Consolidated management report
for financial year 2013/2014[1]

THE CARL ZEISS MEDITEC GROUP

Business

A distinction is made within the Carl Zeiss Meditec Group essentially between two main areas in which the Company operates: Ophthalmology and Microsurgery.

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

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

Microsurgery
In the **"Microsurgery"** SBU, the Carl Zeiss Meditec Group offers surgical microscopes and visualization solutions, e. g. for ear, nose and throat surgery, or neurosurgery. These products are mainly used to assist with the removal of tumors, as well as the treatment of vascular diseases and functional disorders. In addition, in the financial year under review this SBU also offered various products for ophthalmic surgery, such as surgical microscopes and visualization systems for displaying the retina. The future technologies for intraoperative radiation therapy have also been assigned to this SBU.

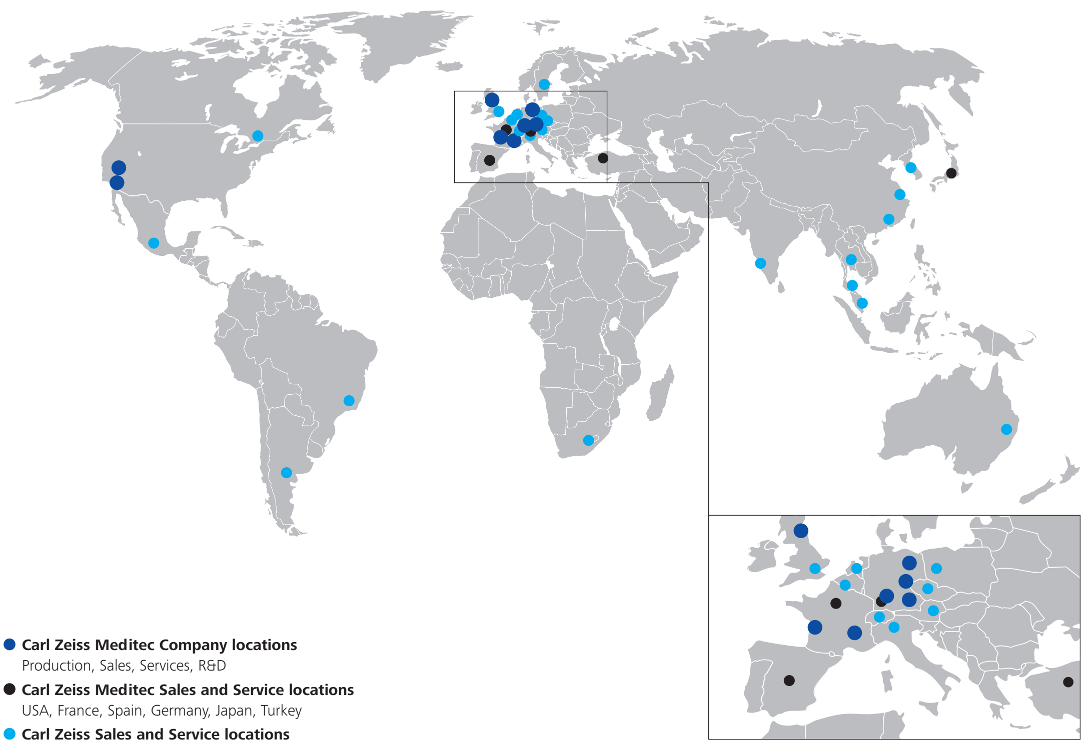
[1] This management report contains certain forward-looking statements concerning the development of the Carl Zeiss Meditec Group. At the present time, we assume that these forward-looking statements are realistic. However, such forward-looking statements are based both on assumptions and estimates that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

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

Markets

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

Figure 1: Carl Zeiss Meditec Group/locations

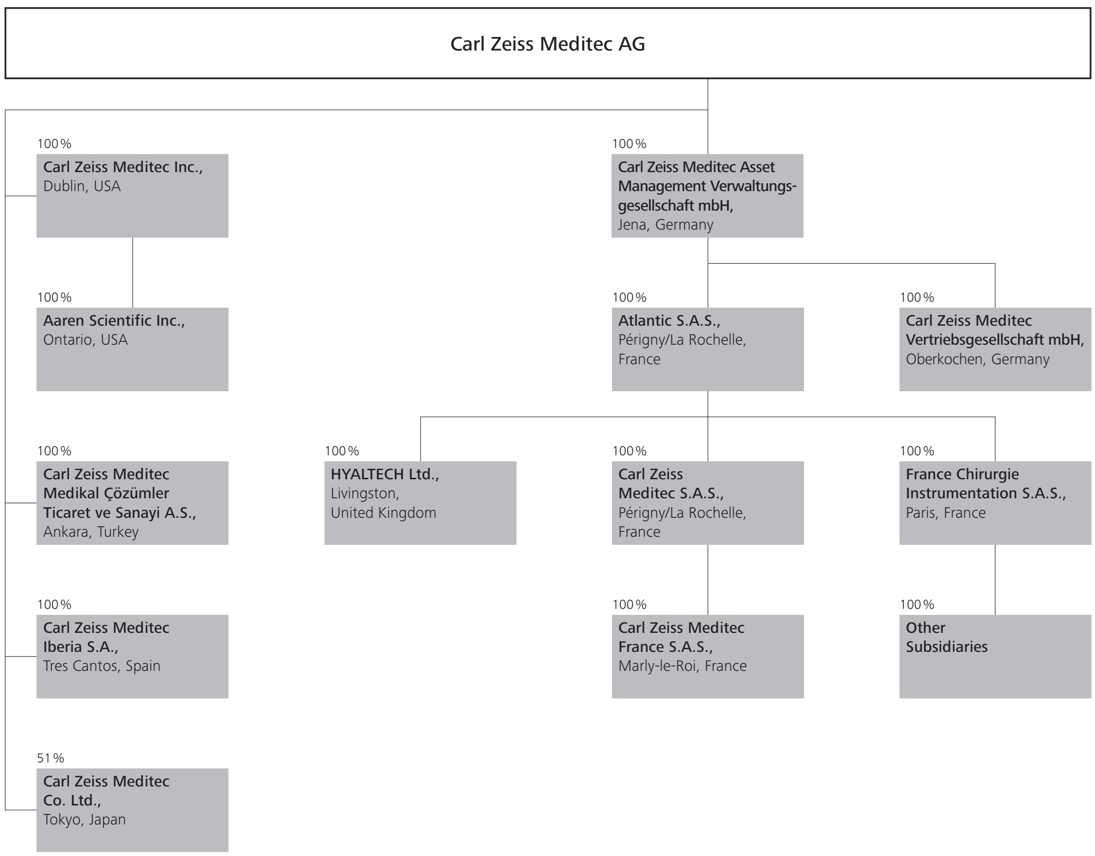


- **Carl Zeiss Meditec Company locations**
  Production, Sales, Services, R&D
- **Carl Zeiss Meditec Sales and Service locations**
  USA, France, Spain, Germany, Japan, Turkey
- **Carl Zeiss Sales and Service locations**

Group structure

Carl Zeiss Meditec AG, Jena, Germany, is the parent company of the Carl Zeiss Meditec Group ("Carl Zeiss Meditec Group", the "Group", the "Company"), which comprises additional subsidiaries. These are presented in the chart below, which shows the investment structure of the Carl Zeiss Meditec Group as of 30 September 2014.

Figure 2: Investment structure of the Carl Zeiss Meditec Group as of 30 September 2014



No changes were made to the Group's reporting entity or the structure of its consolidate financial statements in financial year 2013/2014.

At the end of the first quarter Carl Zeiss Meditec AG assumed 100 percent of the shares in the distribution and service company Optronik A.S., which is domiciled in Ankara, Turkey. Carl Zeiss Meditec AG assumed the business activities of the company with effect from 30 December 2013, as contractually agreed.

Furthermore, on 7 January 2014 Carl Zeiss Meditec Inc., Dublin, USA acquired 100 % of the shares in U.S. intraocular lens manufacturer, Aaren Scientific Inc., which is domiciled in Ontario, California, USA. Aaren Scientific Inc. is a company engaged in the research, development, manufacture and global distribution of intraocular lenses for cataract surgery. Aaren Scientific Inc. has been integrated in the strategic business unit "Surgical Ophthalmology" and supplements the existing locations Berlin in Germany and La Rochelle in France. This acquisition is an important strategic step for Carl Zeiss Meditec Group in terms of generating further growth in the "Surgical Ophthalmology" SBU in future.

On 5 November 2013 Carl Zeiss Meditec S.A.S., Périgny/La Rochelle, France transferred 100 percent of the shares of Carl Zeiss Meditec Vertriebsgesellschaft mbH to Carl Zeiss Meditec Asset Management Verwaltungsgesellschaft mbH.

Group strategy

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

Our corporate strategy therefore focuses on the success factors "Innovation", "Workflow Solutions" and "Customer Focus". The focus is therefore on making cutting-edge technology in medical application accessible to customers. The Company is therefore striving to establish its products as new gold standards in medical diagnostics and therapy. The broad product range, on the one hand, and the integration of the devices into specially developed data management and analysis platforms, on the other, aim to generate value-added for the customer. The objective is to fully reproduce workflows at our customers and thus increase efficiency in daily practice. The customers of Carl Zeiss Meditec value the support and service, in order to be able to satisfy the ever-growing demands for treatment quality and efficiency. At the same time, Carl Zeiss Meditec's customers are important partners for us to develop products according to the requirements of the market. Another key growth driver over the next few years shall therefore be the constant contact the Company has with its customers through the continuous expansion of its global service business.

Group management

The overriding corporate objective is to contribute to the advancement of medical technology with targeted innovations and thus generate long-term value-added for the Group. The tools for the financial management of the Carl Zeiss Meditec Group comprise a comprehensive system of key performance indicators. The greatest importance is attached to Economic Value Added® ("EVA®")[2], free cash flow[3], the EBIT margin and revenue growth. These control ratios define the balance between growth, profitability and financial power, upon which sustainable growth of the Company is built.

These are supplemented by strategic measures and projects in the areas of customer excellence, people/performance culture and operational excellence.

BUSINESS REPORT

Underlying conditions for business development

Macroeconomic conditions

Global economic growth in the reporting period was more restrained than forecast. The dynamic markets of Asia, for example India and China, continued to grow at an above-average rate, if also slower than anticipated. The markets of Latin America – particularly Brazil – showed a slowdown in growth. Market growth in the industrialized countries was moderate in financial year 2013/2014, although the revival in the USA was less pronounced than expected. The euro crisis continued to be a major political and economic issue, which had an adverse effect on industry and public sector investment activities.

Situation in the medical technology sector

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

[2] Calculation: EVA® = operating result after taxes minus capital costs.
[3] Calculation: FCF = EBIT +/- changes in trade receivables +/- changes in inventories, including advance payments +/- changes in provisions (excluding provisions for pensions and tax provisions) +/- changes in current accrued liabilities +/- changes in trade payables [- increase in investments in property, plant and equipment and intangible assets] [+ write down of investments in property, plant and equipment and intangible assets] = Free Cash Flow.

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

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

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

a) Market for ophthalmic products

The market for ophthalmic products in the broader sense includes devices and systems for the diagnosis, treatment and post-treatment of ophthalmic diseases, implants for ophthalmic surgery and pharmaceuticals for ophthalmology, contact lenses, contact lens care products, consumables, but excludes glasses and glasses frames. According to the Company's estimates, the market had a global volume of around USD 34.3 billion (about € 26.1 billion) in 2013.

The Group's product range includes devices and systems, implants, consumables and instruments for ophthalmology and ophthalmic surgery. According to the Group's estimates, these sub-markets had a volume of around USD 9.4 billion, or around € 7.2 billion, in 2013.

The Company estimates its share of the "devices and systems for ophthalmology" market segment, traditionally served by the Company, at about 20 % in 2013. In the market segment "implants, consumables and instruments for ophthalmic surgery", the Carl Zeiss Meditec Group estimates its global market share in 2013 at about 3 % to 4 %. However, our regional market shares in the countries the Company is currently focusing on range between 5 % and 20 %.

Based on the information at hand, the Group estimates that it sustained its market share overall in the market segments it addresses, in comparison with the previous year.

b) Market for microsurgery products

Besides ophthalmology, the Company also operates in the market for microsurgery, particularly neuro/ear, nose and throat surgery ("neuro/ENT surgery"). The overall neuro/ENT surgery market is divided into three market segments: "Implants", "Surgical instruments" and "Visualization".

In the "Visualization" market segment served by the Company a distinction can be made between the sub-segments "Surgical Microscopes" and "Other Visualization". According to the Group's estimates, this market segment had a total volume of around USD 1.4 billion, or over € 1.0 billion, in 2013. With a market share which it estimates at over 20 %, the Carl Zeiss Meditec Group is one of the largest providers in this segment. According to own estimates, the Carl Zeiss Meditec Group continues to be the global market leader in the sub-segment "Surgical microscopes", with a market share of more than 50 %.

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

In financial year 2013/2014 the Carl Zeiss Meditec Group generated revenue of € 909.3 million, which is at the lower end of the forecast range of € 910 – € 940 million. All three strategic business units and regions contributed to this growth to varying degrees.

The competitive situation in the strategic business unit "Ophthalmic Systems" remained very tense during the financial year. Certain sections of this SBU were therefore faced with declining market shares. In the strategic business unit "Surgical Ophthalmology", on the other hand, the Group further improved its position, as expected, with revenue growth of over 20 %. The strategic business unit "Microsurgery" also found itself in a challenging environment during the year, which was characterized by a slowdown in growth. Nevertheless, the business unit maintained its leading market position, as anticipated.

Taking these challenges into consideration, the Company considers the development of business to be satisfactory.

At 13.3 %, the EBIT margin was down compared with the previous year (previous year 14.6 %). At the beginning of the financial year, the Company was still aiming to stabilize the EBIT margin at the level achieved. The decline that has occurred since then compared with the previous year is due, among other things, to the effects of acquisitions and negative currency effects.

The aim to achieve operative cash flow in the high double-digit million range was achieved by the Group in financial year 2013/2014, with € 63.1 million.

At € 93.6 million, free cash flow is almost on the previous year's level (previous year € 91.6 million).

EVA is down compared with the previous year, from € 65.8 million to € 41.7 million. This development is attributable to a lower operating result (EBIT) than the previous year, and to the increase in business assets, particularly as a result of the acquisitions.

In order to increase its innovative strength, to ensure the Company's future growth and sustainable performance, the Company has up to now invested around 10 – 11 % of its revenue each year in research and development (R&D), as budgeted. R&D spending was also on this level in the past financial year, amounting to 11.0 % of revenue.

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

Table 1: Comparison of actual business development with forecast development in financial year 2013/2014

	Forecast Financial year 2013/2014	**Results Financial year 2013/2014**
Revenue	€ 910 – 940 million	€ 909.3 million
EBIT margin	Target by 2015: 15 %	13.3 %
Cash flow from operating activities	High double-digit millions	€ 63.1 million
Research and development expenses/revenue	~ 10 %	11.0 %
Free cash flow	–	€ 93.6 million
Economic Value Added® ("EVA®")	–	€ 41.7 million

Results of operations

Presentation of results of operations[4]

Table 2: Summary of key ratios in the consolidated income statement (figures in € ’000, unless otherwise stated)

	Financial year 2012/2013	**Financial year 2013/2014**	Change
Revenue	906,445	909,255	+0.3 %
Gross margin	*53.8 %*	*53.7 %*	*-0.1 %-pts*
EBITDA	151,329	138,658	-8.4 %
EBITDA margin	*16.7 %*	*15.2 %*	*-1.5 %-pts*
EBIT	132,610	120,705	-9.0 %
EBIT margin	*14.6 %*	*13.3 %*	*-1.3 %-pts*
Earnings before tax	145,635	114,537	-21.4 %
Tax rate	*32.9 %*	*30.9 %*	*-2 %-pts*
Consolidated net income after non-controlling interests	92,131	74,954	-18.6 %
Earnings per share after non-controlling interests	€ 1.13	€ 0.92	-18.6 %

Revenue

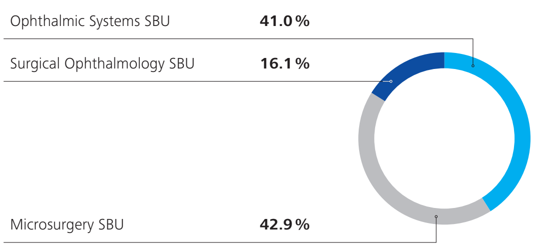
In the reporting period the Carl Zeiss Meditec Group increased its revenue slightly, by 0.3 % (adjusted for currency effects: 3.0 %), from € 906.4 million to € 909.3 million. All strategic business units and business regions contributed to this growth to greatly varying degrees.

[4] The previous year was adjusted due to the amendment to IAS 19. Note 2 (u) "Recent pronouncements on accounting principles" in the accompanying notes to the financial statements contains further information on this.

a) Consolidated revenue by strategic business unit

In the reporting year almost 84 % of total revenue was attributable to the two largest strategic business units, **"Ophthalmic Systems"** and **"Microsurgery"**. The "Ophthalmic Systems" SBU accounted for 41.0 % of this revenue (previous year 43.1 %). The "Microsurgery" SBU contributed 42.9 % (previous year 43.5 %) of consolidated revenue. The share of revenue generated by the **"Surgical Ophthalmology"** SBU increased further, from 13.4 % in the same period of the previous year, to 16.1 %.

Figure 3: Share of strategic business units in consolidated revenue in financial year 2013/2014



Revenue in the strategic business unit **"Ophthalmic Systems"** declined by 4.6 % compared with the previous year, to € 372.9 million (previous year € 391.0 million). This revenue decline was mainly due to negative currency effects; thus, based on constant exchange rates, revenue was down only slightly, by 1.8 %, compared with the previous year. The environment remained very difficult due to intense competition, particularly in the diagnostic instruments segment.

With an increase in revenue of 20.3 %, from € 121.3 million to € 146.0 million, the **"Surgical Ophthalmology"** SBU made a very positive contribution to growth in the past financial year. Even without taking the consolidation of Aaren Scientific Inc. into account, the SBU achieved a clear double-digit percentage organic growth rate. This business remained largely unaffected by foreign exchange rate fluctuations, so that, based on constant exchange rates, revenue growth was on almost the same level as the previous year, at 20.2 %.

This business unit continued to benefit in particular from the growing demand for innovative intraocular lenses and multifocal and toric premium lenses for minimally invasive cataract surgery. The AT LISA® tri toric, an advancement of the AT LISA® tri with added astigmatism correction, established itself very successfully on the market in the reporting period following its launch at the beginning of financial year 2013/2014.

At the start of financial year 2013/2014 Carl Zeiss Meditec Inc. had acquired 100 % of the shares in the U.S. company Aaren Scientific Inc., which is engaged in research and development, and in the production and global distribution of intraocular lenses for cataract surgery. This acquisition is an important strategic step for Carl Zeiss Meditec Group in terms of generating further growth in the "Surgical Ophthalmology" SBU in future. At the end of financial year 2013/2014 the Carl Zeiss Meditec Group was already able to launch the CT LUCIA®, the first intraocular lens in the standard segment to be manufactured at the new site in Ontario.

The strategic business unit **"Microsurgery"** generated revenue of € 390.4 million in the financial year under review (previous year € 394.2 million), in spite of persistently high exchange rate losses, and was therefore almost on a par with the previous year (- 1.0 %). Adjusted for currency effects, the SBU grew by 2.2 %. The strongest sales drivers were the surgical microscopes for neurosurgery and ENT surgery.

Figure 4: Consolidated revenue by strategic business unit (figures in € '000)

	Financial year 2013/2014	Financial year 2012/2013	Change
Ophthalmic Systems SBU	**372,892**	390,954	-4.6 %
Surgical Ophthalmology SBU	**145,982**	121,310	+20.3 %
Microsurgery SBU	**390,381**	394,181	-1.0 %
Consolidated revenue	**909,255**	906,445	

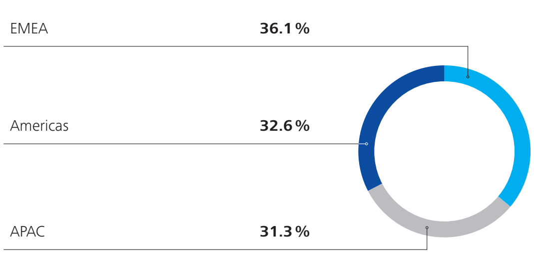
Figure 5: Consolidated revenue by strategic business unit based on constant exchange rates (figures in € '000)

	Financial year 2013/2014	Financial year 2012/2013	Change
Ophthalmic Systems SBU	**372,892**	379,594	-1.8 %
Surgical Ophthalmology SBU	**145,982**	121,495	+20.2 %
Microsurgery SBU	**390,381**	381,829	+2.2 %
Consolidated revenue	**909,255**	882,918	

b) Consolidated revenue by region

The Carl Zeiss Meditec Group has a very balanced range of business activities worldwide, with each of its three business regions generating around one third of its total revenue. In the past financial year 36.1 % of consolidated revenue was attributable to the region **"Europe, Middle East and Africa" ("EMEA")**. The **"Americas"** and **"Asia/Pacific" ("APAC")** regions accounted for 32.6 % and 31.3 %, respectively, of the Group's total revenue. The "EMEA" and "APAC" regions made a positive contribution to growth in financial year 2013/2014, while the "Americas" region declined due, among other things, to the strong previous year basis.

Figure 6: Consolidated revenue by region in financial year 2013/2014



The **"EMEA"** region increased its revenue by a total of 6.7 % (adjusted for currency effects: +6.6 %), to € 328.1 million (previous year € 307.6 million). A good level of overall growth was achieved in the core markets, including Germany, France and the United Kingdom. The countries of Southern Europe, as a whole, and the Middle East, achieved growth. Revenue growth in Russia, however – which contributed significantly to this region's revenue growth in the past two years, due to government investment schemes – was curtailed, as expected, by the expiry of these investment schemes.

In the **"Americas"** region revenue decreased by 9.4 % to € 296.8 million (previous year € 327.5 million). Adjusted for currency effects, this decline amounted to 6.8 %. A major contributor to this decline was subdued growth in the U.S. market following a strong performance the previous year. Some countries of South America continued to grow.

Revenue in the **"APAC"** region grew by 4.8 % in the year under review, from € 271.4 million in the previous year to € 284.4 million. As expected, revenue growth in Japan was volatile during the year, and slowed considerably in the second half of the year, after a strong first six months, due, among other things, to pull-forward effects in connection with the VAT increase on 1 April 2014. Substantial contributions to growth came from China and Australia. Currency effects continued to have a noticeable impact in this region, due, in particular, to the considerable volatility of the Japanese yen in the reporting period. Adjusted for currency effects, the region increased its revenue by 10.8 %.

Figure 7: Consolidated revenue by region (figures in € ’000)

	Financial year 2013/2014	Financial year 2012/2013	
EMEA	**328,063**	307,587	+6.7 %
Americas	**296,781**	327,481	-9.4 %
APAC	**284,411**	271,377	+4.8 %
Consolidated revenue	**909,255**	906,445	

Figure 8: Consolidated revenue by region based on constant exchange rates (figures in € ’000)

	Financial year 2013/2014	Financial year 2012/2013	
EMEA	**328,063**	307,740	+6.6 %
Americas	**296,781**	318,463	-6.8 %
APAC	**284,411**	256,715	+10.8 %
Consolidated revenue	**909,255**	882,918	

Gross profit

In financial year 2013/2014 gross profit increased from € 487.5 million to € 488.4 million. The corresponding gross margin for the reporting period amounts to 53.7 % (previous year 53.8 %).

Functional costs

Functional costs for the first six months of the reporting year amount to € 367.7 million (previous year € 354.8 million), thus increasing slightly disproportionately to revenue, by 3.6 %. Accordingly, the share of functional costs in revenue increased, from 39.1 % last year, to 40.4 %. The absolute increase in costs is mainly attributable to the acquisitions of Aaren Scientific Inc. and Optronik A.S., as well as higher brand licensing costs proportionate to revenue, which led to an increase in selling and marketing expenses.

» **Selling and marketing expenses:** Selling and marketing expenses increased by 5.2 % in the year under review, from € 215.0 million to € 226.1 million. The acquisitions of Aaren Scientific Inc. and Optronik A.S., as well as higher brand licensing costs, mainly resulted in a rise in selling and marketing costs. In relation to sales revenues, selling and marketing expenses increased slightly, to 24.9 % (previous year 23.7 %).

» **General and administrative expenses:** Expenses in this area decreased slightly, by 1.0 %, to € 41.8 million (previous year € 42.2 million). Their share of revenue also decreased slightly, from 4.7 % in the previous year, to 4.6 %.

» **Research and development expenses (R&D):** The Carl Zeiss Meditec Group continuously invests in R&D, in order to further develop its product portfolio and ensure further growth. R&D expenses increased by 2.2 % in the first quarter, to € 99.8 million (previous year € 97.6 million). The R&D ratio remained almost the same as in the previous year, at 11.0 % (previous year 10.8 %).

Development of earnings
The Carl Zeiss Meditec Group uses earnings before interest and taxes (EBIT = operating result) as a key performance indicator. **EBIT** for the reporting period amounts to € 120.7 million (previous year € 132.6 million). This corresponds to an EBIT margin of 13.3 % (previous year 14.6 %). The decline compared with the previous year is due, among other things, to the effects of acquisitions. Negative currency effects also reduced the operating result.

Figure 9: EBIT and EBIT margin over a five-year period (figures in € '000)

Financial year 2009/2010	86,743	12.8 %
Financial year 2010/2011	103,566	13.6 %
Financial year 2011/2012	122,900	14.3 %
Financial year 2012/2013	132,610	14.6 %
Financial year 2013/2014	**120,705**	**13.3 %**

Earnings before interest, taxes and depreciation **(EBITDA)** amounted to € 138.7 million for the past financial year (previous year € 151.3 million). The **EBITDA margin** thus amounted to 15.2 % (previous year 16.7 %).

Figure 10: EBITDA and EBITDA margin over a five-year period (figures in € '000)

Financial year 2009/2010	107,713	16.1 %
Financial year 2010/2011	122,508	16.1 %
Financial year 2011/2012	140,795	16.3 %
Financial year 2012/2013	151,329	16.7 %
Financial year 2013/2014	**138,658**	**15.2 %**

Interest income/expenses (net) amounted to € - 0.06 million in the reporting period (previous year € - 1.4 million).

Currency effects arose in the form of foreign currency losses in the amount of € 5.7 million (previous year € 14.5 million), mainly as a result of the valuation of currency forward contracts as of 30 September 2014.

The **tax rate** for the reporting period amounts to 30.9 % (previous year 32.9 %). Generally, an average annual tax rate of between 31 % and 33 % is assumed.

Consolidated net income attributable to shareholders of the parent company for financial year 2013/2014 amounts to € 75.0 million and thus decreased by 18.6 % (previous year € 92.1 million). This decline was to a large extent due to negative valuation results from currency hedging transactions, which were offset by gains in the previous year. **Non-controlling interests** accounted for € 4.2 million of this (previous year € 5.6 million). In financial year 2013/2014 basic **earnings per share of the parent company** thus amount to € 0.92 (previous year € 1.13).

Financial position

Objectives and principles of financial management
A primary objective of financial management at the Carl Zeiss Meditec Group is to ensure the solvency of the Company and to manage this efficiently throughout the Group. The Group's main source of liquidity comes from the business operations of the individual business units, upon which the financial activities and the strategic orientation of the Group are also

based. The Company therefore operates a global financial management system that encompasses all of its subsidiaries and is centrally organized at Group level. The Company also strives to continuously improve its financial power and reduce financial risks by keeping a constant check on the solvency of its debtors, which also involves the use of financial instruments.

The Company deposits any liquidity it does not require at normal market conditions with the Group treasury of Carl Zeiss AG. When investing surplus liquidity, short-term availability generally comes before the goal of maximizing earnings, so that funds can be accessed quickly if, for example, acquisition opportunities arise, as was the case at the beginning of the reporting year. The Group has production plants in the USA and Europe. This minimizes the effect of currency fluctuation. The remaining currency risk is hedged by simple futures trading. Details on these can be found in the notes to the consolidated financial statements under "(2) (h) Financial instruments", "(26) Additional disclosures on financial instruments", "(35) Financial risk management, (2) (t) and (32) "Related party disclosures".

Financial management

The ratio of borrowed capital to equity increased to 37.8 % as of 30 September 2014 (30 September 2013: 37.4 %).

The Group's dynamic debt ratio[5] stands at 1.5 years for financial year 2013/2014 (previous year 0.8 years). The Company is thus still in a position to settle is net debt within less than one-and-a-half years using cash flow from its operating activities.

The interest coverage ratio, i. e., the coverage of interest income by the operating result before depreciation and amortization (EBITDA), amounts to 137.1 (previous year 72.0).

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

For further information on the financial liabilities of Carl Zeiss Meditec AG please refer to note "(23) Non-current financial liabilities", "(24) Current accrued liabilities" and "(25) Other current non-financial liabilities" in the accompanying notes to the consolidated financial statements.

Since the Group possesses enough cash funds to finance its operating and strategic objectives, changes in credit conditions are not currently having any material effect on the Company's financial situation.

Separate reporting on financial instruments

The Carl Zeiss Meditec Group is exposed to currency fluctuation risks, due to its international business activities in numerous different currencies. Significant currency risks are hedged against with hedging transactions, based on a rolling business plan.

Hedges are mainly transacted centrally by Carl Zeiss Financial Services GmbH. The services provided by Carl Zeiss Financial Services GmbH to Carl Zeiss Meditec AG and its subsidiaries are regulated by corresponding general agreements. The hedges are processed by Carl Zeiss Financial Services GmbH with external business banks. Hedges are processed exclusively by banks with a high credit rating from leading agencies. Value-at-risk analyses, together with scenario, sensitivity and stress test analyses, are implemented during risk control and monitoring to quantify the currency risks. Hedging rates are specified for operative control of all relevant currencies. In addition, limits were defined to limit risks relating to contracting parties and transaction types. Contracts only exist with renowned financial institutions with international operations. Derivative financial instruments are not used for speculative purposes.

The business transactions are executed with strict separation of functions between the front office (trade), middle office (financial risk management, controlling) and back office (processing, documentation).

Statement of cash flows

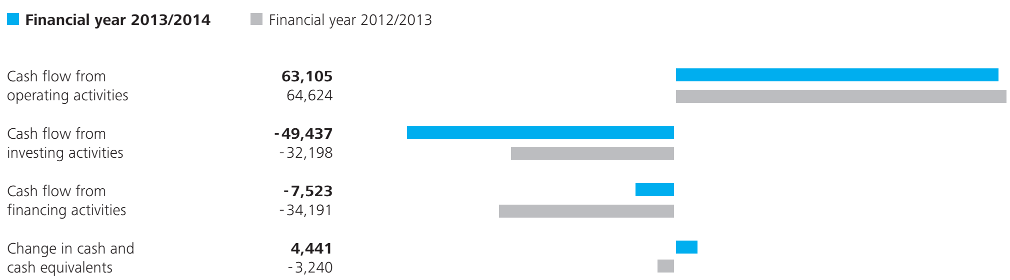
The Carl Zeiss Meditec Group's statement of cash flows shows the origin and utilization of the cash flows within a financial year. The statement of cash flows is also presented with adjustments for the effects of the acquisitions of Aaren Scientific Inc. and Optronik A.S. A distinction is made between cash flows from operating activities and cash flows from investing and financing activities.

Changes in individual items in the income statement and the

[5] Calculation: (Borrowed capital excluding non-controlling interests, less cash and less treasury receivables, plus financial investments in the amount of € 110 million for financial year 2013/2014)/cash flow from operating activities.

statement of financial position are recorded in the statement of cash flows. In contrast, the consolidated statement of financial position presents the figures as they stood at the end of the reporting period on 30 September 2014. As a result, the statements in the analysis of the financial position may differ from the presentation of net assets based on the consolidated statement of financial position.

Figure 11: Summary of key ratios in the consolidated statement of cash flows (figures in € '000)



Cash flow from operating activities amounted to € 63.1 million in the reporting period (previous year € 64.6 million). The amount of operative cash flow was determined primarily by the smaller amount of consolidated net income compared with the previous year. There was also a reduction in receivables of € 16.0 million after receivables increased by € 45.5 million the previous year. Increased stockpiling of inventories due, among other things, to the market launch of a number of products at the end of the financial year, to ensure quick delivery, but also due to the fall in revenue in the fourth quarter, reduced operative cash flow by € 22.1 million. A decrease in trade payables by € 7.5 million also had a curtailing effect in financial year 2013/2014, following an increase of € 8.7 million in this item in the previous year. Higher tax payments than the previous year reduced cash flow from operating activities further.

Cash flow from investing activities amounted to € -49.4 million in the reporting period (previous year € -32.2 million). It should be noted, that there was a higher outflow of cash during the reporting period than in the previous year, due mainly to the acquisition of the longstanding distribution partner Optronik A.S. in Turkey and the U.S. intraocular lens manufacturer Aaren Scientific Inc.

Cash flow from financing activities in the past financial year 2013/2014 amounts to € -7.5 million (previous year € -34.2 million). The difference from the previous year is mainly due to the change in treasury receivables from and payables to the treasury of Carl Zeiss Financial Services GmbH.

Investment and depreciation policy

In order to further expand our good market position in the medical technology sector and achieve a leading market position, we need to make well considered investments. A distinction is made here between two types of investment: capacity expansions and replacement investments. These investments are financed from operative cash flow.

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

Nevertheless, the investment of capital in real assets is only necessary to a relatively limited extent within the Group, which is evident from the development of the capex ratio – the ratio of total investments[6] in property, plant and equipment to consolidated revenue. In financial year 2013/2014 this ratio was 1.9 %, as in the previous financial year.

At Carl Zeiss Meditec AG and its subsidiaries intangible assets and property, plant and equipment are subject to scheduled, straight-line amortization and depreciation, respectively, over their estimated useful lives. Further details on this can be found in note "(2) (f) Other intangible assets" and "(2) (g) Property, plant and equipment" in the accompanying notes to the consolidated financial statements.

Key ratios relating to financial position

Table 3: Key ratios relating to financial position (figures in € '000)

Key ratio	Definition	30 September 2013	30 September 2014	Change
Cash and cash equivalents	Cash-on-hand and bank balances	6,286	10,727	70.6 %
Cash and cash equivalents plus treasury receivables from/payables to the Group treasury of Carl Zeiss AG	Cash-on-hand and bank balances + Treasury receivables from Group treasury of Carl Zeiss AG[7] ./. Treasury payables to Group treasury of Carl Zeiss AG	351,839	293,319	- 16.6 %
Net working capital	Current assets including financial investments ./. Cash and cash equivalents ./. Treasury receivables from Group treasury of Carl Zeiss AG[8] ./. Current liabilities excl. treasury payables to Group treasury of Carl Zeiss AG	316,377	312,453	- 1.2 %
Working capital	Current assets ./. Current liabilities	528,216	495,772	- 6.1 %

Table 4: Key ratios relating to financial position

Key ratio	Definition	Financial year 2012/2013	Financial year 2013/2014	Change
Cash flow per share	Cash flow from operating activities / Weighted average number of shares outstanding	€ 0.79	€ 0.78	- 1.3 %
Capex ratio	Investment (cash) in property, plant and equipment / Consolidated revenue	1.9 %	1.9 %	+- 0.0 %-pts

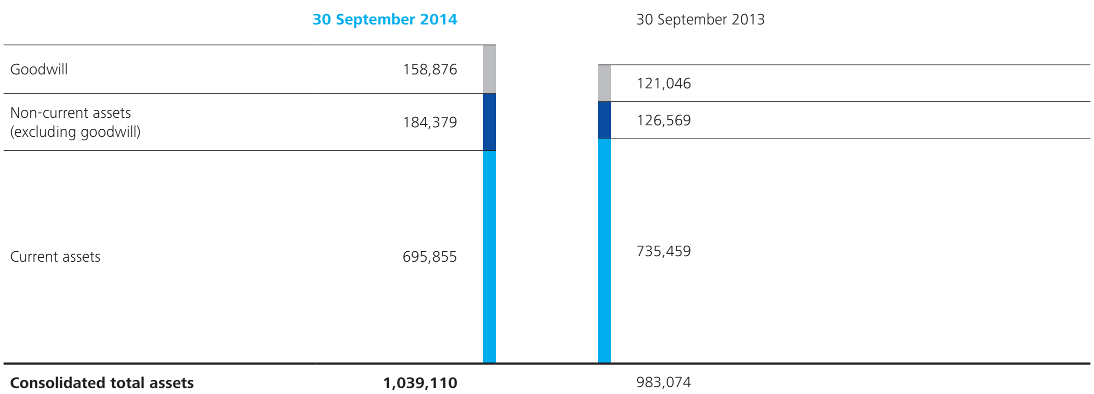
[6] In financial year 2013/2014 investments in property, plant and equipment (cash) totaled € 11.1 million, compared with € 9.7 million the previous year.
[7] 30 September 2013, including financial investments of € 140 million; 30 September 2014, including financial investments of € 110 million.
[8] 30 September 2013, excluding financial investments of € 140 million; 30 September 2014, excluding financial investments of € 110 million.

Net assets

Presentation of net assets

Total assets increased to € 1,039.1 million as of 30 September 2014 (30 September 2013: € 983.1 million). This increase is mainly attributable to the acquisition of Aaren Scientific Inc. and Optronik A.S.

Figure 12: Structure of the consolidated statement of financial position: assets (all figures in € ’000)



Non-current assets increased mainly due to the increase in goodwill associated with the acquisition of Optronik A.S. and Aaren Scientific Inc. and to the increase in intangible assets, from € 247.6 million on 30 September 2013 to € 343.3 million on 30 September 2014.

There were significant changes in current assets as of 30 September 2014 (€ 695.9 million; 30 September 2013: € 735.5 million), attributable mainly to the reduction in treasury receivables (€ 290.6 million, 30 September 2013: € 352.4 million), primarily due to the acquisition of Optronik A.S. and Aaren Scientific Inc. Current trade receivables also decreased as of the end of the reporting period, from € 150.0 million as of 30 September 2013, to € 142.6 million as of 30 September 2014. Inventories increased to € 172.4 million as of 30 September 2014 (30 September 2013: € 148.5 million), due, among other things, to the stockpiling of inventories in the course of several product launches at the end of the financial year, as well as to the acquisitions of Aaren Scientific Inc. and Optronik A.S.

Figure 13: Structure of the consolidated statement of financial position: liabilities (all figures in € ’000)

	30 September 2014	30 September 2013
Non-current liabilities	**84,800**	60,517
Current liabilities	**200,083**	207,243
Equity	**754,227**	715,314
Consolidated total assets	**1,039,110**	983,074

The equity recognized in the Carl Zeiss Meditec Group’s statement of financial position amounts to € 754.2 million as of 30 September 2014 (30 September 2013: € 715.3 million). The equity ratio is 72.6 % (30 September 2013: 72.8 %) and thus remains high.

Non-current liabilities amounted to € 84.8 million as of 30 September 2014 (30 September 2013: € 60.5 million). Deferred taxes increased primarily as a result of the acquisitions of Aaren Scientific Inc. and Optronik A.S. Provisions for pensions also increased due to adjustments to interest rates.

Current liabilities (€ 200.1 million; 30 September 2013: € 207.2 million) decreased due, among other things, to a change in current provisions. The increase in derivative items as a result of hedging transactions increased current financial liabilities.

Key ratios relating to net assets

Table 5: Key ratios relating to net assets

Key ratio	Definition	30 September 2013	**30 September 2014**	Change
Equity ratio	Equity (incl. non-controlling interests) / Total assets	72.8 %	72.6 %	-0.2 %-pts
Inventories in % of rolling 12-month revenue	Inventories (net) / Rolling revenue of the past twelve months as of the end of the reporting period	16.4 %	19.0 %	+2.6 %-pts
Receivables in % of rolling 12-month revenue	Trade receivables as of the end of the reporting period (including non-current receivables) / Rolling revenue of the past twelve months as of the end of the reporting period	24.1 %	23.1 %	-1.0 %-pts

Orders on hand

The Carl Zeiss Meditec Group’s orders on hand increased. As of 30 September 2014 orders on hand amounted to € 126.6 million, which corresponds to an increase of 23.6 % compared with the previous year (30 September 2013: € 102.4 million). This increase as of the end of the reporting period is due in part to product launches at the end of the fourth quarter, and to the effects of acquisitions.

Events of particular significance

There were no other events of particular significance during financial year 2013/2014.

NON-FINANCIAL PERFORMANCE INDICATORS

Employees

Highly qualified and motivated employees are a necessity for assuring the long-term success of a company. Responsible human resources development and continuous improvement play a crucial role in this. As of 30 September 2014 the Carl Zeiss Meditec Group had 2,972 employees worldwide (previous year 2,540). The year-on-year increase in the number of employees is mainly due to the acquisitions of Aaren Scientific Inc. and Optronik A.S.

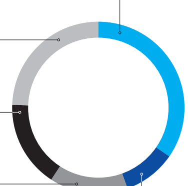
Figure 14: Workforce of the Carl Zeiss Meditec Group at the end of the financial year

Financial year 2009/2010	2,189
Financial year 2010/2011	2,366
Financial year 2011/2012	2,460
Financial year 2012/2013	2,540
Financial year 2013/2014	**2,972**

At 34.6 % (previous year 29.0 %) or 24.5 % (previous year 26.5 %), respectively, the majority of employees were working in “Production” or “Sales and Marketing” as of 30 September 2014. The increase in “Production” is primarily attributable to the acquisition of Aaren Scientific Inc. A total of 16.3 % (previous year 18.8 %) were working in “Service”. The percentage of employees working in “Research and Development” amounted to 14.7 % as of the end of the reporting period (previous year 16.2 %). The percentage of employees working in commercial area as of 30 September 2014 was 9.8 % (previous year 9.4 %).

Figure 15: Distribution of employees by function

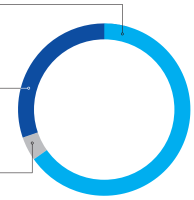
Production	**34.6 %**
Sales and Marketing	**24.5 %**
Service	**16.3 %**
Research and Development	**14.7 %**
Commercial sector and administration	**9.8 %**



At 60.7 % (previous year 65.6 %), the majority of the Carl Zeiss Meditec Group’s employees work in Europe. A total of 34.8 % of all employees within the Group work in the “Americas” region (previous year 29.1 %), while 4.5 % work in the “Asia/Pacific” region (previous year 5.2 %). The increase in the “Americas” region is due in particular to the acquisition of Aaren Scientific Inc.

Figure 16: Distribution of employees by region

EMEA	**60.7 %**
Americas	**34.8 %**
APAC	**4.5 %**



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

Production

Production plants

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

Production concept

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

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

Production planning

Production planning in Jena, Oberkochen and Dublin is based on the rolling forecast method. The majority of distribution partners prepare a sales forecast once a quarter for the next 15 months. The sales forecast is then translated into a demand forecast for production units, taking inventory changes into account. In order to keep stocks to a minimum, products are usually assembled to customer order (series production of individual items). The rolling forecast method described above is also applied for the manufacture of intraocular lenses. Limited quantities of the finished products are stockpiled, however, since customers expect very short delivery times for implants. To this end replenishment orders are forwarded by the customers to a central warehouse; these, in turn, trigger a new order thus ensuring customers are served as quickly as possible. The Carl Zeiss Meditec Group also operates consignment warehouses in clinics and hospitals, which – depending on consumption – are continuously restocked.

Research and development

Objectives and focus of research and development

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

For this reason the Company is aiming to expand its product portfolio and continuously improve products that are already on the market. Our main priority here shall be to increase the efficiency and effectiveness of diagnosis and treatment. The Company attaches great importance to the needs of its customers and continuously works closely with them.

In financial year 2013/2014 research and development expenses increased by 2.2 % to € 99.8 million (previous year € 97.6 million). At the same time the R&D ratio remained almost the same as the previous year, at 11.0 % (previous year 10.8 %).

Figure 17: R&D expenses (in %) and R&D ratio to revenue (in € million)

Financial year 2009/2010	72.4	10.7 %
Financial year 2010/2011	84.2	11.1 %
Financial year 2011/2012	93.5	10.8 %
Financial year 2012/2013	97.6	10.8 %
Financial year 2013/2014	**99.8**	**11.0 %**

In the reporting period 14.7 % (previous year 16.2 %) of the Carl Zeiss Meditec Group's entire workforce worked in Research and Development.

Focus of research and development activities in the reporting period

Research and development at the Company mainly focuses on:

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

Once again, therefore, a number of innovations were launched on the market during the reporting period.

Essential Line

With the Essential Line the Group offers its customers a broader diagnostics portfolio for basic ophthalmic diagnostics. In addition to the tried-and-tested slit lamps with imaging functions, this range also includes products for measuring objective refraction (VISUREF® 100, VISULENS® 500 and i.Profiler®plus), as well as an applanation tonometer and the previously mentioned non-contact tonometer VISUPLAN® 500. New to the range are the digital phoropter VISUPHOR® 500 and the VISUSCREEN 100/500 Acuity Charts, which are used to measure subjective refraction. Immediately available for examining the retina is the portable fundus camera, VISUSCOUT® 100. With this comprehensive range of products, the Essential Line helps customers to achieve the best measurement results and improve the efficiency of their workflows. Ophthalmologists and optometrists can start off with individual pieces of equipment and gradually add more devices to build a complete workstation. The Essential Line devices can be combined with each other, and with other devices already available in the practice, via established practice management systems (Electronic Medical Record, EMR), for smooth workflows.

IOLMaster® 700

The IOLMaster® 700 with SWEPT Source Biometry™ enables physicians to identify irregular geometries of the eye in their patients at an early stage. In addition to optical biometry, it also offers OCT[9] imaging across the entire length of the eye. Experts say that this produces more reliable refractive results. Up until now, even a flawless operation and a high-quality lens could bring unsatisfactory results, if irregular eye geometries were overlooked. The device simplifies the workflow: like the IOLMaster® 500, it takes a reference image of the limbal blood vessels, which allows the cylinder axis to be displayed intraoperatively in the surgical microscope as a navigational aid for the surgeon. As a component of the ZEISS Cataract Suite markerless, the IOLMaster® 700 also helps to improve efficiency in the implantation of toric lenses.

VISUPLAN® 500

The Company has provided ophthalmologists and opticians with another way to optimize workflows with the launch of the non-contact tonometer, VISUPLAN® 500. This device works with a small puff of air and enables physicians to examine their patients without the use of anesthetic or fluorescent dye. The technology is used to detect increased intraocular pressure in patients, and thus the associated risk of contracting glaucoma, at an early stage of the examination process. Another advantage for the physician is that measurements can be routinely carried out at the practice very early on by practice or clinical staff, as part of preliminary assessments. The VISUPLAN® 500 makes it easy to delegate measurement, as the measurement results are user-independent.

[9] Optical coherence tomography

MEL® 90 Excimer Laser

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

ZEISS Cataract Suite markerless

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

VISALIS® 500 with APM™ mode

The phaco emulsification device VISALIS® 500, with its new ultrasound modulation APM™ (Advanced Power Modulation) features a significant reduction in phaco energy and increased anterior chamber stability. The aim of this is better treatment outcomes and faster recovery of the eye after surgery, as well as a significantly shorter treatment time.

AT LISA® tri toric 939MP

The Company expanded its offering of premium intraocular lenses at the beginning of financial year 2013/2014 with the toric trifocal intraocular lens. The AT LISA® tri toric 939MP is the first preloaded trifocal toric intraocular lens on the market. Following the extremely successful launch of the AT LISA® tri 839MP last year, ophthalmologists can now also give cataract patients with astigmatism an almost natural visual experience without glasses in the near, distance and intermediate vision range. Based on the LISA concept and its product platform, the AT LISA® tri toric also offers very good light transmission, as well as an innovative enhancement of asymmetric light distribution: for the patient this means very good vision, even in difficult light conditions, the preservation of contrast sensitivity and the reduction of halos and undesirable glare effects, which is particularly important at night.

CT LUCIA®

The Company already offers an extensive range of hydrophilic intraocular lenses, which are suitable for microincision cataract surgery with a large diopter range. With the launch of the hydrophobic monofocal intraocular lens CT LUCIA®, the Carl Zeiss Meditec Group now offers one of the most comprehensive IOL portfolios on the market, thus giving cataract surgeons more choices. The C-loop design of the CT LUCIA® is based on "glistening-free", hydrophobic biomaterial and has aberration-correcting, aspheric ZEISS optics. A fully preloaded injector system ensures ease of use and trouble-free unfolding of the intraocular lens. It also offers surgeons an efficient workflow during surgery and it gives patients optimum visual results, due to the optical design.

OPMI LUMERA® and Rescan™ 700

This system for integrated intraoperative OCT imaging combines two of the Company's gold standard technologies. The system incorporates the OPMI LUMERA® 700 surgical microscope with the integrated OCT camera RESCAN™ 700. The system provides surgeons with top-quality OCT images of the eye, intraoperatively. The OCT images are superimposed over the microscope image in the eyepiece as three-dimensional real-time images, thus giving a view of anatomical details below the surface and making it possible to identify even transparent structures of the anterior and posterior segments of the eye. This means that OCT information, which could previously only be generated pre-operatively, is now available online during surgery for the first time. Continuous OCT scanning also helps to improve the treatment results, as the surgeon can monitor progress and can review the outcome during the operation. The new device thus provides a better foundation for making decisions during surgery.

EyeMag® Light II

The EyeMag® Light II, a combination of medical head loupe and light, brings improvements in everyday dental and surgical practice. It provides a homogeneously illuminated field of treatment, with light that is similar to daylight, is very comfortable to wear and has a long battery life. In addition, it can be quickly adjusted to the physician's current treatment position and thus enables a comfortable and ergonomic seating position.

Brands and patents

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

In addition, the Company has more than 650 registered brands and brand registrations (as of 30 September 2014). These include, among others, product names, slogans, images, logos and other specific characteristics of the Company.

REMUNERATION REPORT

Remuneration of the Management Board

The members of the Management Board are remunerated based on Section 87 German Stock Corporation Act *(Aktiengesetz)*. According to this, the Supervisory Board determines the remuneration, which comprises fixed and variable components, and payments in kind. The Supervisory Board's General Committee proposes the amount and structure of the remuneration to be paid to the Management Board, and these are then approved by the Supervisory Board as a whole. The appropriateness of the Management Board remuneration is based on the duties and the personal contribution of the individual members of the Management Board, as well as the Company's overall financial position and market environment.

At its meeting on 27 November 2013, the Supervisory Board addressed the objectives to be set for the Management Board for financial year 2013/2014 and the achievement of the objectives of the Management Board members for financial year 2012/2013, and stipulated the relevant variable remunerations. The salaries of the Management Board were also reviewed during the meeting on 27 November 2013 – based on the salary situation compared with the market, the general price and salary trends and the achievements demonstrated and achievements anticipated in future – and adjusted with effect from 1 October 2013.

Mr. Thomas Simmerer's contract was also extended during the Supervisory Board meeting on 27 November 2013, until 30 September 2018.

In addition to his function as President and CEO of Carl Zeiss Meditec AG, Dr. Ludwin Monz was also appointed as a member of the Group Management Board of Carl Zeiss AG, effective from 1 January 2014. At its meeting on 10 December 2013 the Supervisory Board approved the appointment of Dr. Monz as a member of the Group Management Board Carl Zeiss AG.

At its meeting on 26 September 2014 the Supervisory Board addressed the Management Board objectives for financial year 2014/2015. At the same meeting on 26 September 2014 the Supervisory Board redefined the amount and structure of the remuneration and other conditions of employment for Dr. Monz as Chairman of the Management Board of Carl Zeiss Meditec AG, further to his appointment as a member of the Group Management Board of Carl Zeiss AG, with effect from 1 January 2014. The remuneration paid to Management Board members Dr. Christian Müller and Thomas Simmerer was reviewed and adjusted, effective 1 October 2014, based on the salary situation compared with the market, the general price and salary trends, as well as achievements demonstrated and achievements anticipated in future.

Structure and amount of remuneration paid to the Management Board

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

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

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

In addition to the two components of Management Board remuneration described above, there is also a so-called Long Term Incentive Program ("LTI"), which was redesigned and published in financial year 2011.

This program offers a remuneration component with a long-term incentive, which allows the members of the Management Board to achieve an additional annual income after a three-year period. This amounts to 50 % of the individual short-term variable remuneration for the financial year that precedes the beginning of the term of an LTI tranche, plus interest. This is based on the Carl Zeiss Group's profit-participation certificate model. A precondition for payment of this remuneration is that the members of the Management Board have not handed in their notice at the end of the applicable three-year period per tranche, and the equity ratio of the Carl Zeiss Group is higher than 20 % at this point. The first payment shall be made in December 2014.

Tabelle 6: Itemized breakdown of the remuneration paid to the members of the Management Board of Carl Zeiss Meditec AG (figures in € '000)

	Management Board remuneration						
	Financial year	Fixed remuneration	Payments in kind[10]	Variable remuneration[11]	Total remuneration paid directly	LTIP	Total remuneration pursuant to Section 314 (1) No. 6a) *HGB*
Dr. Ludwin Monz	**2013/2014**	300.0	15.4	283.5	598.9	–	598.9
	2012/2013	270.0	16.9	200.8	487.7	–	487.7
Dr. Christian Müller	**2013/2014**	222.5	17.1	171.3	410.9	–	410.9
	2012/2013	216.0	16.5	163.9	396.4	–	396.4
Thomas Simmerer	**2013/2014**	231.1	17.2	185.4	433.7	–	433.7
	2012/2013	224.4	17.6	169.1	411.1	–	411.1

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

Pension scheme for members of the Management Board

The appropriation to the pension provisions or pension funds should be stated annually with respect to the retirement benefit commitments for the members of the Management Board. The expenses relating to pension commitments attributable to the individual members of the Management Board are presented in the following overview.

Tabelle 7: Itemized breakdown of the pension commitments to the members of the Management Board of Carl Zeiss Meditec AG (figures in € '000)

	Financial year	Appropriation to pension provision for retirement benefit commitments	Present value of pension commitment, total
Dr. Ludwin Monz	**2013/2014**	127.5	–
	2012/2013	244.3	1.185.7
Dr. Christian Müller	**2013/2014**	127.2	405.4
	2012/2013	56.2	278.3
Thomas Simmerer	**2013/2014**	69.4	203.9
	2012/2013	34.6	134.5

In connection with the additional appointment of Dr. Monz as a member of the Group Management Board of Carl Zeiss AG, effective 1 January 2014, Carl Zeiss AG became responsible for the pension commitment to Dr. Monz, both for the past and for the future. The pension provision set up to date at Carl

[10] Payments in kind include other benefits such as non-cash benefits like the provision of a company car and the reimbursement of employer contributions to the statutory pension and unemployment insurance schemes, as well as contributions to group accident insurance.

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

Zeiss Meditec AG has accordingly been transferred as a cash item to Carl Zeiss AG. The proportionate expense arising from the annual appropriation to the pension provision for Dr. Monz's function as President and CEO of Carl Zeiss Meditec AG shall from now on be passed on to Carl Zeiss Meditec AG.

Projected unit credits for pensions for other former members of the Management Board of Carl Zeiss Meditec AG amounted to € 691.3 thousand (previous year € 560.5 thousand).

Departure of members of the Management Board

In the event of premature termination of the employment relationship, the contracts for members of the Management Board do not contain any explicit promise of a severance payment. A severance payment may, however, ensue from a severance agreement concluded on an individual basis.

Remuneration of the Supervisory Board

The Annual General Meeting on 4 March 2014 resolved an amendment to Art. 19 of Carl Zeiss Meditec AG's Articles of Association that affects the remuneration of the members of the Supervisory Board. The revised version of the Articles of Association remedies a previous deviation from Section 5.4.6 of the German Corporate Governance Code, providing for a restriction of the remuneration of the Supervisory Board to a fixed amount, and became effective with entry in the commercial register on 20 May 2014. Therefore, in financial year 2013/2014 the previous regulation was applied up until 20 May 2014, followed by the new regulation from that point.

The previous regulation provided that the remuneration of the Supervisory Board would include, in addition to a basic remuneration and remuneration for work on the committees, a variable component that takes appropriate account of the Company's earnings per share. The basic remuneration for each member of the Supervisory Board was € 20,000. The Chairman of the Supervisory Board received double this amount and the Deputy Chairman received one-and-a-half times this amount. With the exception of members of the Nominating Committee and the Chairman and Deputy Chairman of the General Committee, members of committees received an additional, fixed remuneration of € 5,000; the Chairman of the Audit Committee received double this amount.

The variable component was structured such that if consolidated earnings per share amounted to at least € 0.20, a total amount of € 1,000.00 shall be calculated for each full € 0.02 consolidated earnings per share above € 0.20 consolidated earnings per no-par value share for the respective financial year just ended, multiplied by the number of members of the Supervisory Board. From this total amount, each member was entitled to a portion equivalent to his/her share of the annual remuneration of all members – consisting of basic and committee remuneration. The variable component paid was limited to the annual fixed remuneration (sum of basic and committee remuneration).

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

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

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

	Financial year	Basic remu-neration	Commit-tees	Remu-neration for earnings per share	Total remu-neration
Prof. Dr. Michael Kaschke (Chairman)	**2013/2014**	47.3	5.0	28.5	80.8
	2012/2013	40.0	5.0	45.0	90.0
Dr. Markus Guthoff (Deputy Chairman)	**2013/2014**	35.5	7.6	21.1	64.2
	2012/2013	30.0	–	30.0	60.0
Thomas Spitzenpfeil	**2013/2014**	23.7	5.0	15.8	44.5
	2012/2013	20.0	5.0	25.0	50.0
Dr. Wolfgang Reim[12]	**2013/2014**	8.4	4.2	12.7	25.3
	2012/2013	20.0	10.0	30.0	60.0
Cornelia Grandy	**2013/2014**	23.7	–	12.6	36.3
	2012/2013	20.0	–	20.0	40.0
Jörg Heinrich	**2013/2014**	23.7	5.0	15.8	44.5
	2012/2013	20.0	5.0	25.0	50.0

[12] Member of the Supervisory Board from 20 August 2007 until 4 March 2014.

The Company did not pay the members of the Supervisory Board any additional remunerations or benefits for personally rendered services (specifically consultancy and agency services) in financial year 2013/2014.

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

OPPORTUNITY AND RISK REPORT

Opportunity and risk management

The term "risk" refers to all circumstances and developments within and outside the Company which could cause an adverse deviation, within the scope of a prescribed period of assessment, from the fulfilment of business objectives, strategies and forecasts. Conversely, opportunities are positive deviations in relation to these targets.

The Carl Zeiss Meditec Group is naturally exposed to a large number of risks within the scope of its business dealings. Regulating and controlling these risks within the bounds of risk-taking is a basic requirement for the Company's success. An effective risk management system implemented for this purpose serves to sustainably protect and – with respect to the associated opportunities – increase corporate value. A key objective is to prevent the occurrence of potential risks in advance, or, in the case of risks that have already arisen, to minimize their adverse effects by taking appropriate measures.

The risk management system of the Carl Zeiss Meditec Group exclusively records risks and incorporates all fully consolidated subsidiaries, and is essentially decentralized, i. e., the legally independent entities are responsible for their own local risk management. At Group level the same principles apply for the Group functions. Risks are communicated along the legal and organizational structure. The provision of a standard, group-wide conceptional framework and the coordination of the local entities with respect to the risk management process is incumbent upon the Group risk manager, who reports directly to the Management Board.

Risk management is an integral part of corporate management within the Carl Zeiss Meditec Group, and is based on the following two major components: a **risk reporting system** and an **internal control system**.

Risk reporting system

This is a clearly structured, traceable feedback loop which encompasses all of the Company's activities, is integrated in its organizational structure and its control and reporting processes, and comprises a systematic and ongoing process for the identification, assessment, regulation/control, as well as the documentation and communication of any risks. This enables any relevant information to be immediately passed on to the responsible decision makers. The main features of this system are as follows:

» The coordinated implementation of measures by the risk reporting system is ensured through the compilation of all relevant facts in the Carl Zeiss Meditec Group's corporate policy on risk management. Under the direction of a central Group risk manager, the local risk managers, together with local management at the individual locations, regularly assess processes, transactions and developments for existing risks.
» Risks are identified and evaluated according to standard risk matrices.
» An early-warning system assesses business risks according to their potential implications over the period of their existence. The period of assessment is a maximum of five years. The risks are recorded in a database-assisted software solution and rated and categorized according to their probability of occurrence and damage potential.

Regular risk reports are sent to the Management Board, the Managing Directors of the subsidiaries and the other decision-makers within the Company on the basis of specified thresholds for relevant risks and in accordance with the classification using the risk matrices. Significant risks arising at very short notice are reported to this responsible group immediately.

On this basis, appropriate steps are taken to avoid identified risks or reduce the probability of their occurrence, and to minimize the potential financial losses. The effect of these measures is quantified to analyze to what extent the respective risk in question can be reduced or whether it is possible to prevent it entirely. The measures to reduce risks and the early warning indicators are regularly updated, just like the residual risks derived from these, and documented in the above-mentioned database-assisted software.

The risk reporting system is continuously reviewed and further developed, and is also audited by the auditor for Carl Zeiss Meditec AG.

Internal control system (ICS)

The internal control system is the set of all control measures prescribed by management that serve to control the systematic, enduring risks and thus ensure proper running of operations and correct management reporting. These organizational measures are integrated in operative business processes and mainly include an appropriate separation of functions, application of the dual control principle, and access and approval regulations. The internal control system works to support the achievement of business policy objectives through effective and efficient management, compliance with laws and legal requirements (compliance), protection of the Company's assets, assurance of the reliability and completeness of internal and external accounting and timely and reliable financial reporting. The operative function of the internal control system is closely linked to the risk reporting system.

The structure of the internal control system of the Carl Zeiss Meditec Group is based on the component dimension of the internationally recognized COSO (Committee of Sponsoring Organizations of the Treadway Commission) Enterprise Risk Management Framework. The result forms a complete, Group-wide, risk-based ICS description, which is maintained within the scope of the quarterly risk reporting cycles. Information about the function of the internal control system, the regulation of responsibilities and general instructions are compiled in the Carl Zeiss Meditec Group's corporate policy on risk management.

The **accounting-related part** of the internal control system is a system structured within the sphere of responsibility of and under the supervision of the CFO, which ensures that the preparation of the consolidated annual financial statements is in line with the International Financial Reporting Standards (IFRSs), and that external financial reporting is reliable.

The operative, timely implementation of the systemic requirements is effected by the affected areas of Carl Zeiss Meditec AG and its subsidiaries. These are supported and monitored by Carl Zeiss Meditec's **Finance Group** department. The Finance Group department is responsible for consolidated reporting, including Group-wide financial and management information, forecasts, budgets and risk reporting. Acts of law, accounting standards and other pronouncements are continuously analyzed with regard to their relevance for and impact on the consolidated and annual financial statements. Relevant requirements are communicated in consolidated accounting guidelines and, together with the applicable Group-wide financial reporting calendar, form the basis for the financial statement preparation process. In addition, supplementary instructions for methods, standardized reporting formats, IT systems and IT-supported reporting and consolidation processes support the process for uniform and proper consolidated accounting.

Assessment of the internal control system

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

The internal control system can only provide reasonable but not absolute assurance that the relevant targets will be achieved. Measures implemented may therefore only aim to control the known or potential systematic sources of error. Another matter to consider when setting up an internal control system is cost effectiveness.

Evidence of the effectiveness of the internal control system is seen from the results of the measures specifically set up to assess the effectiveness of the internal control system or from observing processes anchored in normal business operations. Information from other sources is also a key component of management assessment, as this can show up management shortcomings or confirm the effectiveness of the established measures. Such sources include reports from Group Auditing at Carl Zeiss AG, reports on audits conducted by or on behalf of supervisory authorities, reports prepared by external auditors, as well as reports commissioned to assess the efficiency of processes outsourced to third parties.

The effectiveness of the internal control system is reviewed by the **Audit Committee** of the Supervisory Board of Carl Zeiss Meditec AG. Monitoring in this respect is based on an adequate level of information.

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

Significant risks

The individual risks identified by the risk management system are detailed below. Quantitative data is based on a net perspective after application of measures, and relates to the risk assessment period. The section entitled "Risk reporting system" contains further information on the quantification method used.

Economic environment

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

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

Market and competition

The Carl Zeiss Meditec Group is exposed to intense competitive pressure in its search for new diagnostic and treatment methods, particularly in its "Ophthalmic Systems" and "Surgical Ophthalmology" SBUs. New competitors may enter the market. There is also a risk, in the event of significant exchange rate fluctuations, that competitors from the beneficiary countries may be able to offer considerably lower prices in the market, and could therefore improve their competitive position. Some competitors are larger than the Carl Zeiss Meditec Group in terms of their total revenue and have greater financial resources at their disposal to deal with this competitive pressure. Furthermore, existing competitors may be bought up by large, financially strong companies, or they may form alliances. The resulting or heightened competitive pressure this would cause could lead to lower selling prices, margin pressure and/or the loss of market shares. The Company prepares itself for the potential risks of a changing market environment by continuously observing and analyzing the market, in order to be able to react with the necessary foresight.

The costs of certain medical treatments carried out using products of the Carl Zeiss Meditec Group are reimbursed by health insurance funds, insurance companies or government health schemes. Changes in health and reimbursement policy in Germany or abroad could lead to the denial or reduction of reimbursement services. If reimbursement rates are too low, the profit margin of doctors and hospitals may fall, prompting them to suspend or restrict the performance of the respective treatments. The complete or partial discontinuation of reimbursements may accordingly reduce the demand for Carl Zeiss Meditec's products. In the case of new products, for which it cannot be predicted with any certainty whether health insurance funds, insurance companies or government health schemes will offer any reimbursement at all, or treatments with products for which there is no reimbursement, e. g. laser treatments for vision correction, demand may be significantly impaired by the financial situation of consumers. These risks, as well as the issues outlined below, may affect all segments of the Group.

The appearance of press reports about the potential risks of certain treatments, or changes in fashions and trends, may also adversely affect consumer decisions. A decline in the demand for such treatments may lead to a decrease in the Carl Zeiss Meditec Group's revenue, as physicians and treatment centers may no longer purchase the same quantities of such devices.

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

Collectively, the above issues may impact the Group's earnings by an amount in the low double-digit million euro range.

On the other hand, the demographic trend in industrialized countries and economic development in the RDEs, as well as the increasing requirements placed on medical devices for diagnosing and treating age-related eye diseases, present growth opportunities for the Company.

New technologies and products

The markets in which the Company operates are characterized by a constant stream of technological innovations. A capacity for innovation and rapid product development are key competitive factors. New scientific findings may lead to shorter development and product cycles, alternative technologies or new pharmaceutical procedures. The success of the Carl Zeiss Meditec Group therefore depends heavily on the quick development of innovative and market-driven products, and on the timely recognition and conversion of new technology trends and new medical findings into new products. Should the Group lose touch with technological developments on the market, react too late to trends or technological advancements, this could weaken its competitive position. There is also a risk of one or several of the Group's products being completely superseded by alternative technologies, pharmaceutical procedures or treatment methods, thus reducing or entirely eliminating demand for certain products, which could result in losses in sales and earnings. The potential impact on earnings of these risks equates to an amount in the mid-single-digit to the low double-digit million euro range.

The Carl Zeiss Meditec Group actively counters this risk, which affects all segments, by investing heavily in research and development and upstream areas of the production of products with a technological edge and unique selling points. To this end, the management concerns itself with detailed market and competition analyses, market scenarios, the relevant cost drivers and critical success factors of the Company.

Personnel risks

The Group's success also depends on its ability to recruit and retain for the long term well qualified specialists and managers for all functions in all regions. Employee competence, commitment and motivation play a vital role in determining the Company's success and the Group's competitive chances in all business segments. When looking for qualified employees, the Company has to compete with many other companies in the same sector. Unfilled positions could limit the technological advancement and sale of the products and services it offers. The Company counters this risk through active employee development and successor planning, and by maintaining and improving its attractiveness as an employer. The management does not expect this to have any material effects on the Group's net assets, financial position or results of operations.

Product approval and political environment

In many of the countries in which the Carl Zeiss Meditec Group operates there are special government regulations that apply. As the Group aims to sell its products worldwide, such regulations have to be taken into consideration when manufacturing and launching products in the market, especially where explicit regulatory approvals and certifications are required.

Although the relevant legal requirements are incorporated into all stages of development, production and distribution, there is no guarantee that products requiring approval will be granted regulatory approval at all or in time for their planned launch in the market, or that the Group's numerous registrations will still exist or be renewed in the future. This could lead to losses in sales. A delayed product launch may, in certain circumstances, result in that product not being accepted or meeting with only a small level of acceptance, as competitors may have launched similar products in the meantime. It is also possible for a sales ban to be imposed on the products of the Company, or for the regulatory approval requirements to be tightened in future.

In order to be able to identify such developments in good time and react appropriately, the Group keeps a very close eye on developments in this area and monitors approval procedures extremely closely as part of its quality management system. Any residual risks that remain lie within the low to mid-single-digit million euro range.

Dependence on affiliated companies and external suppliers

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

To a very large extent the Carl Zeiss Meditec Group uses components from external suppliers to manufacture its products in all business segments. This cooperation with external suppliers is becoming progressively more intense, due to general cost pressure and the complexity of the components being supplied, which is leading to mutual dependencies. Outsourcing contracts to third parties presents the risk of non-delivery or delivery delays, as well as the possibility of temporary shortages of specific goods and vendor parts, if individual business or cooperation partners do not duly fulfil their contractual obligations. Unforeseen price increases or even a termination of business relationships could also interfere with the course of business. Qualifying new suppliers, which would be necessary in this case, could take a long time. Furthermore, the Carl Zeiss Meditec Group may be liable vis-à-vis its own customers for breach of contractual obligations by its business and cooperation partners. This could have negative implications for the production, sales and the quality of the Company's products.

Monitoring supplier risks plays a key role in the early-warning, risk information and management system. The effect of this on earnings is in the mid-single-digit to low double-digit million euro range. In order to limit the risks of such supplier shortages, the Carl Zeiss Meditec Group selects its suppliers carefully. By implementing consistent supply chain measures, such as qualifying its suppliers, identifying secondary suppliers and preparing a strategic inventory plan, the Carl Zeiss Meditec Group protects itself as best it can against supplier dependencies and changes on the commodities market.

Patents and intellectual property

The competitiveness of the Company depends on the protection of its technological innovations against exploitation of these innovations by third parties. Violations of intellectual property and patent protection may compromise the Company's technological lead and thus its competitive advantage in all business segments. In order to counter this risk, the Group protects its own inventions with patents, acquires or licenses patents from third parties and endeavors to protect these patents and its other intellectual property. The expiry of property rights, particularly patents, as well as the geographical limitation of property rights could, however, result in new or existing competitors exploiting the inventions of the Carl Zeiss Meditec Group to enter the market or strengthen their market position.

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

In order to avoid the above-mentioned litigation and prevent the infringement of third-party patents by the Carl Zeiss Meditec Group, the Patents department analyzes patents and new patent applications in the relevant areas at regular intervals. Overall, management in the area of patents and intellectual property does not expect such risks to have any material effects on the Group's net assets, financial position or results of operations.

Loss of confidential data

The Carl Zeiss Meditec Group owns a large number of business secrets. A set of measures serves to ensure that the confidentiality of business secrets is effectively protected and that there are no infringements. If business secrets of the Carl Zeiss Meditec Group leak to competitors, this may have adverse effects on the Group's competitive position. To limit this risk, ethical rules of behavior were laid down in the Carl Zeiss Group's "Code of conduct" and brought to the attention of all employees.

In the sphere of IT solutions the Group has established a number of mechanisms to protect confidential data. Conformance to and the effectiveness of these measures is continuously monitored. The management does not expect this to have any material effects on the Group's net assets, financial position or results of operations.

Compliance and prevention of infringements
As a listed medical technology company, the Carl Zeiss Meditec Group is subject, in the countries in which the Group operates, to a large number of laws, regulations and guidelines outside of the product approval procedure (see section entitled "Product approval and political environment"). In order to ensure correct compliance with all regulations, these are regularly analyzed for any changes and internal processes and guidelines are adjusted, if necessary, to address existing regulations. Regular training measures are also in place to familiarize the employees with internal guidelines and make them aware of the negative effects breaches could have. The management does not expect this to have any material effects on the Group's net assets, financial position or results of operations.

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

The Company covers itself against potential product liability claims by taking out product liability insurance. Risk liability claims can be particularly high, especially in the USA, not to mention the costly recall campaigns that may be required. The possibility cannot be entirely excluded that the Carl Zeiss Meditec Group's existing insurance coverage may not be sufficient to cover potential claims.

The potential impact these risks could have on earnings equates to an amount in the low single-digit million euro range.

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

Infrastructure risks
Uncontrollable environmental influences, such as natural disasters or terrorist attacks may have an adverse effect on the affected economy or beyond. The consequences of such events, such as the loss of employees or an interruption to business operations at the affected locations, may prevent the Company from providing regular production, distribution and other services in these regions and generating the expected earnings. All business segments could be affected by this. In addition, it could have material adverse effects on the Company's customers domiciled in the affected region and on their willingness to invest, as well as the local suppliers there and their willingness to supply. As a result, the Company's reputation, business activities, financial condition and results of operations, and its cash flow, could become significantly compromised.

The Group has taken a number of precautions to minimize these effects. The headquarters, which house our main research and development departments, and other central corporate functions, are situated in Germany. This region is not generally afflicted by severe natural disasters. A second major production site is located in the Greater San Francisco area in the USA. There is a greater risk of earthquakes in this region. In order to minimize potential damage and enable a concerted, effective reaction by corporate management, the Carl Zeiss Meditec Group has set up a crisis management system, and has also developed local and central plans for maintaining the functionality of critical business processes (business continuity plans). Although the described risks may materialize, the Company does not expect them – due to these measures and the organization of the Carl Zeiss Meditec Group – to have any material adverse effects on the its business activities, financial condition and results of operations, or on its cash flow.

Information technology plays a crucial role in the execution of the Company's business processes. Providing and exchanging up-to-date, complete and correct information, and being able to implement fully functional IT applications, are of central importance for a global company like the Carl Zeiss Meditec Group. Functioning and adequately documented IT systems are also a prerequisite for obtaining product approvals in certain countries. Risks that, in the event of damage, could result in an interruption of business processes due to IT system failures or the loss or falsification of data, are therefore identified and evaluated across the entire life cycle of the applications and IT systems. The Carl Zeiss Meditec Group has defined appropriate measures so that risks can be avoided and potential losses can be limited.

Acquisition of businesses

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

Pursuant to IFRS 3, the goodwill usually arising from the acquisition of other companies is not subject to scheduled amortization but, rather, is regularly examined for impairment. This involves an impairment test pursuant to IAS 36. The Carl Zeiss Meditec Group reviews its goodwill for impairment at least once a year.

Due to acquisitions made in the past, the Carl Zeiss Meditec Group reports goodwill totaling € 158.9 million in its consolidated statement of financial position as of 30 September 2014, of which € 125.5 million is attributable to the "Surgical Ophthalmology" business unit, € 30.9 million to "Ophthalmic Systems" and € 2.4 million to "Microsurgery".

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

In future, the Group may achieve further growth by acquiring other companies, among other things. When looking for suitable acquisition targets, the Company competes with other market players. There is a risk that there may not be any suitable companies for acquisition or that these cannot be acquired at acceptable conditions. Acquisitions also bear the additional entrepreneurial risk of the acquired company not performing as well economically as expected in the market, or of the sales and earnings targets being pursued with its acquisition not being reached, or of intended synergy effects with the Carl Zeiss Meditec Group not being achievable. With regard to other companies that may be acquired in future, there is a general risk that it may not be possible to fully and successfully integrate these companies into the Carl Zeiss Meditec Group. In such an event, this could have adverse effects on the net assets, financial position and results of operations of the Group. Further details on business acquisitions concerning the Carl Zeiss Meditec Group can be found in note "(3) Purchase and sale of business operations" in the notes to the consolidated financial statements.

In the management's view, acquisitions do not pose any significant risks as of the end of the reporting period.

Legal risks

Legal risks may arise due, among other things, to changes in general legal conditions in the relevant markets and to legal disputes with competitors, business associates or customers.

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

Further details on litigation and arbitration proceedings involving the Carl Zeiss Meditec Group can be found in note "(28) Contingent liabilities and other financial commitments" in the accompanying notes to the consolidated financial statements.

Financial risks

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

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

In spite of the enduring euro and debt crisis, the Company has categorized the financial risks it faces as minor. The basis for this categorization is the sound financing structure with an equity ratio of 72.6 %, the large reserve of cash and cash equivalents, and a strong cash flow from operating activities.

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

Risks relating to the Group accounting process

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

The accounting process integrates internal controls that have been defined under risk aspects. These aim to minimize the risk of errors in the financial statements. The accounting-related ICS incorporates both preventative and disclosure controls.

With regard to consolidated accounting, workflows with integrated controls ensure that the consolidated financial statements are complete and correct. These processes to organize and execute the consolidation work and to create the consolidated financial statements, as well as the associated controls, have been documented and are reviewed regularly. All of the Group's internal accounting and valuation guidelines are collated in an accounting manual, which is available to all of the relevant organizational units and all of the Company's employees via the Group's intranet.

Additional disclosures pursuant to Section 289 (2) No. 2 HGB, Section 315 (2) No. 2 HGB

Price fluctuation risks can generally not be ruled out. However, the Carl Zeiss Meditec Group counters these risks by focusing on product innovations and optimizing its production costs through cost-cutting and efficiency-enhancing measures.

Potential risks of default on trade receivables – particularly given the euro and debt crisis and the generally greater risk of bad debt losses that comes with it – are minimized by means of an active credit control system. The Group also regularly sets up adequate provisions to cover such risks. On the whole, however, we consider this to be a limited risk. The ratio of valuation allowances on trade receivables to consolidated revenue was 0.6 % in the year under review, the same as in the previous year.

The Carl Zeiss Meditec Group's financial situation can be considered stable. Cash and cash equivalents amounted to € 10.7 million at the end of the reporting period on 30 September 2014. We also had credit balances, recognized as receivables from the Group treasury of Carl Zeiss AG, of € 290.6 million. The Group also generated cash flow from operating activities of € 63.1 million in the reporting period. At the current time, therefore, there are no liquidity risks.

All cash and cash equivalents, including the balances via the Group treasury of Carl Zeiss AG, are deposited at banks. Should it come to a loss of individual banks – due in particular to the euro and debt crisis – the balances existing there may be endangered. The Carl Zeiss Meditec Group counters this risk by continuously monitoring the solvency of the banks with which it has a business relationship, and by spreading its assets among several banks via the Group treasury of Carl Zeiss AG.

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

Overall statement on the Company's risk situation

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

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

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

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

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

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

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

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

Pursuant to Art. 4 (5) of the Articles of Association of Carl Zeiss Meditec AG, the Company has an Authorized Capital. Accordingly, the Management Board is authorized, subject to the approval of the Supervisory Board, to increase the share capital, on one or several occasions in the period until 11 April 2016, by up to € 39,654,800.00. New no-par value bearer shares may be issued against cash and/or contributions in kind for this. The Management Board is authorized, subject to the approval of the Supervisory Board, to exclude the statutory subscription right of shareholders in the following cases:

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

» for capital increases against contributions in kind to grant shares for the purpose of acquiring companies, parts thereof or interests in a company.

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

Based on the resolution of the General Meeting of Carl Zeiss Meditec AG on 4 March 2010, the Management Board is authorized to purchase treasury shares. This authorization is valid until 3 March 2015. The shares may be purchased, with the consent of the Supervisory Board:

» to offer them for purchase to employees of the Company and the companies affiliated with the Company within the meaning of Section 15 et seqq. German Stock Corporation Act (AktG) – noting that the right of shareholders to subscribe to treasury shares is excluded – or
» to use them within the scope of mergers with companies or to purchase companies, parts of companies or shares in companies – noting that the right of shareholders to subscribe to treasury shares is also excluded in this case – or
» to recall them.

This authorization is limited to the acquisition of shares equivalent to share capital of € 8,130,000.00 or less than 10 % of the total existing share capital. The shares shall be purchased at the stock exchange. The consideration paid by the Company per share (excluding incidental purchase costs) may not be more than 10 % above or below the closing rate of the shares in Xetra trading (or an equivalent successor system to the Xetra trading system) at the Frankfurt Stock Exchange on the previous day of trading. At no time may the purchased shares, together with other own shares held by the Company and ascribable to it pursuant to Section 71a et seqq. *AktG*, exceed 10 % of the share capital.

SUPPLEMENTARY REPORT

No events of material significance for the Group's net assets, financial position and earnings occurred after the end of financial year 2013/2014. The development of business at the beginning of financial year 2014/2015 validates the statements made in the following "Outlook".

On 16 October 2014 Carl Zeiss Meditec AG and Abbott Medical Optics Inc., Santa Ana, USA concluded an agreement on a non-exclusive distribution collaboration in the field of cataract surgery in the United States. Under the terms of this agreement, Abbott Medical Optics Inc. shall offer and distribute the products of the Carl Zeiss Medical Group that have approval in the USA in the field of cataract surgery, as a new, additional distribution channel, supplementary to the direct ZEISS distribution channel, which shall continue to exist. The extensive range of diagnostic and visualization systems for cataract patients, lens extraction systems, and intraocular lenses, gives physicians broad coverage from one supplier.

OUTLOOK

Corporate strategy

In financial year 2014/2015 we aim to achieve further sustainable growth. The aim of our strategy is to improve the diagnosis and treatment of diseases by further developing our products. Our strategy therefore focuses on the success factors innovation, integrated solutions for diagnostics and therapy, and customer focus. Innovation, in particular, plays a key role in this.

Innovation:
A key element of our growth strategy consists in making cutting-edge technology in medical application accessible to our customers. We are therefore striving to establish our products as the new gold standards in medical diagnostics and therapy.

Integrated solutions:
Due to the breadth of our product range, we offer our customers, particularly those in the area of ophthalmology, the opportunity to make their workflows more efficient, and to achieve better clinical outcomes, by logically networking devices and systems. A comprehensive system integration via data management solutions and IT-assisted analysis functions is essential for this. In the reporting year we invested consistently in the expansion of our software range and offer our customers new solutions, among other things, in glaucoma care and the treatment of cataracts in patients with astigmatism.

Customer Focus:
A primary objective of our innovation strategy is to improve the diagnosis and treatment of diseases. Our customers value our support and service in order to be able to satisfy the ever-growing demands for treatment quality and efficiency. Continuously expanding our global service business shall thus be a key growth driver for us for the next few years. We expect the share of consolidated revenue generated by our Service business to increase further in financial year 2014/2015.

In addition, the organizational structure shall be adjusted at the beginning of the financial year. The previous organizational structure mainly summarized the locations of strategic business units (SBUs). In order to better substantiate our claim to be a solutions provider, the new organizational structure shall be geared even more strongly to our customer groups. Accordingly, the composition of the product portfolio of the three strategic business units shall change at the beginning of the new financial year. The "Microsurgery" SBU shall no longer be responsible for surgical microscopes for ophthalmology in future; instead, these shall be assigned to the "Surgical Ophthalmology" SBU. The optical biometry segment was previously assigned to the "Ophthalmic Systems" strategic business unit. From the start of the new financial year, biometry shall also be part of the "Surgical Ophthalmology" SBU.

Future conditions for business development

Macroeconomic conditions

The forecast for financial year 2014/2015 is continued moderate global economic growth with regional variations. In the USA growing investment activity and increasing consumer demand are driving growth. Continued dynamic growth is also projected for the emerging economies – particularly in Asia and Latin America – if at a slower rate than before in some areas. The growth indicators for the global economy, however, show very clear signs of a future slowdown of the markets. In addition, political uncertainties, particularly in Russia, the Ukraine and the Middle East, may have an adverse effect on growth.

Future situation in the medical technology industry

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

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

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

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

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

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

Strategic business unit "Ophthalmic Systems"

During the past financial year, revenue in the "Ophthalmic Systems" SBU declined, due mainly to negative currency effects. We anticipate renewed growth in 2014/2015. In particular the leading products we already have on the market for diagnosing and treating ophthalmic diseases shall help us to achieve this growth, as well as the new innovations to be launched in the course of the financial year. With our broad product range it is our ambition to be able to provide our customers with efficient solutions for a smooth workflow, with the best possible benefit for the patient. System networking and integrated data management are an important strategic focus in this respect. Our comprehensive data management system FORUM®, in particular, offers excellent solutions for this. Another example is in the area of refractive lasers, where, two years after its international market launch, the ReLEx® SMILE procedure has established itself as the third generation of laser vision correction. Compared with previous procedures, ReLEx® SMILE stands out by being considerably less invasive and offering very good predictability of correction. To date, more than 130,000 eyes worldwide have been successfully treated using this microinvasive method.

The year under review was characterized in the “Ophthalmic Systems” SBU by growing competitive pressure, particularly for diagnostic devices. This pressure is intensified by the fact that, for example, Japanese competitors, benefiting from currency trends, can offer their products in the market at low prices. The competitive situation results, in particular, in a high cost pressure, which the Carl Zeiss Meditec Group has to counter. Due to product innovations, however, the new products we have launched in the market, and a good performance by refractive lasers, we are looking forward to the new financial year with cautious optimism, and are confident that we shall grow at least to the same extent as the underlying market. From a current perspective, and excluding currency effects, this corresponds to growth in the low to mid-single-digit percentage range.

The EBIT margin is currently expected to improve. However, it is still anticipated that this will be below the Group average.

Strategic business unit “Surgical Ophthalmology”
The “Surgical Ophthalmology” SBU continued to grow significantly in the past financial year and was strategically reinforced by the acquisition of the U.S. intraocular lens manufacturer Aaren Scientific Inc. in January 2014. We expect this growth to continue in financial year 2014/2015. To achieve this we need to exploit and exhaust any potential that remains in the markets in which we operate and further strengthen our market position through innovations. MICS lenses, which are already well established in the market, play a key role in this, as well as the injectors suitable for implantation, and the successfully established VISALIS® 500 phaco system, which is capable of microincision surgery. The Company’s AT LISA® tri and AT LISA® tri toric, in combination with the BLUEMIX^{STM} 180 injector, is the only preloaded MICS-compliant trifocal intraocular lens on the market. The CT LUCIA®, launched in September 2014, is the first intraocular lens in the standard segment to be manufactured at our new site in Ontario. Excluding currency effects, we are confident that we will once again grow faster than the underlying market in 2014/2015, which is currently expected to grow in the mid-single-digit percentage range. As things stand, the EBIT margin is expected to remain around the average for the Group.

Strategic business unit “Microsurgery”
In the past financial year revenue reached almost the same figure as the previous year in the reporting currency. Adjusted for currency effects, the “Microsurgery” SBU achieved a slight increase and thus further improved our already exceptionally strong market position. We expect this growth to continue in 2014/2015. With our surgical microscopes the OPMI® Pentero® for neuro, spinal or plastic surgery, or the OPMI® VARIO, which is used in ENT surgery, for example, we are broadly diversified and are exploiting the associated market opportunities to an even greater degree by upgrading the products in terms of additional supporting applications.

We expect the “Microsurgery” SBU to continue to make significant contributions to earnings in future. We are confident that we shall grow at least to the same extent as the underlying market in the coming financial year. From a current perspective, and excluding currency effects, this corresponds to growth that is at most in the mid-single-digit percentage range. As things stand, the EBIT margin is expected to remain above the Group average.

Future selling markets

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

Future research and development activities

We aim to continue to be a pioneer of innovative solutions and processes, and to continuously develop our expertise in this area. The Carl Zeiss Meditec Group continues to invest considerable funds in research and development projects. Efficient and targeted development processes play a key role in this. Upstream from these is the search for new technologies and market trends, which are systematically identified and evaluated on an ongoing basis, in order to specifically carry over the most promising ideas to new development projects and then to establish ourselves on the market with new solutions. The important thing is to consider the regional market conditions and the needs of our customers in the development process from the outset. In the coming financial year 2014/2015 we plan to make additional strategic research investments in the field of ophthalmology. The projects started and currently underway require up-front investments over a period of at least three years. Currently, an expense of around € 10 million is expected in the coming financial year. For better comparison, starting from the first quarter of 2014/2015 we shall report investments allocated to this area of application separately.

Future investments

Investments are a basic requirement to be able to maintain our technology leadership in future. The investment ratio at the Carl Zeiss Meditec Group has largely been constant in the past few years. The investments required to realize growth targets shall not lead to a material change in the current investment ratio in the coming financial year. We aim to invest around 1 % to 3 % of revenue in property, plant and equipment in financial year 2014/2015, which is about the same as in previous years.

Future dividend policy

Carl Zeiss Meditec AG pursues a long-term and earnings-oriented dividend policy. The Company's management plans to propose to the Annual General Meeting the distribution of a dividend of € 0.40 per share for the past financial year. The dividend ratio would therefore be 43.4 %, which would roughly correspond to the ratio for the previous year (previous year 39.1 %). The management also intends to allow shareholders to continue to participate fairly in the Company's success in future. The special dividend, an instrument that has been used several times in the past, may also be used again.

Future employee development

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

Future financial position

Interest income and expenses depend on changes in interest rates on the financial markets. At present, the Company does not expect any marked improvements in investment conditions in the next two years. Interest income and interest expenses are thus expected to remain around the previous year's level. As of 30 September 2014 current cash and cash equivalents of around € 293.3 million were available for financing. In view of this, as well as the ongoing expectation of positive business development and a positive cash flow from operating activities as a result, and the possibility to use other financial instruments and sources of financing, if necessary, we consider the Carl Zeiss Meditec Group's financing capacity to be adequate. In 2014/2015 we aim to achieve operative cash flow in the high double-digit millions, based on active working capital management.

Future opportunities

The global medical technology market is characterized by fundamentally sustainable growth. This applies to both ophthalmology and microsurgery and assures us of good selling conditions for the Company.

We continue to foresee a high level of growth, particularly in the rapidly developing economies (RDEs) in Asia and Latin America. We plan to further strengthen our market presence and exploit the existing potential there, in order to further consolidate our position in these markets. Additional opportunities are provided by our innovative and broad product range, which we shall continue to expand in the coming financial year. Our strong financial profile, which safeguards the Company's development against external influences, should also have a positive effect. The Company is in a position to protect itself against direct risks in the short term, without losing sight of its long-term objectives. Due to our ZEISS brand, our customers perceive us as a reliable and trustworthy partner, and we look back on a long, successful collaboration. We can therefore build upon an extremely positive brand image.

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

Overall assertion on future development

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

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

Given the generally favorable conditions for market development in the medium and long term, and the Carl Zeiss Meditec Group’s good strategic position, the Company’s management assumes that revenue will continue to grow in the coming financial year, provided that general economic conditions remain stable. We anticipate revenue growth that is at least on a par with the market growth expected for the industry. From a current perspective, and excluding currency effects, this corresponds to growth in the low to mid-single-digit percentage range.

A crucial advantage for even greater stability of our overall business is a higher proportion of revenue with case-number-dependent products and services, since there is generally less fluctuation in these areas than in the capital goods business, for example. We already achieved our objective of increasing this share of revenue to 25 % by 2015 in reporting year 2012/2013 – two years earlier than planned. In financial year 2013/2014 we achieved a share of 28 %. From a current perspective, we expect a further increase in financial year 2014/2015. In the medium term we aim to increase this revenue share to over 30 % of consolidated revenue by financial year 2018/2019.

In financial year 2013/2014 the EBIT margin decreased from 14.6 % in the previous year to 13.3 %. This decline was attributable, among other things, to acquisition effects and negative currency effects, as well as the disappointing earnings situation in the “Ophthalmic Systems” SBU. For the next financial year, we are planning strategic research investments in a new area for the Carl Zeiss Meditec Group, which shall impact the EBIT margin in the short term. Nevertheless, the EBIT margin is expected to remain within the range of 13 % to 15 %, and thus at an attractive level, in financial year 2014/2015 and in the medium term until financial year 2018/2019.

In terms of free cash flow for financial year 2014/2015, we anticipate a figure that is still well into the double-digit millions. We are aiming for a slight improvement in Economic Value Added (EVA) in the coming financial year.

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

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

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

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

The declaration on corporate governance (pursuant to Section 289a *HGB*) includes the declaration of conformity pursuant to Section 161 *AktG*, relevant information on corporate governance practices applied which go beyond the statutory requirements, in addition to information of where these are publicly accessible and a description of how the Management and Supervisory Boards work, as well as the composition and mode of working of their committees. You can find this information on our website at **www.meditec.zeiss.com/ir.**

Jena, 21 November 2014

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