,981	40,643	0	91,751
Reversal of impairment losses	0	0	0	0	0
Reclassifications	638	-2,553	1,915	0	0
Exchange differences	3,933	11,947	6,353	0	22,233
30 September 2015	**290,832**	**535,799**	**667,399**	**0**	**1,494,030**
Carrying amounts as of 30 September 2015	**456,439**	**289,353**	**196,013**	**62,921**	**1,004,726**
Cost					
1 October 2015	**747,271**	**825,152**	**863,412**	**62,921**	**2,498,756**
Change in the basis of consolidation	0	0	0	0	0
Additions	7,528	40,386	72,823	34,000	154,737
Disposals	5,108	23,278	60,809	911	90,106
Reclassifications	-9,269	84	44,130	-35,439	-494
Exchange differences	2,931	-468	790	-45	3,208
30 September 2016	**743,353**	**841,876**	**920,346**	**60,526**	**2,566,101**
Depreciation/impairment					
1 October 2015	**290,832**	**535,799**	**667,399**	**0**	**1,494,030**
Change in the basis of consolidation	0	0	0	0	0
Additions	27,051	62,621	64,914	0	154,586
Disposals	2,406	21,822	38,649	0	62,877
Reversal of impairment losses	0	0	0	0	0
Reclassifications	-8,436	-12,474	20,925	0	15
Exchange differences	1,250	-482	893	0	1,661
30 September 2016	**308,291**	**563,642**	**715,482**	**0**	**1,587,415**
Carrying amounts as of 30 September 2016	**435,062**	**278,234**	**204,864**	**60,526**	**978,686**

There were no reversals of impairment losses on property, plant and equipment. The impairment losses recognized on property, plant and equipment had the following effect on the income statement:

	2015/16		2014/15	
	Impairment losses	Reversal of impairment losses	Impairment losses	Reversal of impairment losses
	€ k	€ k	€ k	€ k
Cost of sales	1,741	0	45	0
Research and development expenses	0	0	194	0
General administrative expenses	6	0	1,032	0
Other expenses/income	0	0	121	0
	1,747	**0**	**1,392**	**0**

Property, plant and equipment with a net carrying amount of €50,498k (prior year: €50,280k) are subject to restrictions on disposal or serve as collateral for liabilities. Accumulated contractual purchase commitments for property, plant and equipment and intangible assets total €32,757k as of the reporting date (prior year: €13,097k).

14 Investments accounted for using the equity method

On 22 December 2014, Carl Zeiss Meditec Inc., Dublin, USA, and Oraya Therapeutics, Inc., Newark, USA (Oraya), entered into an agreement that entitles Carl Zeiss Meditec Inc. over a period of up to 2 years following conclusion of the agreement to acquire rights for a participation in Oraya reaching up to a majority stake. Under normal circumstances, the rights acquired can be converted into shares in January 2017 at the earliest. The company is classified as an associate pursuant to IAS 28.6/IFRS 10. These rights will be accounted for using the equity method until control is obtained. Additional rights to acquire shares were purchased in the period from October until January 2016 with a payment of €3,321k. Overall, the Group holds rights to acquire 29.61% of the shares as of 30 September 2016. The major risks from the investment were already taken into account in the impairment loss recognized for the investment as well as the loans granted as of 30 September 2015. The agreement was terminated in the second quarter of the fiscal year 2015/16, meaning that no further shares were purchased.

An agreement was also concluded between Carl Zeiss Meditec Inc., Dublin, USA, and Oraya on 15 March 2016, under which Carl Zeiss Meditec Inc. took over assets from Oraya. The market value of the assets is €0.8m and corresponds to the amount of the monetary consideration.

Oraya has been in liquidation since 29 April 2016. The liquidation proceeds that will be attributable to the ZEISS Group in the future are estimated to be immaterial. There are no obligations for Carl Zeiss Meditec AG to make additional capital contributions.

The table below contains Oraya's key financial information at the beginning of the liquidation process as of 30 April 2016 and for the period from October to April of the current fiscal year:

	1 OCT 15 to 30 APR 16
	€ m
Assets	1.0
Liabilities	3.2
Equity	-2.2
Revenue	0.2
EBIT	-5.6
Profit/loss for the year	-3.4

The share of profit/loss from investments accounted for using the equity method was not reported pro rata temporis in the current fiscal year on account of the impairment loss recognized on the investment as well as the loans granted.
The share of profit/loss from investments accounted for using the equity method of €-810k relates to the impairment loss recognized on the last installment paid to Oraya in January.

There was no summarized financial information for Oraya for the period from 30 April 2016 to 30 September 2016 at the time the consolidated financial statements were prepared.

15 Other financial assets

	30 SEP 16		30 SEP 15	
		thereof due in more than 1 year		thereof due in more than 1 year*
	€ k	€ k	€ k	€ k
Shares in affiliates	12,031	12,031	12,096	12,096
Investments	1,487	1,487	5,456	5,456
Loans	28,322	27,267	27,679	25,775
Securities*	133,420	40,573	121,777	28,725
Derivatives	9,443	0	13,836	130
Sundry other financial assets	268,586	61,568	103,074	56,756
	453,289	**142,926**	**283,918**	**128,938**

The sundry other non-current financial assets mainly consist of the assets of entities within and outside Germany in connection with financing or securing obligations toward employees and rent deposits with remaining terms of more than 1 year.

The increase in sundry other current assets pertains almost exclusively to the change in fixed-term deposits with a term of more than 90 days.

16 Other non-financial assets

Other non-financial assets mainly comprise prepaid expenses as well as tax reimbursement claims from taxes other than income taxes.

17 Inventories

	30 SEP 16	30 SEP 15
	€ k	€ k
Materials and supplies	279,768	267,278
Work in progress	442,522	419,335
Finished goods and merchandise	388,159	383,034
Advances	7,724	11,042
	1,118,173	**1,080,689**

The carrying amounts contain write-downs of €159,416k (prior year: €146,503k).

The write-downs recorded on inventories, which were recognized under cost of sales in the consolidated income statement, amounted to €65,242k in the reporting period (prior year: €46,547k). Write-downs of €5,429k (prior year: €5,321k) were reversed through profit or loss.

Cost of materials amounted to €1,493m in the fiscal year (prior year: €1,378m).

18 Cash and cash equivalents

	30 SEP 16	30 SEP 15
	€ k	€ k
Cash funds	448,468	587,926
Securities due in less than 90 days of their acquisition date	50,265	50,950
	498,733	**638,876**

Cash is composed of checks, cash on hand and cash at banks. The effective interest rate for cash at banks due in less than 90 days is mainly between 0.0% and 0.2% (prior year: 0.0% and 0.2%).

19 Equity

The issued capital of Carl Zeiss AG totaling €120,000k is unchanged compared to the prior year and is divided into 120,000,000 stocks at nominal value, all of which are held by the Carl Zeiss Foundation (Carl Zeiss Stiftung). A dividend of €12,500k was distributed in the reporting period (prior year: €6,400k).

The capital reserves are unchanged at €52,770k.

Equity earned by the Group comprises the legal reserve of Carl Zeiss AG, reported at €5,950k, retained profits of the subsidiaries included in the consolidated financial statements, any excess of the acquirer’s interest over cost arising from acquisition accounting, the reserves from first-time adoption of IFRSs and the cumulative exchange differences as of 1 October 2004, which were reclassified as of the date of transition to IFRSs in accordance with the option set forth in IFRS 1.22. In addition, this item includes goodwill from acquisition accounting for subsidiaries consolidated in prior years.

The development of consolidated equity is shown in the consolidated statement of changes in equity. The presentation is based on the requirements of IAS 1 *Presentation of Financial Statements*.

20 Provisions for pensions and similar obligations

The provisions for pensions include current and future pension obligations of Carl Zeiss AG and various subsidiaries. In addition, this item comprises the provisions of the US entities for medical care benefit obligations.

The ZEISS Group has both defined contribution plans and defined benefit plans.

In the case of defined contribution plans, the obligation of the entity concerned is limited to the payment of the agreed amounts. The expenses for defined contribution plans amounted to €67,111k in the reporting period (prior year: €64,713k).

With defined benefit plans, the entity's obligation consists of fulfilling the commitments made to current and former employees and their surviving dependants. Such obligations exist both at group entities in Germany and other countries. In the ZEISS Group, defined benefit plans are partly funded via provisions and partly via external funds.

The obligations from defined benefit plans primarily relate to pension obligations in Germany, the USA and the UK.

The characteristics and the associated risks of the defined benefit plans vary depending on the legal, tax and economic framework in the respective country.

German pension plans

The currently applicable pension arrangement for employees in Germany is an employer-financed defined benefit plan, comprising old age, disability and surviving dependants' pensions. These pensions are generally granted after a period of service of at least 5 years.

The defined benefit plan is a modular system in which one pension module is calculated and fixed for each fiscal year. The contribution amount is based on the employee's income and the profit of the company during the fiscal year, with a basic contribution being guaranteed. The contribution is translated into a pension module on the basis of age-related factors. The pension modules acquired are aggregated and paid out as a life-long pension.

For employees who were employed before 1 January 2000, vested rights from previous final-salary-based defined benefit plans must be taken into account for service periods up to 2010.

To reduce the risks associated with defined benefit plans (in particular longevity, salary increases and inflation), benefits are partly financed via external plan assets. To this end, a contractual trust arrangement (CTA) was introduced in Germany in fiscal year 2005/06, under which assets are transferred to a trust association such that they can be used only to settle the benefit obligations of the employees active at that time. These assets satisfy the criteria set forth in IAS 19 for plan assets and can therefore be offset against the benefit obligations in these consolidated financial statements. Where the assets exceed the underlying secured claims, the excess is reported under non-current financial assets.

In addition to the employer-financed pensions, all employees in Germany have the option of participating in the company pension scheme in the form of deferred compensation. This is a defined contribution plan financed by converting salary components, for which the company takes out employer's pension liability insurance.

Pension plans outside Germany

Major pension plans exist primarily in the USA and the UK. These are employer-financed defined benefit plans, comprising old age and surviving dependants' benefits as well as medical benefits, depending on how they are structured. Some of these plans are based on final salary, while others are based on salary-related modules. The obligations from foreign defined benefit obligations are largely covered by assets in long-term external funds. The plans in the USA and in the UK are closed to new employees and existing obligations are now capped.

Actuarial assumptions are essential for all defined benefit plans. Besides life expectancy, which in Germany is determined based on the 2005 G mortality tables published by Prof. Dr. Klaus Heubeck, and in other countries on comparable local measurement bases, the following assumptions were made for the purposes of the actuarial calculations:

	Germany		Other countries	
	2015/16	2014/15	**2015/16**	2014/15
	%	%	%	%
Interest rate	1.30	2.35	0.36 – 6.50	0.90 – 6.75
Future salary increases	2.75	2.75	0.00 – 5.00	0.00 – 5.60
Future pension increases	1.75	1.75	0.00 – 4.50	0.00 – 4.50

The assumptions regarding interest rates, future salary and pension increases as well as mortality rates on which the calculation of the defined benefit obligation (DBO) was based vary depending on economic and other conditions in the country in which the plans exist. The interest rates were determined on an entity-specific basis as of the respective reporting date, depending on the weighted average duration of the pension obligations and in line with the respective maturities and currencies.

The amounts for defined benefit obligations recognized in the statement of financial position break down as follows:

				30 SEP 16
	Defined benefit obligations (DBO)	Fair value of plan assets	Effects of the asset ceiling	Net carrying amount from defined benefit obligations
	€ k	€ k	€ k	€ k
Germany	2,562,134	975,315	0	1,586,819
Other countries	345,140	215,486	1,027	130,681
Carrying amount	**2,907,274**	**1,190,801**	**1,027**	**1,717,500**
» thereof pension provisions				1,718,558
» thereof other financial assets				1,058

	30 SEP 15			
	Defined benefit obligations (DBO)	Fair value of plan assets	Effects of the asset ceiling	Net carrying amount from defined benefit obligations
	€ k	€ k	€ k	€ k
Germany	2,099,084	739,910	0	1,359,174
Other countries	328,927	210,581	5,226	123,572
Carrying amount	**2,428,011**	**950,491**	**5,226**	**1,482,746**
» thereof pension provisions				1,482,746
» thereof other financial assets				0

The reconciliation from the funded status to the amounts recognized in the consolidated statement of financial position is as follows:

	30 SEP 16	30 SEP 15
	€ k	€ k
Present value of funded pension obligations	1,966,729	1,563,131
Plan assets	1,190,801	950,491
Funded status (net)	**775,928**	**612,640**
Present value of unfunded pension obligations	**940,545**	**864,880**
Adjustment on account of asset ceiling	1,027	5,226
Carrying amount	**1,717,500**	**1,482,746**
» thereof pension provisions	1,718,558	1,482,746
» thereof other financial assets	1,058	0

Pension provisions developed as follows in fiscal years 2015/16 and 2014/15:

	2015/16	2014/15
	€ k	€ k
1 October	**1,482,746**	**1,333,095**
Recognized through profit or loss		
Service cost	35,912	49,644
Net interest cost	35,430	36,292
Recognized in other comprehensive income		
Benefits paid	-70,881	-71,331
Remeasurement	450,610	159,631
Employer contributions	-218,316	-36,873
Exchange differences on translation	2,548	10,267
Other	509	2,021
30 September	**1,718,558**	**1,482,746**

Service cost is recorded in functional costs; net interest cost is recorded in the financial result.

The present value of the defined benefit obligations developed as follows during the reporting periods:

	2015/16	2014/15
	€ k	€ k
1 October	**2,428,011**	**2,250,364**
Service cost	35,912	49,644
Interest cost	59,596	63,058
Benefits paid	-86,055	-81,610
Remeasurement		
Actuarial gains/losses as a result of changes in demographic assumptions	-5,708	11,740
Actuarial gains/losses as a result of changes in financial assumptions	527,169	128,040
Actuarial gains/losses as a result of experience adjustments	-26,920	-20,435
Exchange differences on translation	-11,706	26,173
Other	-13,025	1,037
30 September	**2,907,274**	**2,428,011**

The present value of the defined benefit obligations is attributable to:

	30 SEP 16	30 SEP 15
	€ k	€ k
Active employees	1,439,046	1,151,328
Former employees with vested rights	268,521	190,503
Pensioners	1,199,707	1,086,180
	2,907,274	**2,428,011**

A detailed reconciliation of the change in the fair value of plan assets is presented in the table below:

	2015/16	2014/15
	€ k	€ k
1 October	**950,491**	**923,334**
Interest income	24,315	26,989
Remeasurement	41,302	-42,371
Employer contributions	218,316	36,873
Employee contributions	214	39
Withdrawal for benefit payments	-15,174	-10,279
Exchange differences on translation	-14,254	15,906
Other	-14,409	0
30 September	**1,190,801**	**950,491**

Employer contributions contain the special allocation to plan assets of €200m made in the reporting year.

The actuarial gains/losses from the DBO and the remeasurement of the plan assets are recognized in other comprehensive income.

The other changes to the DBO and plan assets relate above all to a closed foreign pension plan.

Employer contributions to plan assets for the fiscal year 2016/17 are expected to amount to €2,105k.

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

Giving special consideration to the type of the underlying obligations, the assets transferred in Germany to Carl Zeiss Pensions-Treuhand e.V. are to be invested in the interest of the beneficiaries so as to maximize security and profitability while ensuring liquidity at all times. The objective of the investment is the long-term ability to fulfill the obligation.

The plan assets in the CTA are managed using an absolute return approach with the objective of achieving an attractive return over the investment horizon in order to earn the interest cost of the pension liabilities while controlling and limiting short-term risks. The target return is derived as a deterministic figure from the obligations.

Dynamic risk management aims to decrease the risks of potential losses in relation to strategic asset allocation (SAA) while generating a return comparable to the SAA over the course of a market cycle. The exposures of the asset classes are managed by means of derivatives on an annual basis using defined allocation ranges and taking into account a risk budget.

The portfolio of plan assets consists of the following components:

	30 SEP 16	30 SEP 15
	€ k	€ k
Stocks and stock funds	335,278	291,439
Pensions and pension funds	464,212	400,076
Real estate and real estate funds	11,427	12,270
Cash and cash equivalents	238,968	86,847
Other assets	140,916	159,859
	1,190,801	**950,491**

Price quotations for the stocks and stock funds as well as pensions and pension funds are almost exclusively in an active market; for the other investments, there are no market quotations.

Changes in the relevant actuarial assumptions would have had the following effects on the defined benefit obligation as of the reporting date:

		30 SEP 16
Change in the present value of the defined benefit obligation (DBO)	Increase by 0.5%	Decrease by 0.5%
	€ k	€ k
Interest rate	-271,197	316,283
Future salary increases	39,698	-35,257
Future pension increases	138,985	-126,722

A 1-year increase in life expectancy would lead to an increase of €148,274k in the present value of the defined benefit obligations.

The sensitivity analyses presented take into account ceteris paribus the change of a parameter, while retaining the calculation method.

To examine the sensitivity of the DBO with regard to a change in the assumed life expectancy, the mortality rates used were reduced in a comparative calculation so that the decrease results in an increase in life expectancy of roughly 1 year.

For the defined benefit obligations as of the reporting date, the following pension payments are forecast for the next 10 years, with the expected benefit payments being partly funded via plan assets:

Maturity profile of defined benefit obligations Estimated benefit payments for the coming fiscal years	€ k
Fiscal year 2016/17	80,092
Fiscal year 2017/18	82,481
Fiscal year 2018/19	84,058
Fiscal year 2019/20	86,674
Fiscal year 2020/21	88,260
Fiscal years 2021/22 up to and including 2025/26	470,841

The average weighted duration of the pension plans is about 21 years in Germany, about 14 years in the USA and about 19 years in the UK.

21 Other provisions

	30 SEP 16		30 SEP 15	
		thereof due within 1 year		thereof due within 1 year*
	€ k	€ k	€ k	€ k
Provisions for income taxes	70,800	70,800	26,404	26,404
Provisions for personnel-related obligations*	46,251	23,507	22,611	5,351
Provisions for sales-related obligations	103,828	94,251	86,602	86,602
Sundry other provisions	224,204	58,906	279,968	128,599
	445,083	**247,464**	**415,585**	**246,956**

Provisions for income taxes comprise amounts for taxes that have not yet been finally assessed.

Provisions for personnel-related obligations contain phased retirement obligations, long-service awards and early retirement arrangements, the timing and/or amount of which cannot yet be precisely determined. Provisions for sales-related obligations principally relate to warranty obligations and services still to be rendered. Sundry other provisions include provisions for environmental risks, legal costs and restructuring.

	1 OCT 15*	Utilization	Reversal	Additions including reclassifica-tions	Unwinding of the discount and effects from changes in the discount factor	Exchange differences	30 SEP 16
	€ k	€ k	€ k	€ k	€ k	€ k	€ k
Provisions for income taxes	26,404	-24,768	-3,927	73,171	10	-90	70,800
Provisions for personnel-related obligations*	22,611	-26,605	-726	50,440	56	475	46,251
Provisions for sales-related obligations	86,602	-52,336	-15,067	85,064	57	-492	103,828
Sundry other provisions	279,968	-57,782	-9,291	10,334	126	849	224,204
	415,585	**-161,491**	**-29,011**	**219,009**	**249**	**742**	**445,083**

22 Financial liabilities

	30 SEP 16			30 SEP 15		
		thereof due within 1 year	thereof due in more than 5 years		thereof due within 1 year	thereof due in more than 5 years
	€ k	€ k	€ k	€ k	€ k	€ k
Liabilities to banks	227,546	27,419	28,336	401,903	16,173	102,868
Loans	48,852	48,852	0	48,300	48,300	8
Derivatives	21,523	21,523	0	23,883	16,157	0
Lease liabilities	10,113	3,096	0	14,029	3,014	0
Other financial liabilities	49,850	26,749	0	48,406	26,248	0
	357,884	**127,639**	**28,336**	**536,521**	**109,892**	**102,876**

Liabilities to banks

Promissory notes of €200m were placed in prior years. The part of this arrangement subject to floating interest rates of €102m was partially refinanced at new conditions in June 2016. Promissory notes of €69m were prolonged for 5 years, the part of €33m that was not prolonged was repaid to the investors. The terms of the promissory notes totaling €167m break down as follows:

» €72m with a term of 5 years
» €67.5m with a term of 7 years
» €27.5m with a term of 10 years

Of this amount, a total of €69m is subject to floating interest rates and €98m to fixed interest rates.

As of 16 July 2014, Carl Zeiss AG concluded a revolving credit facility with a volume of €500m and a term of 5 years with a syndicate of banks. The credit facility includes an option of extending on 2 occasions, by 1 year in each case. The second extension option was exercised on 17 May 2016, so that the extended maturity date is 16 July 2021. The revolving credit facility serves as a strategic liquidity reserve for the ZEISS Group, of which BRL 88m was drawn in the reporting period (prior year BRL 35m).

A bullet loan of €150m was borrowed from European Investment Bank on 15 June 2012. The loan is subject to floating interest rates and has an original term to maturity of 5 years. This loan was repaid in full ahead of schedule in June 2016.

An annuity loan of €45m was borrowed from Kreditanstalt für Wiederaufbau by agreement dated 20 January 2012. The loan is subject to fixed interest, is repaid in quarterly installments of €1,417k from 31 March 2014 to 30 December 2021 and has a residual carrying amount of €29,750k as of the reporting date.

Lease liabilities
The finance lease liabilities are detailed in note 28 Leases.

Other financial liabilities
Profit participation capital
The profit participation rights comprise participation certificates of the 2011-D, 2012-D, 2013-D, 2014-D and 2015-D series, each with a term of 5 years and a nominal volume totaling €12,058k. The Annual General Meeting of Carl Zeiss AG adopted a resolution on 19 March 2012 authorizing the Executive Board to issue profit participation rights in fiscal years 2011/12 through to 2015/16 for a total amount of up to €25,000k. The recipients are the employees of Carl Zeiss AG and the employees of its affiliates in Germany and abroad. In addition, the boards of foreign group entities are authorized to issue similar rights to employees not eligible for the Carl Zeiss AG profit participation offer.

In accordance with the terms and conditions of the participation certificates, they are subject to graded interest rates (0% to 20%) depending on the ZEISS Group’s return on sales.

The terms and conditions of the participation certificates provide for termination rights for either party only in very limited exceptions.

For more information on the contractually agreed undiscounted cash outflows from the non-derivative financial liabilities and derivative financial instruments, please refer to note 24 Financial instruments and risk management.

23 Other non-financial liabilities

	30 SEP 16		30 SEP 15	
		thereof due within 1 year		thereof due within 1 year*
	€ k	€ k	€ k	€ k
Advances received on account of orders	511,528	511,528	494,273	494,273
Personnel-related obligations*	305,721	305,721	282,046	282,046
Sales-related obligations	264,848	264,848	257,662	257,662
Deferred income	143,406	107,307	134,430	97,264
Sundry other non-financial liabilities	102,801	100,855	126,196	124,145
	1,328,304	**1,290,259**	**1,294,607**	**1,255,390**

The accruals for sales-related obligations mainly relate to outstanding invoices and bonus and commission payments.

24 Financial instruments and risk management

As a global player, the ZEISS Group is exposed to credit risks, liquidity risks and market risks (currency, interest rate and other market risks) as part of its ordinary activities.

Credit risk

Credit risk stems from an adverse development in the economic conditions of the company's counterparties or borrowers and lies primarily in trade receivables. There is the threat of non-performance on the part of a contractual party. The maximum credit risk position of the ZEISS Group is equivalent to the carrying amounts of the financial instruments disclosed as financial assets and the guarantees issued to non-consolidated group entities. The risks are minimized by obtaining collateral, gathering credit ratings/references or analyzing track records of prior business relations, particularly payment behavior. The most frequent form is the retention of title. Impairment losses are recognized for any credit risks associated with the financial assets.

The table below provides information on the credit risks contained in trade and other receivables:

	30 SEP 16	30 SEP 15
	€ k	€ k
Trade and other receivables (gross)	**1,028,410**	**972,091**
(Portfolio-based) valuation allowance	29,672	23,168
Allowance for exchange differences	1,586	1,830
Trade and other receivables (net)	**1,000,324**	**950,753**
» thereof due in more than 1 year	30,640	27,258

As of 30 September 2016, trade and other receivables include receivables of €20,600k (prior year: €9,421k) from long-term construction contracts billed according to the percentage-of-completion method and finance lease receivables of €11,397k (prior year: €11,588k).

Revenue of €57,050k (prior year: €27,803k) was recognized from construction contracts in the reporting period. The total costs incurred plus recognized profits less recognized losses for the projects ongoing as of the reporting date amount to €57,050k (prior year: €27,803k). Advances received of €1,563k (prior year: €321k) have already been taken into account in the settlement of construction contracts. As of 30 September 2016, security retentions by customers for construction contracts amounted to €3,102k (prior year: €2,792k).

Identifiable credit risks are accounted for by specific allowances as well as portfolio-based allowances on trade and other receivables. These bad debt allowances developed as follows:

	2015/16	2014/15
	€ k	€ k
1 October	**23,168**	**24,488**
Change in the basis of consolidation	0	-244
Utilization	-4,952	-5,877
Reversal	-3,589	-3,953
Additions, including reclassifications	14,205	8,256
Exchange rate effects	840	498
30 September	**29,672**	**23,168**

The table below provides information on trade and other receivables that are not impaired:

	30 SEP 16	30 SEP 15
	€ k	€ k
Trade and other receivables (net)	**1,000,324**	**950,753**
» thereof neither impaired nor past due as of the reporting date	707,461	636,108
» thereof not impaired as of reporting date but past due by the following time periods:		
» up to 30 days	117,936	114,508
» 31 to 90 days	45,704	62,445
» 91 to 180 days	36,980	20,968
» 181 to 365 days	13,662	19,226
» 366 days and more	28,168	20,871

With regard to trade and other receivables which are neither impaired nor past due, there are no indications that defaults will occur that will lead to a reduction in assets.

The table below provides information on the offsetting of primary financial instruments and the resulting limit to the credit risk:

	30 SEP 16	30 SEP 15
	€ k	€ k
Trade receivables (gross)	1,066,956	1,013,345
Offsetting of credit notes issued	66,632	62,592
Remaining credit risk	**1,000,324**	**950,753**

The following offsetting of derivative financial instruments would be possible in the event of insolvency at a counterparty:

	30 SEP 16	30 SEP 15
	€ k	€ k
Derivatives with a positive market value	9,443	13,836
Amount available for offsetting in the event of insolvency	6,121	10,750
Remaining credit risk	**3,322**	**3,086**

Another credit risk is connected to the investment of cash if the banks are not able to meet their obligations. This risk is diversified by investing at different banks, defining limits per asset class and issuer, and applying high rating standards to business partners.

Liquidity risk

The liquidity risk of the ZEISS Group is the risk that it may not be able to meet its financial obligations (to repay financial liabilities or make interest payments).

The cash that serves this risk is generated primarily by operations. Where necessary or where it makes sense for strategic reasons, external sources of finance are drawn on in addition. Carl Zeiss Meditec AG also has the possibility of raising equity funds on the capital market.

For further details on financial liabilities, please refer to note 22 Financial liabilities.

The table below provides information on the offsetting of trade payables and the resulting limit to the liquidity risk:

	30 SEP 16	30 SEP 15
	€ k	€ k
Trade payables (gross)	305,239	234,340
Offsetting of credits notes issued	8,081	5,986
Remaining liquidity risk	**297,158**	**228,354**

The following offsetting of derivative financial instruments with a negative market value would be possible in the event of insolvency at a counterparty:

	30 SEP 16	30 SEP 15
	€ k	€ k
Derivatives with a negative market value	21,523	23,883
Amount available for offsetting in the event of insolvency	6,121	10,750
Remaining liquidity risk	**15,402**	**13,133**

Liquidity is ensured by means of ongoing, groupwide liquidity monitoring and budgeting and a diversified investment policy that takes into account the terms to maturity and is implemented by Carl Zeiss Financial Services GmbH on a groupwide scale. A revolving credit facility was arranged for this purpose in fiscal year 2013/14.

The available liquidity as well as the revolving credit facility give the ZEISS Group adequate flexibility to cover the Group's refinancing needs. The ZEISS Group is not subject to any concentration risk thanks to the diverse nature of its financing sources and its cash and cash equivalents.

The table below shows the contractually agreed undiscounted cash outflows for non-derivative financial liabilities:

	Undiscounted cash outflows			
	due within 1 year	due in 1 to 5 years	due in more than 5 years	**Total 30 SEP 16**
	€ k	€ k	€ k	€ k
Trade payables	297,158	0	0	**297,158**
Financial liabilities				
» Liabilities to banks	29,218	188,754	32,031	**250,003**
» Loans	49,095	0	0	**49,095**
» Lease liabilities	3,828	7,794	0	**11,622**
» Other financial liabilities	28,519	23,101	0	**51,620**
Guarantees	10,548	0	0	**10,548**

	Undiscounted cash outflows			
	due within 1 year	due in 1 to 5 years	due in more than 5 years	Total 30 SEP 15
	€ k	€ k	€ k	€ k
Trade payables	228,138	218	0	**228,356**
Financial liabilities				
» Liabilities to banks	24,206	312,601	106,156	**442,963**
» Loans	48,308	0	0	**48,308**
» Lease liabilities	4,303	12,065	0	**16,368**
» Other financial liabilities	26,060	22,644	0	**48,704**
Guarantees	5,106	0	0	**5,106**

The table below shows the contractually agreed undiscounted cash outflows for derivative financial instruments with a negative market value:

	Undiscounted cash outflows			
	due within 1 year	due in 1 to 5 years	due in more than 5 years	**Total 30 SEP 16**
	€ k	€ k	€ k	€ k
Derivative financial liabilities settled on a gross basis				
» Cash outflows	537,497	0	0	**537,497**
» Cash inflows	513,789	0	0	**513,789**
Derivative financial liabilities settled on a net basis				
» Cash outflows	0	0	0	**0**

	Undiscounted cash outflows			
	due within 1 year	due in 1 to 5 years	due in more than 5 years	Total 30 SEP 15
	€ k	€ k	€ k	€ k
Derivative financial liabilities settled on a gross basis				
» Cash outflows	700,479	16,067	0	**716,546**
» Cash inflows	686,310	15,769	0	**702,079**
Derivative financial liabilities settled on a net basis				
» Cash outflows	4,628	3,731	0	**8,359**

Market risk
The operations of the ZEISS Group are exposed to market price risks due to changes in exchange rates and interest rates. Business policy aims to minimize these risks by means of hedging. All hedging transactions are implemented at corporate level.

From an operating perspective, hedging rates are set for all relevant currencies. All business is transacted in compliance with the principle of strict separation of duties between front office (trading), middle office (financial risk management) and back office (settlement, documentation).

Exchange rate risk
On account of its global orientation, the ZEISS Group is primarily exposed exchange rate risks in operations whenever revenue is generated or goods are purchased in a currency other than the currency in which the associated costs are incurred. This risk is mainly in relation to the US dollar, the Japanese yen, the pound sterling and the Chinese renminbi.

In order to reduce the effect of exchange rate fluctuations on operations, foreign exchange risks are mostly hedged using standard currency options and forward exchange contracts concluded with banks with excellent credit ratings.

For risk management and monitoring purposes value-at-risk analyses, supplemented by scenario, sensitivity and stress test analyses, are used to quantify exchange rate risks. These risk analyses are reported monthly to the Group's Executive Board.

The value-at-risk analysis is used to regularly assess the risk position from changes in exchange rates by calculating the maximum loss for a certain confidence level and retention period. Value at risk is determined on the basis of historical data and taking into account correlation between the transactions analyzed. The value at risk determined then shows the maximum loss that will not be exceeded over a period of 10 days with a probability of 95% (historical simulation).

In the past fiscal year, value at risk increased compared to the prior year to €4.1m (prior year: €1.5m).

Interest rate risk
Interest rate risk arises from fluctuations in market interest rates.

These changes can affect both earnings (cash flow risk) and any fluctuations in the value of financial instruments (fair value risk). The ZEISS Group has various interest-sensitive assets and liabilities and therefore has interest rate exposure from its asset and liability management.

The interest rate risk is analyzed and managed centrally by Carl Zeiss Financial Services GmbH. The ZEISS Group has the following cash flow and fair value risks based on its floating-rate and fixed-rate instruments in this context:

Cash flow risk: A change of +/–50 base points would have an effect of +€3.6m/–€3.9m on profit or loss (prior year: +€6.5m/–€7.6m). A change of +/–50 base points would have an effect of +/–€0m on equity (prior year: +€2.3m/–€2.4m).

Fair value risk: Assuming a change of +/– 50 base points, the fixed-rate instruments held by the ZEISS Group as available-for-sale financial instruments would have an effect of +/– €0.2m on equity (prior year: +/– €2.3m).

The ZEISS Group is not exposed to material other price risks.

Book values, carrying amounts and fair values by category

The table below presents the carrying amounts and fair values of the financial instruments accounted for by measurement category.

	Categories of IAS 39	Carrying amount	(Amortized) cost	Amount recognized pursuant to IAS 17	30 SEP 16 Fair value
		€ k	€ k	€ k	€ k
Trade and other receivables	LaR/n.a.	1,000,324	988,927	11,397	*
Other financial assets					
» Shares in affiliates	AfS	12,031	12,031		*
» Investments	AfS	1,487	1,487		*
» Loans	LaR	28,322	28,322		*
» Securities	AfS	133,420			133,420
» Derivatives	FVTPL	9,437			9,437
» Derivatives used for hedging	n.a.	6			6
» Other financial assets	LaR	268,586	268,586		*
Cash and cash equivalents	LaR	498,733	498,733		*
Financial assets		**1,952,346**	**1,798,086**	**11,397**	**142,863**

Trade payables	FLAC	297,158	297,158		*
Other financial liabilities					
» Liabilities to banks	FLAC	227,546			247,169
» Loans	FLAC	48,852	48,852		*
» Derivatives	FVTPL	13,436			13,436
» Derivatives used for hedging	n.a.	8,087			8,087
» Lease liabilities	n.a.	10,113		10,113	11,449
» Other financial liabilities	FLAC	49,850	49,850		*
Financial liabilities		**655,042**	**395,860**	**10,113**	**280,141**

Aggregated by measurement category in accordance with IAS 39					
Loans and receivables	LaR	1,795,965	1,784,568		
Financial assets at fair value through profit or loss	FVTPL	9,437			9,437
Available-for-sale financial assets	AfS	146,938	13,518		133,420
Financial liabilities at amortized cost	FLAC	623,406	395,860		
Financial liabilities held for trading	FVTPL	13,436			13,436

					30 SEP 15
	Categories of IAS 39	Carrying amount € k	(Amortized) cost € k	Amount recognized pursuant to IAS 17 € k	Fair value € k
Trade and other receivables	LaR/n.a.	950,753	939,164	11,589	*
Other financial assets					
» Shares in affiliates	AfS	12,096	12,096		*
» Investments	AfS	5,456	3,675		1,781
» Loans	LaR	27,679	27,679		*
» Securities	AfS	121,777			121,777
» Derivatives	FVTPL	13,648			13,648
» Derivatives used for hedging	n.a.	188			188
» Other financial assets	LaR	103,074	103,074		*
Cash and cash equivalents	LaR	638,876	638,876		*
Financial assets		**1,873,547**	**1,724,564**	**11,589**	**137,394**
Trade payables	FLAC	228,354	228,354		*
Other financial liabilities					
» Liabilities to banks	FLAC	401,903			424,252
» Loans	FLAC	48,300	48,300		*
» Derivatives	FVTPL	16,223			16,223
» Derivatives used for hedging	n.a.	7,660			7,660
» Lease liabilities	n.a.	14,029		14,029	16,197
» Other financial liabilities	FLAC	48,406			48,828
Financial liabilities		**764,875**	**276,654**	**14,029**	**513,160**
Aggregated by measurement category in accordance with IAS 39					
Loans and receivables	LaR	1,720,382	1,708,793		
Financial assets at fair value through profit or loss	FVTPL	13,648			13,648
Available-for-sale financial assets	AfS	139,329	15,771		123,558
Financial liabilities at amortized cost	FLAC	726,963	276,654		473,080
Financial liabilities held for trading	FVTPL	16,223			16,223

* The fair value approximately corresponds to the carrying amount.

As of the reporting date, there is no intention to sell any of the significant investments.

Fair value measurement
Financial instruments are measured at fair value based on a 3-level fair value hierarchy:

Level 1: Fair value is calculated based on the quoted, unadjusted market prices on active markets.

Level 2: Fair value is calculated based on market data such as stock prices, exchange rates or interest curves pursuant to market-based valuation techniques (e.g. present value method or option pricing models).

Level 3: Fair value is calculated based on models with non-observable market data.

The decision on classification is made on the reporting date.

The table below shows the fair values of financial instruments as well as their respective classification:

Fair value				**30 SEP 16**
	Level 1	Level 2	Level 3	Total
	€ k	€ k	€ k	€ k
Securities	74,914	58,506	0	133,420
Derivatives	0	9,437	0	9,437
Derivatives used for hedging	0	6	0	6
Financial assets	**74,914**	**67,949**	**0**	**142,863**
Liabilities to banks	0	247,169	0	247,169
Lease liabilities	0	11,449	0	11,449
Derivatives	0	13,436	0	13,436
Derivatives used for hedging	0	8,087	0	8,087
Financial liabilities	**0**	**280,141**	**0**	**280,141**

Fair value				30 SEP 15
	Level 1	Level 2	Level 3	Total
	€ k	€ k	€ k	€ k
Securities	76,312	45,465	0	121,777
Investments	0	0	1,781	1,781
Derivatives	0	13,648	0	13,648
Derivatives used for hedging	0	188	0	188
Financial assets	**76,312**	**59,301**	**1,781**	**137,394**
Liabilities to banks	0	0	0	0
Lease liabilities	0	16,197	0	16,197
Derivatives	0	16,223	0	16,223
Derivatives used for hedging	0	7,660	0	7,660
Other financial liabilities	0	48,828	0	48,828
Financial liabilities	**0**	**88,908**	**0**	**88,908**

The development of financial instruments allocated to level 3 of the fair value hierarchy is presented in the table below:

	2015/16	2014/15
	€ k	€ k
1 October	**1,781**	**2,932**
Additions	0	0
Changes in fair value recognized through profit or loss	0	0
Changes in fair value recognized in other comprehensive income	0	-1,516
Disposals	1,788	0
Exchange rate effects	7	365
30 September	**0**	**1,781**

Changes in fair value recognized through profit or loss from the financial instruments allocated to level 3 are included in other financial result. Changes in fair value recognized in other comprehensive income are presented under other reserves.

Net gain or loss

The effects of financial instruments recognized in the income statement are presented on a net basis in the table below by category as defined in IAS 39 *Financial Instruments: Recognition and Measurement*:

				2015/16
		thereof from interest	thereof from subsequent measurement	thereof from disposals
	€ k	€ k	€ k	€ k
Loans and receivables	10,886	4,826	6,108	-48
Available-for-sale financial assets	-11,929	1,505	-13,115	-319
Financial assets and liabilities at fair value through profit or loss	-24,854	-8,465	-3,933	-12,456
Financial liabilities measured at amortized cost	-7,629	-16,184	8,555	0

				2014/15
		thereof from interest	thereof from subsequent measurement	thereof from disposals
	€ k	€ k	€ k	€ k
Loans and receivables	20,301	4,449	15,852	0
Available-for-sale financial assets	9,426	1,073	8,582	-229
Financial assets and liabilities at fair value through profit or loss	-50,547	-4,541	1,116	-47,122
Financial liabilities measured at amortized cost	-40,211	-11,714	-28,497	0

The interest and currency result from the measurement of receivables and loans is reported in the "Loans and receivables" category under net gain or loss. The gains or losses from the measurement and realization of securities and investments are presented in the "Available-for-sale financial assets" category. The "Financial assets and liabilities at fair value through profit or loss" category contains the gains or losses from the measurement of derivatives. The interest and currency result from the measurement of liabilities is recognized in the "Financial liabilities measured at amortized cost" category.

Hedge accounting

To hedge the interest rate risk associated with the floating-rate portion of loans, interest rate swaps were concluded to match the loans' term to maturity in fiscal year 2011/12. The interest rate swaps were designated as cash flow hedges and the loan as the hedged item in compliance with the requirements for hedge accounting. The loan was repaid in full ahead of schedule in the fiscal year and the hedges were settled, thus terminating the hedging relationship. The accumulated loss from the hedging instrument of €6,318k was reclassified through profit or loss to the interest result when the planned transaction took place.

To hedge the currency exposure from forecast revenue in a project business transaction of US$5.7m, the Group holds forward exchange contracts with matching remaining terms to maturity of between 1 and 2 months. These forward exchange contracts were designated as cash flow hedges in compliance with the requirements for hedge accounting. The ineffective portion of the currency hedges is included in the income and expenses from changes in market value. In the fiscal year, as in the prior year, there were no ineffective hedges. When the forecast revenue is realized, any amounts recognized in other comprehensive income are reclassified to revenue.

	30 SEP 16	30 SEP 15
	€ k	€ k
Fair value of hedge	6	188
Recognized in other comprehensive income	-117	-1,048
Reclassified to revenue	775	1,288

Forward exchange contracts with a residual term of 7 months are held to hedge a portion of the translation risk of the net investment in Japanese yen. These forward exchange contracts were designated as a hedge of net investments in compliance with the requirements for hedge accounting. The hedges have a fair value of €-8,087k (prior year: €0k). The gain or loss from the effective portion of the hedges is recognized in other comprehensive income. The ineffective part of the hedge is reported directly through profit or loss. The effective part of the hedging relationship remains in equity until the disposal or partial disposal of the net investment. There were no ineffective hedges in the reporting year.

OTHER NOTES

25 Notes to the statement of cash flows

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

The cash flows from investing activities and financing activities are determined on the basis of payments made or received. The cash flows from operating activities, on the other hand, are derived indirectly from the consolidated profit or loss for the year. When performing the indirect calculation, changes in items of the statement of financial position considered in connection with operating activities are adjusted for effects from currency translation and changes in the basis of consolidation. Non-cash effects are likewise eliminated. Changes in the items of the statement of financial position concerned can therefore not be reconciled with the figures based on the published consolidated statement of financial position.

26 Contingent liabilities and assets

	30 SEP 16	30 SEP 15
	€ k	€ k
Liabilities from guarantees	10,548	5,106
Other contingent liabilities	104	8,695

The other contingent liabilities and the liabilities from guarantees were not recognized as provisions because the probability of an outflow of resources is considered remote.

27 Average headcount for the year

	2015/16	2014/15
	Number	Number
Germany	10,451	10,460
EMEA (without Germany)	3,676	3,711
Americas	6,135	6,290
APAC	4,576	4,147
	24,838	**24,608**
Trainees	409	451
Total	**25,247**	**25,059**

Part-time employees and temporary employees are included proportionately.
Personnel expenses amounted to €1,693m in the reporting period (prior year: €1,648m).

28 Leases

Operating leases – the Group as the lessee

The Group has entered into lease agreements for office space and office equipment. The contracts have terms of between 1 and more than 5 years and some contain renewal and purchase options as well as price adjustment clauses.

Other expenses from rental, lease and similar agreements for the fiscal year break down as follows:

	2015/16	2014/15
	€ k	€ k
Minimum lease payments	55,113	53,769
» thereof sale-and-leaseback	1,289	1,481
Contingent rent	2,939	2,895
» thereof sale-and-leaseback	0	0
Sublease payments	44	51
» thereof sale-and-leaseback	0	0
	58,096	**56,715**

By maturity band, future minimum rent and lease payments under non-cancellable operating leases are as follows:

	2015/16	2014/15
Term to maturity	€ k	€ k
Less than 1 year	38,442	41,571
» thereof sale-and-leaseback	1,635	1,968
Between 1 and 5 years	74,713	73,145
» thereof sale-and-leaseback	4,243	6,223
More than 5 years	21,166	17,662
» thereof sale-and-leaseback	61	0

Operating leases – the Group as the lessor

The Group has entered into lease agreements mainly for office space and technical equipment with future minimum lease payments receivable from non-cancellable operating leases with the following terms:

	2015/16	2014/15
Term to maturity	€ k	€ k
Less than 1 year	4,198	4,950
Between 1 and 5 years	13,413	7,231
More than 5 years	4	0

Finance leases – the Group as the lessee

The ZEISS Group has entered into finance leases for various fixed assets, mainly including buildings.

The carrying amounts of these fixed assets contain the following amounts from finance leases under which the ZEISS Group is the lessee:

	2015/16	2014/15
Term to maturity	€ k	€ k
Land and buildings	4,658	5,929
» thereof sale-and-leaseback	3,422	4,622
Technical equipment and machinery	236	0
» thereof sale-and-leaseback	0	0
Other equipment and machinery	819	732
» thereof sale-and-leaseback	0	0

On 28 September 1999, the company sold and leased back land, buildings and leasehold improvements in Dublin (USA). The sale-and-leaseback transaction qualifies as a finance lease under IAS 17 *Leases*. The lease has a term of 20 years. The lessee has the right to extend the term twice by 5 years at a time at the end of the original term of the lease in 2019. In addition, the lease contains a clause increasing the lease payments by 13% every 5 years. The land, buildings and leasehold improvements with a carrying amount of €3,422k (prior year: €4,622k) continue to be carried and depreciated by the lessee.

Finance lease liabilities are due as follows:

		30 SEP 16		
		thereof due within 1 year	thereof due in 1 to 5 years	thereof due in more than 5 years
	€ k	€ k	€ k	€ k
Future minimum lease payments	11,622	3,828	7,794	0
» thereof sale-and-leaseback	7,177	3,469	3,708	0
Interest portion	1,509	732	777	0
» thereof sale-and-leaseback	719	464	255	0
Present value of future minimum lease payments	**10,113**	**3,096**	**7,017**	**0**
» thereof sale-and-leaseback	6,458	3,005	3,453	0

		30 SEP 15		
		thereof due within 1 year	thereof due in 1 to 5 years	thereof due in more than 5 years
	€ k	€ k	€ k	€ k
Future minimum lease payments	16,368	3,888	12,480	0
» thereof sale-and-leaseback	10,096	3,365	6,731	0
Interest portion	2,339	874	1,465	0
» thereof sale-and-leaseback	1,331	650	681	0
Present value of future minimum lease payments	**14,029**	**3,014**	**11,015**	**0**
» thereof sale-and-leaseback	8,765	2,715	6,050	0

As in the prior year, there are no future minimum lease payments under non-cancellable subleases.

Finance leases – the Group as the lessor

Technical equipment is leased out under finance lease agreements. The finance lease receivables total €11,397k as of the reporting date (prior year: €11,589k).

	30 SEP 16	thereof due within 1 year	thereof due in 1 to 5 years	thereof due in more than 5 years
	€ k	€ k	€ k	€ k
Gross investment	12,024	3,233	8,068	723
Unearned finance income	627	260	367	0
Present value	**11,397**	**2,973**	**7,701**	**723**

	30 SEP 15	thereof due within 1 year	thereof due in 1 to 5 years	thereof due in more than 5 years
	€ k	€ k	€ k	€ k
Gross investment	12,354	3,804	8,337	213
Unearned finance income	765	294	466	5
Present value	**11,589**	**3,510**	**7,871**	**208**

29 Government grants

The government grants received in the reporting period were as follows:

	2015/16	2014/15
	€ k	€ k
Research and development grants	17,558	6,826
Grants related to assets	4,145	1,088
Other grants related to expenses	545	324
	22,248	**8,238**

Research and development grants primarily relate to government grants received for a development project with a term until 2017.

30 Related party disclosures

Related parties as defined by IAS 24 *Related Party Disclosures* include the Carl Zeiss Foundation (Carl-Zeiss-Stiftung), Heidenheim an der Brenz and Jena, the entity SCHOTT AG, Mainz, owned by the Carl Zeiss Foundation, the associates, joint ventures and non-consolidated subsidiaries as well as the members of the Executive Board and the Supervisory Board of Carl Zeiss AG.

All transactions with these entities are settled at arm's length conditions. The resulting effects on the consolidated financial statements are immaterial.

The table below shows receivables from and liabilities to entities and investments that are not included in the consolidated financial statements of Carl Zeiss AG:

	30 SEP 16	30 SEP 15
	€ k	€ k
Receivables	27,864	31,897
Liabilities	63,117	60,400

These receivables and liabilities mainly stem from trade and cash management. In addition to these, the Carl Zeiss Foundation (Carl Zeiss Stiftung) has granted Carl Zeiss AG several short-term loans at arm's length conditions totaling €48,800k. These loans are reported in the consolidated statement of financial position under financial liabilities as loans.

The table below shows the goods and services supplied to and received from entities and investments that are not included in the consolidated financial statements of Carl Zeiss AG:

	2015/16
	€ k
Goods and services supplied	22,189
Goods and services received	32,788

In the reporting period, there were no transactions between the ZEISS Group and members of the Executive Board and the Supervisory Board and their family members above and beyond the existing employment, service or appointment relationships and the related contractually agreed remuneration.

Information on the remuneration of board members is contained in note 34 Remuneration of the Executive Board and the Supervisory Board.

31 German Corporate Governance Code

The Management Board and Supervisory Board of the listed company Carl Zeiss Meditec AG, Jena, included in the consolidated financial statements have issued a declaration in accordance with Sec. 161 German Stock Corporations Act (AktG) on the recommendations issued by the government commission on the German Corporate Governance Code and made it available to stockholders on the company's website www.zeiss.de/meditec-ag/ir in the Corporate Governance section.

32 Audit fees

The Supervisory Board of Carl Zeiss AG engaged Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, to audit the consolidated financial statements. The audit fees relate to the group auditor Ernst & Young GmbH, Germany.

	2015/16	2014/15
	€ k	€ k
Audit services	1,210	1,357
Other attestation services	69	266
Tax advisory services	0	29
Other services	267	568

33 Subsequent events

By agreement dated 3 November 2016, a non-controlling interest of 24.9% in Carl Zeiss SMT, Oberkochen was acquired by ASML Holding N.V., Veldhoven, Netherlands. ASML Holding N.V. will pay a purchase price of €1b, which will lead to a corresponding increase in cash and cash equivalents as well as in equity. The objective of the agreement is to accelerate the development of a future generation of Extreme Ultra Violet (EUV) lithography systems. The transaction is subject to approval by the relevant authorities and is expected to be formally concluded in the second quarter of 2017.

In addition, an agreement has been reached under which the ASML Group will finance approximately €220m in research and development and approximately €540m in investments in the equipment and process chain of Carl Zeiss SMT, Oberkochen, over the next 6 years.

There were no additional significant events after the end of the fiscal year.

34 Remuneration of the Executive Board and the Supervisory Board

Total remuneration of the members of the Executive Board for performance of their duties at Carl Zeiss AG and its subsidiaries came to €9,293k for fiscal year 2015/16 (prior year: €7,519k). Of the total remuneration, €150k (prior year: €250k) is attributable to long-term benefits and €414k (prior year: €243k) to service cost for pension obligations. Current fixed and variable remuneration comes to €8,729k (prior year: €7,026k).

The total benefits paid to former members of the Executive Board and their surviving dependants amounted to €1,998k for fiscal year 2015/16 (prior year: €1,993k). Provisions totaling of €40,067k (prior year: €35,347k) were made for the benefit obligations to former members of the Executive Board or their surviving dependants.

The total remuneration of the members of the Supervisory Board of Carl Zeiss AG for their activities came to €776k in fiscal year 2015/16 (prior year: €747k).

Oberkochen, 14 December 2016

The Executive Board of Carl Zeiss AG

Prof. Dr. Michael Kaschke

Dr. Hermann Gerlinger

Dr. Matthias Metz

Dr. Ludwin Monz

Thomas Spitzenpfeil

List of Shareholdings of the Group

in accordance with Sec. 315a (1) in conjunction with Sec. 313 (2) German Commercial Code (HGB)
30 September 2016

Country	City	Name of entity		Share in capital acc. to Sec. 285 No. 11 HGB	Beneficial share in capital
				%	%
1. Fully consolidated subsidiaries					
Germany	Aalen	Carl Zeiss 3D Automation GmbH		51.1	51.1
Germany	Ostfildern	Carl Zeiss 3D Metrology Services GmbH Stuttgart		92.0	92.0
Germany	Öhringen	Carl Zeiss Automated Inspection GmbH	1	100.0	100.0
Germany	Oberkochen	Carl Zeiss Beteiligungs-GmbH	1	100.0	100.0
Germany	Göttingen	Carl Zeiss CMP GmbH	1	100.0	100.0
Germany	Oberkochen	Carl Zeiss Energie GmbH	1	100.0	100.0
Germany	Oberkochen	Carl Zeiss Financial Services GmbH	1	100.0	100.0
Germany	Tholey	Carl Zeiss Fixture Systems GmbH		90.0	90.0
Germany	Oberkochen	Carl Zeiss Industrielle Messtechnik GmbH	1	100.0	100.0
Germany	Jena	Carl Zeiss Jena GmbH	1	100.0	100.0
Germany	Jena	Carl Zeiss Jena Grundstücks GmbH & Co. KG	1	100.0	100.0
Germany	Jena	Carl Zeiss Meditec AG		65.1	65.1
Germany	Jena	Carl Zeiss Meditec Asset Management Verwaltungsgesellschaft mbH		100.0	65.1
Germany	Oberkochen	Carl Zeiss Meditec Vertriebsgesellschaft mbH		100.0	65.1
Germany	Jena	Carl Zeiss Microscopy GmbH	1	100.0	100.0
Germany	Oberkochen	Carl Zeiss Oberkochen Grundstücks GmbH & Co. KG	1	100.0	100.0
Germany	Neubeuern	Carl Zeiss Optotechnik GmbH		60.0	60.0
Germany	Schönkirchen	Carl Zeiss Schönkirchen GmbH	1	100.0	100.0
Germany	Oberkochen	Carl Zeiss SMT GmbH	1	100.0	100.0
Germany	Oberkochen	Carl Zeiss SMT Holding GmbH & Co. KG	1	100.0	100.0
Germany	Oberkochen	Carl Zeiss SMT Holding Management GmbH		100.0	100.0
Germany	Jena	Carl Zeiss Spectroscopy GmbH	1	100.0	100.0
Germany	Wetzlar	Carl Zeiss Sports Optics GmbH	1	100.0	100.0
Germany	Aalen	Carl Zeiss Vision GmbH		100.0	100.0
Germany	Aalen	Carl Zeiss Vision Grundstücks GmbH & Co. KG		100.0	100.0
Germany	Aalen	Carl Zeiss Vision Holding GmbH		100.0	100.0
Germany	Aalen	Carl Zeiss Vision International GmbH		100.0	100.0
Germany	Aalen	Carl Zeiss Vision Investment GmbH		100.0	100.0
Germany	Frankfurt	Helaba Invest - CZFS Spezialfonds		100.0	100.0
Germany	Wetzlar	Hensoldt Grundstücks GmbH & Co. KG	1	100.0	100.0
Germany	Aalen	Marwitz & Hauser GmbH	1	100.0	100.0
Germany	Kiel	Opton Feintechnik Kiel GmbH	1	100.0	100.0
Argentina	Buenos Aires	Carl Zeiss Vision Argentina S.A.		100.0	100.0
Australia	North Ryde	Carl Zeiss No. 2 Pty Ltd.		100.0	100.0
Australia	North Ryde	Carl Zeiss Pty. Ltd.		100.0	100.0
Australia	Lonsdale	Carl Zeiss Vision Australia Group Pty. Ltd.		100.0	100.0
Australia	Lonsdale	Carl Zeiss Vision Australia Holdings Ltd.		100.0	100.0
Australia	Lonsdale	Carl Zeiss Vision Australia Pty. Ltd.		100.0	100.0
Australia	Lonsdale	Sola Optical Partners (Limited Partnership)		100.0	100.0
Austria	Vienna	Carl Zeiss GmbH		100.0	100.0
Austria	Graz	Carl Zeiss Industrielle Messtechnik Austria GmbH		100.0	100.0

Country	City	Name of entity	Share in capital acc. to Sec. 285 No. 11 HGB	Beneficial share in capital
			%	%
Belgium	Zaventem	Carl Zeiss N.V.-S.A.	100.0	100.0
Belgium	Zaventem	Carl Zeiss Services N.V.-S.A.	100.0	100.0
Belgium	Zaventem	Carl Zeiss Vision Belgium NV	100.0	100.0
Brazil	São Paulo	Carl Zeiss do Brasil Ltda.	100.0	100.0
Brazil	Petrópolis	Carl Zeiss Vision Brasil Industria Optica Ltda.	100.0	100.0
British Virgin Islands	Road Town, Tortola	Carl Zeiss Vision China (BVI) Ltd.	100.0	100.0
Canada	Toronto	Carl Zeiss Canada Ltd.	100.0	100.0
Canada	Toronto	Carl Zeiss Vision Canada Inc.	100.0	100.0
China	Changchun City	Carl Zeiss Fixture Systems (Changchun) Co., Ltd.	75.0	75.0
China	Shanghai	Carl Zeiss IMT (Shanghai) Co., Ltd.	100.0	100.0
China	Shanghai	Carl Zeiss (Shanghai) Co., Ltd.	100.0	100.0
China	Suzhou-City	Carl Zeiss Suzhou Co., Ltd.	100.0	100.0
China	Guangdong	Carl Zeiss Vision (China) Ltd.	100.0	100.0
China	Guangzhou	Carl Zeiss Vision (Guangzhou) Ltd.	100.0	100.0
China	Guangzhou	Carl Zeiss Vision Sunlens China Ltd.	100.0	100.0
China	Guangdong	Carl Zeiss Vision Technical Services (Guangzhou) Ltd.	100.0	100.0
China	Guangzhou	Carl Zeiss Vision Technologies (Guangzhou) Ltd.	100.0	100.0
Colombia	Bogota D.C.	Carl Zeiss Vision Colombia S.A.S.	100.0	100.0
Czech Republic	Prague	Carl Zeiss spol. s r.o.	100.0	100.0
Denmark	Birkerød	Carl Zeiss A/S	100.0	100.0
Denmark	Copenhagen	Carl Zeiss Vision Danmark A/S	100.0	100.0
Finland	Vantaa	Carl Zeiss Oy	100.0	100.0
France	La Rochelle, Perigny	Atlantic SAS	100.0	65.1
France	Marly-le-Roi	Carl Zeiss Meditec France S.A.S.	100.0	65.1
France	La Rochelle, Perigny	Carl Zeiss Meditec SAS	100.0	65.1
France	Marly-le-Roi	Carl Zeiss SAS	100.0	100.0
France	Sablé sur Sarthe	Carl Zeiss Services S.a.r.l.	100.0	100.0
France	Fougères	Carl Zeiss Vision France Holding S.A.S.	100.0	100.0
France	Fougères	Carl Zeiss Vision France S.A.S.	100.0	100.0
France	Paris	France Chirurgie Instrumentation (F.C.I.) SAS	100.0	65.1
Hong Kong	Kwai Chung, Hong Kong	Carl Zeiss Far East Co., Ltd.	100.0	100.0
Hong Kong	Hong Kong Shatin, N.T.	Carl Zeiss Vision Sunlens Asia Pacific Ltd.	100.0	100.0
Hungary	Mátészalka	Carl Zeiss Sport Optikai Hungaria Kft.	100.0	100.0
Hungary	Mátészalka	Carl Zeiss Vision Hungary Optikai Kft.	100.0	100.0
India	Bangalore	Carl Zeiss India (Bangalore) Private Limited	100.0	100.0
Ireland	Wexford	Carl Zeiss Vision Ireland Ltd.	100.0	100.0
Ireland	Wexford	Sola Holdings Ireland Limited	100.0	100.0
Israel	Karmiel	Carl Zeiss SMS Ltd.	100.0	100.0
Italy	Milan	Carl Zeiss S.p.A.	100.0	100.0
Italy	Varese	Carl Zeiss Vision Italia S.p.A.	100.0	100.0
Japan	Tokyo	Carl Zeiss Co., Ltd.	100.0	100.0
Japan	Tokyo	Carl Zeiss IMT Co., Ltd.	100.0	100.0
Japan	Tokyo	Carl Zeiss Meditec Co., Ltd.	100.0	82.2

Country	City	Name of entity	Share in capital acc. to Sec. 285 No. 11 HGB	Beneficial share in capital
			%	%
1. Fully consolidated subsidiaries				
Japan	Tokyo	Carl Zeiss Microscopy Co., Ltd.	100.0	100.0
Japan	Tokyo	Carl Zeiss Vision Japan Co., Ltd.	100.0	100.0
Korea, South	Seoul	Carl Zeiss Co., Ltd.	100.0	100.0
Korea, South	Seoul	Carl Zeiss Vision Korea Co., Ltd.	100.0	100.0
Malaysia	Kuala Lumpur	Carl Zeiss Sdn. Bhd.	100.0	100.0
Malaysia	Ampang (Taman Cahaya)	Carl Zeiss Vision (Malaysia) Sdn. Bhd.	100.0	100.0
Mauritius	Quatre Bornes	FCI SUD Ltd.	100.0	65.1
Mexico	México D.F.	Carl Zeiss de México S.A. de C.V.	100.0	100.0
Mexico	Tijuana	Carl Zeiss Vision Manufactura de Mexico S. de R.L. de C.V.	100.0	100.0
Mexico	Naucalpan	Carl Zeiss Vision Mexico S. de R.L. de C.V.	100.0	100.0
Netherlands	Sliedrecht	Carl Zeiss B.V.	100.0	100.0
Netherlands	Sliedrecht	Carl Zeiss Vision Nederland B.V.	100.0	100.0
New Zealand	Auckland	Carl Zeiss (N.Z.) Ltd.	100.0	100.0
Norway	Oslo	Carl Zeiss AS	100.0	100.0
Poland	Poznan	Carl Zeiss Shared Services Sp. z o.o.	100.0	100.0
Poland	Poznan	Carl Zeiss Sp. z o.o.	100.0	100.0
Portugal	Setúbal	Carl Zeiss Vision Portugal S.A.	100.0	100.0
Singapore	Singapore	Carl Zeiss India Pte. Ltd.	100.0	100.0
Singapore	Singapore	Carl Zeiss NTS Pte. Ltd.	100.0	100.0
Singapore	Singapore	Carl Zeiss Pte. Ltd.	100.0	100.0
Singapore	Singapore	Carl Zeiss Vision Singapore Pte. Ltd.	100.0	100.0
Slovakia	Bratislava	Carl Zeiss Slovakia, s.r.o.	100.0	100.0
South Africa	Randburg	ANASPEC (Pty.) Ltd.	100.0	100.0
South Africa	Randburg	Carl Zeiss (Pty.) Ltd.	100.0	100.0
South Africa	Gauteng	Carl Zeiss Vision South Africa (Pty) Ltd.	100.0	100.0
Spain	Tres Cantos - Madrid	Carl Zeiss Iberia, S.L.	100.0	100.0
Spain	Tres Cantos - Madrid	Carl Zeiss Meditec Iberia SA	100.0	65.1
Spain	Tres Cantos - Madrid	Carl Zeiss Vision España, S.L.	100.0	100.0
Sweden	Stockholm	Carl Zeiss AB	100.0	100.0
Sweden	Malmö	Carl Zeiss Vision AB	100.0	100.0
Switzerland	Feldbach	Carl Zeiss AG	100.0	100.0
Switzerland	Feldbach	Carl Zeiss Vision Swiss AG	100.0	100.0
Thailand	Bangkok	Carl Zeiss Co. Ltd.	49.0[2]	49.0[2]
Turkey	Ankara	Carl Zeiss Meditec Medikal Cözümler Tic. ve San. A.S	100.0	65.1
United Arab Emirates	Dubai	Carl Zeiss Vision MENA FZE	100.0	100.0
United Kingdom	Cambridge	Carl Zeiss Ltd	100.0	100.0
United Kingdom	Cambridge	Carl Zeiss Microscopy Limited	100.0	100.0
United Kingdom	Birmingham	Carl Zeiss Vision UK Limited	100.0	100.0
United Kingdom	Livingston	HYALTECH Ltd.	100.0	65.1
United Kingdom	Birmingham	SILS Limited	100.0	100.0
USA	Ontario/South California	Aaren Scientific Inc.	100.0	65.1
USA	Thornwood	Carl Zeiss Inc.	100.0	100.0

Country	City	Name of entity	Share in capital acc. to Sec. 285 No. 11 HGB	Beneficial share in capital
			%	%
USA	Minneapolis	Carl Zeiss Industrial Metrology, LLC	100.0	100.0
USA	Dublin	Carl Zeiss Meditec, Inc.	100.0	65.1
USA	Thornwood	Carl Zeiss Microscopy, LLC	100.0	100.0
USA	Thornwood	Carl Zeiss SBE, LLC	100.0	100.0
USA	San Diego	Carl Zeiss Vision Holdings Ltd.	100.0	100.0
USA	San Diego	Carl Zeiss Vision Inc.	100.0	100.0
USA	Pleasanton	Carl Zeiss X-ray Microscopy, Inc.	100.0	100.0
USA	Pembroke	FCI Ophthalmics Inc.	100.0	65.1
Venezuela	San Diego	Carl Zeiss Vision Venezuela Industria Optica C.A.	100.0	100.0

2. Non-consolidated subsidiaries

Germany	Cologne	Carl Zeiss 3D Metrology Services GmbH Köln	80.0	80.0
Germany	Garching near Munich	Carl Zeiss 3D Metrology Services GmbH München	100.0	100.0
Germany	Peine	Carl Zeiss 3D Metrology Services GmbH Peine	80.0	80.0
Germany	Oberkochen	Carl Zeiss Achte Vorratsgesellschaft mbH	100.0	100.0
Germany	Oberkochen	Carl Zeiss Dritte Vorratsgesellschaft mbH	100.0	100.0
Germany	Aalen	Carl Zeiss EyeTec GmbH	100.0	100.0
Germany	Oberkochen	Carl Zeiss Grundstücks-Verwaltungs GmbH	100.0	100.0
Germany	Dresden	Carl Zeiss Innovationszentrum für Messtechnik GmbH	51.0	51.0
Germany	Wangen	Carl Zeiss Optical Components GmbH	100.0	100.0
Germany	Cologne	Carl Zeiss Retrofit und Service GmbH	100.0	100.0
Germany	Oberkochen	Carl Zeiss Sechste Vorratsgesellschaft mbH	100.0	100.0
Germany	Oberkochen	Carl Zeiss Siebte Vorratsgesellschaft mbH	100.0	100.0
Germany	Aalen	Carl Zeiss Smart Optics GmbH	100.0	100.0
Germany	Oberkochen	Carl Zeiss Venture Beteiligungsgesellschaft mbH	100.0	100.0
Germany	Aalen	Carl Zeiss Vision Erste Vorratsgesellschaft mbH	100.0	100.0
Germany	Oberkochen	Gusto Gourmet GmbH	100.0	100.0
Germany	Essingen	Holometric Technologies Forschungs- und Entwicklungs-GmbH	100.0	100.0
Belarus	Minsk	Zeiss-BelOMO OOO	60.0	60.0
Croatia	Zagreb	Carl Zeiss d.o.o.	100.0	100.0
Denmark	Birkerød	Brock & Michelsen Invest A/S	100.0	100.0
France	Paris	HEXAVISION Sarl	100.0	65.1
Hungary	Budapest	Carl Zeiss Technika Kft.	100.0	100.0
Poland	Slupsk	OptiMedi Sp. z o.o.	91.1	58.3
Poland	Slupsk	OptiNav Sp. z o.o.	64.0	64.0
Romania	Bucharest	Carl Zeiss Instruments s.r.l.	100.0	100.0
Slovenia	Ljubljana	Carl Zeiss d.o.o.	100.0	100.0
Taiwan	Hsinchu City	Carl Zeiss NTS Pte. Ltd.	100.0	100.0
Turkey	Istanbul	Carl Zeiss Teknoloji Cözümleri Ticaret Limited Sirketi	100.0	100.0
USA	San Diego	American Optical IP Corporation	100.0	100.0

Country	City	Name of entity	Share in capital acc. to Sec. 285 No. 11 HGB	Beneficial share in capital
			%	%
2. Non-consolidated subsidiaries				
USA	Novi/Michigan	Carl Zeiss Metrology Services Inc.	80.0	80.0
Zimbabwe	Harare	Carl Zeiss (Pvt.) Ltd., (Zimbabwe)	100.0	100.0
3. Associates not accounted for using the equity method				
Germany	Jena	JENAER BILDUNGSZENTRUM gGmbH SCHOTT CARL ZEISS JENOPTIK	33.3	33.3
Germany	Eggenstein-Leopoldshafen	Nanoscribe GmbH	39.9	39.9
Germany	Mainz	SCHOTT-ZEISS ASSEKURANZKONTOR GmbH	50.0	50.0
Germany	Meiningen	μ-GPS Optics GmbH	24.6	24.6
Denmark	Nørresundby	3D-CT A/S	49.0	49.0

[1] In accordance with Sec. 264 (3) HGB or Sec. 264b HGB, these entities are exempted from the duty to publish their financial statements
[2] Majority of voting rights

Auditors’ Report

We have audited the consolidated financial statements prepared by Carl Zeiss AG, Oberkochen, comprising the income statement, the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the notes to the consolidated financial statements, together with the group management report for the fiscal year from 1 October 2015 to 30 September 2016. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ["Handelsgesetzbuch": German Commercial Code] are the responsibility of the parent company’s management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB 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 consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group 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 consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group’s position and suitably presents the opportunities and risks of future development.

Stuttgart, 14 December 2016

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Prof. Dr. Schmidt	Dr. Jungblut
Wirtschaftsprüfer	Wirtschaftsprüfer
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Editors: Christina Mayer, Andreas Kopf

Design: Carl Zeiss AG

Photography: Page 4: Anna Schroll; Page 7: Manfred Stich; Page 9: Anna Schroll, Jürgen Scheere, Trevor Johnson, publication "Carl Zeiss. A biography 1816–1888", ISBN: 978-3-412-50387-1, published by Böhlau Verlag; Page 11: Manfred Stich; Page 12/13: Manfred Stich, Wolf Jockusch, Fellowes Inc., visuarte; Page 16: YWAM Medical Ships; Page 18: Manfred Stich

Print: Gmähle-Scheel Print-Medien GmbH, Waiblingen

Printed copies of the short version of the Annual Report 2015/16 can be ordered under **www.zeiss.com/annualreport** in German and in English.

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

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

This is a translation of the original German-language Annual Report of the ZEISS Group. The ZEISS Group shall not assume any liability for the correctness of this translation. If the texts differ, the German report shall take precedence.

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