Annual Report 2010/2011

The moment medical technology leads to something very human: patients smile again. **This is the moment we work for.**

CARL ZEISS MEDITEC

Group highlights

€ 758.8 million

Double-digit increase in revenue

In spite of uncertain general conditions, we exceeded our revenue forecasts: revenue increased by 12.1 % to € 758.8 million.

19.4 %

Disproportionate increase in earnings

Earnings before interest and tax (EBIT) increased at a greater rate than revenue, to € 103.6 million. The EBIT margin rose by 0.8 %-pts to 13.6 %, compared with 12.8 % to previous year.

€ 194.6 million

Cash and cash equivalents remain at very comfortable level

Carl Zeiss Meditec continues to have an extremely robust liquidity situation. In addition, a sum of around € 110 million is invested for a fixed period of one year. This means we can act quickly when worthwhile and viable external growth opportunities present themselves.

€ 0.82

Earnings per share up by almost 22 %

We increased earnings per share from € 0.68 to € 0.82.

€ 84.2 million

Investments in research and development reinforce innovative strength

Innovations play an important role when it comes to securing and expanding our market position for the future, too. In the past financial year, we therefore invested 11.1 % of our revenue in research and development.

€ 0.30

Dividend reflects corporate success

Once again, the Company plans to allow its shareholders to participate to an appropriate extent in the Company’s success for the past financial year, and intends to propose to the Annual General Meeting the distribution of a dividend of € 0.30 per share.

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Business development

(Unless specified otherwise, figures in € ’000)

Revenue and net income

	Financial year 2010/2011	Financial year 2009/2010
Revenue (Gross margin) +12.1 %	758,793 (54.7 %)	676,682 (53.0 %)
EBIT (EBIT margin) +19.4 %	103,566 (13.6 %)	86,743 (12.8 %)
Consolidated net income after non-controlling interests +21.9 %	66,906	54,889

Key ratios in the statement of financial position and statement of cash flows

	30 September 2011	30 September 2010
Equity ratio +1.9 %-pts	73.1 %	71.2 %
Working capital +8.2 %	468,413	433,072

	Financial year 2010/2011	Financial year 2009/2010
Cash flow from operating activities -42.4 %	37,545	65,211

Carl Zeiss Meditec's goal is to drive progress in medicine with innovations for ophthalmology and microsurgery. Products and solutions aim to help physicians to improve patient outcomes and thus their quality of life.

Ladies and Gentlemen,
dear Shareholders,

Once again, Carl Zeiss Meditec looks back on a very successful year. Taking stock at the end of financial year 2010/2011, the situation looks very good. In spite of the adversity on the financial markets and the general increase in uncertainty in terms of overall economic conditions, we remained on our growth course. What is more: we even exceeded our expectations. Total revenue grew by 12.1 percent to € 758.8 million, while our earnings (before interest and taxes) increased disproportionately, growing by more than 19 percent. Although we invested unreservedly in the development of new products and increased our investments in the establishment and expansion of sales structures, we increased our profitability. This is due not least to the fact that, in addition to increasing our gross profit, we also succeeded in reducing our production costs. Our EBIT margin increased to 13.6 percent.

Dear Shareholders, once again we would like you to share appropriately in this positive development this year: the Management Board and Supervisory Board shall therefore propose to the Annual General Meeting 2012 to distribute a dividend from net retained profits of € 0.30 per share.

Overall, all regions and strategic business units contributed to growth. In spite of growing uncertainties, due to the national debt crisis in the eurozone, we increased our revenue in the EMEA (Europe, Middle East and Africa) region by around eight percent. The solid growth in the USA is flanked by the growth in the countries of South America, which achieved a double-digit growth rate. Once again, our growth rates in the rapidly developing economies of the Asia/Pacific region were also in the high double-digit range. In Japan, too, our business continued to grow unabated, in spite of the tragedy there last spring. The Asia/Pacific region is our fastest-growing region and continues to have significant growth potential. This was incentive for us this year to direct the focus of the reports at the start of our Annual Report to a greater extent on our customers in Japan and China.

The Microsurgery business unit achieved significant growth, increasing its revenue by 20 percent. Sales drivers in this SBU are in particular the surgical microscopes OPMI® PENTERO® 900 and the OPMI LUMERA® 700. Sales of devices for intraoperative radiotherapy also developed very well. The Surgical Ophthalmology SBU, with its innovative intraocular lenses (IOLs), grew by six percent.



Dr. Ludwin Monz
President and CEO



Dr. Christian Müller
Member of the Management Board



Thomas Simmerer
Member of the Management Board

The third strategic business unit Ophthalmic Systems owes its over seven percent growth to, among other things, the successful launch of a new product: ReLEx® smile – a minimally invasive laser procedure for the correction of vision defects.

New products are the key to our Company's success. This is why we employ just 14,5 percent of our employees in the field of research and development. Year by year we invest around ten percent of our revenue in innovations and solution concepts, and protect the resulting innovative edge with patents. Carl Zeiss Meditec is awarded one patent a week, on average. This innovative strength is what drives our growth.

Our positive development is also promoted and supported by the Company's MEGA 2015 program, in which we have defined and further updated our strategy for the coming years. This agenda is based on our commitment to contribute to medical progress with products and solutions for ophthalmology and microsurgery – with a clear vision in our sights: to put ourselves at the service of people with innovative technology, to help patients to smile again. We have incorporated the important success factors that MEGA (Meditec Excellence and Growth Agenda) outlines for this in this Annual Report and bring them to life in five example stories.

In the item on INNOVATION, we look over the shoulder of a Japanese surgeon and professor, who is testing a recently launched fluorescence module for our surgical microscope OPMI® PENTERO® 900. Under the heading NEW MARKETS, we introduce a scientist and ophthalmologist from China, who is able to treat her patients with complicated ophthalmic diseases more effectively, thanks to our diagnostic and laser devices. A good example of committed CUSTOMER CARE is provided by a technical employee stationed in Singapore, whose area of operation is the entire Asia/Pacific region. We also accompany one of our product managers, who observes an operation and returns from his visit with something special to motivate his STRONG TEAM: the enthusiasm of the physicians on site, who use our devices. And, last but not least, it is EXCELLENT PROCESSES which improve customer satisfaction with the workflows in the supply chain, and efficiency, and thus reduce costs – as described in the fifth example.

Dear Shareholders, these catchwords – innovation, new markets, customer care, strong team, excellent processes – clearly outline our success factors. We are in a good position, the course is set, our objectives are clearly formulated, and our employees at all our locations are more highly motivated than average. All of this, plus the continuously positive development we have enjoyed for many years now, allow us to continue looking to the future and the new financial year with optimism.

There is no question that it is difficult to make a precise forecast given the general volatility, which stems in particular from the debt crisis in Europe and the uncertain situation in the USA. However: demographic trends are unchanged, meaning that we can expect a growing number of older people who are entitled to and who will demand the best medical care. The medical technology market will continue to grow in the long term, too. And we shall continue to be a leader in this market among medical technology suppliers. Because, with our broad portfolio and our global presence – combined with the high potential for growth in Asia – as well as our sound financial structure, we are well equipped for further growth. Our investments in research and development, which shall remain high, shall give our Company a dynamic and lasting vitality in future, too.

We are starting a new year with great momentum and invite you to continue to accompany us on this successful path with your trust and your support.

Jena, December 2011

Yours sincerely,

Dr. Ludwin Monz
President and Chief Executive Officer


Carl Zeiss
PENTERO 900
// PERSPECTIVES
MADE BY CARL ZEISS

Our innovations bring benefits to both doctors and patients

Making the latest medical technologies user-friendly is a major challenge, since this requires a high level of complexity to be concealed behind a simple user interface. This is a specialty of Carl Zeiss Meditec, as shown by the most recent example, YELLOW 560™, a fully integrated fluorescence module of the surgical microscope OPMI® PENTERO® 900.

The medical faculty of the University of Yamanashi has made the following its professed goal: "Our aim here is to train medical professionals who feel the suffering of the sick as though it were their own personal suffering, and who continue their medical training throughout their lifetime, to make their contribution for the health and wellbeing of people." The Head of this faculty is Hiroyuki Kinouchi, M.D., Ph.D. As a specialist for diseases of the cerebral vessels he has, for many years, been engaged in research work devoted to explore the molecular mechanism of cerebrovascular diseases and develop innovative surgical treatment methods for neurological diseases such as cerebral ischemia (insufficient blood flow to the brain), aneurysms (dilatation of vessels), vascular malformations or brain tumours at Tohoku University, Akita University and now University of Yamanashi in Japan. Recently he has been concentrating on establishing a reliable method to prevent vascular injury during neurological surgery to improve the surgical outcome for patients.

Pioneers and leaders in fluorescence

One possibility to make vessels or tissues that are difficult to see with the naked eye more visible and more clearly distinguishable from surrounding tissue is the fluorescence method – an effect that laymen will know from nightclubs, when certain materials glow under black light. In medicine, this effect can be used to make blood visible in vessels, or to make a tumour stand out from the surrounding tissue. Depending on the dye and light, the structures can be made to luminesce in a different colour. Carl Zeiss is among the pioneers in this field and today offers the broadest product range that has been integrated in a surgical microscope.

The OPMI PENTERO 900 supports research and improves the efficiency of surgical procedures.

Gain of knowledge – the latest technologies from Carl Zeiss Meditec are used all over the world to train neurosurgeons.

Prof. Hiroyuki Kinouchi, M.D., Ph.D
University of Yamanashi

„Our aim here is to train medical professionals who continue their medical training throughout their lifetime, to make their contribution to the health and wellbeing of people.“

Welcome to the operating room

When, in summer 2011, Carl Zeiss Meditec made Professor Kinouchi the offer to test the new YELLOW 560™ module with the OPMI® PENTERO® 900 as part of his research, he didn't hesitate for long and gladly accepted. Previously, Prof. Kinouchi was using a combination of a wide range of devices for his fluorescence studies, the preparation, installation and operation of which were complex and time consuming. For two weeks, the Japanese physician and scientist now had the opportunity to try out the demonstration device of Carl Zeiss Meditec in his operating room and, after using it several times, is confident in its functionality. "A major advantage of YELLOW 560 is that it allows the surrounding tissue to be rendered in its natural colour for the first time. And what is more, we no longer have to change the system from the surgical microscope to our existing external solution. Simply pushing a button switches between fluorescence and normal mode during surgery. This integrated solution is simply great." And, glancing at the touchscreen with its state-of-the-art, intuitive user interface, he adds: "Integrated – although this is a somewhat overused term nowadays, it is absolutely spot on for the OPMI PENTERO 900 and its various modules."

Extended application scope of fluorescence

YELLOW 560 is the continuation of a series of innovations started in 2004 – BLUE 400™, INFRARED 800™ and FLOW® 800 – and thus opens new opportunities for the implementation of future applications.

"YELLOW 560 can pick out contrast agents with emitted light wavelengths of between 540 and 690 nanometres. The signals are mostly yellowish green, hence the name," explains the developer, Helge Jess. At the core of the YELLOW 560 option is a unique optical filter system. The system engineer had the idea of visualising fluorescence and tissue simultaneously using natural colours in order to raise the efficiency of fluorescence applications during operations. He carried out complex calculations and simulations to come up with an innovative solution which he then integrated in the new OPMI PENTERO 900.

Innovation with tradition

The University of Yamanashi is located 100 kilometres west of Tokyo. The university resulted from a 2002 merger of the Yamanashi Medical University, founded in 1978, with Yamanashi University.

The history of Carl Zeiss in Japan is rooted in a longstanding tradition. Exactly 100 years ago – in November 1911 – Carl Zeiss goshi-kaisha was founded in Tokyo as the fifth subsidiary outside Germany. Today, Carl Zeiss is also represented in Japan in Osaka, Fukuoka, Nagoya, Sendai and Sapporo. "Appreciation of innovation, precision and quality – one thing the industrial cultures of Japan and Germany have in common," said Rolf Beyersdörfer, Director of Carl Zeiss Meditec in Japan, describing the closeness of the two countries.

A unique optical filter system makes it possible, in fluorescence mode, to visualize the surrounding tissue in its natural coloring.

Rolf Beyersdörfer, Head of Carl Zeiss Meditec in Japan, and Dr. Michael Kaschke, Chairman of the Supervisory Board of Carl Zeiss Meditec, at the anniversary celebrations in Tokyo.


// CERTAINTY
MADE BY CARL ZEISS

China: New Opportunities in the Land of the Dragon

Prof. Dr. Fang Lu, a Chinese specialist in retinal diseases, relies on cutting-edge laser and diagnostic systems from Carl Zeiss Meditec to perform complex surgical procedures. Two aspects she values highly as a researcher and doctor are the reliability of the instruments and the regular new clinical applications.

When a patient comes to our hospital for a retinal problem, there could be a number of causes. Some patients are extremely myopic and have a very thin retina, so the bleeding could be brought on by something as simple as coughing too hard. Others may be suffering from a serious retinal disease," says the 38-year-old associate professor, explaining the cases she typically encounters. "We use the Cirrus™ HD-OCT to examine the micro structure of the retina layers to identify the exact source of the visual problem. The OCT is an indispensible tool for a quick and confident diagnosis. For our surgery patients, we also depend on OCT to confirm our results: have we closed the macular hole or is the membrane completely removed? Based on the Cirrus HD-OCT results, we can give our patients an accurate prediction for their future vision."

The instrument given such a glowing report by the Chinese eye specialist is an optical coherence tomography (OCT) system of the latest generation. The Cirrus HD-OCT, which was launched in 2007, is capable of delivering razor-sharp, three-dimensional images of the interior of the eye in just seconds, including images of the individual layers of the retina. This makes it a vital tool in the early diagnosis and treatment of glaucoma and retinal diseases such as age-related macular degeneration (AMD). For patients with blood in the vitreous, in the majority of cases, the images enable Professor Lu to tell her patient if the bleeding is retinal or choroidal almost immediately and to apply the correct course of treatment.

Years of experience in OCT technology

The retina specialist clearly remembers the day back in 1999 when the West China Hospital in Chengdu

Professor Fang Lu, M.D., Ph.D.,
West China Hospital, Sichuan University, China

The eye clinic at West China Hospital is one of the oldest and best-known ophthalmic centers in China.

took delivery of a first-generation OCT system. “I had just qualified and I was the young doctor in personal charge of the OCT. Nowadays that is the job of specially trained technicians. I have followed the developments in OCT technology ever since. The leap into 3D was really an extraordinary step: images we could previously only construct in our heads were suddenly right in front of us on the monitor!”

The images supplied by the Cirrus HD-OCT provide an excellent diagnostic basis for the surgery that Professor Lu frequently performs using the VISULAS Trion *VITE*, a multi-wavelength laser from Carl Zeiss Meditec which delivers gentle and effective retinal treatment. “The Cirrus is also a tremendous help after an operation is over. It enables us to clearly identify the size, structure and pigmentation of the wound, which gives us a much better insight into the effects of the laser. That is particularly interesting for me as a researcher, because the ongoing improvement of laser treatment is something we see as a joint endeavor.”

The importance of good partnership

Professor Lu’s comments touch on a key aspect of Carl Zeiss Meditec’s business strategy, which recognizes that the collaborative partnerships established with Chinese specialists such as Professor Lu are crucial to developing the Chinese market: “The Chinese greatly value long-term business relationships in which both sides benefit equally,” explains Dr. Jun Feng Tan, Marketing Manager Ophthalmic

Systems, Carl Zeiss Shanghai Co., Ltd., noting that the win-win principle is seen as tremendously important in China. "Chinese customers expect to be treated as a real partner."

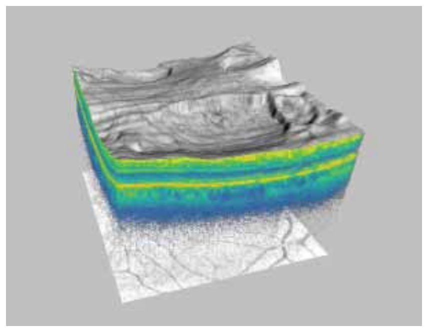
This approach has certainly met with success at the West China Hospital's eye clinic, a fact that should pay dividends in the future thanks to its reputation as one of the oldest and most prestigious centers of ophthalmology in China. A beacon of excellence in its field, the clinic traces its origins back to the year 1894. Its team of 44 doctors currently performs some 12,000 operations a year, and 150,000 patients were treated here on an outpatient basis in 2010. As a university hospital with a total of 4,000 beds, the West China Hospital fulfills an important research function as well as providing medical care.

Technology for medical progress

Professor Lu's current projects include a large-scale study into the effects of growth inhibitors in AMD diseases. The Cirrus has once again played a crucial role in determining their long-term effects on the retina. "I can always rely on the Cirrus, especially when it comes to long-term comparative studies. Unlike systems from other manufacturers, the frequent new clinical applications for the Cirrus provide a steady stream of genuine innovations.
For example, the latest version allows you to calculate the area and volume of elevations to the retinal pigment epithelium (RPE), including for cases of drusen*. What mostly touches me is the fast development of OCT applications, which give us more opportunities to study our eye objectively; sometimes even more advanced than our direct observation!" Professor Lu enthuses.

Following the boom in China's coastal regions, Chengdu, the capital of the western Chinese province Sichuan (Szechwan), offers an example of how China is striving to extend economic development to its interior. The research laboratories and professors at West China Hospital are one of the strongest pillars of progress in this metropolis of 10 million people – and they know they can count on technology from Carl Zeiss Meditec for all the support they need.

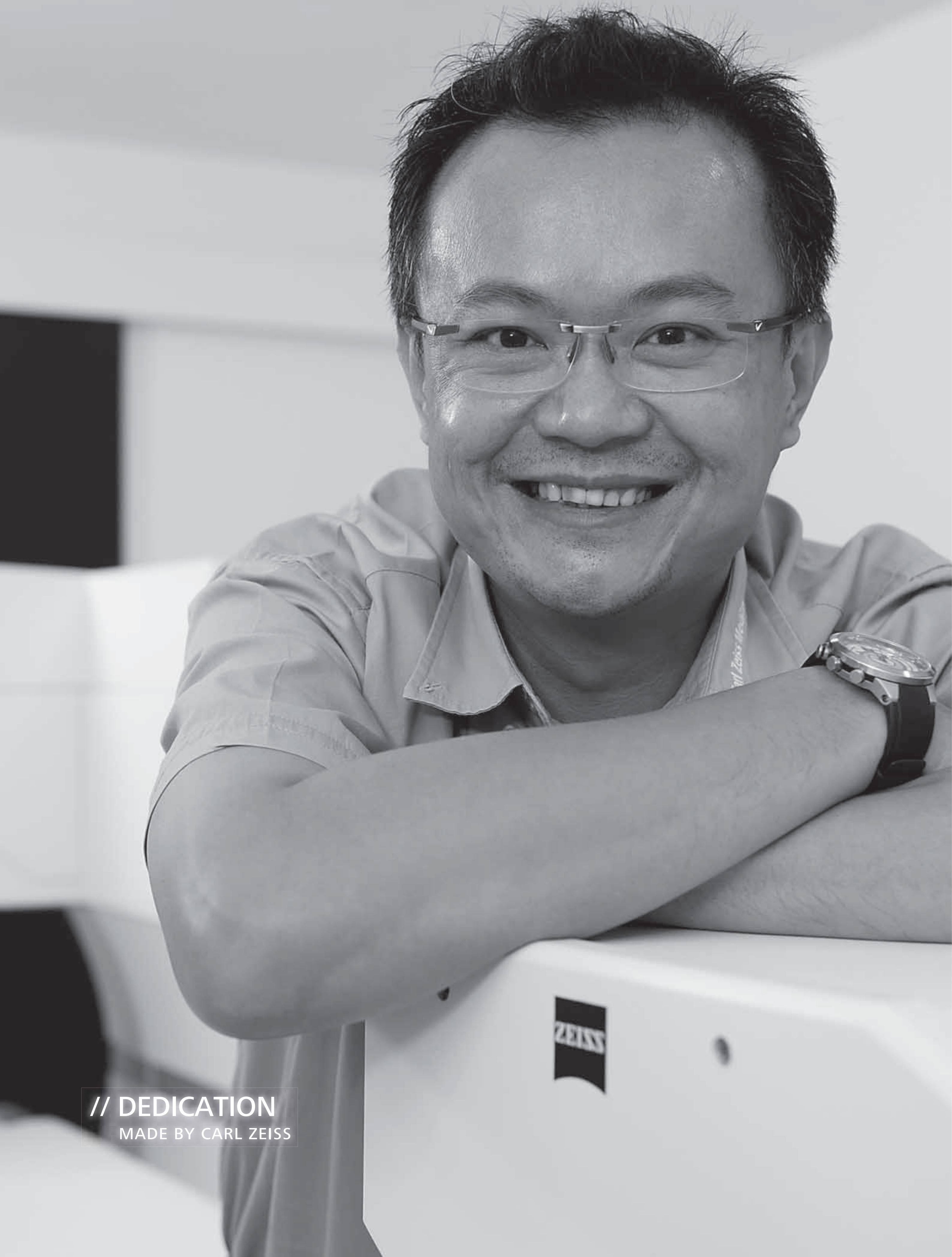
*510(k) clearance pending for Advanced RPE feature.
This feature is not cleared by the FDA for distribution in the United States.



Cirrus HD-OCT provides qualitative and quantitative data with exquisite images of the retina in 2D and 3D.

Professor Fang Lu, M.D., Ph.D.,
West China Hospital, Sichuan University, China

„Finally, we were able to see on the monitor what we could only imagine before, so clearly we could almost touch it!"


// DEDICATION
MADE BY CARL ZEISS

Customer care across borders

Service engineer ChinWah Lee has once again achieved the seemingly impossible. His is a typical story of a Carl Zeiss Meditec employee showing utmost dedication to providing first class service.

On 11 March 2011, the coast of Japan was hit by a massive tsunami caused by a huge offshore earthquake which resulted in many people losing their lives. The tsunami seriously damaged the Fukushima nuclear power plant, leading to devastating consequences. Air traffic between Japan and the mainland was badly affected, with fears over the extent of the radiation leak bringing virtually all flights to a halt.

ChinWah Lee,

Service Technician for refractive lasers,
Carl Zeiss Meditec

The uncertainty and delays in delivery caused widespread problems, with Carl Zeiss Meditec's customers among those whose plans were hit: "There was one doctor who was particularly concerned," recalls ChinWah Lee, who has spent the past seven years working for Carl Zeiss Meditec in Singapore as a service technician in the field of refractive lasers. "He was expecting a replacement part for his VisuMax®, but with all the confusion and uncertainty we were unable to confirm the delivery date, because the governments of most countries had issued warnings advising against any form of travel to Japan."

Support through difficult times

It is not hard to understand the doctor's situation: without the equipment, he was unable to provide his patients with the treatment he had promised them. The use of lasers to provide permanent correction

As an experienced Service Technician, ChinWah Lee supports customers all over the Asia/Pacific region from Singapore.

of vision is tremendously popular in Japan, and he had a long waiting list of patients who were eager to be treated with his state-of-the-art VisuMax® femtosecond laser. The delivery problems caused inconvenience to his patients, some of whom had traveled long distances and even taken time off work to attend a long-planned appointment.

ChinWah Lee is a member of an elite, 10-strong team of experienced technicians who operate around the clock, supporting the on-site field service technicians worldwide with their experience via the hotline and, in urgent cases, deploying them to the location where help is needed. Born in Singapore, he is responsible for the Asia-Pacific region and has made frequent trips to Korea, Thailand, Malaysia, New Zealand, Australia, India and Japan. This time, however, it looked as though the Fukushima disaster would prevent him from travelling. But he never gave up: “The collaborative partnership we have built up with the doctors is important to us. I couldn’t bear to let down such a good customer!” says ChinWah Lee, explaining why he went to all the effort. “In the end we managed to stick to the deadline we had promised, and the VisuMax was up and running the very next morning.”

Lasting customer satisfaction

Satisfied customers are the best kind – but providing lasting customer satisfaction is an ongoing challenge. When it comes to high-tech systems such as femtosecond lasers, surgical microscopes and eye disease diagnostic equipment, customer care continues well beyond the date of purchase, with good maintenance and a rapid emergency response service all forming part of the package.

This is why ChinWah Lee and his colleagues regularly attend training courses that are designed to maintain the same high standards of customer care all over the world. Upholding a high level of customer service is the task of the recently created

Global Service & Customer Care Division, which acts as the hub of all the company's efforts to enhance its customer orientation.

Dialog with doctors

"To provide good service, you first need to be a good listener. If you are attentive to your customers and willing and able to find solutions to their problems, then you are on the right track," says Peter van Altena, Vice President Global Service & Customer Care. "That's why we are determined to make our service approach into an even more integral part of our business." The European Customer Advisory Board now regularly holds meetings on the periphery of major trade fairs and congresses such as the ESCRS (European Society of Cataract and Refractive Surgeons). "In the USA, we have already seen good results from this kind of customer advisory board. A small group of selected doctors gives us feedback on the quality of our service and suggestions on how we could improve our response in the future," says Peter van Altena, explaining the basic concept.

"ChinWah Lee is an excellent example of personal initiative in action: through his customer orientation, courage and dedication, he was able to create genuine customer satisfaction," van Altena continues. His customer was delighted with the response and wrote to express his gratitude: "Thanks Carl Zeiss Meditec for helping at this difficult time!"

ChinWah Lee knows every detail of the femtosecond laser VisuMax.

ChinWah Lee,
Service Technician for refractive lasers

„The collaborative partnership we have built up with the doctors is important to us. I couldn't bear to let down such a good customer!"


// MOTIVATION
MADE BY CARL ZEISS

Motivating experiences as an incentive for our strong team

Dr. Roland Guckler is a product manager at Carl Zeiss Meditec. He finds it particularly exciting to witness a technical device, which he knows down to the last detail, being used in the operating room for the first time – seeing the great air of excitement it creates.

Technology and emotion are in no way opposites. This is something Dr. Roland Guckler experienced again just recently. A neurosurgeon from Southern Germany had asked him to be present when he used the fluorescence module INFRARED 800™ to visualise vascular blood flow for the first time. A man of around 50 years old had been admitted to the hospital a few days previously with severe headaches. The diagnosis: an aneurysm measuring around two centimetres – an abnormal vascular dilatation in the brain. Time was of the essence, because if an aneurysm bursts, the cerebral haemorrhage can lead to severe disabilities, and in many cases even death.

Dr. Roland Guckler,

Product Manager Fluorescence,
Carl Zeiss Meditec

In order to give brain surgeons a greater degree of certainty when they need to make the most difficult of decisions during such a procedure in a matter of seconds, Carl Zeiss Meditec developed the INFRARED 800.

Control within seconds

The crucial thing in this surgical procedure is for the blood-filled vascular dilatation to be cut off completely from the actual blood flow with a clip (which remains in the brain). Complications can arise if the aneurysm is not completely clamped off or if vessels are accidentally occluded. But how can the physician prevent such a thing from happening? One way to gain additional certainty is now offered by the INFRARED 800 option, which is fully integrated in the OPMI® Pentero® surgical microscope. This particular method enables the blood

The surgical microscope OPMI PENTERO 900 and the integrated fluorescence option INFRARED 800 visualize the blood flow within seconds during the operation.

flow to be visualised in just a few seconds, even in vessels with a diameter of less than one millimetre.

An uplifting experience

“A surgery on the brain takes several hours, so it does get quite tense in there,” explains Dr. Roland Guckler, “but after the surgeon had clamped the aneurysm, the big moment finally arrived.” It was for this moment that the chief physician had called together the entire surgical team, as well as a number of other physicians from neurosurgery. Additional monitors allowed the spectators to observe the use of the INFRARED 800™ during surgery along with Dr. Roland Guckler. The room was darkened. You could have heard a pin drop when the anaesthetist injected the dye. Then, suddenly, we saw quite clearly the blood in the vessels start to glow. And the aneurysm? It remained dark. Crucial evidence that it had been successfully isolated completely. Appreciative “ohhs” and “ahhs” from those watching the monitors broke the silence. “In my case, the tension gave way to a huge surge of relief,” recalls the Doctor of Biology.

Back to the office feeling highly motivated

Although he observes procedures of this kind once a month on average, it always moves the product manager anew to witness the great air of excitement that technology can create among the attending physicians. It is no wonder, because all over the world where one of the more

Dr. Roland Guckler,
Product Manager Fluorescence, Carl Zeiss Meditec

„To see first hand how our innovations help to save human lives – that is a wonderful feeling!"

Faster examinations - The INFRARED 800 fluorescence option allows blood flow to be visualised during the operation.

than 2500 OPMI® Penteros® are equipped with the INFRARED 800, surgeons are able to significantly increase their success rate in comparison with purely visual assessment. This is a major step forward for both the physician and the patient, and brings palpable relief, when the efficacy of a surgical intervention can be assessed immediately. It means, for example, that an incorrectly placed clip can be fixed intraoperatively, an accidental vascular occlusion can be avoided.

"As product managers, we are not just responsible for the devices; we also represent the interests of the users, as it were. Based on the intensive exchange with the users, we know exactly what the devices should and must be able to do, to produce true added value in practice. After all, we don't want to be manufacturing products that entirely miss the needs in practice." For this reason, Dr. Roland Guckler can often be found travelling the world, looking over the shoulders of physicians in Berne (Switzerland), Frankfurt (Germany), Auckland (New Zealand) or Phoenix (USA) while they work. This enables him to compile precisely specified catalogues of requirements for the development teams in Oberkochen, which are an important foundation for other helpful innovations.

As the 44-year-old returns to his desk in Oberkochen in the afternoon, he doesn't just have technical suggestions in his bags, but also a deep sense of inner joy and a certain pride at what he has achieved. Moments like those in the operating room this morning are the best kind of motivation for him and his team colleagues to continue working on reliable and efficient solutions for physicians. "Intraoperative fluorescence – that sounds very technical," Dr. Roland Guckler willingly admits, "but to see first hand how it helps to save human lives – that is definitely a wonderful feeling!"


// EFFICIENCY
MADE BY CARL ZEISS

New logistics concept ensures better delivery standards for IOLs

Excellent products can only reveal their value when they are in the right place at the right time. During the day, Carl Zeiss Meditec dispatches thousands of artificial intraocular lenses (IOLs), and the items that go with them, for patients with cataracts, punctually and reliably, all over the world – thanks to state-of-the-art and efficient ordering, storage and delivery processes.

Tuesday, 9 a.m.: Dr. Philippe Morneau is standing, as he does most mornings, in the operating room of a small eye clinic in the south of France. Next up is a routine procedure. A few weeks ago, he diagnosed the elderly gentleman with a cataract, and today the gentleman is having an artificial lens implanted. "At first, he was surprised when I told him that this operation is no big deal anymore. And then he was even amused when I said that exchanging the lens in this way is almost like having a pair of glasses inserted into the eye," said Dr. Morneau, explaining the case history.

After the ophthalmologist has removed the patient's cloudy lens under local anaesthetic, his assistant hands him an artificial intraocular lens, or IOL. This is a standard lens with a refractive power specific to the patient's eye. The eye clinic has a constant supply of around 280 of these standard lenses from Carl Zeiss Meditec, in a wide range of strengths for correcting both short and long sightedness. They are stored in orderly rows in a small white cabinet in the operating room. Today, six of these packets will be empty by midday. But only for a short time, because thanks to a state-of-the-art logistics concept, which Carl Zeiss Meditec rolled out worldwide last year, supplies will be replenished in less than 24 hours.

Fast and reliable: guaranteed

After lunch, the assistant collects the labels from the empty IOL packets that have been used and sends the data before 3:00pm to the French customer centre in La Rochelle. This centre records the data for the used lenses and creates an invoice and a replenishment order at the same time. These order data are transferred online to the central warehouse in Northern Germany. From there the lenses are set off on their quick journey. Not just to the South of France, but to destinations all over the globe.

Thanks to more efficient workflows, the eye clinics are replenished with intraocular lenses in under 24 hours.

First-class processes are simply part of who we are at Carl Zeiss Meditec. In a globally complex, rapidly growing organisation, however, they also pose a major challenge on some occasions. In this case, the speedy delivery to Dr. Morneau is the result of a large-scale transformation that Carl Zeiss Meditec has successfully accomplished within just a year. As a result of acquisitions and expansions of production capacities for IOLs and the related consumables, there used to be several main storage locations until 2010, but these did not always have all products in stock in the same quantities. In addition, the IT systems used to control the merchandise and monetary flows were different at these storage locations and the European sales offices.

With money-back delivery guarantee

Optimum workflows not only simplify everyday business, but also help to exceed customer expec-

Jens Brajer,
Director Global Supply Chain, Carl Zeiss Meditec

"Thanks to the harmonization of the software landscapes at the various locations, and centralized storage, we are now even able to offer many countries deliveries with a money-back guarantee."

tations. "This is why we have decided to hand over storage and delivery, which are not, after all, one of our core competencies, to a large and experienced logistics company," explains Jens Brajer, who was responsible for the transformation process. "Thanks to the streamlining of processes, organisation and the IT landscape at the various locations, and as a result of centralised storage, we are now even able to offer many countries deliveries with a money-back guarantee."

Efficiency is paying off

The investments in a uniform logistics and IT infrastructure for all products for surgical ophthalmology worldwide have paid off. In Germany, twice as many IOLs and viscoelastics (OVDs) are now being delivered than four years ago, with excellent delivery times. "Thanks to the uniform IT system for controlling our merchandise flows, we are able to measure and optimise the key performance indicators of the workflows in the supply chain," says Dr. Andreas Bode, Sales Manager Surgical Ophthalmology for Germany. "For example, we have increased the timely dispatch of products to 99 percent in Germany, as well as in Italy and Austria."

Looking back, Project Manager Jens Brajer sums up the Herculean task as follows: "This was a daunting and, to date, unique transformation process at Carl Zeiss. Many employees at many different locations were involved in the successful rollout. We can be proud of the result. This common experience has shown us how capable we are and that we will definitely be able to overcome any future logistical challenges."


The moment medical technology leads
to something very human: patients smile again.
This is the moment we work for.
// CONFIDENCE
MADE BY CARL ZEISS

Financial Year 2010/2011

INFORMATION TO THE SHAREHOLDERS

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Dear Shareholders and Friends of the Company,

Dr. Michael Kaschke
Chairman of the Supervisory Board

During the past financial year, the Supervisory Board has looked thoroughly and meticulously at the current situation and future development of the Company.

It was established that, in spite of the general rise in uncertainty concerning global economic development, particularly at the end of the financial year, the Company has grown well and can look back on a successful financial year at the end of the 2010/2011 reporting period. At this juncture, I would like – on behalf of the entire Supervisory Board – to say a special word of thanks and appreciation to all employees who have actively contributed to this success worldwide, and to the Management Board, for your personal commitment.

The Supervisory Board once again fulfilled the duties and obligations incumbent upon it in accordance with the law, its Articles of Association and rules of procedure in financial year 2010/2011. In its advisory function for the Management Board, in particular its management of the Company, the Supervisory Board was informed by the Management Board regularly, promptly and comprehensively in written and verbal form about the economic situation, as well as the strategy and business development of the Company. The Supervisory Board was also intensively involved at an early stage in all decisions that were of fundamental importance to the Company.

Furthermore, the Supervisory Board also engaged in a regular exchange of information and ideas with the Management Board of the Company, even outside of Supervisory Board meetings. Our particular attention, in view of the volatility of general conditions worldwide, was regularly devoted to the current earnings situation, as well as the Company's financial and risk position. Discrepancies in the course of business were explained in detail by the Management Board in order to be intensively analyzed by the Supervisory Board and the Management Board and initiate regulatory measures, if necessary.

Adherence to rules of conduct (compliance) is thus assured by conformance to the Code of Conduct of the Carl Zeiss Group. Compliance is reviewed regularly.

The nature and scope of the reports provided by the Management Board to the Supervisory Board and the discussion of additional matters have not given the Supervisory Board any cause to inspect or audit the books or publications of Carl Zeiss Meditec in accordance with Section 111 (2) *AktG.*

In financial year 2010/2011 no conflicts of interest arose between members of the Supervisory Board.

Focus of the deliberations and audits of the Supervisory Board

The supervisory and advisory activities of the Supervisory Board were primarily concerned with the development of business, as well as matters of strategic importance and future investments, including their financing.

The Supervisory Board held a total of six meetings during the financial year 2010/2011. There was one extraordinary meeting in the form of a telephone conference.

During each ordinary Supervisory Board meeting, the Management Board of Carl Zeiss Meditec AG provided a transparent overview of the development of revenue and earnings, the financial position of the Group and the development of business in the individual strategic business units, and gave a comprehensive explanation of any decisions and developments. In addition, the Supervisory Board addressed all other significant business transactions for the Company and, after a detailed examination, raised no objections or doubts concerning the legitimacy or correctness of the management by the Management Board.

At the Audit Committee meeting on 9 December 2010, the annual financial statements for financial year 2009/2010 were inspected in detail and thorough preparations were made for the Supervisory Board meeting to adopt the financial statements, which was held on the same date. This is based on the detailed report of the Management Board on the economic events in the past reporting period. The annual financial statements of Carl Zeiss Meditec AG and the consolidated financial statements of the Carl Zeiss Meditec Group were inspected and approved. The annual financial statements were thus adopted in accordance with Section 172 *AktG.* In addition, the members of the Supervisory Board addressed the proposals of the Management Board concerning the utilization of profit and examined in great detail the recommendations of the German Corporate Governance Code.

In the Supervisory Board Meeting on 16 February 2011 the agenda for the Annual General Meeting on 12 April 2011 was adopted and, at the proposal of the Nominating Committee, the candidates for the election of the new Supervisory Board were nominated. In addition, on the recommendation of the Audit Committee, KPMG AG Wirtschaftsprüfungsgesellschaft, Stuttgart, was appointed as auditor for the single-entity and consolidated financial statements for financial year 2010/11.

At the extraordinary meeting on 29 March 2011, the Supervisory Board and the Management Board of Carl Zeiss Meditec AG consented to the request of Management Board member Ulrich Krauss to step down early from his seat on the Management Board on 12 April 2011. At the same meeting, Thomas Simmerer was appointed as a new member of the Management Board, effective from 1 April 2011, at the proposal of the General and Personnel Committee.

During the Supervisory Board meeting on 11 April 2011, various strategic initiatives were discussed in detail. In addition, the Supervisory Board agreed to the necessity to amend the allocation of departmental responsibilities associated with the change on the Management Board. On the Supervisory Board meeting which took place after the Annual General Meeting on 12 April the Supervisory Board was newly constituted.

In its final meeting of the reporting year, on 8 August 2011, the Supervisory Board discussed a revision of the Management Board's rules of procedures, which provides, in particular, for a more detailed specification of transactions requiring approval.

Diligent work of the committees

In accordance with its rules of procedure, the Supervisory Board of Carl Zeiss Meditec AG is supported in its work by three committees.

1. The **General and Personnel Committee** advises the Management Board on matters of Company strategy. It assists the Chairman of the Supervisory Board between Supervisory Board meetings. It has the responsibility for coordinating and preparing for the Supervisory Board meetings. In addition, this committee prepares the Supervisory Board's personnel decisions and passes resolutions – with the prior authorization of the Supervisory Board – on the transactions requiring approval submitted by the Management Board. Finally, the Supervisory Board may pass a special resolution charging the committee with further responsibilities, where this is legally permissible.

   The General and Personnel Committee held two meetings in financial year 2010/2011. These meetings addressed, with the exclusion of the Management Board, the achievement of targets and the structure of the remuneration system for the members of the Management Board, as well as the personnel changes in the composition of the Management Board.

2. The duties of the **Audit Committee** mainly concern the monitoring of the accounting process, the efficiency of the internal control system, the risk management system and the internal auditing system, as well as the auditing of the financial statements, including in particular the independence of the auditor and the additional services rendered by the auditor, including the conferral of the audit assignment, the specification of the focal points of the audit and the agreement of a fee.

   Pursuant to the requirements of German stock corporation law, at least one member of the Audit Committee must be competent in the areas of accounting or auditing, and must be independent.

   The Audit Committee convened at five meetings in the reporting period, with three of these meetings taking the form of telephone conferences. The Committee thoroughly examined the annual financial statements for financial year 2009/2010, as well as the general development of Carl Zeiss Meditec AG's business over the individual quarters.

3. It is the duty of the **Nominating Committee** to propose suitable candidates for election as members of the new Supervisory Board.

   The Nominating Committee did not hold any meetings in the reporting period, but passed one circular resolution. In this resolution, the existing members of the Supervisory Board, with the exception of Dr. Kurz, were nominated for re-election at the Annual General Meeting, as well as Mr. Thomas Spitzenpfeil, as a new member of the Supervisory Board.

Corporate governance and declaration of conformity

In Germany, every listed company is obliged to address the German Corporate Governance Code in accordance with Section 161 German Commercial Code *(AktG).* In addition, the Company is obliged to issue a declaration of conformity each year, providing information on compliance with the recommendations of the Code and stating reasons for any deviations from these recommendations.

The Supervisory Board and the Management Board continued to address the principles of good corporate governance in financial year 2010/2011 and read up on the further development and implementation of the German Corporate Governance Code in its version dated 26 May 2010. The members of the Company's management welcome the concerns and guidance of the Code and consider compliance with the recommendations and suggestions to be an opportunity to build a solid basis of trust with all interest groups and thus to create the basis for the Company's success – because the only way to justify the trust placed in the Company is to increase value over the long term with a transparent and fair communication policy.

Further information on this issue can be found in the chapter entitled "Corporate Governance" in this Annual Report.

Audit of the annual and consolidated financial statements 2010/2011

The Annual General Meeting on 12 April 2011 appointed KPMG AG Wirtschaftsprüfungsgesellschaft ("KPMG"), Stuttgart, as auditor for all financial statements and management reports for financial year 2010/2011.

Before making its candidate proposal, the Supervisory Board obtained a declaration from the auditor of the financial statements, confirming that there are no personal, professional, business, financial, or other relationships between the auditor and its executive bodies and audit managers, or between the Company and its executive body members. On 8 September 2011, the Supervisory Board engaged KPMG to audit all of the financial statements and management reports, including the dependent company report in accordance with Section 312 *AktG,* for financial year 2010/2011 of Carl Zeiss Meditec AG.

The auditor, KPMG Wirtschaftsprüfungsgesellschaft, audited the annual financial statements of Carl Zeiss Meditec AG in accordance with the provisions of the German Commercial Code *(HGB),* and the consolidated financial statements and the summarized management report in accordance with the International Financial Reporting Standards (IFRSs), for financial year 2010/2011, and issued all financial statements with an unqualified audit certificate.

The consolidated financial statements of Carl Zeiss Meditec were prepared in accordance with the International Financial Reporting Standards (IFRSs), as they apply in the EU. All standards applicable at the end of the reporting period were taken into consideration. The present version of the consolidated financial statements complies with the provisions of Section 315a of the German Commercial Code *(Handelsgesetzbuch, HGB).* Pursuant to Section 315a *HGB*, the present consolidated financial statements in accordance with the IFRSs largely exempt the Management Board from its obligation to prepare consolidated financial statements in accordance with German law.

The single-entity and consolidated financial statements and the associated management reports, as well as the audit reports prepared by the auditors, were submitted to all members of the Supervisory Board and discussed in detail at the meeting of the Supervisory Board's Audit Committee on 5 December 2011 in the presence of the auditor, in accordance with the requirements of Section 171 (1) Sentence 2 *AktG,* taking into account the lawfulness of the management.

After detailed examination and taking the development of earnings and the financial position into consideration, the Supervisory Board consents to the Management Board's proposal on the utilization of profit.

The Management Board recommends utilizing the net retained profits of € 41,159,553.64 for financial year 2010/2011 as follows:

1. Payment of a dividend of € 0.30 per no-par value share for 81,309,610 no-par-value shares:	€ 24,392,883.00.
2. Carryforward of residual profit to new account:	€ 16,766,670.64.

At its meeting on 5 December 2011, the Supervisory Board inspected the single-entity financial statements and the consolidated financial statements as prepared by the Management Board as of 30 September 2011 and, concluding that there were no objections to be raised, approved them without restrictions. The annual financial statements are thus adopted. The Supervisory Board also agreed to the above proposal of the Management Board to distribute a portion of the Company's net retained earnings in the form of a dividend and to carry forward the residual net earnings to new account.

Dependent company report

As Carl Zeiss Meditec AG is a company of Carl Zeiss AG, the Management Board of Carl Zeiss Meditec prepared a report on relations with affiliated companies in financial year 2010/2011, pursuant to Section 312 *AktG,* which states that – under the circumstances known to the Management Board at the time the legal transactions were concluded – Carl Zeiss Meditec AG received an appropriate consideration for each of the transactions listed and that reportable measures were neither implemented nor omitted in the financial year.

The dependent company report was inspected by the auditor and was issued with the following audit certificate.

"Based on the results of our statutory audit and our judgment we confirm that
1. the actual information in the report is correct,
2. the Company's compensation with respect to the legal transactions listed in the report was not inappropriately high."

Both the dependent company report and the respective audit report were made available to the Supervisory Board of Carl Zeiss Meditec AG. On completion of its audit, the Supervisory Board did not raise any objections against the findings of the auditor or the declaration of the Management Board at the end of the dependent company report.

Composition of the Management Board and the Supervisory Board

With the consent of the Supervisory Board and the Management Board of Carl Zeiss Meditec AG, Mr. Ulrich Krauss stepped down from his seat on the Management Board, at his own request, effective from the end of Carl Zeiss Meditec AG's Annual General Meeting on 12 April 2011. We would like to thank Mr. Krauss for his many years of successful service to the Company. It has been a pleasure working with him. Mr. Thomas Simmerer was appointed as a member of the Management Board with effect from 1 April 2011, succeeding Mr. Krauss as Head of Sales.

The members of the Supervisory Board changed as follows in the reporting year: Dr. Dieter Kurz stepped down from the Supervisory Board at the end of his period of office on 12 April 2011. Mr. Thomas Spitzenpfeil was elected as his successor with effect from the end of the Annual General Meeting.

The following personnel changes were made to the Supervisory Board after 30 September 2011: Following the merger of the German subsidiaries in the financial year, which was entered in the commercial register on 1 June 2011, thus becoming legally effective, Carl Zeiss Meditec AG had more than 500 but less than 2,000 employees. Accordingly, the Company's Supervisory Board must, in accordance with the provisions of German stock corporation law, in conjunction with the provisions of the German One-Third Participation Act, consist of one third employee representatives to be elected by the workforce and two thirds Supervisory Board members to be elected by the Annual General Meeting from among the shareholders. The Electoral Commission of the employee representatives informed the Management Board that, in the election on 11 October 2011, Ms. Cornelia Grandy, Oberkochen, and Mr. Jörg Heinrich, Jena, were appointed as employee representatives to the Supervisory Board. Mr. Wilhelm Burmeister and Mr. Franz-Jörg Stündel stepped down from the Company's Supervisory Board at this point.

We would like to thank Dr. Kurz, Mr. Burmeister and Mr. Stündel for the good collaboration and their many years of commitment on the Supervisory Board.

Final remarks

From today's perspective, the Supervisory Board assumes, in agreement with the Management Board, that, based on sound long-term market trends and the favourable development of business over the past few years, and particularly in the reporting year, revenue and earnings growth will continue in the next period. The Supervisory Board would like to sincerely thank the management and all employees who have already played a proactive and committed role in achieving this in financial year 2010/2011.

Jena, 5 December 2011

For the Supervisory Board

Yours sincerely,

Dr. Michael Kaschke
(Chairman)

The Carl Zeiss Meditec share

- Carl Zeiss Meditec share performed significantly better than overall market
- Majority of analysts give Carl Zeiss Meditec share "buy" recommendation
- Constant expansion of capital market communication

General development of the capital market

The situation on the capital market remained very stable in the fourth quarter of 2010, due to the upwards trend in economic data from the USA and persistently positive figures from Germany and China. In the course of 2011, however, there was growing uncertainty on the international capital markets, particularly as a result of the European debt crisis and the renewed downturn of the U.S. economy, as well as the political uncertainty in the Middle East at the start of the year.

The situation came to a head in the third quarter of 2011. Due to the growing likelihood of insolvency in Greece, a downgrading of the U.S. credit rating and the continued debt crises in Spain and Italy, fears of a global recession could not be alleviated, even with additional bailout packages for Greece and an expansionary monetary policy from the European Central Bank (ECB) and the U.S. Federal Reserve Bank (FED). The leading German index (*Deutscher Aktienindex, DAX*) successively fell by over 25%. This is an indication of the extent of the problems still facing the global economy and of how nervously market players are reacting to such events.

The Carl Zeiss Meditec share

The Carl Zeiss Meditec share performed very well in the first half of the financial year, from October 2010 to mid-2011. On the first day of the new financial year (1 October 2010), the share opened at a price of € 11.60 and subsequently rose significantly from its lowest rate on 4 October 2010 (€ 11.57) to € 16.44 by 6 June 2011. It therefore reached its highest level within the past reporting year. The upwards trend of our share was accompanied, since the end of 2010, by a stable sales forecast, positive business results and the decision by management to propose to the Annual General Meeting the distribution, in addition to a regular dividend of € 0.22 per share, of a special dividend of € 0.33 per share to the shareholders.

In particular given the debt crisis in the eurozone, as well as the uncertain economic situation in the USA and, the growing fear worldwide of a recession as a result, the share price fell at the end of the financial year, closing on 30 September 2011 at a price of € 13.36. Overall, however, the Carl Zeiss Meditec share increased by 15.2 % in the reporting year.

The leading German index (*Deutscher Aktienindex, DAX*) opened at the beginning of the financial year at 6211 points and closed on 30 September 2011 at 5502 points. This corresponds to a decrease of 11.4 %. The MDAX opened at 8763 points, but fell by 4.8 % in the reporting period, ending financial year 2010/2011 at 8341 points. The TecDAX index, in which the Carl Zeiss Meditec share is listed, fell by 14.9 % in the reporting year. After an opening rate of 778 points on 1 October 2010, it closed at the end of the year at 662 points.

The Carl Zeiss Meditec share thus performed significantly better than the overall market in the past financial year.

Figure 1: Relative performance of Carl Zeiss Meditec share compared with the DAX, MDAX and TecDAX
(period 30 September 2010 to 30 September 2011)

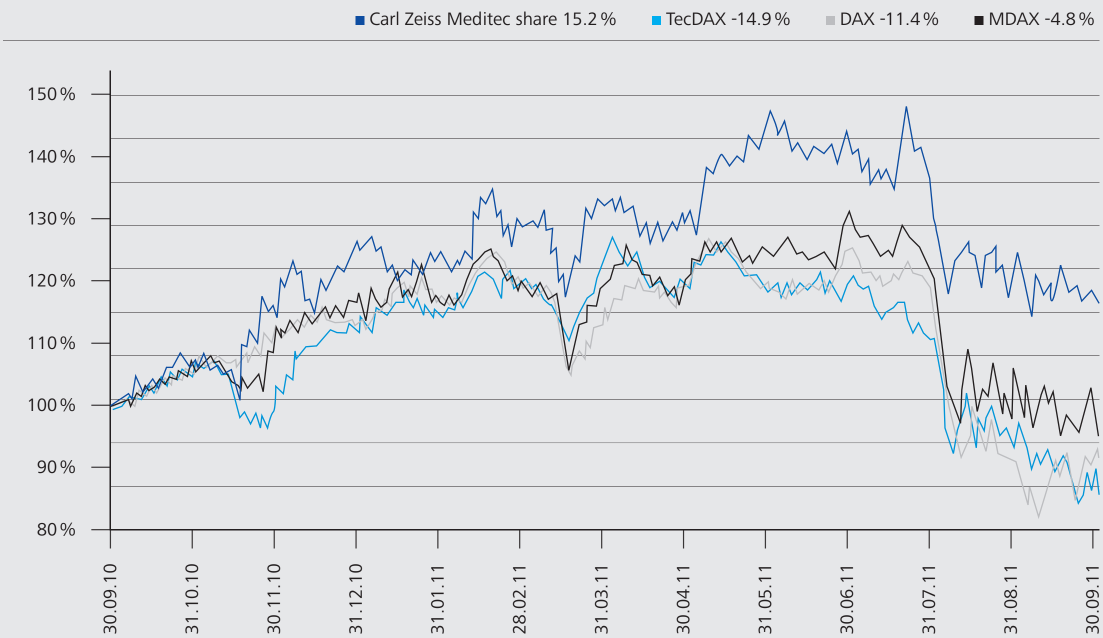
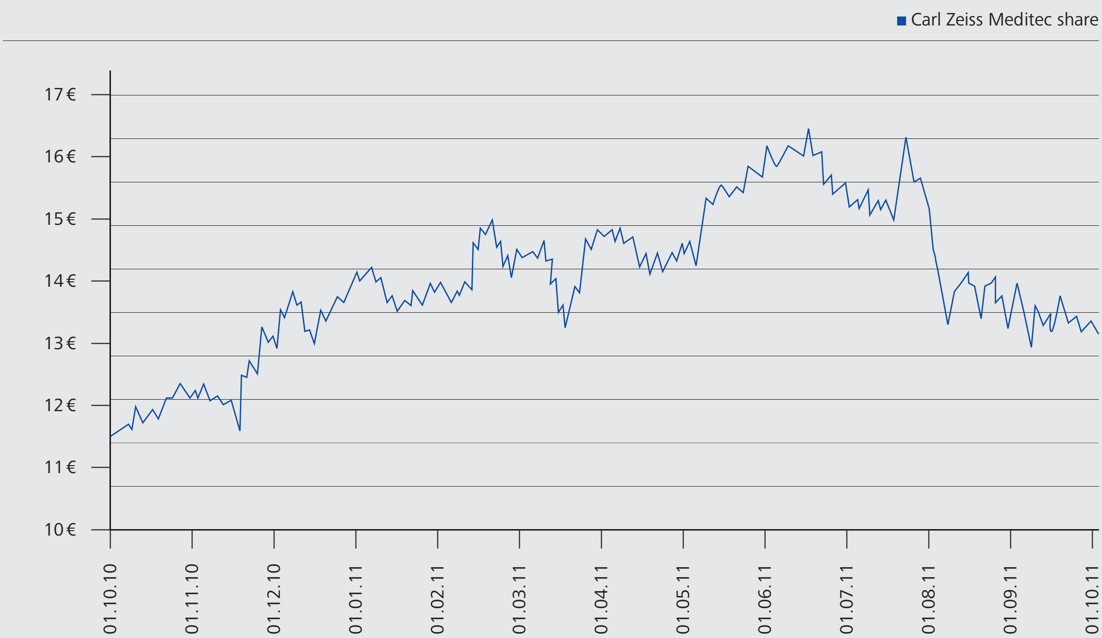


Figure 2: Development of Carl Zeiss Meditec share (period from 1 October 2010 to 1 October 2011)



Market capitalization and trading volume

Compared with the previous year, the market capitalization (product of shares issued and the corresponding share price) of Carl Zeiss Meditec AG had increased by 16.0 % (due to the share price increase) as of 30 September 2011, compared with the same date the previous year, from € 0.94 billion to € 1.09 billion. The trading volume (number of shares traded on the Frankfurt Stock Exchange) in financial year 2010/2011 was 254.89 million shares, corresponding to a 99.5 % increase compared with the previous year (127.78 million).

Figure 3: Market capitalization of Carl Zeiss Meditec as of 30 September of the financial year

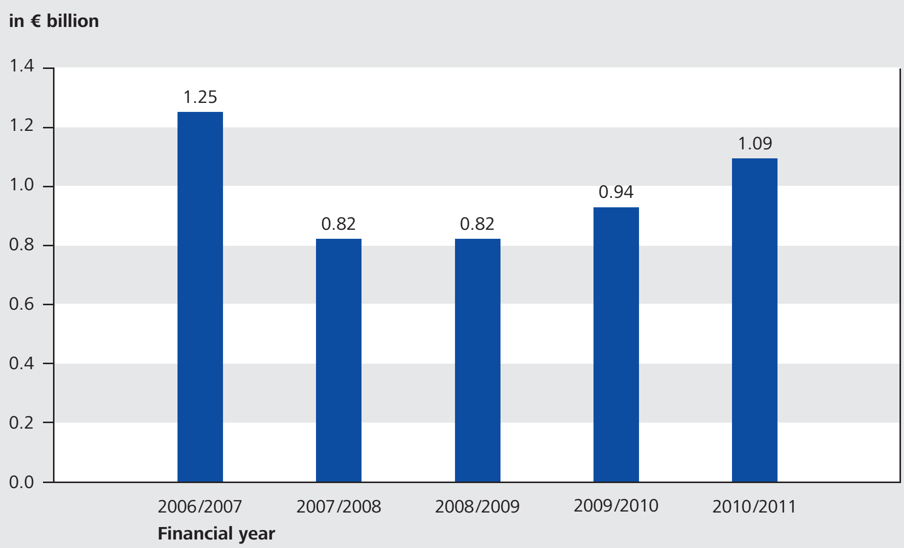
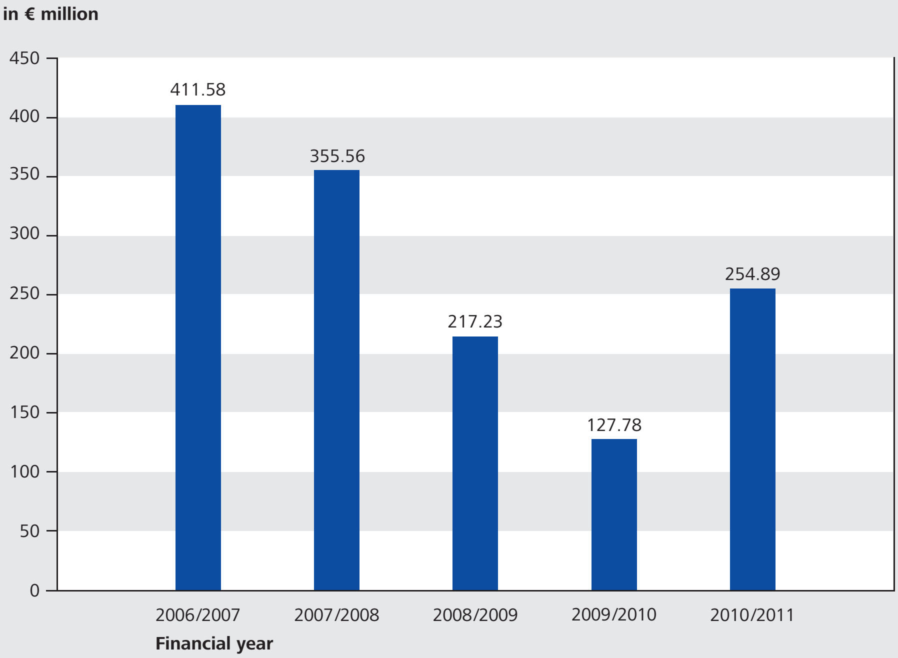


Figure 4: Total trading volume of Carl Zeiss Meditec share in financial year 2010/2011



During the reporting period, an average of 69,500 ordinary shares (previous year: 43.600) of Carl Zeiss Meditec AG were traded each trading day.

The German TecDAX share index brings together the 35 largest technology companies in terms of market capitalization and trading volume on the Frankfurt Stock Exchange. All technology companies are listed on a quarterly basis. The TecDAX-listed Carl Zeiss Meditec AG ranked 14th for market capitalization as of 30 September 2011. The share was thus in a good mid-position for market capitalization. In terms of trading volume, the Carl Zeiss Meditec share moved up from 32nd place in the previous year to 28th.

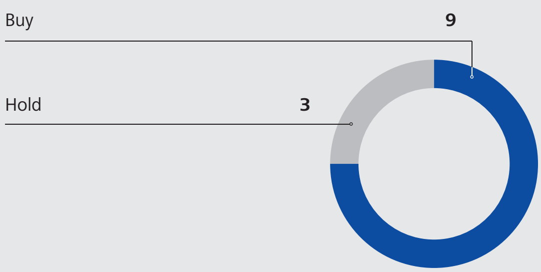
The Carl Zeiss Meditec share from the capital market perspective

Based on our good business development in the reporting period and due to the sound forecasts for our future growth, the analyses of the banks and investment companies are mainly positive. We are currently in regular contact with 12 analyst firms, one of whom, Berenberg Bank, published their first study on Carl Zeiss Meditec in October 2011. The analysts covering the Company – who are predominantly from Germany and the United Kingdom – consider the current price target to be an average of € 16.27. Nine of the twelve analysts give the share a “buy” recommendation.

Research institutes covering Carl Zeiss Meditec AG:

• J.P. Morgan Cazenove	(12.08.2011)	Neutral
• CA Cheuvreux	(12.08.2011)	Underperform
• Commerzbank	(09.09.2011)	Buy
• fairesearch	(17.08.2010)	Buy
• Deutsche Bank	(12.08.2011)	Hold
• DZ Bank	(22.09.2011)	Buy
• Equinet	(23.09.2011)	Accumulate
• HSBC	(06.05.2011)	Overweight
• Jefferies	(31.08.2011)	Buy
• Landesbank Baden-Württemberg	(06.05.2011)	Buy
• Berenberg Bank	(27.10.2011)	Buy
• Nord LB	(15.08.2011)	Buy

Figure 5: Analyst recommendations as of 31 October 2011



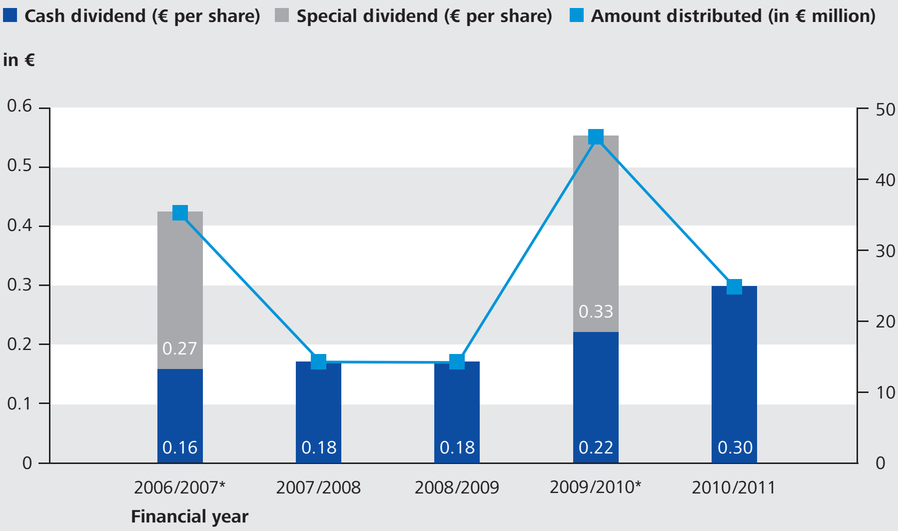
Another analyst firm has announced its intention to begin covering Carl Zeiss Meditec in the coming financial year. A continuously updated overview of the individual analysts' recommendations can be found on our website at **www.meditec.zeiss.com/ir.**

Dividend continuity

In times of economic turbulence we aim to follow a continuous, profit-driven dividend policy. We aim to adhere to this policy in future and to continue to allow shareholders to participate to a reasonable extent in the Company's success.

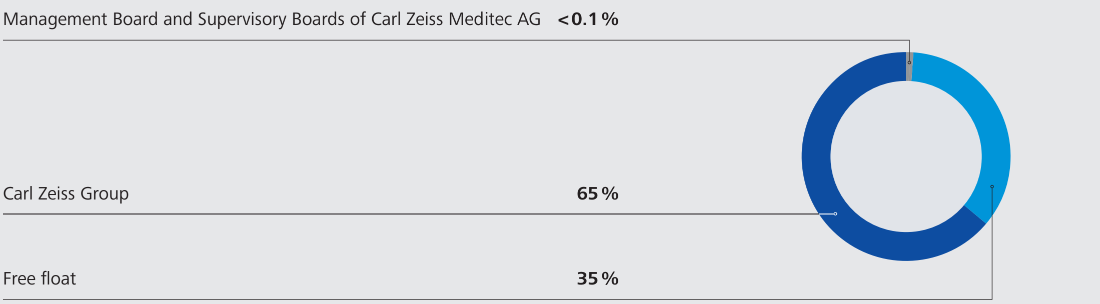
To this end, we use as a reference a dividend ratio of around 30 % of consolidated net income after non-controlling interests for the financial year just ended. The Management Board and the Supervisory Board shall thus propose to the Annual General Meeting on 9 March 2012 the distribution of a regular dividend of € 0.30 per share for financial year 2010/2011, which corresponds to a total distribution of € 24.4 million. The dividend ratio is therefore 36.5 % (previous year: 32.6 %). The dividend return (ratio of dividend per share to opening price for the respective financial year) amounts to 2.6 %.

Figure 6: Development of the dividend for the Carl Zeiss Meditec share: The shareholders of Carl Zeiss Meditec AG were paid a special dividend in financial year 2006/2007* and in the reporting period 2009/2010*.



Shareholder structure

Figure 7: Shareholder structure for the Carl Zeiss Meditec share



Carl Zeiss Meditec AG's subscribed capital is composed of 81,309,610 ordinary shares each with a theoretical par value of € 1 per share. The Carl Zeiss Group holds around 65 % of the shares. This percentage includes 7.47 % of the voting rights which Carl Zeiss AG indirectly holds via its second-tier subsidiary Carl Zeiss Inc., Thornwood, USA. According to our knowledge, the remaining 35 % are in free float. Based on our own estimates, around 30 % of this free float is held by private investors, and around 70 % by institutional investors. The Management Board and Supervisory Board of Carl Zeiss Meditec AG together hold less than 0.1 % of the shares.

Investor Relations

We are in regular contact and exchange with the shareholders of Carl Zeiss Meditec AG. We are also available at any time to give potential investors and any other interest groups information on Company-related matters. In doing so, we endeavour to provide comprehensive and up-to-date information about current Company developments, to strengthen confidence in our sustainable corporate management. In addition, we communicate capital market-related events and inform all players – for example by publishing interim and annual reports, as well as ad hoc disclosures and press releases – of any strategic and business developments at Carl Zeiss Meditec AG.

The Management Board and the employees of the Investor Relations team endeavour in many different ways to cater for the substantial information requirement of all interest groups. In addition to numerous capital market events, which were mainly held in London, Boston, New York, Munich and Frankfurt am Main, we had regular telephone conferences concerning our interim financial statements, as well as a large number of one-to-one and group meetings with institutional and private investors.

One opportunity for all shareholders to exert an influence and obtain information directly from the Management Board of Carl Zeiss Meditec AG is the Annual General Meeting. In financial year 2010/2011, the Annual General Meeting was held on 12 April 2011 in Jena. Around 78 % of the voting share capital was represented at this meeting.

In the interest of open and fair corporate communication, all information, such as our company presentations, which are held at the various capital market conferences, and all ad hoc disclosures and press releases, and the interim and annual reports are available for inspection on the Investor Relations website at **www.meditec.zeiss.com/ir** for all shareholders and other interested parties.

Listing and stock market trading

Carl Zeiss Meditec AG share

Segment	**Prime Standard**		
ISIN	DE 0005313704		
German securities code (WKN)	531370		
Trading volumes	around 69,500 shares/trading day		
Indices	TecDAX CDAX	DAX International Mid 100	
	DAXsector All Pharma & Healthcare	DAXsector Pharma & Healthcare	
	DAXsubsector All Medical Technology	DAXsubsector Medical Technology	
	Prime All Share	Technology All Share	
	DAXglobal Sarasin Sustainability German Index	MIDCAP MKT K-IN	HDAX
Price performance:			
Share price at beginning of financial year 2010/2011			€ 11.60
Share price at end of financial year 2010/2011			€ 13.36
Share price on 30 November 2011			€ 14.71
Highest share price in financial year 2010/2011			€ 16.44
Lowest share price in financial year 2010/2011			€ 11.57
Shareholder structure:			
Free float			35 %
Carl Zeiss Group			65 %
Management Board and Supervisory Board of Carl Zeiss Meditec AG			< 0.1 %
Assessment:			
Market capitalization of share capital as of 30 November 2011			€ 1.20 bilion
Market capitalization of free float as of 30 November 2011			€ 418.6 million
Designated sponsors:			Cheuvreux, Commerzbank

SINGLE-ENTITY AND CONSOLIDATED FINANCIAL STATEMENTS

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Consolidated management report for financial year 2010/2011[1]

1 Carl Zeiss Meditec Group

1.1 Business

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

1.1.1 Ophthalmology

Our ophthalmic devices and systems are used for diagnosis, process control, treatment and aftercare of various eye complaints. A distinction is made here between conditions such as ametropia (refraction), cataracts and glaucoma, and retinal disorders, the incidence of which can increase 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 begins to gradually turn opaque, as is the case with cataracts. Retinal diseases can also impair the vision of the human eye and can even lead to irreparable damage or, ultimately, blindness.

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

1.1.2 Microsurgery

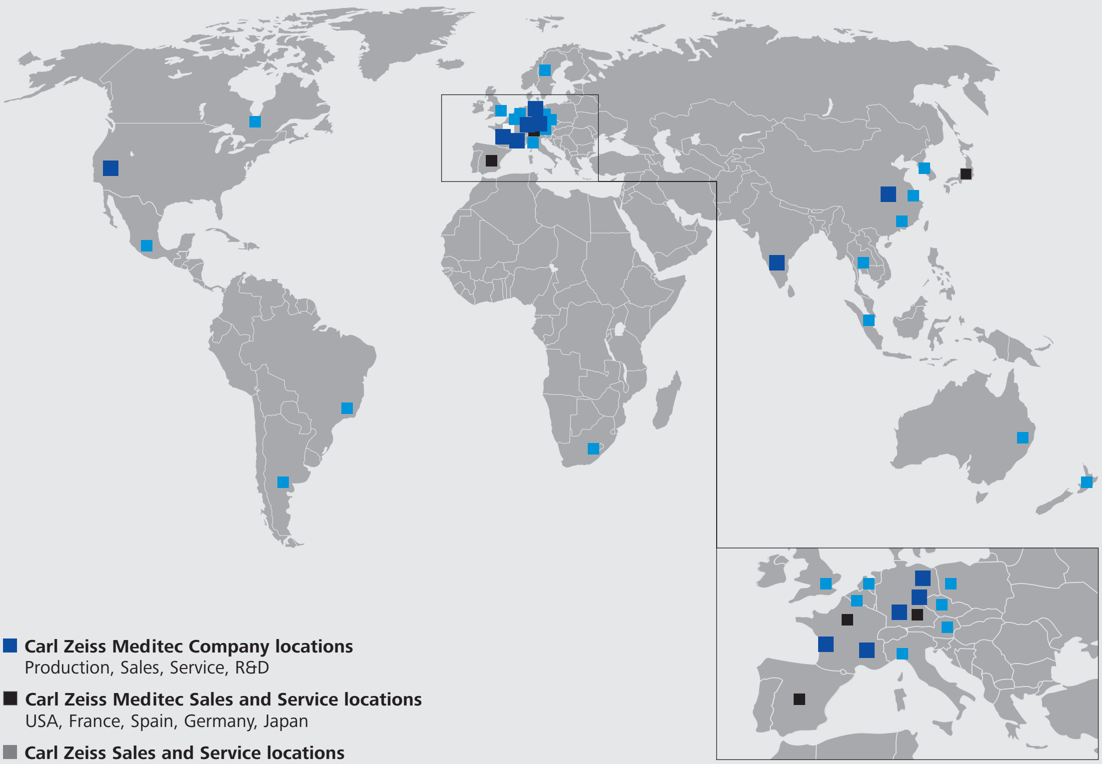
In the **Microsurgery** SBU, we offer surgical microscopes and visualization solutions, e.g. for ear, nose and throat surgery or neurosurgery. These products are mainly used as supporting equipment for the removal of tumors, as well as the treatment of vascular diseases and functional disorders. The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

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

1.2 Markets

The Carl Zeiss Meditec Group is a company with a global presence. With our headquarters in Jena (Germany), as well as operating sites and subsidiaries in Germany, France, Spain, the USA and Japan, we have a direct presence in the world's most important markets. In addition, we use the strong global distribution network of the Carl Zeiss Group and thus, with our around 40 distribution companies and over 100 agencies worldwide, ensure ourselves customer proximity and a crucial advantage in international competition.

Figure 1: Carl Zeiss Meditec locations



■ **Carl Zeiss Meditec Company locations**
Production, Sales, Service, R&D

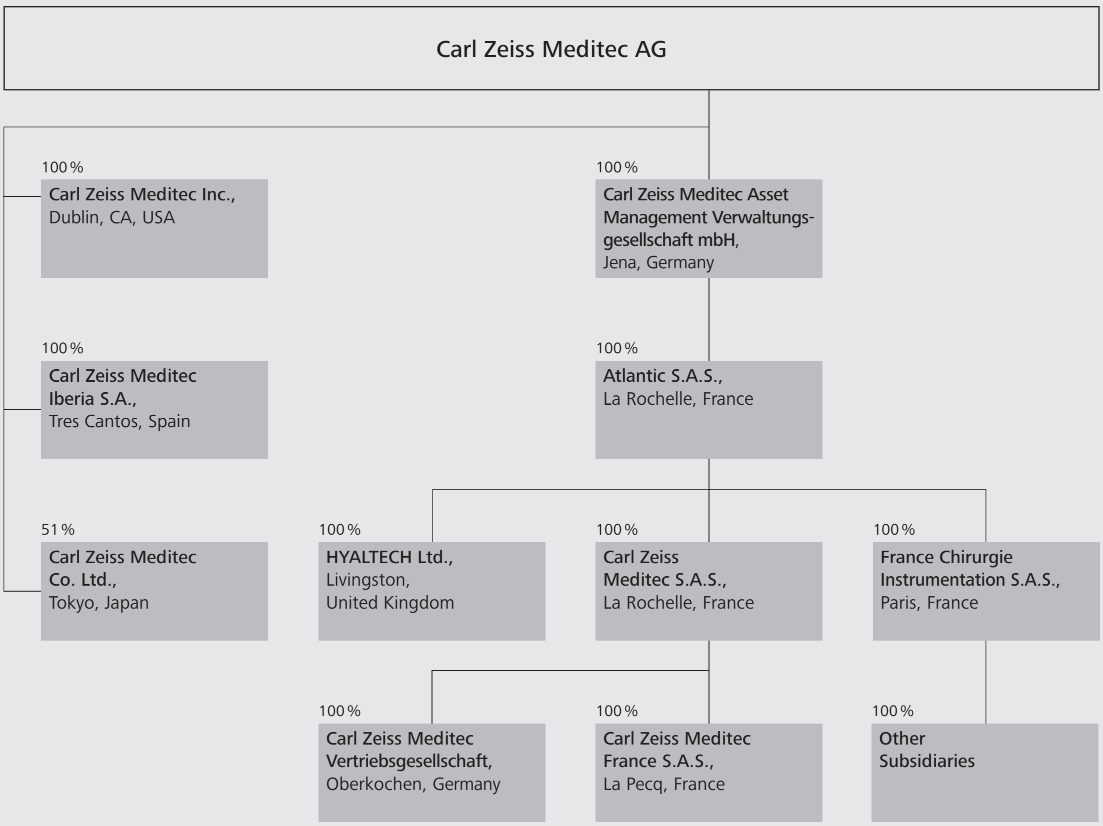
■ **Carl Zeiss Meditec Sales and Service locations**
USA, France, Spain, Germany, Japan

■ **Carl Zeiss Sales and Service locations**

1.3 Group structure

Carl Zeiss Meditec AG, Jena, Germany, is the parent company of the Carl Zeiss Meditec Group ("Carl Zeiss Meditec", 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 2011.

Figure 2: Investment structure of the Carl Zeiss Meditec Group as of 30 September 2011



In financial year 2010/2011, Carl Zeiss Surgical GmbH, Acri.Tec GmbH, Carl Zeiss Meditec Systems GmbH and Carl Zeiss Medical Software GmbH were merged retrospectively as of 1 October 2010 with the parent company, Carl Zeiss Meditec AG.

The restructuring has no effect on the Group's reporting entity or on the structure of its financial statements in financial year 2010/2011.

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

There are three guiding principles that drive our products and services: Precision, Simplicity and Outcomes.

These stand for goals we wish to achieve. We have therefore made it our business to develop methods and products that meet the needs and desires of our customers as accurately as possible. The solutions developed by us aim to simplify medical workflows and allow physicians to focus all their attention on their work and their patients. After all, at the end we want our customer to leave the clinic with the best possible outcome and a high level of satisfaction.

Our aim with our MEGA 2015 program is to focus on the mission-critical areas and work specifically on these. The individual focus areas are innovation, customer care, new markets, a strong team and excellent processes. We have made major progress in each of these areas, and the Company is now reaping the benefits. What we have to do now is to continue on the course we have taken and ensure a profitable future for the Group going forward. Consistently implementing our targets will require the involvement of the entire Company and each individual employee.

1.5 Group management

Our overriding corporate objective is to make a vital contribution to the advancement of medical technology with our innovations and thus generate long-term value-added for the Group. The tools for the financial management of Carl Zeiss Meditec AG comprise a system of key performance indicators, the scope and content of which far exceed the legal requirements. The greatest of importance is attached to revenue, the EBIT margin, free cash flow and Economic Value Added® (“EVA®”). These KPIs define the balance between growth, profitability and financial flexibility, which contribute to sustained growth.

2 Business report

2.1 Underlying conditions for business development

2.1.1 Macroeconomic conditions

Economic recovery continued for the time being during the past financial year, although at a slower rate than at the beginning of 2010. According to information from the Joint Economic Forecast project group[2], however, the outlook for the global economy has worsened significantly since the summer of 2011. The volatile general situation in the global economy significantly increases the economic risks. A possible escalation of the euro crisis and the debt situation in the USA could substantially impair global economic growth. The growth rates in the Asian Rapid Developing Economies (RDE) remain high to date, although economic policy measures intended to counter a potential overheating of the economy are curbing growth. The RDE once again made the largest contribution to global economic growth in the past financial year. Overall, global gross domestic product (GDP) is expected to increase by 2.6 %[3] in 2011 compared with the previous year.

[2] Joint Economic Forecast project group (publisher): Autumn 2011 “Adverse Effects on the German Economy from the European Debt Crisis”, Joint Economic Forecast Autumn 2011, 11 October 2011, Essen
[3] Cf. ibid., p. 13

According to expert opinion, economic recovery in the USA slowed down markedly in the first half of 2011. Unemployment in the USA remains at over 9.0 %[3]. The situation on the employment market has therefore improved little. In addition, government spending and investment declined due to major budget problems in the third quarter. GDP in the USA is forecast to increase by 1.6 %[3] in 2011.

In the first half of 2011, economic recovery in the eurozone slackened significantly and thus remains cautious overall. According to the Joint Economic Forecast project group, however, there were significant regional differences. Particularly the high debt situations in the southern European countries of Spain, Portugal, Italy and Greece are causing a great deal of mistrust on the financial markets. Italy's national debt, for example, is the second-highest in Europe after Greece. While experts in Spain still expect GDP to increase by 0.7 %[4] in 2011, in Greece, they are forecasting a GDP decline of 5.4 %[4]. Although the German economy is unable to escape the effects of the debt and financial crisis, since the greater uncertainty is impacting consumption, investment and foreign trade, the favorable situation for corporate investment, as well as the substantial pay increase and the higher private consumer spending as a result, are helping to stabilize the German economy. The project group expects German GDP to increase by 2.9 %[4] year-on-year. Due to the uncertainties caused by the ongoing debt crisis, the project group's forecast for the countries of the eurozone is a GDP increase of 1.5 %[4] in 2011, compared with the previous year.

In Asia, experts expect economic growth, borne by the RDE, to remain high. Although growth is expected to slacken off in the Asian RDE, overall it remains high. China's GDP is expected to increase by 9.0 %[5], while in India, experts anticipate an 8.0 %[5] growth in GDP compared with the previous year. GDP in Japan is expected to decline in 2011, by 0.6 %[5] year-on-year, due to the earthquake disaster in the first quarter.

2.1.2 Situation in the medical technology sector

Medical technology is one of the fast-growing sectors in the mid and 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 number of patients affected by age-related diseases is also constantly growing. At the same time, the need is growing for comprehensive and high-quality health care.

In the traditional selling markets, such as the USA, the United Kingdom and France, the demand for high-quality medical technology innovations and more product variety shall continue to rise, as a result of more and more demanding consumer and patient desires due to a higher level of income and a growing tendency to pursue health care services. At the same time, the growing cost pressure in the key industrialized countries means there is increasing demand for the development of more effective devices and more efficient treatments. The demand for health care goods and services in the Rapid Developing Economies (RDE) shall also increase as a result of the rising per capita income and growing prosperity, which will, in turn, create massive growth potential for the medical technology sector in future. Increases in the volumes of conventional medical technology and medical health care products, in particular, shall play an increasingly more important role here, due to improvements in the standard of living.

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

[3] Cf. ibid., S. 13
[4] Cf. ibid., p. 24
[5] Cf. ibid., p. 13

a) Market for ophthalmic products
The market for ophthalmic products in the broader sense includes devices and systems for the diagnosis, treatment and aftercare of ophthalmic diseases, implants for ophthalmic surgery, ophthalmic pharmaceuticals, contact lenses, contact lens care products and consumables – but not glasses or glasses frames. According to our estimates, the market had a global volume of around US$ 29.3 billion (about € 21.6 billion) in 2011.

The Group's product range includes devices and systems, implants, consumables and instruments for ophthalmology and ophthalmic surgery. According to our estimates, these sub-markets had a volume of around US$ 7.9 billion, or around € 5.8 billion, in 2011.

We estimate our share of the "devices and systems for ophthalmology" market segment, which the Company addresses, at about 22 % in 2011. In the market segment "implants, consumables and instruments for ophthalmic surgery", we estimate our global market share in 2011 at about 3 – 4 %. However, our regional market shares in this market segment, in the countries we are currently focusing on, range between 5 % and 20 %.

Overall, based on the knowledge at hand, we estimate that we did not lose any market shares in the market segments we address compared with the previous year.

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

According to the Group's estimates, the "Visualization" market segment addressed by us, which includes the sub-segments "Surgical microscopes" and "Other visualization", had a volume of about US$ 830 million or around € 610 million in 2011. With a market share that it estimates to be around 20 %, Carl Zeiss Meditec is thus one of the largest suppliers in this segment. In the sub-segment "Surgical microscopes", we increased our market share and continue to be the global market leader, according to own estimates, with a market share of more than 50 %.

2.2 Economic position of the Group at the end of the financial year

The past financial year was a very successful year for the Carl Zeiss Meditec Group. Together with all our employees, we achieved a significant increase in revenue and even exceeded our target. All strategic business units and regions contributed to this growth. We also disproportionately increased our consolidated net income at the same time. Our Research & Development department was further reinforced in order to continue to drive forward our innovative strength in future as our main growth driver. The Group's sound financial position is also contributing to the achievement of our growth and excellence-driven corporate objectives, and protects the Group against external influences.

2.3 Comparison of actual business development with forecast development

Table 1: Comparison of actual with forecast business in the 2010/2011 annual report.

	Forecast Financial year 2010/2011	Results Financial year 2010/2011	Objective achieved
Revenue	€ 720 – 750 million	€ 758.8 million	✓
Research and development expenses/revenue	~ 10 %	11.1 %	✓
EBIT margin	Target until 2015: 15 %	13.6 %	✓

In spite of increasingly uncertain general economic conditions, which made forecasting difficult, particularly after nine months, we not only achieved our revenue target for the past financial year, we exceeded it. The fourth quarter contributed significantly to this. Overall, we once again benefited from our broad regional presence, as well as our balanced product mix. We took a good step closer to achieving our medium-term objective in the past financial year, which is to continuously and sustainably increase our profitability to 15 % EBIT margin by 2015: at 13.6 %, our EBIT margin was up by 0.8 percentage points compared with the previous year (12.8 %). At the same time, we further increased the share of our research and development spending relative to revenue. We consider this an investment in our innovative strength and in our growth, and therefore in the future and the sustainable performance of the Company.

2.4 Results of operations

2.4.1 Presentation of results of operations

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

	Financial year 2009/2010	Financial year 2010/2011	Change
Revenue	676,682	758,793	+12.1 %
Gross margin	*53.0 %*	*54.7 %*	*+1.7 %-pts*
EBITDA	107,713	122,508	+13.7 %
EBITDA margin	*15.9 %*	*16.1 %*	*+0.2 %-pts*
EBIT	86,743	103,566	+19.4 %
EBIT margin	*12.8 %*	*13.6 %*	*+0.8 %-pts*
Earnings before income taxes	82,976	100,881	+21.6 %
Tax rate	*28.1 %*	*28.4%*	*+0.3 %-pts*
Consolidated net income after non-controlling interests	54,889	66,906	+21.9 %
Earnings per share after non-controlling interests	€ 0.68	€ 0.82	+20.6 %

2.4.2 Revenue

In financial year 2010/2011, the Carl Zeiss Meditec Group achieved a double-digit increase in its revenue of 12.1 %, from € 676.7 million to € 758.8 million. Based on constant exchange rates, consolidated revenue increased by 11.9 %. This was attributable in particular to the performance of the strategic business unit Microsurgery, as well as the demand in the Asia/Pacific region.

a) Consolidated revenue by strategic business unit

In the financial year under review, the strategic business unit **Ophthalmic Systems** accounted for 45.6 % (previous year: 47.7 %) and thus almost half of Carl Zeiss Meditec's consolidated revenue. The **Surgical Ophthalmology** SBU's share in consolidated revenue amounted to 12.0 % (previous year: 12.6 %). We achieved extraordinary growth in our **Microsurgery** SBU. This SBU's share of total revenue increased to 42.4 % (previous year: 39.7 %).

Figure 3: Share of strategic business units in concolidated revenue in financial year 2010/2011, in percent

Ophthalmic Systems	**45.6 %**
Microsurgery SBU	**42.4 %**
Surgical Ophthalmology SBU	**12.0 %**

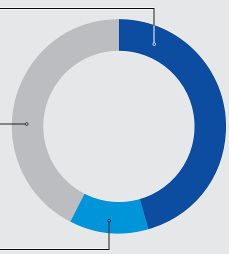


Figure 4: Consolidated revenue by strategic business unit (figure in € ´000)

Financial year 2010/2011 / Financial year 2009/2010

Surgical Ophthalmology SBU	**90,676** 85,575	+6.0 %
Ophthalmic Systems SBU	**345,972** 322,711	+7.2 %
Microsurgery SBU	**322,145** 268,396	+20.0 %
Consolidated revenue	**758,793** 676,682	

Revenue in the strategic business unit "Surgical Ophthalmology" increased by 6.0 % compared with the previous year, from € 85.6 million to € 90.7 million. Business remained largely unaffected by exchange rate fluctuations; thus, based on unchanged exchange rates, revenue growth was on the same level. This revenue increase is primarily attributable to the growing demand for innovative, minimally invasive intraocular lenses and multifocal and toric premium lenses, and to the continuous expansion of distribution in this area. In the past financial year, we signed an agreement in this connection concerning the takeover and integration of the IOL and OVD business of our longstanding Spanish distribution partner, IMEX Clinic S.L., Paterna, Spain (IMEX), into our sales organization in Spain. This acquisition will give the Carl Zeiss Meditec Group the possibility to strengthen its distribution, service and support network in Spain for intraocular lenses (IOLs) and viscoelastics (OVDs), and offer its customers comprehensive, one-stop product solutions and related services. On the product side, the IOL product lines AT TORBI®, AT LISA® and CT ASPHINA® made a vital contribution to revenue growth. The positive growth of the business unit would have been even greater after adjustment for the pharmaceutical business sold in the previous year.

The strategic business unit “Microsurgery” increased its revenue significantly, achieving a double-digit growth rate of 20.0 %, from € 268.4 to € 322.1 million. Based on contact exchange rates, this equates to an increase of 19.2 %. A strong growth in demand in this business unit was seen, above all, for the innovative surgical microscopes OPMI LUMERA®, OPMI® Pentero® and OPMI® VARIO. The new models, in particular, were also in high demand. In addition, revenue generated in the field of intraoperative radiation therapy with the INTRABEAM® device increased significantly.

The SBU “Ophthalmic Systems” also made a very positive contribution to growth, increasing its revenue by 7.2 %, from € 322.7 million to € 346.0 million. Based on constant exchange rate, this business unit achieved growth of 7.4 %. By far the greatest share of revenue was generated, however, by the already established diagnostic device Cirrus™ HD-OCT. The diagnostic systems Visucam®, IOLMaster® and Humphrey® Field Analyzer (HFA II-*i*) made the most significant contributions to growth up until the end of the financial year.

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

	Financial year 2010/2011	Financial year 2009/2010	
Surgical Ophthalmology SBU	**90,676**	85,582	+6.0 %
Ophthalmic Systems SBU	**345,972**	322,126	+7.4 %
Microsurgery SBU	**322,145**	270,178	+19.2 %
Consolidated revenue	**758,793**	677,886	

b) Consolidated revenue by region

The encouraging development of business over the past year is also clear from the comparison by region. All business regions made a positive contribution to revenue growth. However, its was in particular the **“Asia/Pacific”** and the **“Americas”** regions which provided markedly positive impetus for growth, with double-digit growth rates.

Figure 6: Share of regions in consolidated revenue in financial year 2010/2011, in percent

EMEA **34.5 %**

Americas **35.1 %**

Asia/Pacific **30.4 %**

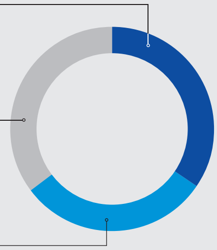


Abbildung 7: Consolidated revenue by region (figures in € ´000)

■ **Financial year 2010/2011** ■ Financial year 2009/2010

Asia/Pacific	**231,043** 195,600	+18.1 %
Americas	**265,964** 238,450	+11.5 %
EMEA	**261,786** 242,632	+7.9 %
Consolidated revenue	**758,793** 676,682	

The **"Asia/Pacific" ("APAC")** region made the largest contribution to growth, with 18.1 %. Revenue increased here from € 195.6 million to € 231.0 million. Based on constant exchange rates, revenue in this region increased by 14.1 % with all countries making a significantly positive contribution to revenue growth. Particularly in China, but also in India, we achieved high growth rates and revenue contributions that were disproportionate to overall growth in this region. In Japan, too, which accounts for almost 50 % of this business region's revenue, we maintained out strong performance, in spite of the natural and nuclear disaster, which hit the country hard in the spring.

Revenue also increased substantially In the **"Americas"** region, by 11.5 % (adjusted for currency effects: 14.3 %) to € 266.0 million (previous year: € 238.5 million). In the USA, the largest medical technology market in the world, we achieved a significant contribution to growth, with a share of over 80% of revenue, in spite of the debt problems and uncertain outlook there. Development in the South American region was very positive. Growth here increased significantly overall.

In the region **"Europe, Middle East and Africa" ("EMEA")**, the Carl Zeiss Meditec Group achieved revenue growth of 7.9 % (adjusted for currency effects: 7.9 %). Revenue thus increased year-on-year from € 242.6 million to € 261.8 million, with the largest contribution being generated by our key markets Germany, France and Spain. Besides Germany and France, development in other countries, such as Great Britain, Russia and the Middle East, was also very positive.

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The chart below shows consolidated revenue by region based on constant exchange rates.

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

	Financial year 2010/2011	Financial year 2009/2010	
Asia/Pacific	**231,043**	202,539	+14.1 %
Americas	**265,964**	232,710	+14.3 %
EMEA	**261,786**	242,637	+7.9 %
Consolidated revenue	**758,793**	677,886	

2.4.3 Gross profit

The Carl Zeiss Meditec Group increased its gross profit in financial year 2010/2011 by 15.6 %, to € 414.8 million (previous year: € 358.7 million). This was mainly attributable to products with a higher margin than average, in particular ophthalmic microscopes like the OPMI LUMERA® 700 from Microsurgery, as well as substantial margin improvements in the area of refractive leaser technology, due to a higher share of revenue of consumables, namely the treatment packs, which are usable once per laser procedure. We also further optimized our production costs. The gross margin also increased by 1.7 percentage points year-on-year, from 53.0 % to 54.7 %.

2.4.4 Functional costs

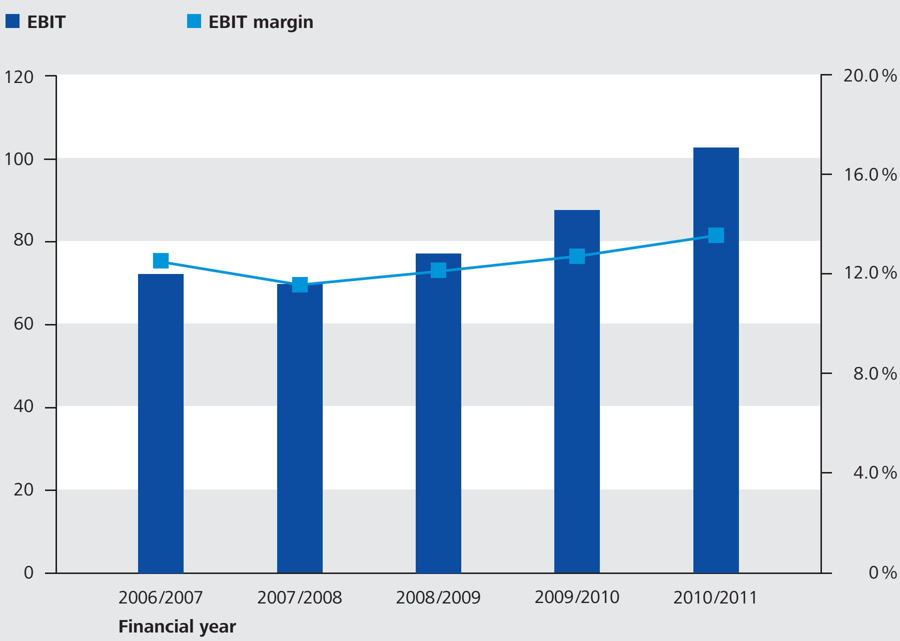
Functional costs increased by 14.4 % in financial year 2010/2011 compared with the previous year. The higher costs of € 311.6 million (previous year: € 272.4 million) are attributable, on the one hand, to the rise in volume-dependent costs, but are above all attributable to strategic initiatives for the expansion of a number of business fields, and to other investments for the future.

- **Selling and marketing expenses:** Selling and marketing expenses increased in this financial year, from € 162.8 million to € 187.1 million. We continued to invest in the past year in our distribution structure, particularly in the USA, and in the distribution of intraocular lenses. Due to the increase in volume sales, higher freight and commission costs, as well as higher marketing costs – including in the area of IORT and Service – also play a role. The ratio as a proportion of consolidated revenue thus increased by 0.6 percentage points to 24.7 %.
- **General and administrative expenses:** These expenses amounted to € 40.3 million (previous year: € 37.2 million) and include general project costs, as well as auditing and consultancy costs. Relative to revenue, administrative costs decreased in the reporting year by 5.5 % to 5.3 %.
- **Research and development costs:** The Carl Zeiss Meditec Group invests continuously in the further development of its products. This is the only way for us to be able to constantly present our customers with innovative, value-creating products. In financial year 2010/2011, the Group invested € 84.2 million (previous year: € 72.4 million) in this area, thus increasing the R&D ratio from 10.7 % to 11.1 % year-on-year.

2.4.5 Development of earnings

The Carl Zeiss Meditec Group takes its earnings before interest and tax (EBIT = operating result) as a key earnings indicator. Development of the Group's earnings was very positive in the financial year under review. **EBIT** increased by 19.4 %, to € 103.6 million (previous year: € 86.7 million), and thus disproportionately to consolidated revenue. At the same time, the **EBIT margin** rose to 13.6 %, compared with 12.8 % the previous year. The increase in profitability is mainly attributable to economies of scale, as well as to products with higher-than-average margins and substantial improvements in margins as a result of a higher share of revenue generated by consumables. We also made improvements in the area of production costs. This significantly increased our EBIT margin, even in spite of further investments made at the same time in innovation and the expansion of distribution in connection with new products, for example intraocular lenses, the field of radiation therapy and in the area of data management.

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



In the reporting period, earnings before interest, taxes, depreciation and amortization **(EBITDA)** improved from € 107.7 million in the previous year to € 122.5 million. The **EBITDA** margin amounted to 16.1 %, which was 0.2 percentage points higher than the previous year (15.9 %).

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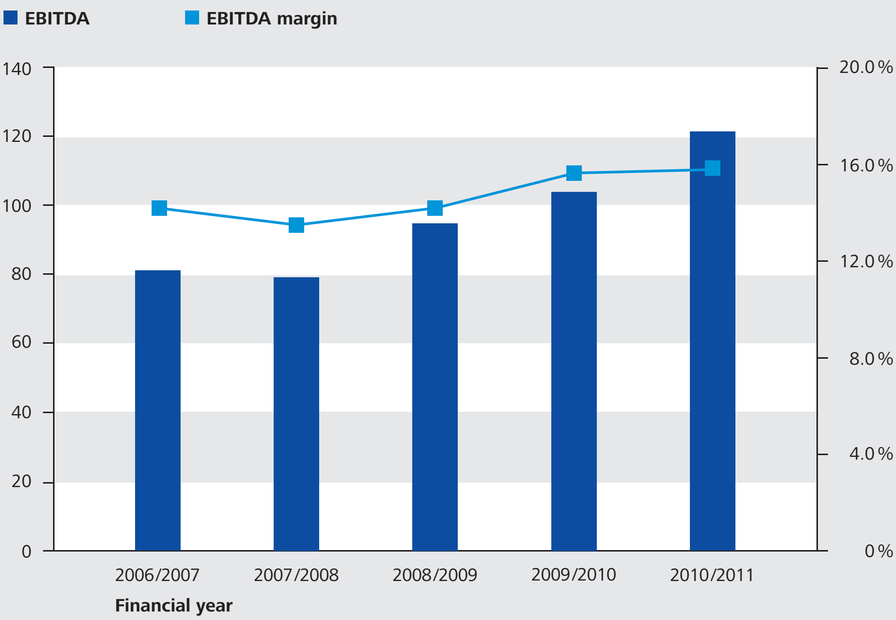
Figure 10: EBITDA und EBITDA margin over a five-year period (figures in € ´000)



Interest income/interest expense (net) amounted to € -2.6 million in financial year 2010/2011 (previous year: € -3.6 million). The improvement in the net total is mainly due to the interest income from the financial investments made during the financial year.

The **tax rate** increased slightly year-on-year, from 28.1 % to 28.4 %.

Unadjusted **consolidated net income**[6] increased during this financial year to € 66.9 million (previous year: € 54.9 million). **Non-controlling interests** accounted for € 5.4 million (previous year: € 4.7 million) of this amount. Basic **earnings per share of the parent company**[6] thus amounted to € 0.82 (previous year: € 0.68).

[6] Attributable to shareholders of the parent company

2.5 Financial position

2.5.1 Objectives and principles of financial management

A primary objective of financial management at Carl Zeiss Meditec AG is to ensure the solvency of the Company and 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 covers all of its subsidiaries and is centrally organized at Group level. The Company also strives to continuously improve its financial power and reduce financial risks by keeping a constant check on the solvency of its debtors, which also involves the use of financial instruments.

The Company deposits any liquidity it does not require at normal market conditions with the Group treasury of Carl Zeiss AG, or directly with banks. When investing surplus liquidity, short-term availability generally comes before the goal of maximizing earnings, so that funds can be accessed quickly should, for example, acquisition opportunities arise. The Group has production facilities in the USA and Europe and is thus only partly exposed to a direct currency risk, which it hedges against using simple currency forward contracts. Details on these can be found in the Notes to the consolidated financial statements under "(2) (i) Financial instruments", "(29) Additional disclosures on financial instruments", "(38) Financial risk management", and "(2) (u) and (35) Related party disclosures".

2.5.2 Financial management

The debt ratio of the Group, i.e., the ratio of borrowed capital to total assets, improved to 36.8 % as of 30 September 2011 (30 September 2010: 40.4 %).

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

For further information on the financial liabilities of Carl Zeiss Meditec please refer to Note "(26) Noncurrent financial liabilities", "(27) Current accrued liabilities" and "(28) Other current non-financial liabilities" in the accompanying Notes to the consolidated financial statements.

Since Carl Zeiss Meditec possesses enough cash funds to finance its operating and strategic objectives, changes in interest rates and credit conditions are not currently having any material effect on its financial position.

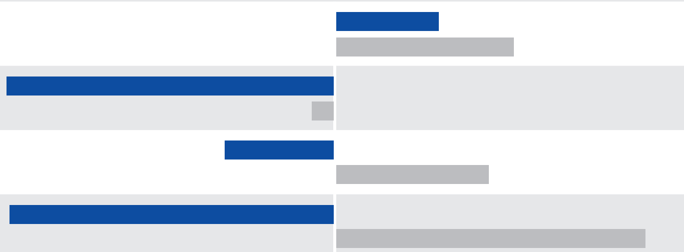
2.5.3 Statement of cash flows

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

The statement of cash flows records the changes in individual items in the income statement and the statement of financial position. In contrast, the consolidated statement of financial position is a presentation based on the end of the reporting period, 30 September 2011. 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: Summery of key ratios in the consolidated statement of cash flows (figures in € ´000)

	Financial year 2010/2011	Financial year 2009/2010
Cash flow from operating activities	**37,545**	65,211
Cash flow from investing activities	**-120,251**	-8,452
Cash flow from financing activities	**-39,846**	54,992
Change in cash and cash equivalents	**-118,875**	113,521



Cash flow from operating activities amounted to € 37.5 million in financial year 2010/2011 (previous year: € 65.2 million). Due in particular to the increase in revenue and the launch of new products, we stockpiled our inventories accordingly. Trade receivables also increased due to the strong demand in the fourth quarter, which escalated further particularly in the second half of September.

Cash flow from investing activities amounted to € -120.3 million (previous year: € -8.5 million), around € 110 million of which is attributable to a financial investment in medium-term fixed deposits, due to a reclassification of cash.

Investments in intangible assets amounted to € 0.7 million in the period under review (previous year: € 7.1 million). The higher figure in the previous year is due to the purchase of production technologies.

Cash flow from financing activities led to a cash outflow of -39.8 million in the reporting year 2010/2011 (previous year: € 55.0 million). The difference compared with the previous year is primarily attributable to the regrouping of treasury receivables from the Treasury of Carl Zeiss AG to cash and cash equivalents in financial year 2010/2011. The dividend payment of € 44.7 million (previous year: € 14.6 million) results in a real cash outflow. The total distribution includes a special dividend of € 26.8 million.

2.5.4 Investment and depreciation policy

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

In terms of the production of devices and systems, the Company mostly confines itself to the integration of individual components to create system solutions. For this reason, the ratio of property, plant and equipment to total assets and investments in such property, plant and equipment are 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[7] in property, plant and equipment to consolidated revenue. In the reporting year, the capex ratio was 1.3 %; in the previous financial year it was 0.9 %.

At Carl Zeiss Meditec, intangible assets and property, plant and equipment are subject to scheduled, straight-line amortization and depreciation, respectively, over their estimated useful lives. For further information on this please refer to Note "(2) (g) Other intangible assets" and "(2) (h) Property, plant and investment" in the Notes to the consolidated financial statements.

2.5.5 Key ratios relating to financial position

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

Key ratio	Definition	30 September 2010	30 September 2011	Change
Cash and cash equivalents	Cash-in-hand and bank balances	313,516	194,641	-37.9 %
Net cash	Cash-in-hand and bank balances + Treasury receivables from Group treasury of Carl Zeiss AG ./. Treasury payables to Group treasury of Carl Zeiss AG	327,983	203,131	-38.1 %
Net working capital	Current assets including € 110 million fixed-term deposit ./. Cash and cash equivalents ./. Treasury receivables from Group treasury of Carl Zeiss AG ./. Current liabilities excl. treasury payables to Group treasury of Carl Zeiss AG	105,089	265,282	+152.4 %
Working capital	Current assets ./. Current liabilities	433,072	486,413	+12.3 %

Table 4: Key ratios relating to financial position

Key ratio	Definition	Financial year 2009/2010	Financial year 2010/2011	Change
Cash flow per share	$\frac{\text{Cash flow from operating activities}}{\text{Weighted average number of shares outstanding}}$	€ 0.80	€ 0.46	-42.5 %
Capex ratio	$\frac{\text{Investment in property, plant and equipment}}{\text{Consolidated revenue}}$	0.9 %	1.3 %	+0.4 %-pts

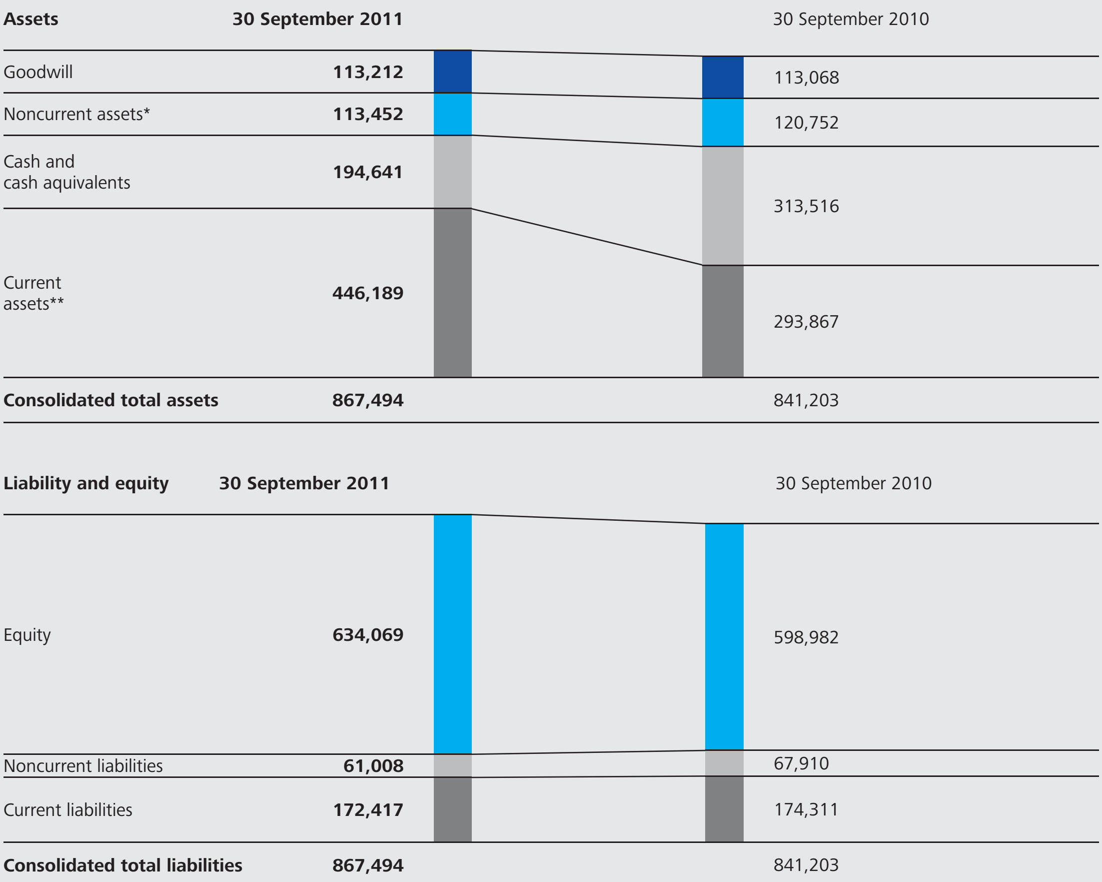
[7] In financial year 2010/2011, total investments in property, plant and equipment amounted to € 9.9 million, compared with € 6.4 million the previous year.

2.6 Net assets

2.6.1 Presentation of net assets

The following chart summarizes the main changes in key items in the consolidated statement of financial position:

Figure 12: Structure of the consolidated statement of financiel position (figures in € ´000)



* excluding goodwill
** excluding cash and cash equivalents

ASSETS

Goodwill

As of 30 September 2011, Carl Zeiss Meditec AG's goodwill amounted to € 113.2 million and was thus at virtually the same level as in the previous year (30 September 2010: € 113.1 million). The change is the result of currency effects.

Inventories
Inventories increased by 12.1 % in financial year 2010/2011, to € 133.6 million (30 September 2010: € 119.2 million). This development is the result in particular of a double-digit increase in revenue and the launch of new products. We also ensured our readiness to deliver by stockpiling.

Trade receivables, incl. receivables from related parties
This item in the statement of financial position increased compared with the previous year, from € 133.9 million to € 178.1 million, and is above all attributable to the high level of revenue generated at the end of the fourth quarter.

Cash and cash equivalents
In the reporting period, cash and cash equivalents decreased from € 313.5 million to € 194.6 million. The decrease in this item is mainly due to the investment in medium-term fixed deposits amounting to € 110.0 million. Given that these deposits are due in less than one year, they are carried under other current financial assets.

LIABILITIES AND EQUITY

Equity
Equity amounted to € 634.1 million as of 30 September 2011 (previous year: € 599.0 million). Net income for the year thus significantly overcompensated for the dividend-related reduction in equity. The equity ratio at the end of the reporting period is considered to be very good at 73.1 % (30 September 2010: 71.2 %).

Trade payables
The increase in trade payables, from € 28.7 million as of 30 September 2010 to € 29.2 million as of 30 September 2011, is mainly attributable, based on the end of the reporting period, to the high revenue in the fourth quarter of the financial year.

2.6.2 Key ratios relating to net assets

Table 5: Key ratios on net asset position

Key ratio	Definition	30 September 2010	30 September 2011	Change
Equity ratio	Equity / Total assets	71.2 %	73.1 %	+1.9 %-pts
Rate of inventory turnover	Cost of goods sold / Average inventories	2.9	2.7	-6.9 %
Days of sales outstanding (DSO)	Trade receivables including receivables from related parties / Consolidated revenue x 360 days	71.2 days	84.5 days	+18.7 %

2.7 Orders on hand

The Carl Zeiss Meditec Group's current orders on hand increased. As of 30 September 2011 they amounted to € 88.7 million, which corresponds to growth of 19.7 % compared with the previous year (30 September 2010: € 74.1 million).

2.8 Events of particular significance

In agreement with the Supervisory Board and the Management Board of Carl Zeiss Meditec AG, Management Board member Ulrich Krauss resigned from his seat on the Management Board at his own request on 12 April 2011. Ulrich Krauss subsequently joined the management of Carl Zeiss Vision GmbH (later Carl Zeiss Vision International GmbH). Thomas Simmerer, his successor as Management Board member responsible for Distribution and Service has already assumed his office with effect from 1 April 2011. Simmerer was previously CEO of Carl Zeiss Surgical.

As part of the further expansion and consolidation of our distribution activities in Spain, an agreement was signed on 21 September 2011 pertaining to the acquisition and integration of the IOL and OVD business of IMEX Clinic S.L., Paterna, Spain (IMEX) into our sales organization in Spain. IMEX, our successful partner for the distribution of intraocular lenses (IOLs) and viscoelastics (OVDs) in Spain firmly established itself on the market over the past few years. In future, our customers shall be provided with a one-stop service based on our comprehensive ophthalmic solutions portfolio, and shall thus benefit from less complexity. Not least, this step will promote our growth on the Iberian Peninsula. The transaction was completed during the new financial year 2011/2012 .

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

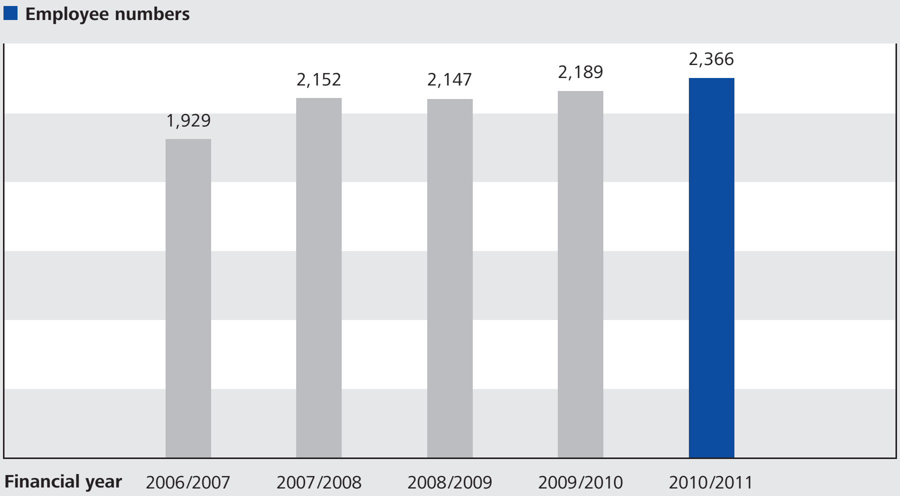
3 Non-financial performance indicators

3.1 Employees

3.1.1 Development of workforce

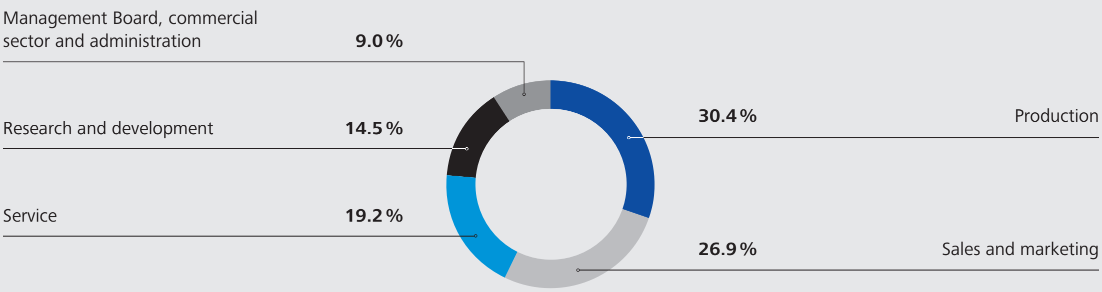
Highly qualified and motivated employees are a prerequisite for ensuring a company's long-term success. Responsible employee development and continuous improvement play a crucial role in this. As of 30 September 2011, the Carl Zeiss Meditec Group had 2,366 employees worldwide (previous year: 2,189). The year-on-year increase in the number of employees is mostly due to the expansion of the distribution network in Dublin and in the IOL segment.

Figure 13: Workforce of the Carl Zeiss Meditec Group at the financial year



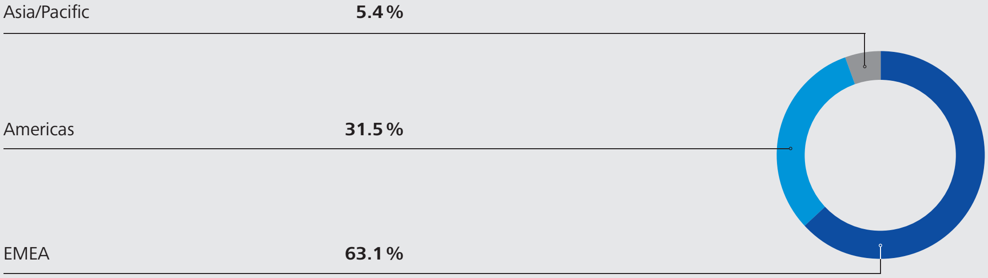
The following chart provides an overview of the personnel structure by function and region:

Figure 14: Personal structure of the company by business unit, in percent



At 30.4 % (previous year: 29.4 %) or 26.9 % (previous year: 26.3 %), respectively, the majority of employees were employed in “Production” or in “Sales and Marketing”. As of 30 September 2011, 19.2 % (previous year: 19.5 %) of the workforce were employed in “Service”, and 14.5 % (previous year: 16.1 %) were employed in “Research and Development”. The percentage of employees engaged in commercial activities was 9.0 % (previous year: 8.7 %).

Figure 15: Personnel structure by region, in percent



At 63.1 % (previous year: 62.3 %), almost two thirds of the Carl Zeiss Meditec Group's employees work within Europe. A total of 31.5 % (previous year: 32.0 %) of the workforce works in the "Americas" region, while 5.4 % (previous year: 5.7 %) of employees work in the "Asia/Pacific" region.

3.1.2 Strategic personnel development planning

It is our employees, with their competence and achievements, who lay the foundations for Carl Zeiss Meditec's global success. That is why the sustained development and targeted support of our employees' potential is the primary task of our human resources management team. Our particular focus here is on the personal and professional development of the Group's employees. We consider this a basis for ensuring the long-term economic success of our Company. We also aim to increase our attractiveness as an employer through targeted employee development.

3.2 Production

3.2.1 Production plants

The Carl Zeiss Meditec Group manufactures its products in Jena, Oberkochen and Hennigsdorf in Germany, Dublin in the USA, La Rochelle in France and Suzhou in China. 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 ophthalmic and microsurgical visualization solutions in Oberkochen; intraocular lenses are mainly manufactured in La Rochelle and Hennigsdorf. 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.

3.2.2 Production concept

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

Around half of all of the semi-finished products we purchase are procured from suppliers within the Carl Zeiss Group. The remainder are sourced from other suppliers outside the Carl Zeiss Group. In order to reduce its dependency on individual suppliers, the Carl Zeiss Meditec Group strives to qualify additional suppliers for key components and vendor parts.

In a series of measures to optimize our production processes, our main focus was to be able to react 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. These measures shortened throughput times, reduced inventories, while cutting production costs and further increasing product quality at the same time.

3.2.3 Production planning

Production planning in Jena and Oberkochen is based on the rolling forecast method. The majority of distribution partners prepare a sales forecast once a quarter for the next 15 months. 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 the implants to be delivered very quickly. Furthermore, the Carl Zeiss Meditec Group operates consignment warehouses in clinics and hospitals which – depending on consumption – are continuously restocked.

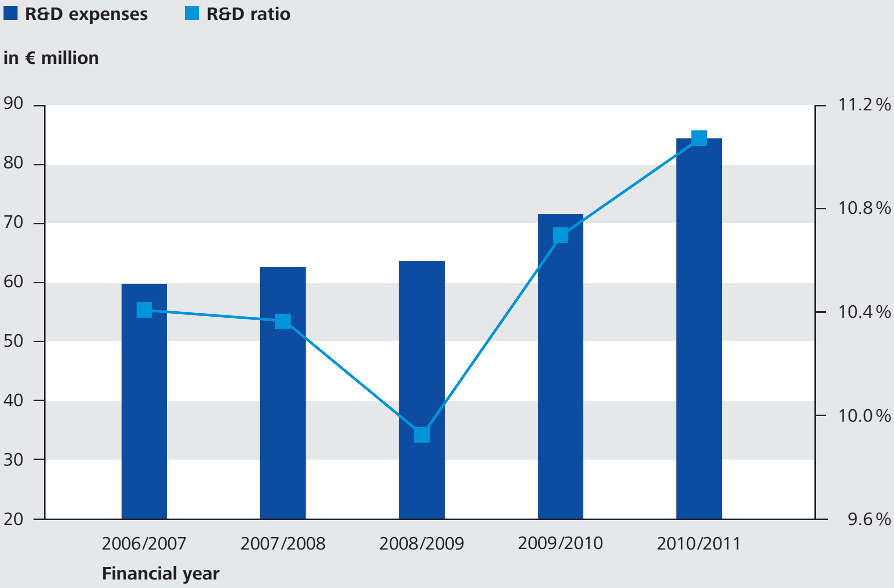
3.3 Research and development

3.3.1 Objectives and focus of research and development

Our excellence in the field of research and development (R&D) is measured based on our ability, to continuously and sustainably improve and increase the performance and growth of the Group through innovations. According to our strategy, innovations are a key driver of future growth. Carl Zeiss Meditec AG has the necessary resources to ensure the Company's future earnings power through its research and development activities. We shall therefore continue to offer innovations in future that make leading technologies available for our customers, and thus improve treatment results for patients. That is why we want to expand our broad product range and constantly improve products that are already on the market. Our priority here shall be, in particular, to increase efficiency and effectiveness in diagnosis and treatment. We attach great importance to the needs of our customers and consistently work closely together with them.

Research and development plays an important role within the Carl Zeiss Meditec Group. The aim is to enable customers and physicians to continuously improve treatment outcomes through increases in efficiency and innovative new products. In the past financial year, research and development expenditure increased by 16.4 % to € 84.2 million (previous year: € 72.4 million). The R&D ratio increased at the same time, from 10.7 % in the previous year to 11.1 %.

Figure 16: R&D expenses and R&D ratio to revenues



In the reporting period, 14.5 % of the total workforce of the Carl Zeiss Meditec Group were employed in Research and Development.

3.3.2 Focus of research and development activities in the reporting period

Research and development at Carl Zeiss Meditec mainly focuses on:

- examining new technological concepts in terms of their clinical relevance and effectiveness. The concept of “evidence-based medicine” plays a major role in this, i. e. proving the efficacy of the developed diagnostic and treatment methods is extremely important to us.
- the continuous development of the existing product portfolio;
- the development of new products and product platforms based on the available basic technologies and
- the networking of systems and equipment to increase the efficiency of diagnosis and treatment and to improve treatment results for patients.

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

ReLEx® smile
ReLEx® smile is a minimally invasive laser procedure for the correction of vision defects. The procedure enables physicians to operate with the most precision and least invasion possible. Now, instead of a thin corneal flap, a lens-shaped lenticule is created in the cornea, which is then removed through a small incision just 4mm wide. This procedure thus requires around 80 % less of an incision area in the patient's upper cornea. Compared with previous treatments, which were performed using a femtosecond laser and an excimer laser, ReLEx® smile makes it possible, for the first time, to perform the entire refractive correction using only the femtosecond laser VisuMax®. This innovation means that the patient no longer has to move to another laser during the operation.

OPMI LUMERA® 700
In addition to the basic equipment, this surgical microscope offers extensive options for operations in the anterior and posterior section of the eye. The system also enables optimum treatment results due to its high-quality optics and maximum freedom of movement for the surgeon. Now, for the first time, the OPMI LUMERA® 700 has an integrated data injection system, which allows toric intraocular lenses to be precisely aligned, since the target axis is visible when looking into the microscope. Another option now available for the device is the space-saving ceiling mount. In addition, the combination of the system with the modular platform of CALLISTO eye® offers the physician numerous assistance functions for cataract surgery. One example is the alignment of toric intraocular lenses. The software can also be used to reliably document surgical procedures or to access patient and diagnostic data intraoperatively.

ZEISS Toric Solution
This is an optimally coordinated combination of different products and services that allow the physician to implant toric intraocular lenses quickly and easily. Treatment outcomes are thus improved.

BLUEMIXS™ 180 Injector
The BLUEMIXS™ 180 Injector is the first commercially available and much sought-after injector that can be used for the widest range of refractive MICS intraocular lenses (multifocal, toric and multifocal-toric IOLs). The lenses to be used do not need to be loaded into the device first, thus ensuring quick, safe implantation, since contamination or scratching by the lens already contained in the injector is prevented. The injection with the BLUEMIXS™ 180 Injector requires only a small incision of just 1.8mm, whereas other procedures require a larger incision of 2.2 – 2.8 mm. The BLUEMIXS™ 180 Injector ensures correct placement of the IOL and can be used for the entire diopter range of ZEISS MICS IOLs.

VISALIS® 500
Carl Zeiss Meditec covers the entire spectrum of services in the area for cataract treatment and aftercare (diagnostic equipment, surgical microscope, phaco system, CALLISTO eye® OP cockpit and IOLs). The VISALIS® series of phacoemulsification devices enables the opaque, natural lens of the eye to be removed from the eye during cataract surgery. The new VISALIS® 500 system presented for the global market is an addition to this series. Besides being used to treat cataracts, VISALIS® 500 can also be used in retinal surgery. It therefore offers all of the functions required in the ophthalmic operating theatre.

OPMI® VARIO 700

Another new product in our range of surgical microscopes is the OPMI® VARIO 700 for the field of orthopedic surgery. The ever-growing requirements of physicians in cranial and spinal surgery are driving forward the development of the OPMI® VARIO. The most fundamental advantages of this system are its excellent visualization and the high level of treatment comfort for both physician and patient. Due to the intuitive user interface and the flexible positioning of the device, the microscope gives the surgeon a better view of the operating area, thus streamlining workflows in the operating room.

OPMI® PENTERO® 900

Carl Zeiss Meditec is presenting the next generation of surgical microscopes for the neurosurgical field with its new surgical microscope, the OPMI PENTERO® 900. For surgical applications, the scope of this is extended by the YELLOW 560™ option, as it is now possible to visualize fluorescent dyes at a wavelength of 540 to 690 nm. The new foldable tube f170/f270 is another improvement in its user-friendly development. The foldable tube gives the surgeon maximum flexibility during surgical procedures in terms of visualization, magnification capability and ergonomic positioning.

3.3.3 Brands and patents

At the present time, the Carl Zeiss Meditec Group owns more than 700 patent families. Patent protection varies from country to country. However, we aim to protect all of our products on the various markets with patents. We invest in innovations and solution concepts and ensure that these have an innovative edge through patents. On average, Carl Zeiss Meditec is granted one patent a week. Since a number of our products have been on the market for some time already, patent protection does not extend to the basic functionality of these products but, rather, to individual features and enhancements that protect beneficial solutions. This enables us to sustain our successful position on the market long term.

In addition, the Company has more than 380 registered trademarks and trademark applications (as of: 30 September 2011). These include product names, slogans, images, logos and other specific Company characteristics.

4 Remuneration report

4.1 Remuneration of the Management Board

Members of the Management Board are remunerated based on Section 87 German Stock Corporation Act *(Aktiengesetz).* According to this, the Supervisory Board specifies 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 personal contribution of the individual members of the Management Board, as well as the Company's financial position and market environment.

In its meeting on 9 December 2010, the General Committee of the Supervisory Board examined the achievement of the objectives of the Management Board members in relation to financial year 2009/2010. The corresponding variable remunerations were then determined during the meeting of the Supervisory Board on the same date. This meeting also reviewed the salaries of Dr. Ludwin Monz, Dr. Christian Müller and Ulrich Krauss and adjusted, taking into consideration the usual remuneration. In financial year 2010/2011, Mr. Thomas Simmerer was appointed to the Management Board of Carl Zeiss Meditec, effective from 1 April 2011, thus succeeding Mr. Ulrich Krauss as Head of Sales. Mr. Krauss stepped down from his seat on the Management Board prematurely at the end of the day of the Annual General Meeting on 12 April 2011, at his own request and with the consent of the Supervisory Board and Management Board, to join the management of Carl Zeiss Vision International GmbH, a subsidiary of the Carl Zeiss Group.

4.1.1 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 financial year and the second bears a long-term incentive effect and risk elements.

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

The **variable portion** of the remuneration, which relates to targets set for the respective financial year, is contingent upon the achievement of certain quantitative and qualitative targets. The quantitative targets, which bear the most weight, are revenue, EBIT, free cash flow and Economic Value Added® ("EVA®"). Strategic targets agreed individually between the Chairman of the Supervisory Board and the members of the Management Board are also taken into consideration. This portion of the remuneration is paid after the end of the respective financial year. The amount is contingent upon the degree of target fulfillment.

In addition to the two components of Management Board remuneration described above, there is also a so-called Long Term Incentive Program ("LTIP"), which was last published in financial year 2007/2008 and had a term of three years. The program was suspended during the global financial crisis in financial years 2008/2009 and 2009/2010, and was re-established in financial year 2010/2011. The last tranche was paid out during financial year 2010/2011. This LTIP consists of a remuneration component with a long-term incentive effect and risk elements. As part of the LTIP tranches Management Board members could, at the end of the respective three-year period, achieve an additional “target income” amounting to 30 % of their respective annual salaries (consisting of a fixed and a variable component) for the first year of each tranche period.

Table 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 for financial year 2010/2011 Figures from the previous year are stated in brackets in each case					
	Fixed remuneration	**Payments in kind[8]**	**Variable remuneration[9]**	**Sum of directly paid remuneration**	**LTIP[10]**	**Total remuneration to Section 314 (1) No. 6a) *HGB***
Dr. Ludwin Monz	244.8 (222.0)	9.6 (9.3)	213.8 (186.2)	468.2 (417.5)	10.0 (13.6)	478.2 (431.1)
Dr. Christian Müller[11]	186.3 (142.5)	8.4 (6.3)	141.7 (112.5)	336.4 (261.3)	2.6 (33.4)	339.0 (294.7)
Thomas Simmerer[12]	110.0	10.3[13]	81.2	201.5	–	201.5
Ulrich Krauss[14]	102.4 (185.1)	7.9 (14.5)	89.1 (137.9)	199.4 (337.5)	7.3 (17.2)	206.7 (354.7)
Dr. Michael Kaschke[15]	– (112.5)	– (–)	– (–)	– (112.5)	– (–)	– (112.5)
Bernd Hirsch[16]	– (31.2)	– (1.6)	– (22.6)	– (55.4)	– (–)	– (55.4)

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 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. In the case of the existing contract with Dr. Monz, pursuant to the transitional provisions pertaining to the new regulation under stock corporation law, the excess stipulated in the Management Board contract shall be adjusted to comply with the current legal situation when the respective Management Board contract is extended.

4.1.2 Pension scheme for members of the Management Board

The appropriation to pension provisions is to be stated annually for the existing pension commitments for the members of the Management Board. The expenses for pension commitments attributable to the individual members of the Management Board are presented in the following overview.

[8] Payments in kind include other benefits such as perks from the provision of a company car, as well as contributions to group accident insurance.
[9] Variable remunerations include both the formation of a provision for the bonus for the current year and the payments for the bonus for the previous year, if this differs from what was stated the previous year.
[10] Information on the Long Term Incentive Program (LTIP) in financial year 2010/2011 relate to the payments made in this financial year for the performance period 1 October 2007 to 30 September 2010, if these differ from those in the previous year.
[11] from 15 December 2009
[12] from 1 April 2011
[13] incl. cost reimbursement in connection with job-related relocation of € 4.6 thousand
[14] until 12 April 2011
[15] until 4 March 2010
[16] until 30 November 2009

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

	Pension commitments for financial year 2010/2011 Figures from the previous year are stated in brackets in each case	
	Appropriation to pension provisions from pension commitments	**Present value of pension commitment, total**
Dr. Ludwin Monz	36.1 (302.9)	646.3 (610.2)
Dr. Christian Müller[17]	3.6 (60.1)	128.1 (124.6)
Thomas Simmerer[18]	12.3	55.5
Ulrich Krauss[19]	14.9 (197.6)	557.7 (542.8)
Bernd Hirsch[20]	– (44.3)	– (133.3)[21]

The appropriation to the pension provision for Management Board member Ulrich Krauss, who stepped down from office during the financial year, relates to the period up until his departure. Carl Zeiss Vision International GmbH, a subsidiary of the Carl Zeiss Group, has assumed the obligation arising from this pension commitment, both for the past and for the future. The pension provision set up at Carl Zeiss Meditec AG at the date of Mr. Krauss's departure has accordingly been transferred to Carl Zeiss International GmbH.

There are also projected unit credits for pensions for other former members of the Management Board of Carl Zeiss Meditec amounting to € 368.3 thousand (previous year: € 347.1 thousand).

Employer contributions were paid into the statutory pension fund in financial year 2010/2011 as follows: € 5.7 thousand each for Management Board members Dr. Ludwin Monz and Dr. Christian Müller; € 2.9 thousand for Thomas Simmerer and € 3.0 thousand for Ulrich Krauss.

4.1.3 Departure of Management Board members

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. No settlement agreements were concluded in connection with the exit of Management Board member Ulrich Krauss.

4.2 Remuneration of the Supervisory Board

The remuneration of the Supervisory Board members was amended with effect from 1 October 2011 by way of a revision of Section 19 of the Articles of Association of Carl Zeiss Meditec AG, resolved during the Annual General Meeting on 12 April 2011.

[17] from15 December 2009
[18] from 1 April 2011
[19] until 12 April 2011
[20] until 30 November 2009
[21] The present value of the pension commitment is contained in the previous year's information on project unit credits for pensions for former members of the Management Board (€ 347.1 thousand).

The newly defined remuneration of the Supervisory Board includes, in addition to a basic remuneration and remuneration for work in the committees, a variable component, which the Company earnings per share takes into appropriate consideration. The basic remuneration for each member of the Supervisory Board is € 20,000 as standard. The Chairman of the Supervisory Board receives double this amount and the Deputy Chairman receives one-and-a-half times this amount. Members of committees, with the exception of the members of the Nomination Committee and the Chairman and Deputy Chairman of the General Committee, receive an additional fixed remuneration of € 5,000; the Chairman of the Audit Committee receives double this amount.

If consolidated earnings per share amount to at least € 0.20, a total amount of € 1,000 shall be calculated for each full € 0.02 consolidated earnings per share above € 0.20 consolidated earnings per share for the respective financial year just ended, multiplied by the number of members of the Supervisory Board. Of this total amount, the member shall be entitled to the share that corresponds to his or her share of the annual remuneration of all members - consisting of basic and committee remuneration. The amount of the variable remuneration component is limited to the fixed annual remuneration (sum of basic and committee remuneration).

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

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

	Supervisory Board remuneration for financial year 2010/2011 Figures from the previous year are stated in brackets in each case			
	Basic remuneration	**Committees**	**Remuneration for earnings per share**	**Total remuneration**
Dr. Michael Kaschke[22] (Chairman)	40.0 (11.5)	5.0 (–)	41.9 (27.1)	86.9 (38.6)
Dr. Markus Guthoff (Deputy Chairman)	30.0 (17.1)	– (–)	27.9 (46.0)	57.9 (63.1)
Thomas Spitzenpfeil[23]	9.3	2.3	10.9	22.5
Dr. Dieter Kurz[24]	10.7 (12.1)	2.7 (–)	12.4 (47.0)	25.8 (59.1)[25]
Dr. Wolfgang Reim	20.0 (10.0)	10.0 (–)	27.9 (49.9)	57.9 (59.9)
Franz-Jörg Stündel	20.0 (10.0)	5.0 (–)	23.3 (33.6)	48.3 (43.6)
Wilhelm Burmeister	20.0 (10.0)	– (–)	18.6 (26.9)	38.6 (36.9)
Ulrich Hoffmann[26]	– (4.2)	– (–)	– (11.4)	– (15.6)[25]

[22] from 4 March 2010
[23] from 12 April 2011
[24] until 12 April 2011
[25] Dr. Dieter Kurz and Ulrich Hoffmann waived their remuneration entitlement for financial year 2009/2010 by way of waivers submitted during the financial year. Furthermore, Dr. Dieter Kurz waived his remuneration entitlement also for financial year 2010/2011
[26] until 4 March 2010

The Company did not pay members of the Supervisory Board any additional remunerations or benefits for personally rendered services (in particular consultancy and agency services) in financial year 2010/2011.

Directors & Officers (D&O) liability insurance has been taken out for the members of the Management Board of Carl Zeiss Meditec AG, which provides for an excess that is also specified in the amendment to the Company's Articles of Association resolved on 12 April 2011. This corresponds to at least 10% of the damage up to at least one-and-a-half times the fixed annual remuneration.

5 Risk report

5.1 Risk management system

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

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

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

- **Risk management system:** In order to be able to identify risks in good time, evaluate them and take the appropriate countermeasures, the Group has set up an efficient risk management system. This is a clearly structured feedback loop which encompasses all corporate activities and comprises a systematic and ongoing process. The following phases are defined: Identification – Evaluation – Control – Documentation. A key component of this is a database-assisted software solution, which is used to regularly record, systematize and evaluate risks, their estimated probability of occurrence and their damage potential.
- **Controlling instruments:** The Controlling department at Carl Zeiss Meditec regularly updates the Management Board, the Managing Directors of the subsidiaries and all responsible decision-makers within the Carl Zeiss Meditec Group about arising risks based on key ratios, thereby supplementing the information provided by the risk management system. Continuous risk prevention is ensured by direct and regular contact between the individual functional areas using standardized procedures.

- **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 Carl Zeiss Meditec was certified by *DQS GmbH Deutsche Gesellschaft zur Zertifizierung von Managementsystemen* and complies with the US standard for "Good Manufacturing Practice" ("GMP"), 21 C.F.R. part 820, Quality System Regulation. A key objective of these certified processes is also risk prevention.

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

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

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

5.2 Internal control system (ICS)

The internal control system is the set of all of the activities (control activities) prescribed by management that serve to ensure that operations run properly. It serves to ensure that laws and guidelines are adhered to and to reduce risks. The organizational measures are integrated in the operative business processes. This means that they occur concomitantly with the process, are immediately up or downstream from the process steps, or occur during the period at planned and monitored intervals through additional sequences of operations.

The internal control system provides support for:

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

The structure of the internal control system of the Carl Zeiss Meditec Group is based on the component dimension of the internationally accepted COSO (Committee of Sponsoring Organizations of the Treadway Commission) Enterprise Risk Management Framework. The processes established in the course of Carl Zeiss Meditec's business are compared for this purpose with the components of the COSO Enterprise Risk Management Framework. Based on the objectives of the COSO Enterprise Risk Management Framework and taking into consideration the standardized risk catalogue of the Carl Zeiss Group, process-related risks have been identified by a multi-functional team and the associated, typical process/control measures have been recorded with the relevant organizational responsibilities. The result is a complete, risk-based ICS description, which is maintained within the scope of the quarterly risk management reporting cycles and is available for independent appraisals or reviews. The Compliance Office of Carl Zeiss Meditec AG is responsible for integrated and independent maintenance of the ICS description and reports on this directly to the responsible Management Board member appointed as Chief Compliance Officer.

In order to control the risks associated with the course of business, the internal control system constitutes an integral part of the risk management system and corporate management.

The **accounting-related** part of the internal control system is a system structured under the CFO's supervision which ensures that the preparation of the consolidated 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 system requirements is carried out by the affected divisions of Carl Zeiss Meditec AG and its subsidiaries. These are supported and monitored by Carl Zeiss Meditec's department of **Group Finance**. Group Finance 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 analyzed on an ongoing basis with regard to their relevance for and impact on the consolidated and annual financial statements. Relevant requirements are communicated in the Group's accounting guidelines and, together with the calendar for financial statements, which applies throughout the Group, these form the basis for the process of preparing the financial statements. In addition, supplementary documented procedures, standardized reporting formats, IT systems and IT-assisted reporting and consolidation processes support the process for uniform and proper consolidated accounting.

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. This is supported, on the one hand, by a transparent description and structure of the internal control system, based on the COSO Enterprise Risk Management Framework, and by risk-related auditing activities, on the other.

Risks relating to the consolidated accounting process
The main risks relating to 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. Accounting then does not present a true and fair view of the Company's net assets, financial position and results of operations, if the figures included in the financial statements or the Notes differ materially from a correct disclosure. Differences are regarded as being material if, individually or collectively, they could influence the economic decisions taken by the recipients on the basis of the financial statements.

The accounting-related internal control system to reduce risks
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 includes both preventative and investigative controls, including IT-assisted and manual comparisons, function separation, the dual control principle, general IT controls, such as access regulations for IT systems or a quality management system and monitoring thereof.

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 prepare the consolidated financial statements and 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.

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

Like any organizational model, the internal control system can only provide reasonable, but not absolute, reliability regarding the attainment of the relevant targets, regardless of how carefully it is structured and operated. Measures performed within the scope of the internal control system may therefore only aim to overcome the known or potential systematic sources of error. The cost/benefits ratio must also be taken into account when setting up an internal control system. That means that the benefits of the controls must be proportionate to the costs incurred.

Evidence of the effectiveness of the internal control system can be seen either from observing the processes anchored in normal business operations or from the results of measures set up specially to assess the effectiveness of the ICS. In addition, information from other sources is a key component for management assessment, as these show the management shortcomings, or they can confirm the effectiveness of the specified measures.

These information sources include:

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

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 and effectively implemented with regard to the correctness of the accounting process and compliance.

5.3 Risk factors

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

5.3.1 Economic environment

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

In particular the underlying conditions in the global economy have become more volatile over the past few years, which has led to greater overall economic risks. Although there was a substantial revival in incoming orders in the medical technology business in financial year 2010/2011, economic growth may be curbed significantly by the euro crisis and the debt situation in the United States. Growth prospects in the short to medium term depend on whether and how these debt problems are resolved. Due 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, our international presence makes us more independent from regional crises. Furthermore, Carl Zeiss Meditec's highly differentiated product and customer structure limits our marketing risks.

Overall economic development may have an adverse effect on the economic situation of our customers and the demand for our products. This could lead, at least temporarily, to demand shortfalls and thus negative consequences for sales and earnings.

5.3.2 Market and competition

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

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

Some of the Company's products are mainly used for treatments for which patients receive no reimbursement from health insurance funds, insurance companies or government health schemes. This is true in particular to laser treatments for the correction of vision defects. Demand behavior may also be influenced by other factors, however, such as a fall in the disposable income of private households, uncertainty regarding the further development of the income of private households, the publication of press reports about potential risks of such treatments, or changes in fashions and trends. 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.

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

5.3.3 New technologies and products

The markets in which the Company operates are characterized by a constant stream of technological innovations. A capacity for innovation and rapid product development are key competitive factors. New scientific findings may lead to shorter development and product cycles, alternative technologies or new pharmaceutical procedures. Whoever is first to launch innovative products for better treatment methods on the market may gain market shares from other suppliers. The success of 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 major technological developments, or fail to identify a market trend in due time or at all, this could have an impact on its competitive position. There is also a risk of one or more products of the Group being entirely superseded by alternative technologies, pharmaceutical procedures or treatment methods. This could diminish or even completely eliminate demand for certain products in future, resulting in losses in sales and earnings.

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

5.3.4 Personnel risks

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

5.3.5 Product approval and political environment

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

Although the relevant legal requirements are incorporated into all stages of development, production and distribution, there is no guarantee that products requiring approval will be granted regulatory approval at all or in time for their planned launch in the market, or that the various registrations of the Group will still exist or be renewed in the future. This could lead to losses in sales. If, for instance, the regulatory approval of a product is delayed, competitors may launch new products in the meantime and thereby win market shares, as a product whose market launch is delayed may, in some circumstances, not be met with (full) acceptance. It is also possible for a sales ban to be imposed on the products of the Company, or for the regulatory approval requirements to be tightened in future.

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

5.3.6 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 applies in particular to the procurement of IT services and agreements with distribution companies of the Carl Zeiss Group to ensure the distribution of the Carl Zeiss Meditec Group's products in various markets where the Company is not represented by its own distribution staff.

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

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

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

5.3.7 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 our intellectual property and patent protection may compromise the Company's technological lead and thus its competitive advantage. 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 by the Group to protect its patents and other intellectual property, 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. Were its technological innovations not to be sufficiently protected, the competitiveness of the Carl Zeiss Meditec Group might be impaired.

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

5.3.8 Loss of confidential data

The Carl Zeiss Meditec Group owns a large number of business secrets. A number of measures serve to ensure that the confidentiality of these business secrets is effectively protected and remains intact. If business secrets of Carl Zeiss Meditec 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.

5.3.9 Product liability risk

There is an inherent risk of malfunctions in some of the medical devices and system solutions manufactured by the Company causing injury to patients. This risk 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 guarantee can be given that Carl Zeiss Meditec will not be faced with such claims in the future. This may lead, on the one hand, to considerable legal costs, irrespective of whether a claim for damages ultimately materializes. On the other hand, it could damage the reputation of Carl Zeiss Meditec in the long term.

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

5.3.10 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. To this end, an impairment test is carried out pursuant to IAS 36. In this test, the cash flows anticipated in the future are allocated to goodwill-bearing cash-generating units (CGUs) and discounted to the end of the reporting period. It is determined whether the carrying amount of the CGUs exceeds the recoverable amount. Impairment is indicated if the recoverable amount is lower than the carrying amount. Carl Zeiss Meditec reviews its goodwill for impairment at least once a year. In the event of a deterioration in the net assets, financial position or results of operations of the goodwill-bearing CGUs, it is possible that the Group will be obliged to recognize in income an impairment of the reported goodwill in its consolidated financial statements.

Based on past acquisitions Carl Zeiss Meditec reported goodwill of € 113.2 million in its consolidated statement of financial position as of 30 September 2011.

The impairment tests carried out in the current financial year did not give any indication of impairment of the goodwill-bearing CGUs. Based on the development of business, the Group also anticipates positive results for 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 goodwill-bearing CGUs may deteriorate. In such an event, Carl Zeiss Meditec may be forced to recognize in income 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 manufacturers. 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 not being achievable. With regard to other companies that may be acquired in future, there is a fundamental possibility of it being impossible to fully integrate these companies into 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 Carl Zeiss Meditec can be found in Note "(3) Purchase and sale of business operations" in the Notes to the consolidated financial statements.

5.3.11 Legal risks

Legal risks may arise due, among other things, to changes in general legal conditions in our 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 Carl Zeiss Meditec can be found in Note "(31) Contingent liabilities and other financial commitments" in the accompanying Notes to the consolidated financial statements.

5.3.12 Financial risks

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

The financial risks also include liquidity risks, price fluctuation risks for financial instruments and risks associated with fluctuations in cash flows. These risks and the management thereof are adequately described in Note "(38) Financial risk management".

In spite of the enduring financial crisis, we have categorized Carl Zeiss Meditec's financial risks as low. The basis for this categorization is our sound financing structure with an equity ratio of 73.1 %, 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 Carl Zeiss Meditec based on a rolling monthly cash forecast within a fixed planning period, and are transferred to Group companies as required as part of a Group-wide Carl Zeiss cash pool. We do not therefore anticipate any material adverse effect on the Company's financial result.

5.3.13 Other disclosures in accordance with Section 289 (2) No. 2 *HGB*, Section 315 (2) No. 2 *HGB*

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

Potential risks of default on trade receivables – particularly given the debt crisis and the generally greater risk of bad debt losses that comes with it – are minimized by way of an active credit control system. The Group also regularly sets up adequate provisions to cover such risks. On the whole, however, we consider this to be a limited risk. The ratio of value adjustments of trade receivables to consolidated revenue was 0.6 % in the year under review (previous year: 0.9 %).

The financial situation of Carl Zeiss Meditec can be considered stable. Cash and cash equivalents amounted to € 194.6 million at the end of the reporting period on 30 September 2011. We also had a credit balance of € 14.5 million, expressed as receivables from the Group treasury of Carl Zeiss AG. The Group also generated cash flow from operating activities of € 37.5 million in the period under review. At the present time, therefore, there are no liquidity risks.

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

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

5.4 Overall statement on the Company's risk situation

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

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

6 Disclosures pursuant to Section 289 (4) and Section 315 (4) *HGB*

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

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

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

Pursuant to Section 179 and Section 133 *AktG*, an amendment to the Articles of Association requires a resolution by the General Meeting which, in turn, requires a simple majority of the votes cast and a majority comprising at least three quarters of the share capital represented at the time the resolution is passed. The Articles of Association may specify a different capital majority; in the case of an amendment to the purpose of the Company, however, only a larger capital majority may be specified. Section 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 Section 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, Section 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 Section 4 (5) of the Articles of Association of Carl Zeiss Meditec AG, the Company has an Authorized Capital I. Subject to the approval of the Supervisory Board, the Management Board is accordingly authorized to increase the share capital, on one or several occasions in the period until 11 April 2016, by up to € 39,654,800.00. To this end, new no-par value bearer shares may be issued against cash or contributions in kind. The Management Board shall be authorized, subject to the approval of the Supervisory Board, to exclude the subscription rights of shareholders in the following cases:

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

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

- offer them for purchase to employees of the Company and affiliates of the Company as defined by Section 15 et seqq. *AktG,* or
- use them for the purpose of mergers with companies or within the scope of purchasing companies, parts of companies or equity interests in companies, 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.

The Company has not entered into any significant agreements contingent upon a change of control following a takeover bid.

Nor has the Company concluded any compensation agreements with the members of the Management Board or employees for the event of a takeover offer.

7 Supplementary report

Following the merger, which was entered in the Company's commercial register on 1 June 2011, thus becoming legally effective, Carl Zeiss Meditec AG had more than 500, but less than 2,000 employees. Accordingly, the Company's Supervisory Board must, pursuant to the provisions of German stock corporation law, in conjunction with provisions of the One Third Participation Act *(Drittelbeteiligungsgesetz),* be composed as follows: one third employee representatives to be elected by the workforce and two thirds Supervisory Board members to be elected by the Annual General Meeting from among the shareholders.

The Election Committee of the employee representatives has informed the Management Board that in the election on 11 October 2011, Ms. Cornelia Grandy, Oberkochen, and Mr. Jörg Heinrich, Jena, were appointed as employee representatives on the Supervisory Board. Mr. Wilhelm Burmeister and Mr. Franz-Jörg Stündel stepped down from the Company's Supervisory Board on this date. The announcement concerning the Supervisory Board members and substitute members was published in October 2011 in the Company's commercial register and in the electronic federal gazette *(Bundesanzeiger).*

As part of the further expansion and consolidation of our distribution activities in Spain, the first step to acquire and integrate the IOL and OVD business of IMEX Clinic S.L., Pantera, Spain (IMEX) into our sales organization in Spain was taken during the financial year. This transaction was completed at the beginning of the new financial year 2011/2012, in November.

Otherwise, there were no other events of material significance for the Company's net assets, financial position and results of operations after the end of financial year 2010/2011. The development of business at the beginning of financial year 2011/2012 validates the statements made in the following "Outlook".

8 Outlook

8.1 Meditec Excellence and Growth Agenda (MEGA)

We aim to continue the success of the past 12 months in financial year 2011/2012. Our ambitious objectives are stated in our MEGA program in the five defined strategic focus areas. Together, we are working continuously to further develop our excellence in these areas and generate sustainable growth. We anticipate growth opportunities in the fields of innovation, customer care and new markets. Innovation is our main growth driver.

Innovation:
A key element of our growth strategy is to make cutting-edge technology for medical applications available to our customers, thus creating clinical benefits. In so doing, we aim to use our products to set new standards in medical diagnostics and therapy, so that our systems become established as the standard ("gold standards").

In the past financial year we introduced a new generation of high-precision femtosecond technology and lenticule extraction with ReLEx®smile. ReLEx® smile enables the physician to perform a minimally invasive refractive correction for the first time. The crucial factor here is that a refractive lenticule is created in the intact cornea and then removed through a minimal incision, thus avoiding the peeling back of a large area of the cornea. ReLEx® smile also reduces the amount of equipment the physician needs to use, because only one laser is used for the entire procedure. Although the procedure is not yet approved in all countries and has only a limited correction range to date, it has huge potential in our opinion.

Our BLUEMIXS™ 180 Injector is the first commercially available injector for the widest range of refractive MICS intraocular lenses (multifocal, toric and multifocal toric IOLs), which already contains the lenses to be implanted, thus ensuring quick and safe implantation of the lens in the eye. For the injection itself, the BLUEMIXS™ 180 Injector, unlike conventional procedures, requires only a small corneal incision of just 1.8 mm.

In the range of VISALIS® phacoemulsification devices, which are used to remove the cloudy, natural lens during cataract surgery, we expanded the VISALIS® 500, the product newly launched for the global market. In addition to its use in treating cataracts, the VISALIS® 500 can also be used in retinal surgery.

Another innovation is our surgical microscope OPMI® PENTERO® 900, in the neurosurgical field. For surgical applications, the scope of application is expanded by the YELLOW 560™ option, since it is now possible, for example, to visualize fluorescent dyes at a wavelength of 540 to 690 nm.

New markets:
Currently, our greatest market opportunities lie in the RDE, which we are striving to systematically develop through our own expansions. Product requirements in RDE such as India or China are often very different to the requirements in established markets. That is why it is important to establish a market-specific product range.

We have taken this step for the first time with the introduction of the phaco device VISALIS® 100. It was adapted specially to the requirements of the RDE and has become very well established in the market there. However, we are also aware that meeting customer needs demands a stronger presence on location. For instance, Carl Zeiss Meditec recently opened its application and research centre, “CARIn” (Center of Application and Research in India) in India. This strengthens our presence in growth markets like India and is a targeted investment in research and development projects. And we plan on continuing to expand our presence in the main RDE. In doing so, we shall be able to utilize our strong sales and service presence that we have already been able to establish in these countries over many years.

Customer care:
A primary objective of our innovation strategy is to improve the diagnosis and treatment of diseases. Our customers value the support and service we provide to help them satisfy the ever-growing growing demands for treatment quality and efficiency. We are continuously striving to improve our customer care and to be a reliable and, above all, sought-after partner for our customers. Consequently, the ongoing expansion of our global Service business is a core concern and an important growth driver for the next few years. Within the past financial year, we therefore continued to invest in our Service business in order to continuously optimize customer care processes, from installation, through modernization, to expansions.

Process excellence:
Our aim is to surpass our customers' expectations with excellent quality. This requires stable processes in all areas of the Company that are constantly further developed. Within our globally networked organization, it is vital to avoid interfaces between local processes if at all possible, or to at least bring the processes into line with one another. That is why we have continued to drive the harmonization of our workflows during the past year, and we shall continue this development in future, too. One example is our new, optimised logistics concept in the area of surgical ophthalmology, which we set up during the past financial year. Due to the purchases and expansions of production capacities for intraocular lenses and the related consumables, there were several warehouses, up until 2010, which did not, however, always have all product variations in stock in the same quantities. The investment in a uniform logistics and IT infrastructure for all surgical ophthalmology products means that replacement orders from our customers can be collected at 30-minute intervals and forwarded to a central warehouse to initiate a new order there and, in turn, to respond to the customer requests as quickly as possible. This has enabled us, in Germany alone, to double the delivery of intraocular lenses and consumables within four years.

Employees:
Forward-looking human resources policy focuses on sustainable development and targeted support of employee potential. Success has already been achieved in this area, too, within the scope of the MEGA program, and we plan to expand and continue this going forward. Of key importance in this connection are, for example, the mentoring program we put in place, the intensified employee training and a systematic successor planning system.

8.2 Future conditions for business development

8.2.1 Macroeconomic conditions

According to estimates by the financial institutes, global economic growth should continue in 2012. The economy may lose some more of its momentum, however, since the forecast is opposed by considerable risks. No assurance can be given, therefore, that the substantial national debt in the USA and the financial and confidence crisis in several member states of the eurozone, which has yet to be overcome, will not hamper growth. Globally, GDP is expected to increase by 2.6 %[27] in 2011 and by 2.5 %[27] in 2012.

Due to the unfavorable situation regarding the public budget in the USA, the ongoing tension on the U.S. labor market and the associated decline in private consumption, the forecasting financial institutes are predicting that economic recovery will continue to be slow next year. For example, GDP in the USA is expected to increase by 1.6 %[27] in the current financial year, and again in 2012.

According to statements from the Joint Economic Forecast project group, overall growth in the eurozone countries will lessen next year. GDP in the eurozone is expected to increase by 1.5 %[28] in 2011, and by 0.4 %[28] the following year. Southern European countries, in particular, such as Italy, Greece and Spain, are contributing to this development. Positive impetus for European economic growth is coming, above all, from Germany.

[27] Joint Economic Forecast project group (publisher): Autumn 2011 "Adverse Effects on the German Economy from the European Debt Crisis", Joint Economic Forecast Autumn 2011, 11 October 2011, Essen
[28] Cf. ibid., p. 24

The economic recovery in Germany will continue during the forecast period, however leading economic institutes expect the pace of expansion to slow markedly due to the subdued export situation. The project group is forecasting a GDP increase of 2.9 %[28] in 2011 and 0.8 %[28] in 2012.

The Asian region, characterized by the dynamic economies of China and India, shall continue to be the driver of growth in 2012. Experts anticipate an increase of 9.0 %[29] in China's GDP this year and an increase of 8.3 %[29] next year. Due to the high level of investment, the expansion of private consumption and the stable export situation, growth in India shall continue to be strong. GDP here is expected to increase by 8.0 %[29] this year and by 7.5 %[29] next year.

In Japan, experts expect a slight decline in GDP this year, by 0.6 %[29], and, in spite of stagnating investment and no change in the level of private consumption, they expect GDP to increase by 2.0 %[29] in 2012. This is mainly attributable to the recovery in production following the natural disaster in 2011.

8.2.2 Future situation in the medical technology industry
Medical technology is one of the fastest-growing sectors of the future. In the advanced economies, there shall be an increase in demand, in future, for medical technology innovations, better quality and greater product variety, while in the populous RDE, there shall be a rise in the general need for good health care, due to the rapidly growing per capita income. In addition, the continuously growing global population and the ever-rising number of elderly people who suffer from glaucoma, cataracts and AMD, are factors that will continue to drive the sector's growth in future and enable us to look to a stable future.

The future growth of the sector, which is currently expected to be in the single-digit range, shall depend, among other things, on the development of the global economy. This can have an effect on growth. It is therefore a possibility, in future, that private customers or even public budgets may postpone their investment decisions, which could impact the Company's sales.

The statements made here are all based on the assumption that the positive development forecast by the financial institutes will materialize. Statements regarding the future development of business were made on the basis of the information at hand.

8.3 Future development in Carl Zeiss Meditec AG's strategic business units

With regard to the coming financial year, we are adhering firmly to our assumptions for our various business units: that we will develop our excellence on the various levels to generate growth in the individual business units.

a) Strategic business unit Ophthalmic Systems
In the coming financial year, we aim to further consolidate and grow our market share. We have core competencies in technologies and are well positioned to face future challenges with products already established on the market. The Relex smile procedure, for example, draws on the benefits of the high-precision femtosecond technology and lenticule extraction. This procedure enables physicians to operate with precision and minimum invasion. It requires around 80 % less of an incision area in the patient's upper cornea. Compared with previous treatments, which were performed with a femtosecond laser and an excimer laser, ReLEx® smile makes it possible, for the first time, to perform the entire refractive correction using only the femtosecond laser VisuMax®.

[28] Cf. ibid., p. 24
[29] Cf. ibid., p. 13

The femtosecond laser VisuMax®, and the IOLMaster® and Cirrus™ HD-OCT, are just some examples from our promising product portfolio that we shall continue to develop in the current financial year. Another strategically important focus is system networking and integrated data management.

b) Strategic business unit Surgical Ophthalmology
The SBU **"Surgical Ophthalmology"** grew further in the past financial year. We shall continue to consistently exploit our opportunities for sustainable growth in this SBU in future, too. In financial year 2011/2012, we shall again focus on marketing our intraocular lenses for minimal invasive surgery (MICS). We took another step in this direction at the end of the past financial year, with the agreement to acquire and integrate the IOL and OVD business of our longstanding Spanish distribution partner IMEX, Clinic S.L., Paterna, Spain (IMEX), which was completed in November of the new financial year. In addition to the very well established MICS lenses, pre-loaded injectors and our phaco systems, which are suitable for MICS, shall play a key role. Another focus, in addition to this innovation strategy, is on geographic expansion into regions that have not yet been addressed, such as Asia and Latin America.

c) Strategic business unit Microsurgery
We achieved very good growth in Microsurgery last year. Innovation played a key role in this. For instance, we expanded our market position further. Very promising market opportunities are already open to us with the existing technologies, for example the OPMI® Pentero®, OPMI LUMERA® 700 and the multidisciplinary surgical microscope OPMI® VARIO 700 launched in 2010. This offering shall continue to be expanded in future.

Our product INTRABEAM® presents another opportunity. The clinical efficacy of the targeted, intraoperative, single-dose radiation with this product for certain patient groups has already been proven in a long-term international trial (TARGIT-A) on a group of patients with early-stage breast cancer, and shall be tested in additional trials for its efficacy in therapies for other types of cancer. The procedure therefore has longer-term potential to become established as the new standard therapy for the treatment of early-stage breast cancer. We expect the very favorable development of volume sales of INTRABEAM® in the past financial year to continue in 2011/2012.

8.4 Future selling markets

As a global Company, our aim in the coming years is to maintain as balanced a distribution of revenue as possible across our individual markets. At present, Carl Zeiss Meditec AG still generates the largest share of its revenue in the "Europe, Middle East and Africa" region, closely followed by the "Americas" region. In the past financial year, the share of revenue generated by the Asia/Pacific region increased further. We see particularly promising business prospects in this region, which shall become even more important in the medium to long term, due to its economic development. Once again last year, our growth in this region was in the high double-digit range, and we plan on continuing to expand our activities here, in terms of the marketing, procurement and production of our products.

8.5 Future research & development

Our objective is to remain an innovation leader and to continue to expand this competence, by establishing ourselves, particularly in the new markets, with new products specially developed for these markets. Precise knowledge of medical applications and new medical treatments, access to the latest technologies, and an efficient, target-oriented development process are thus of central importance for Carl Zeiss Meditec's future. In line with this, Carl Zeiss Meditec recently opened its application and research centre, "CARIn" (Center of Application and Research in India), in India. This centre strengthens our presence in growth markets such as India, and is a strategic investment in research and development projects. We plan to keep up our efforts in research and development in future, too, and are investing considerable resources in researching new and improving existing solutions.

Our planning for financial year 2011/2012 and the following years provides for research and development expenditure of at least 10 % of revenue. We shall systematically and continuously identify and evaluate new technology and market trends, and incorporate the most promising concepts into new development projects.

Carl Zeiss Meditec also plans to sustainably and selectively expand the product portfolio of its three strategic business units in future.

8.6 Future investments

Investments are a basic requirement for maintaining our technology leadership in future. Carl Zeiss Meditec AG's investment ratio has largely been constant over the past few years. The investments required to realize growth targets will not lead to a material change in the current investment ratio in the coming financial year. We are aiming to invest around 1 to 3 % of revenue in property, plant and equipment in the period to 2012, and to thus remain at the previous year's level.

8.7 Future dividend policy

Carl Zeiss Meditec pursues a long-term and earnings-oriented dividend policy. The Company therefore plans to continue to allow the shareholders to participate appropriately in the Company's success in future. In other words, we shall distribute an appropriate dividend in future, too, depending on the Company's financial and operative situation.

8.8 Future employee development

Our employees hold the necessary potential to allow us to continue to work innovatively and profitably in future, and thus they are indispensable for the Company's success. It is therefore very important to keep investing in the further development of our existing employees and to invest in new ones. We endeavor to continuously offer our employees further training opportunities and opportunities to gradually take on more responsibility, and we also join in the intense competition to recruit qualified staff externally. We are always on the lookout for well-trained professionals and executives on the market. We therefore expect our workforce to grow in the coming periods, which is in line with development of the Company's business.

8.9 Future financial position

Interest income and expenses depend on changes in interest rates on the financial markets. At present, the Company does not anticipate any marked improvement in investment conditions in the next two years. It should thus be possible to keep interest income and expenses at the previous year's level. Financing is provided by bank balances as of 30 September 2011 totaling € 304.6 million, of which a portion of € 110.0 million is invested for one year. From today's perspective, we anticipate a limited refinancing requirement in the next two years, which can be covered with available cash and operative cash flow, with almost identical accounting structures.

Carl Zeiss Meditec aims to continue to generate cash flow from operating activities in the high double-digit million region in 2011 and 2012, based on active working capital management.

8.10 Opportunities

The global medical technology market is primarily characterized by sustainable underlying growth. A number of fundamental trends contribute to Carl Zeiss Meditec's opportunities for growth. This applies to both ophthalmology and microsurgery, and assures us that the good selling conditions for the Company's clinical solutions will continue.

We believe there will be continued positive growth in particular in the rapidly developing economies (RDE) in Asia and Latin America. We must use these opportunities and establish ourselves even more firmly on these markets. We also see additional opportunities in our innovative product range, which we shall also continue to expand in the coming financial year. This will secure and increase our market shares. Our strong financial profile, which safeguards the Company's development against external influences, should also have a positive effect. The Company is able to protect itself against direct risks over the short term, but shall not lose sight of its long-term objectives in doing so. Our further development in future shall also include exploiting external growth opportunities in some areas. We use a systematic process to look for strategically advantageous expansion opportunities, which we then evaluate and address, if appropriate. It is not possible at this point to gauge how feasible such opportunities might be.

Our ZEISS brand means that our customers always perceive us as a reliable, trustworthy partner, and we look back on a long, successful collaboration. We are therefore able to build upon an extremely positive brand image when we further develop our Company. To this end, we focus our activities on the mission-critical areas of our MEGA program, to achieve excellence and growth.

8.11 Overall assertion on future development

At the time of publication of this Annual report, we believe the prospects for Carl Zeiss Meditec remain positive for the coming financial year. From today's perspective, we can assume that all of our strategic business units will contribute to our future revenue and earnings growth. The macroeconomic environment and the associated economic developments shall play an important role in this. In light of the increasingly volatile markets and the greater forecast uncertainty as a result, concerning the further course of business, we shall closely monitor further developments, to enable us to react to any changes in good time.

Keeping in constant contact with our customers is also very important in this respect, since uncertain general economic conditions can also influence investment behavior. In particular, negative economic trends can lead to significant cuts in public budgets. By engaging in an ongoing exchange of information, we shall take particular care to continue working on efficiency aspects from the customer perspective, in order to ensure our growth, even in difficult times.

A crucial advantage for even greater stability of our overall business is a higher proportion of revenue from case number-dependent products and services, since there is generally less fluctuation in these areas than in the capital goods business, for example. We assume that this proportion will increase to at least 25 % in the medium term. This will also contribute to the aim of improving the Company's profitability.

From today's perspective, the management expects revenue and earnings growth to continue in the next periods, based on the favorable development of business over the past few years and particularly in the reporting year. We assume that we will grow at least in line with anticipated market growth for the sector. In financial year 2010/2011, we increased EBIT profitability from 12.8 % in the previous year to 13.6 %. We are still pursuing our objective of increasing this margin further to 15 % in the medium term until 2015, without foregoing major investments that can help us to sustainably secure our Company. In the coming years, we aim to make further progress on the way to achieving this medium-term target.

The management expects the markets in which the Carl Zeiss Meditec Group operates to continue to expand in the long term. We aim to consolidate our position in these markets and further increase our market shares. This is due, in particular, to demographic trends, for example the further growth of the global population and the increasing ageing of the population in large parts of the world. This is especially significant for ophthalmology, as the prevalence of ophthalmic diseases depends greatly on the age of patients. However, the growing importance that our Company is attributing to health care is also critical for the development of the medical technology market. Finally, the rapid economic rise of the RDE shall contribute further to market growth.

If there are any significant changes to the economic environment currently forecast, or to earnings, we shall publish this information in good time and add further details of our expectations.

9 Final declaration of the Management Board on the dependent company report pursuant to Section 312 (3) *AktG*

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

10 Declaration on corporate governance (pursuant to Section 289a *HGB*)

The declaration on corporate governance (pursuant to Section 289a of the *HGB*) includes the declaration of conformity pursuant to Section 161 of the *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 Web site **www.meditec.zeiss.com/ir**.

Jena, 18 November 2011

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

Consolidated income statement (IFRS) for the period from 1 October 2010 to 30 September 2011

(Figures in € '000)	Note	**Financial year 2010/2011** 1 October 2010 – 30 September 2011	**Financial year 2009/2010** 1 October 2009 – 30 September 2010
Revenue	(2q) (4)	**758,793**	**676,682**
Cost of goods sold		(343,957)	(317,995)
Gross profit		**414,836**	**358,727**
Selling and marketing expenses		(187,140)	(162,801)
General and administrative expenses		(40,276)	(37,245)
Research and development expenses	(34)	(84,215)	(72,356)
Other income	(5)	361	485
Other expense	(6)	–	(67)
Earnings before interests, income taxes, depreciation and amortization		*122,508*	*107,713*
Depreciation and amortization		*18,942*	*20,970*
Earnings before interests and income taxes		**103,566**	**86,743**
Results from investments accounted for using the equity method	(8) (15)	(68)	(37)
Interest income	(8)	4,522	2,239
Interest expense	(8)	(7,171)	(5,883)
Foreign currency gains/(losses), net	(2d) (8)	(2,570)	(3,704)
Other financial result	(8)	2,602	3,618
Earnings before income taxes		**100,881**	**82,976**
Income tax expense	(9)	(28,607)	(23,340)
Net income		**72,274**	**59,636**
Attributable to:			
Shareholders of the parent company		66,906	54,889
Non-controlling interest		5,368	4,747
Profit/(loss) per share, attributable to the shareholders of the parent company in the current financial year (€):			
– Basic/diluted	(2s) (10)	**0.82**	**0.68**

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

Consolidated statement of comprehensive income (IFRS) for the period from 1 October 2010 to 30 September 2011

(Figures in € '000)	**Note**	**Financial year 2010/2011** 1 October 2010 – 30 September 2011	**Financial year 2009/2010** 1 October 2009 – 30 September 2010
Net income		**72,274**	**59,636**
Fair value measurement of available-for-sale financial assets			
Reclassification to net income		166	(12)
Changes in equity from investments accounted for using the equity method	(8) (15)	1	1
Foreign currency translation	(2n) (23)	7,366	14,281
Other comprehensive income		**7,533**	**14,270**
Comprehensive Income		**79,807**	**73,906**
Attributable to:			
Shareholders of the parent company		71,475	66,077
Non-controlling interest		8,332	7,829

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

Consolidated statement of financial position (IFRS) for the year ended 30 September 2011

(Figures in € '000)	Note	30 September 2011	30 September 2010
ASSETS			
Goodwill	(2f) (12)	113,212	113,068
Intangible assets	(2g) (13)	24,168	33,942
Property, plant and equipment	(2h) (14)	40,502	39,906
Investments accounted for using the equity method	(15)	–	68
Investments	(16)	364	364
Deferred tax assets	(2j) (17)	45,513	41,568
Noncurrent trade receivables	(19)	2,727	3,673
Other noncurrent assets		178	1,231
Total noncurrent assets		**226,664**	**233,820**
Inventories	(2k) (18)	133,601	119,216
Trade receivables	(19)	134,753	98,113
Accounts receivable from related parties	(2u) (35)	40,626	32,069
Treasury receivables	(2u) (39)	14,475	24,727
Tax refund claims		1,700	8,751
Other current financial assets	(2i) (20)	111,696	2,061
Other current non-financial assets	(21)	9,338	8,839
Securities	(2i)	–	91
Cash and cash equivalents	(2m) (22)	194,641	313,516
Total current assets		**640,830**	**607,383**
Total assets		**867,494**	**841,203**

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

(Figures in € '000)	Note	30 September 2011	30 September 2010
LIABILITIES AND EQUITY			
Share capital	(23)	81,310	81,310
Capital reserve	(23)	313,863	313,863
Retained earnings	(23)	213,832	191,646
Gains and losses recognized directly in equity	(2n) (23)	(9,967)	(14,536)
Equity before non-controlling interest		599,038	572,283
Non-controlling interest	(23)	35,031	26,699
Total equity		**634,069**	**598,982**
Provisions for pensions and similar commitments	(2o) (24)	13,283	14,093
Other noncurrent provisions	(2p) (25)	12,981	15,001
Noncurrent financial liabilities	(26)	8,712	9,069
Noncurrent leasing liabilities	(2i) (30)	15,398	16,681
Other noncurrent liabilities		6,300	6,536
Deferred tax liabilities	(2j) (17)	4,334	6,530
Total noncurrent liabilities		**61,008**	**67,910**
Current provisions	(2p) (25)	35,036	36,306
Current accrued liabilities	(27)	47,434	46,936
Current financial liabilities	(2i)	5,885	3,385
Current portion of noncurrent financial liabilities	(26)	379	288
Current portion of noncurrent leasing liabilities	(2l) (30)	1,607	1,513
Trade payables		29,176	28,685
Current income tax liabilities		6,140	12,377
Accounts payable to related parties	(2u) (35)	13,224	10,899
Treasury payables	(2u) (35)	5,985	10,260
Other current non-financial liabilities	(28)	27,551	23,662
Total current liabilities		**172,417**	**174,311**
Total liabilities		**867,494**	**841,203**

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

Consolidated statement of cash flow (IFRS) for the period from 1 October 2010 to 30 September 2011

(Figures in € ’000)	Note	Financial year 2010/2011 1 October 2010 – 30 September 2011	Financial year 2009/2010 1 October 2009 – 30 September 2010
Cash flows from operating activities:			
Net income		**72,274**	**59,636**
Adjustments to reconcile net income to net cash provided by/(used in) operating activities:			
Income tax expenses	(9)	28,607	23,340
Interest income/expenses	(8)	2,649	3,644
Results from investments accounted for using the equity method	(8) (15)	68	37
Depreciation and amortization	(13) (14)	18,942	20,970
Gains/losses on disposal of fixed assets/financial assets		764	(196)
Result from sale of pharma business	(3)	–	(1,220)
Interest received		2,366	(1,998)
Interest paid		(3,143)	(2,459)
Income tax reimbursement		17,985	3,252
Income taxes paid		(55,715)	(34,951)
Changes in working capital:			
Trade receivables	(19) (34)	(40,984)	(13,053)
Inventories	(18)	(15,249)	(16,721)
Other assets	(20) (21)	3,073	1,133
Trade payables		795	5,335
Provisions and financial liabilities	(24) (25) (27)	1,831	13,975
Other liabilities	(28)	3,282	491
Total adjustments		(34,729)	5,575
Net cash provided by operating activities		**37,545**	**65,211**
Cash flows from investing activities:			
Investment in property, plant and equipment	(14)	(5,763)	(4,605)
Investment in intangible assets	(13)	(731)	(7,057)
Investment in plan assets pension fund	(24)	(4,325)	(1,557)
Proceeds from fixed assets		568	766
Repayment of loans		(110,000)	–
Sale of pharma business	(15) (16)	–	4,001
Net cash used in investing activities		**(120,251)**	**(8,452)**
Cash flows from financing activities:			
Repayments of short-term debt		67	–
Repayments of noncurrent financial liabilities	(26)	(300)	(412)
Repayments from noncurrent loans from related parties	(26) (35)	–	(8,648)
(Increase)/decrease in treasury receivables	(35)	10,754	76,884
Increase/(decrease) in treasury payables	(35)	(4,275)	3,135
Change of leasing liabilities	(30)	(1,372)	(1,271)
Dividend payments to shareholders of Carl Zeiss Meditec AG	(11)	(44,720)	(14,636)
Aquisition of non-controlling interests		–	(60)
Net cash provided by/(used in) financing activities		**(39,846)**	**54,992**
Effect of exchange rate fluctuation on cash and cash equivalents		3,677	1,770
Net increase/(decrease) in cash and cash equivalents		**(118,875)**	**113,521**
Cash and cash equivalents, beginning of reporting period	(22)	313,516	199,995
Cash and cash equivalents, end of reporting period	(22)	**194,641**	**313,516**

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

Consolidated statement of changes in equity (IFRS)

(Figures in € '000)					**Gains and losses recognised directly in equity**				
	Note	**Share capital**	**Capital reserve**	**Retained earnings**	**Reserves from currency conversion**	**Fair value reserve for asf financial instruments**	**Equity before non-controlling interest**	**Non-controlling interest**	**Total equity**
As of October 2009		**81,310**	**313,863**	**151,397**	**(25,568)**	**(156)**	**520,846**	**18,926**	**539,772**
Fair value measurement of available-for-sale financial assets		–	–	–	–	(12)	(12)	–	(12)
Foreign currency translation	(2d)	–	–	–	11,199	–	11,199	3,082	14,281
Changes in equity from investments accounted for using the equity method	(2b) (2n) (23)	–	–	–	–	1	1	–	1
Changes in value recognized directly in equity	**(2n) (23)**	**–**	**–**	**–**	**11,199**	**(11)**	**11,188**	**3,082**	**14,270**
Net income		–	–	54,889	–	–	54,889	4,747	59,636
Sum of comprehensive income for the period	**(2n) (23)**	**–**	**–**	**54,889**	**11,199**	**(11)**	**66,077**	**7,829**	**73,906**
Dividend payments	(11)	–	–	(14,636)	–	–	(14,636)	–	(14,636)
Acquisition of non-controlling interests		–	–	(4)	–	–	(4)	(56)	(60)
As of September 2010		**81,310**	**313,863**	**191,646**	**(14,369)**	**(167)**	**572,283**	**26,699**	**598,982**
Reclassification of losses from fair value measurement of available-for-sale financial assets into net income		–	–	–	–	166	166	–	166
Foreign currency translation	(2d)	–	–	–	4,402	–	4,402	2,964	7,366
Changes in equity from investments accounted for using the equity method	(2b) (2n) (23)	–	–	–	–	1	1	–	1
Changes in value recognized directly in equity	**(2n) (23)**	**–**	**–**	**–**	**4,402**	**167**	**4,569**	**2,964**	**7,533**
Net income		–	–	66,906	–	–	66,906	5,368	72,274
Sum of comprehensive income for the period	**(2n) (23)**	**–**	**–**	**66,906**	**4,402**	**167**	**71,475**	**8,332**	**79,807**
Dividend payments	(11)	–	–	(44,720)	–	–	(44,720)	–	(44,720)
As of 30 September 2011		**81,310**	**313,863**	**213,832**	**(9,967)**	**–**	**599,038**	**35,031**	**634,069**

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

Notes to the consolidated financial statements for financial year 2010/2011 (IFRS)

General information, accounting and valuation principles

1. The Company

(a) Description of operations
Carl Zeiss Meditec AG, Jena, Germany, is the parent company of the Carl Zeiss Meditec Group (the "Company", "Carl Zeiss Meditec", the "Group"), which comprises additional subsidiaries. The Group offers end-to-end solutions for the diagnosis and treatment of ophthalmic diseases – including implants and consumables. In microsurgery, the Group provides innovative visualization solutions. The Group's customers are physicians in various fields and hospitals worldwide.

Carl Zeiss Meditec AG's headquarters are located in 07745 Jena, Germany (Göschwitzer Straße 51–52), Germany's traditional centre of excellence for optical and optical-related technologies. The Company has major subsidiaries in the USA, France, Japan, Spain, the United Kingdom and Germany.

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

The consolidated financial statements may be obtained from the Company's headquarters and are published on the Internet and in the electronic edition of the Federal Gazette *(Bundesanzeiger)*.

(b) Basis of presentation
The consolidated financial statements of Carl Zeiss Meditec AG were prepared in accordance with the International Financial Reporting Standards ("IFRSs") promulgated by the International Accounting Standards Board ("IASB"), London, and take into account all accounting standards and interpretations adopted by 30 September 2011 for which application is mandatory, as they are to be applied in the EU. The present version of the consolidated financial statements complies with the provisions of Section 315a of the German Commercial Code *(Handelsgesetzbuch, HGB*). It forms the legal basis for group accounting in accordance with international standards in Germany, in conjunction with the Regulation ("EC") No. 1606/2002 of the European Parliament and Council dated 19 July 2002 relating to the application of international accounting standards, and applies for financial years commencing on or after 1 January 2005.

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

2. Accounting and valuation principles

(a) Principles of consolidation
The consolidated financial statements comprise the financial statements of Carl Zeiss Meditec AG and all of its subsidiaries and joint ventures. Subsidiaries are all companies controlled by Carl Zeiss Meditec. A company is controlled if Carl Zeiss Meditec has the opportunity to determine the financial and business policy in order to derive benefit from the company's activities. Carl Zeiss Meditec holds the majority of voting rights in all of the companies it controls. Joint ventures are companies jointly managed with other companies. A full breakdown of the shareholdings of Carl Zeiss Meditec can be found in Note (41) "Other mandatory disclosures pursuant to Section 314 and Section 285 No. 10 *HGB*" in these Notes to the consolidated financial statements.

All relevant intragroup transactions, balances and interim results from transactions between Group companies were eliminated within the scope of consolidation. Non-controlling interests in the net assets of consolidated subsidiaries were calculated and shown in the consolidated statement of financial position separately from the equity attributable to shareholders of the parent company.

(b) Changes in the reporting entity
Carl Zeiss Meditec AG, Jena, Germany
In the reporting period 2010/2011, Carl Zeiss Surgical GmbH, Acri.Tec GmbH, Carl Zeiss Meditec Systems GmbH and Carl Zeiss Medical Software GmbH were merged retrospectively as of 1 October 2010 with the parent company, Carl Zeiss Meditec AG. This restructuring within the reporting entity has no effects on the consolidated financial statements.

In the reporting period 2010/2011, the Company also dissolved its at-equity investment in Advanced Research Institute GmbH, domiciled in Hennigsdorf – a joint venture pursuant to IAS 31 with a 49 % share of the voting rights – with the involvement of the other shareholders. This impacted earnings by € -68 thousand.

(c) Business combinations
Capital consolidation takes place in accordance with the acquisition method pursuant to IFRS 3 "Business combinations". This means that the first-time evaluation values the identifiable assets and liabilities at their respective fair values on the date of acquisition. Non-controlling interests are thus stated as a proportion of the attributable fair values of the assets and liabilities. The acquisition costs of the acquired interests are offset against the Group’s share in the subsidiary’s equity valued at fair value. Acquisition costs are recorded as an expense as they are incurred. Insofar as an asset-side difference remains after this offsetting, this is reported as goodwill. The figures for the subsidiaries acquired in the year under review are incorporated in the consolidated income statement according to their affiliation to the Group, i. e., from their effective date of acquisition (possibility to be controlled). A subsidiary is deconsolidated as soon as Carl Zeiss Meditec loses its control over the company. Third-party equity interests are recorded in the consolidated financial statements as part of consolidated equity under the item "Non-controlling interests".

Jointly controlled entities within the meaning of IAS 31 "Interests in Joint Ventures" are reported according to the equity method of accounting pursuant to IAS 31.38. When applying the equity method pursuant to IAS 28 "Investments in associates", equity investments are initially recorded at cost in the statement of financial position and are subsequently adjusted to reflect the Group's share in the equity (net assets) after acquisition and for losses due to impairment. Insofar as the acquisition of share results in goodwill, this is included in the investment book value and is not subject to scheduled amortization.

Investments in which Carl Zeiss Meditec holds less than 20 % are reflected in the accounts using the historical cost method, if Carl Zeiss Meditec is unable to exercise significant influence and the investee enterprise is not jointly controlled or listed on a stock exchange.

Intragroup business combinations, uniting of interests or similar transactions are regarded – both from the perspective of the superordinate parent company (Carl Zeiss AG) and from the perspective of the participating subsidiary (Carl Zeiss Meditec) – as "transactions under common control" which, pursuant to IFRS 3.2c, are not to be classified as company acquisitions. Transactions under common control are treated in Carl Zeiss Meditec's statement of financial position according to the principle of "predecessor accounting"[1], with the assumption that the consolidated financial statements of Carl Zeiss Meditec are to be regarded merely as an excerpt from the consolidated financial statements of the superordinate parent company, Carl Zeiss AG. The respective assets and liabilities are thus carried at book value.

(d) Foreign currency translation

The consolidated financial statements were prepared in euros, as the majority of Group transactions are in this currency, and because the euro is the functional currency of Carl Zeiss Meditec AG. Unless there is a note to the contrary, all amounts are stated in thousands of euros (€ '000 or € thousand). Figures are rounded according to proper commercial standards; this may result in slight discrepancies.

The assets and liabilities of those foreign subsidiaries whose functional currency is one other than the euro are translated using the exchange rate as of the end of the reporting period. Equity transactions are translated at historic rates of exchange on the date of the transaction. The figures in the income statement are converted at the average exchange rate for the financial year. Differences from currency translation are allocated to gains and losses recognized directly in equity.

Transactions executed in foreign currencies are recorded using the rate of exchange in effect at the transaction date. Monetary assets and liabilities denominated in foreign currency, such as cash and cash equivalents, trade receivables or payables, are revalued at each reporting date until settlement. The resulting income or expenses are shown in the income statement under "Foreign currency gains/(losses), net".

The following table shows the exchange rates applied in the preparation of the consolidated financial statements:

	Exchange rate at end of reporting period 30 September 2011	**Exchange rate at end of reporting period 30 September 2010**	**+/- %**	**Average exchange rate 2010/2011**	**Average exchange rate 2009/2010**	**+/- %**
US$	0.7408	0.7326	1.1	0.7168	0.7370	-2.7
JPY	0.0096	0.0088	9.1	0.0088	0.0082	7.3
GBP	1.1551	1.1657	-0.9	1.1513	1.1499	0.1
CAD	0.7090	0.7107	-0.2	0.7268	0.7078	2.7
SEK	0.1079	0.1093	-1.3	0.1104	0.1017	8.5
CHF	0.8217	0.7529	9.1	0.7950	0.6999	13.6

[1] Cf. IDW RS HFA 2, side note 43; in accordance with IAS 8.12f this approach refers to the accounting according to US GAAP.

(e) Use of estimates
The preparation of the consolidated financial statements in accordance with the IFRSs requires the use of certain assumptions and estimates that relate to the recognition and measurement of assets and liabilities, income and expenses, and contingent liabilities. The assumptions and estimates are mostly based on the uniform stipulation within the Group of useful lives, the determination of values in use of cash-generating units, the accounting and valuation of provisions, as well as the certainty of realising future tax relief. Actual values may vary in individual cases from the assumptions and estimates made. Changes are shown at the time the true value became known.

(f) Goodwill and other intangible assets with an indefinite useful life
Goodwill and other intangible assets with an indefinite useful life are not subject to scheduled amortization but are reviewed regularly for impairment (impairment test). During impairment testing as stipulated by IAS 36, the Company assesses whether or not an asset has been impaired.

To do this, Carl Zeiss Meditec determines (i) the cash-generating units, (ii) the respective net assets of the cash-generating units and (iii) the recoverable amounts for the cash-generating units.

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

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

Sales planning considers usual market growth between around 4 % to 8 % in the relevant market based on industry surveys and company strategy. Cost planning also considers strategic aspects as well as price trends on the procurement markets. Pursuant to IAS 36.44, the cash flow projections resulting from the management's financial forecasts do not contain any cash flows from future restructuring measures or expansions to increase earnings. The estimates of future cash flows also contain no inflows or outflows of cash from financing activities or income tax revenues or payments (see IAS 36.50). The value in use of the cash-generating unit is derived from the sum of discounted future cash flows at a standard, risk-adjusted capitalization interest rate.

The capitalization interest rate is calculated from the parameters risk-free base rate, risk premium (market risk premium and beta factor), borrowed capital spread and tax effect, and reflects the capital structure of the cash-generating unit. To extrapolate (perpetuity) the cash flow forecasts beyond the five-year period, the capitalization interest rate is used without assuming a particular growth rate.

The carrying amount of a cash-generating unit includes all assets that stimulate the flow of cash, i. e., that contribute to the creation of a saleable service. This means that all non-operating items and interest-bearing borrowings are excluded from the calculation. The discount rate applied for the cash flow forecasts is 9.3 %. This interest rate was derived from the interest rate first calculated taking income taxes into account, and conforms to IAS 36.55.

Carl Zeiss Meditec reviews its goodwill for impairment at least once a year or at the onset of major events or changed circumstances which indicate that the fair value of a reporting unit of the Group has fallen below its carrying amount. Capitalized intangible assets with an indefinite useful life are also tested for impairment at least once a year, until it has been established that their useful life is no longer indefinite.

Carl Zeiss Meditec completed its annual impairment testing of goodwill and capitalized intangible assets with an indefinite useful life in the last quarter of financial year 2010/2011. The results of these tests did not give any indication of a need for impairment of goodwill or capitalized intangible assets with an indefinite useful life.

For details on the change in goodwill in financial year 2010/2011 and the previous year please refer to Note (12).

(g) Other intangible assets
Intangible assets acquired separately are valued at cost less accumulated amortization and impairment.

Research and development expenses are recorded as expenses in the period in which they arise.

A self-constructed intangible asset, which results from development activities (or from the developmental phase of an internal project), is recorded, if evidence can be provided that the criteria according to IAS 38.57 are fulfilled.

The amount at which a self-constructed intangible asset is first capitalized is equivalent to the sum of the expenses incurred from the date on which the intangible asset fulfils the above-mentioned conditions. If a self-constructed intangible asset cannot be capitalized, the development costs are recognized in income in the period in which they arise.

In subsequent periods, self-constructed intangible assets are valued at cost less accumulated amortization and impairment.

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

All other intangible assets which are ready for use are amortized on a straight-line basis over the following periods, unless an indefinite useful life is assumed (see note (13)):

- *Brand names* — *3–10 years*
- *Software* — *1–10 years*
- *Licenses* — *3– 7 years*
- *Patents and other industrial property rights licenses* — *2–19 years*
- *Development costs* — *3–10 years*
- *Other intangible assets* — *1–10 years*

The amortization amounts for other intangible assets may be recognized in the income statement under both cost of goods sold and other operative costs. Assets are each allocated individually with respect to their intended purpose or assignment to certain areas of the company. These assets are also reviewed regularly for impairment (impairment test). The results of these tests did not give any indication of a material need for impairment of other capitalized intangible assets. Please refer to (f) above with regard to the method applied in the impairment test.

(h) Property, plant and equipment

Property, plant and equipment are valued at cost, net of accumulated depreciation and impairment. In the case of property, plant and equipment, which were acquired within the scope of a company merger, the acquisition costs correspond to their fair values at their date of acquisition. Depreciation is calculated using the straight-line method over the estimated useful life of each asset. The following depreciation periods have been applied:

- *Buildings and leasehold improvements* — *3–32 years*
- *Plant and machinery* — *2–21 years*
- *Other office equipment, fixtures and fittings* — *1–23 years*

Leasehold improvements are depreciated over their estimated useful life or the term of the rental or lease agreement, if shorter. Estimated useful life is reviewed regularly by the Company’s management based on current technological advancement. Maintenance and repairs are expensed as incurred, while renewals and improvements that extend the useful life or increase capacity are capitalized if they fulfill the general recognition criteria under IAS 16. Property, plant and equipment are also reviewed for impairment (impairment test), if indicated. Please refer to (f) above with regard to the general method of calculating the value applied in the impairment test. Upon the sale or retirement of property, plant and equipment, the accounts are relieved of the cost and the related accumulated depreciation, and any resulting gain or loss is disclosed in the income statement. The depreciation amounts for property, plant and equipment are recognized in the consolidated income statement according to the function for which the assets are used.

(i) Financial instruments
Financial assets and financial liabilities are taken into account in the consolidated statement of financial position from the date on which the Group becomes a contracting party for the financial instrument. Financial assets acquired or sold at standard market conditions are generally accounted for on the settlement date.

Financial assets and liabilities in the sense of IAS 39 are classified either as financial assets and liabilities, loans and receivables (LaR), held to maturity (HtM) investments, financial assets available for sale (AfS), financial assets or liabilities held for trading (FAHfT/FLHfT), or as financial liabilities at amortized cost (FLAC). The classification depends on the type and the intended purpose of the financial assets and liabilities and occurs upon addition.

Primary financial instruments
The Company's primary financial instruments mainly consist of cash and cash equivalents, financial assets, treasury receivables (group cash management [treasury] of Carl Zeiss Financial Services GmbH, Oberkochen), trade receivables and payables, current loans, noncurrent debts, securities and other financial assets and liabilities.

Loans and receivables and current and noncurrent financial liabilities are carried at amortized cost. These are mainly trade receivables and current and noncurrent assets and debt. The amortized cost of a financial asset or financial liability is the term used to describe that amount at which a financial asset or liability was valued when first recorded, less any repayments using the effective interest method and losses for impairment.

The amortized cost of current assets and liabilities are generally equivalent to the nominal or repayment amount.

Trade receivables are disclosed at their nominal value, net of any allowance for accounts presumed to be uncollectible.

Appropriate valuation allowances are recorded against doubtful receivables and loans with discernible collection risks on the basis of regular, systematic reviews and credit control assessments. This control measure takes into account historical bad debt losses, the size and adequacy of securities, as well as other relevant factors. A valuation allowance may be indicated if there are signs that a debtor or a group of debtors is having considerable financial difficulties. A potential need for impairment shall be assumed if certain circumstances exist, such as default of payment over a certain period, initiation of arbitrary measures, impending insolvency or overindebtedness, application for or initiation of insolvency proceedings, or failure of reorganization measures. Receivables and loans are written off against these valuation allowances, if they are considered uncollectible. Please refer to Note (38) for further information on credit risks.

Primary financial assets which are not classified either as loans or receivables, held to maturity investments, financial assets or liabilities held for trading, or as financial liabilities at amortized costs, shall be allocated to the category financial assets available for sale. Existing financial assets have been allocated to this category. Due to the fact that these non-controlling interests are not listed on a stock exchange, meaning that their fair values cannot be reliably determined, these financial assets are carried at cost. There are no plans to dispose of these financial instruments at the present time.

Noncurrent, non-interest-bearing receivables and loans are discounted based on market conditions; interest is shown as income according to the effective interest method.

Existing securities are allocated to the category "Financial assets available for sale" and are thus stated at their fair value. The fair value of primary financial instruments generally corresponds to the market or stock market value. The market value of a primary financial instrument is estimated as the amount that could be obtained in a business transaction between independent contracting partners under prevailing market conditions. The market values are calculated on the basis of market conditions at the end of the reporting period. Unrealized gains and losses are taken directly to equity, taking deferred taxes into account, and are recognized under the item "Gains and losses recognized directly in equity". In the case of realization through disposal, or in the event of an expected long-term decline in the fair value to below cost, the changes in fair value shall be recognized through profit or loss. Increases in market value are always taken directly to equity, even if a devaluation recognized through profit or loss has occurred previously.

Derivative financial instruments and hedging
The Group is a company with global operations, and as such it is exposed to the effects of exchange rate fluctuations. In order to hedge against its currency risk, it concludes currency forward contracts based on planned transactions in foreign currency. Hedge accounting within the meaning of IAS 39 is not applied. These contracts generally cover a period of up to one year. Asset-side derivative financial instruments are shown under the item "Other current assets" in the statement of financial positions and liabilities-side derivative financial instruments are shown under the item "Current financial liabilities". The sole purpose of the derivative financial instruments is currency hedging. Net income from the financial instruments recognized at fair value through profit and loss would, if relevant, also include income from interest and dividends. Please refer to note (38) for further information on currency risks.

(j) Deferred income taxes
Deferred income taxes are computed annually by the temporary concept pursuant to IAS 12 "Income taxes". All liabilities or claims relating to taxes on income and earnings arising during a financial year are reflected in the consolidated financial statements pursuant to the relevant tax laws. In order to take account of the tax effects of differences between the carrying amounts of assets and liabilities in the consolidated statement of financial position and the corresponding tax bases and of differences arising from consolidation processes and loss carryforwards, deferred taxes are calculated each year for the taxable income based on enacted or soon-to-be-enacted tax rates, if these differences are expected to be offset over time.

Deferred tax assets are written down, if necessary, to reflect the expected recoverable amount. Income tax expense comprises the tax payable or refundable for the reporting period, plus or minus the change in deferred taxes. The effects of changes in tax rates on deferred tax assets and liabilities are recognized in income for the period in which the change was legally enacted.

Deferred tax claims for tax losses carried forward are carried at the amount at which the associated tax benefits are expected to be realized as a result of future tax profits.

Deferred tax assets and liabilities are carried net, if a right exists to offset actual income tax receivables and liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same tax authorities and are owed to the same Group companies.

(k) Inventories

Inventories are valued at the lower of cost or market. Costs are primarily determined using the weighted-average cost method. Production costs include materials and labor, as well as direct manufacturing and material overheads, including depreciation. In addition, the costs of company retirement benefits, the Company's social establishments and the Company's voluntary social benefits are also included to the extent that these can be allocated to the production area. Administrative costs are taken into account to the extent that these are attributable to production. Production costs do not include any borrowing costs. In the case of inventories acquired within the scope of a business combination, the acquisition costs correspond to their fair values at their date of acquisition.

Net realizable value is the estimated selling price attainable in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(l) Leasing

The Group has leased certain assets under long-term contracts. Leases are classed as finance leases if the lessee bears the majority of the risks and opportunities associated with ownership. All properties under arrangements that qualify as finance leases are capitalized as noncurrent assets pursuant to IAS 17 "Leases" at the lower of fair value and the present value of minimum lease payments. The corresponding leasing obligations are carried as current or noncurrent liabilities according to their time to maturity. The lease payments to be paid are divided into a redemption component and an interest component. The redemption component reduces the liability, while the interest component is carried as an interest expense. The capitalized assets are amortized in conformance with IAS 16. IAS 36 is observed with regard to possible impairment. The leasing obligations are carried at the present value identified at the end of the respective reporting period.

Other leasing transactions are treated as operating leases. The total payments required under operating lease agreements are reported as an expense on a straight-line basis over the term of the lease. Conversely, the Group also acts as lessor for operating leases.

(m) Cash and cash equivalents
Cash on hand and at the bank, as well as all financial investments with an original maturity of up to three months which are only subject to minor risks of valuation changes, are disclosed as cash and cash equivalents. This also includes current financial investments at Carl Zeiss Financial Services GmbH, which are secured by a declaration of pledge. Because of their short maturity, the carrying amounts of cash and cash equivalents are approximately equal to their fair value.

(n) Gains and losses recognized directly in equity
The item "Gains and losses recognized directly in equity" includes the other changes in equity not reflected in income that are not associated with transactions with shareholders. In the case of the Group, this currently relates for the most part to foreign currency translation and unrealized gains and losses on available-for-sale financial assets (see Note (23)).

(o) Pension obligations
The Company pension scheme comprises obligations at Carl Zeiss Meditec AG and various subsidiaries arising from current annuities and defined benefit obligations. It also includes liabilities-side provisions of the U.S. company for post-employment benefit obligations for medical costs. The companies of the Group maintain a number of pension schemes: a distinction is made between defined contribution plans and defined benefit plans.

Defined contribution pension plans
In defined contribution plans, the Company does not enter into any commitments other than paying contributions to funds or public services with a specific purpose. The contributions are recognized under personnel expenses as due.

Besides a defined benefit plan, the U.S. subsidiary maintains a savings scheme for the majority of its employees, which is described as a defined contribution plan. This plan enables the participating employees to save a proportion of their income in accordance with the specified guidelines. The Company currently contributes a percentage of employee contributions up to a certain limit. These plans also include the employer's statutory contributions of German and foreign companies to pension plans.

Defined benefit pension plans
The Group offers certain employees defined benefit plans. Such benefits are determined primarily on the basis of the employee’s remuneration and length of service. Benefits of this kind exist at Group companies both in Germany and abroad.

Defined benefit plans within the Group are partly financed by provisions and partly by funds from external sources.

Commitments for pensions and similar pension-related commitments are determined at Group companies within Germany in accordance with actuarial principles based on the Heubeck Guideline Tables 2005 G devised by Prof. Dr. Klaus Heubeck. Commitments for pensions and similar pension-related commitments at foreign companies are determined according to country-specific accounting principles and parameters.

Pension obligations and related costs are calculated according to the prescribed projected unit credit method pursuant to IAS 19 "Employee benefits". The projected unit credit method reflects economic assumptions based on long-term expectations, as well as the performance of assets legally set aside to fund future benefit payments.

Actuarial gains or losses that may arise from changes in the valuation premises or a deviation in actual circumstances from the evaluation basis are only shown in income if the balance of the accumulated actuarial gains or losses amounts to more than 10 % of the present value of the defined benefit obligation and the fair value of the plan assets. Any amount that lies outside this 10 % corridor is posted to income over the average residual term of service of employees eligible for pensions, which at 30 September 2011 is estimated to be 15 years.

The pension provisions carried in the consolidated statement of financial position correspond to the present value of the defined benefit obligation (DBO) at the end of the reporting period less the fair value of the plan assets, adjusted for accumulated actuarial gains and losses not previously recognized in income.

(p) Provisions

Provisions are formed if the Group has a current (de facto or statutory) commitment as a result of a past event, the outflow of resources with an economic benefit to fulfil the commitment is probable and it is possible to reliably estimate the amount of the commitment. To the extent that the Group expects at least a partial reimbursement for a provision carried as a liability (as is the case, for example, in insurance policies), the reimbursement is only recorded as a separate asset if the reimbursement is as good as secure. Expenses for the formation of provisions are disclosed in the consolidated income statement after deduction of the reimbursement.

If the interest impact is material, provisions are discounted using a pre-tax interest rate, which reflects the specific risks for the liability. In the event of discounting, the increase in the provision over time is carried as interest expenses. Provisions are broken down into their expected maturities, with the result that provisions which are due in up to one year are carried as current provisions and provision which are due in more than one year are carried as noncurrent provisions.

Personnel and social commitments

The provisions for personnel and social commitments mostly relate to commitments for partial retirement and anniversary expenses.

The provisions for partial retirement and anniversaries are measured using a projected unit credit method based on actuarial surveys. The measurement parameters correspond to the economic assumptions for financing the pension commitments.

Commitments from ongoing operations
The Company furnishes the buyer with a warranty for the perfect functioning of sold products for the contractually guaranteed period of 15 to 27 months, depending on the product. Provisions are set up for this purpose based on the average values of warranty claims made in the past. These provisions are regularly adjusted to reflect actual experience. These warranty provisions are recorded as cost of goods sold in the same period that the initial sale is recorded.

Other commitments
The provisions for other commitments relate to recognizable individual risks and uncertain obligations, mainly arising from litigation risks.

(q) Revenue recognition
The Group generates revenue from selling products on the basis of a corresponding contract. The sale takes place once all parts of the product have been delivered, the risks have passed, the payment can be reliably determined and there are no major obligations towards the customers and the payment of the receivable is deemed probable. Revenue from services is recorded according to the percentage of completion, if this can be reliably determined.

Maintenance revenue from service contracts is realized on a proportionate basis throughout the contractual period of performance.

Revenue is reflected net of trade discounts, customer bonuses and rebates. The Group posts shipping and handling costs billed to customers to revenue and recognizes the corresponding expenses under the cost of goods sold. The freight costs not billed to customers are shown under selling and marketing expenses.

(r) Government grants
Pursuant to IAS 20 "Accounting for government grants and disclosure of government assistance" government grants are only recognized, if there is sufficient assurance that the associated conditions will be fulfilled and the grants will be allocated.

The Group received subsidies from various public bodies within the framework of state economic development programs, for example for the construction of production facilities, research and development activities, advanced training programs, and interest subsidies.

Investment grants and investment subsidies for which it is sufficiently certain that the associated conditions are being complied with and that they will be awarded, reduce the costs of the relevant assets. Investment subsidies, such as investment grants and tax-free investment allowances, are disclosed as income (as a reduction in depreciation of the subsidized property, plant and equipment).

Government grants received in financial years 2010/2011 and 2009/2010 are listed in note (34).

(s) Earnings per share

Basic earnings per share were calculated by dividing the consolidated net income attributable to shareholders of the parent company by the weighted-average number of ordinary shares issued during each individual accounting period. As in the previous year, the number of shares this financial year remained at 81,309,610 thousand. There were no conversion or option rights in circulation. As in the previous financial year, there were no dilution effects in the reporting year.

(t) Borrowing costs

Borrowing costs are recognized as expenses in the period in which they are incurred, since there not usually any qualified assets pursuant to IAS 23.5.

(u) Related party disclosures

The parent company of Carl Zeiss Meditec AG is Carl Zeiss AG (which is controlled by the Carl Zeiss Foundation). The Carl Zeiss Foundation, Heidenheim and Jena, Carl Zeiss AG, Oberkochen, and its subsidiaries, excluding the Carl Zeiss Meditec Group (the "Carl Zeiss Group"), Schott AG, Mainz, including its subsidiaries (the "Schott Group"), as well as the associated unconsolidated companies, are regarded as related parties, and business transactions, for example sales, receivables from and liabilities to these companies, are recognized separately.

The Group sells some of its products via the distribution companies of the Carl Zeiss Group. For the purposes of furnishing the Group with short-term funds and investing surplus liquidity, Carl Zeiss Meditec cooperates with the group cash management system of Carl Zeiss Financial Services GmbH, Oberkochen. Loans granted or cash and cash equivalents invested within the scope of this business relationship are shown as liabilities due to or receivables from treasury and usually are available on a daily basis.

Current financial investments with a term of no more than three months and secured by a declaration of pledge are recorded under cash and cash equivalents (see Note (22)). Noncurrent loans and receivables carry interest at a rate based on the 1-month EURIBOR and conform to normal market conditions.

In addition to financial services, the Group purchases various services from the Carl Zeiss Group, including Carl Zeiss AG. These services include research and development, HR and administrative activities, as well as logistics, distribution and IT services provided on the basis of contractual agreements. In addition, preliminary products are purchased from companies of the Carl Zeiss Group and the Schott Group. These transactions with related parties are conducted under the same conditions as arm’s length transactions.

(v) Recent pronouncements on accounting principles

The Group was obliged to apply the following standards and interpretations for the first time at the beginning of this financial year:

Date of issue	Standard/Interpretation	Amendment/New statutory regulation
3 July 2008	IFRIC 15 "Agreements for the Construction of Real Estate"	Essentially guidelines for deciding when an agreement falls under IAS 11 or IAS 18
27 November 2008	IFRIC 17 "Distributions of Non-cash Assets to Owners"	Measurement of non-cash assets
29 January 2009	IFRIC 18 "Transfers of Assets from Customers"	Accounting treatment of transferred assets, particularly in the energy sector
16 April 2009	Improvements to IFRS (2009)	15 different amendments to 12 existing standards and interpretations
18 June 2009	Amendment IFRS 2 "Share-based Payment"	Presentation of cash-settled share-based payments
9 October 2009	Amendment IFRS 32 "Financial Instruments: Presentation"	Classification of rights issues
26 November 2009	IFRIC 19 "Redemption of Financial Liabilities through Equity Instruments"	Explanation of the redemption of financial liabilities through equity instruments
28 January 2010	Amendment IFRS 1 "First-time Adoption of International Financial Reporting Standards"	Exemption of first-time IFRS users from the obligation to make additional disclosures concerning financial instruments resulting from IFRS 7
6 May 2010	Improvements to IFRS (2010)	Amendments to IFRS 3, relating to IAS 21, 28 and 31

In the reporting period, the Group applied as mandatory the amendments arising from the "Improvements to IFRSs" (2009) for the first time. The option for early application of the amendment to IFRS 8 was already made use of in the consolidated financial statements for financial year 2009/2010. As a result, the segment assets are not stated per business segment, as this information is not reported internally to the CEO, who is also Chief Operating Decision Maker. This amendment therefore has no effect on the presentation of the financial statements.

For all other standards and interpretations applied for the first time there were no significant changes to the accounting and valuation methods, nor are such changes expected.

The IASB and IFRIC also issued the following standards, interpretations and revisions of existing standards in the reporting year; however, application of these is not yet mandatory for Carl Zeiss Meditec. The Company did not opt to apply these standards early:

Date of issue	Standard/Interpretation	Amendment/New statutory regulation	Date of first mandatory application	Adopted by the EU
7 October 2010	Amendment IFRS 7 "Financial Instruments: Notes"	Extended disclosure obligations concerning transfer of financial assets	Financial years beginning on or after 1 July 2011	no
28 October 2010	Amendment IFRS 9 "Financial Instruments"	Additional requirements for the accounting of financial liabilities	Financial years beginning on or after 1 January 2013	no
20 December 2010	Amendment IFRS 12 "Income Taxes"	Practical solution for problem of recognition at carrying amount through utilization or disposal	Financial years beginning on or after 1 January 2012	no
20 December 2010	Amendment IFRS 1 "First-time Adoption of International Financial Reporting Standards"	Guidelines for the presentation of IFRS-compliant financial statements where functional currency is subject to severe hyperinflation, and restatement	Financial years beginning on or after 1 July 2011	no
12 May 2011	IFRS 10 "Consolidated Financial Statements"	Accounting principles for presenting consolidated financial statements, as well as notes on the principle of control	Financial years beginning on or after 1 January 2013	no
12 May 2011	IFRS 11 "Joint Arrangements"	Expansion of principles for joint arrangements and their accounting	Financial years beginning on or after 1 January 2013	no
12 May 2011	IFRS 12 "Disclosure of Interests in Other Entities"	Extended disclosure obligations for interests in other entities	Financial years beginning on or after 1 January 2013	no
12 May 2011	IFRS 13 "Fair Value Measurement"	Guidance on measurement and disclosures on the measurement of fair value	Financial years beginning on or after 1 January 2013	no
12 May 2011	IAS 27 "Separate Financial Statements"	Guidelines for accounting treatment of investments in subsidiaries, associates and joint ventures in separate financial statements	Financial years beginning on or after 1 January 2013	no
12 May 2011	IAS 28 "Accounting for Investments in Associates and Joint Ventures"	Guidelines for accounting treatment of associates and principles for applying the equity method	Financial years beginning on or after 1 January 2013	no
16 June 2011	Amendment IAS 1 "Presentation of Financial Statements"	Presentation of items of other comprehensive income	Financial years beginning on or after 1 July 2012	no
16 June 2011	Amendment IAS 19 "Employee Benefits"	Extended disclosure obligations for defined benefit plans	Financial years beginning on or after 1 January 2013	no

All of the standards listed above shall not be applied by Carl Zeiss Meditec until financial year 2011/2012 or later. We do not anticipate the future application of these standards to have any material effect on the presentation of the financial statements. The specific effects are still being reviewed.

(w) Calculation of fair values

A large number of the consolidated accounting principles and notes to the financial statements require a definition of the fair values of the respective financial and non-financial assets and liabilities involved. The fair values are calculated in accordance with the methods described below. If required, additional information on the assumptions made for the calculation of the fair values is provided in the specific notes to the respective items described in the statement of financial position and income statement.

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

Other intangible assets
The fair values of trademark, patent and technology rights or similar, which were acquired within the scope of a business combination, are determined according to the relief from royalty method. In this method an analogy is used, whereby the financial contributions (cash flows) of an intangible asset due to royalties are estimated, which the owner of this asset is then spared from paying, contrary to the alternative of licensing a similar asset with an equivalent use. The method thus calculates the fictitious licensing fees that would be payable if the respective intangible asset were to be owned by a third party.

The fair values of intangible assets consisting of customer relationships acquired within the scope of a business combination are determined according to the multi-period excess earnings method.

Customer relationships generally only generate cash flows in conjunction with other tangible or intangible assets. The planning of excess earnings is thus based on a collection of assets. The calculation of the relevant excess earnings received thus regards fictitious payments made for these "supporting" assets as fictitious user fees. It is assumed that the supporting assets are fictitiously rented or leased by a third party to the extent necessary to generate the cash flows.

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

Trade receivables and other receivables
The fair value of trade receivables and other receivables is calculated as the present value of future cash flows, discounted by a standard market interest rate. The fair value of current trade receivables and other receivables basically corresponds to their nominal value, due to their short-term nature.

Equity interests and securities
The fair value of financial assets, which are measured either at fair value through profit or loss or classified as available for sale, is based, if an active market exists, on listed stock prices. If there is no active market, the fair value is measured using an appropriate valuation method, e.g. based on current market prices of similar financial instruments, or a discounted cash flow method.

Derivative financial instruments
The fair value of derivative financial instruments is based on the prevailing market or stock market value. The market value of a financial instrument is estimated as the amount that could be obtained in a business transaction between independent contracting partners under prevailing market conditions. The market values are calculated on the basis of market conditions at the end of the reporting period – interest rates, currency rates, commodity prices – and the evaluation methods presented below.

If there is no active market, the fair value is determined using financial mathematical methods, e. g. by discounting the estimated future cash flows using the market interest rate or by applying recognized option pricing models, and through confirmations from the banks that process the transactions.

The Group exclusively holds currency forward contracts as financial instruments. The financial assets held for trading (FAHfT/FLHfT) are carried at fair value, although changes in market value are recognized in income in the income statement. The fair value of currency forward transactions is calculated based on the average spot exchange rate at the end of the reporting period, adjusted for forward premiums and discounts for the respective residual term of the contract, compared to the contracted forward exchange rate.

Financial liabilities
The fair value of financial liabilities is calculated based on the present value of future capital and interest payment flows – discounted by a standard market interest rate – at the end of the reporting period.

3. Purchase and sale of business operations

Financial year 2010/2011
IMEX Clinic S.L., Paterna, Spain
On 21 September 2011, Carl Zeiss Meditec Iberia, S.A. concluded a purchase agreement with medical distribution and service company IMEX Clinic S.L., Paterna, Spain (IMEX), and Dismedica S.A., Las Arenas/Bilbao, Spain, which provides for the purchase of assets and the transfer of employees and their entitlements in connection with the distribution and support of intraocular lenses (IOLs) and viscoelastics (OVDs). The purchased assets are mainly inventories. Carl Zeiss Meditec Iberia, S.A., assumed the above business activities with effect from 4 November 2011, as was contractually agreed.

IMEX is an active supplier and service provider in the Spanish and Portuguese medical sector. In addition to distributing products in the field of surgical ophthalmology, the business also includes outsourcing services and end-to-end process management for hospitals and clinics. Up until the date of the transaction, the company was an exclusive distribution partner of Carl Zeiss Meditec for IOLs and OVDs on the Iberian Peninsula.

This acquisition strengthens Carl Zeiss Meditec's business, particularly in Spain, and it is a systematic investment in its distribution and service organization. By assuming distribution and support for IOLs and OVDs and the new distribution organization, Carl Zeiss Meditec will be represented in the market by a team of established ophthalmic experts and will offer customers comprehensive product solutions and related services.

The purchase price is currently estimated at € 20.0 million and comprises, in addition to a fixed sum of € 9.0 million, a discounted contingent earn-out component amounting to € 7.2 million and a price for the assumed inventories of around € 3.8 million. The fixed price components were paid, as contractually agreed, in two separate tranches of € 4.5 million, one at the beginning of October 2011, and the other on the acquisition date. The price of the inventories shall be paid before the end of calendar year 2011, after completion of the inventory valuation following the acquisition date. The earn-out component shall be payable in three tranches over 30 months starting from the acquisition date, and shall depend on the success of the assumed business. The calculation of the earn-out is based on the achievement of defined revenue targets for the subsequent 30 months. This is based on the assumption that the gross margin shall be mainly stable during this period and that there will be no major fluctuations in the assumed workforce. In the case of significant deviations from the expected gross margin and major fluctuations in employee numbers, the revenue-based earn-out shall be discounted. A calculation shall be performed based on the actual earnings contributions at the end of a period in each case, after one year, after two years and after thirty months following the acquisition date. The discounted expected earn-out of € 7.2 million results from an achievement of the target earnings contribution of 100 %. The contractual margin of fluctuation of the earn-out has a lower limit of € 0 and, in the case of over-achievement of the specified targets, is not limited to € 7.2 million, but is theoretically infinite.

In addition, a Service Level Agreement was concluded as part of the agreement; this shall enter into effect from acquisition date and has a term of two years. It includes the provision of sales-related management and process services by IMEX, which shall be remunerated in the first year with an amount of € 0.4 million and, depending on utilization of these services, with € 0.4 to 0.7 million in the second year.

The acquisition costs of the transaction amount to € 20.0 million. The total incidental acquisition costs of € 55 thousand shall be carried as an expense under administrative expenses. In the current financial year, this relates to incidental acquisition costs of € 7 thousand. Additional incidental costs amounting to around € 48 thousand shall be recorded under administrative expenses in financial year 2011/12.

At the date of publication of the consolidated financial statements of Carl Zeiss Meditec the allocation of the purchase price to the assets and the valuation of the inventories had not yet been agreed. The preliminary fair values of the identified assets at the date of acquisition and the respective carrying amounts immediately prior to the acquisition date are as follows:

(in € million)	**Carl Zeiss Meditec Iberia**	
	Fair value	**Book value**
Inventories	8.4	3.8
Goodwill from acquisition	11.6	
Total costs of acquisition	**20.0**	
Cash received	–	
Past and anticipated cash outflow for purchase price components	(12.8)	
Contingent purchase price payment pursuant to IFRS 3 B64 (g) (i) – discounted	**(7.2)**	

No receivables of any kind were the subject of the transaction. As a result no notes shall be required relating to the impairment of such assets. Contingent liabilities were not assumed.

The anticipated goodwill from the acquisition of the assets is mainly attributable to the anticipated synergy effects of the integration of the distribution and service business into the existing Surgical Ophthalmology business. As expected, goodwill shall be fully deductible for tax purposes.

The acquired assets, which can be classified as a business operation, shall be recognized in net income for the first time in the interim financial statements of the Group as of 31 December 2011. The note regarding the proceeds and the earnings contribution of the acquired business in the period between the date of acquisition and the publication of the consolidated financial statements is omitted, pursuant to IFRS 3 B66, for reasons of practicality.

Financial year 2009/2010
Carl Zeiss Meditec S.A.S., La Rochelle, France
With effect from 1 September 2010, the pharmaceuticals business, which mostly comprises trademarks from Bénac S.A.S., Perigny, France, and Laboratoires Théa, Clemont-Ferrand, France was sold for a price of € 4,092 thousand The carrying amounts of the identified assets and liabilities at the time of sale were as follows:

(in € ’000)	**Pharmaceutical business Book value**
Goodwill	1,414
Other intangible assets	263
Property, plant and equipment	87
Other noncurrent assets	185
Trade receivables	578
Inventories	307
Deferred tax liabilities	53
Carrying amount of sold net assets sold	**2,781**
Selling price	4,092
Less incidental costs	91
Net capital inflow	**4,001**

The proceeds of € 1,220 thousand from the sale were disclosed under “Other financial result”.

Notes to the consolidated income statement

4. Revenue

Group earnings for financial years 2010/2011 and 2009/2010 mainly consist of sales revenues. The table below shows a breakdown of revenue:

(in € ’000)	Financial year 2010/2011	Financial year 2009/2010
Income from the sale of merchandise	700,412	623,621
Income from the provision of services (incl. sale of replacement parts)	58,381	53,061
Total	**758,793**	**676,682**

5. Other income

Other income for financial years 2010/2011 and 2009/2010 was as follows:

(in € ’000)	Financial year 2010/2011	Financial year 2009/2010
Income from claims for damages	190	–
Income from accrued leasing subsidies	91	–
Reversal of other provisions and accrued liabilities	80	92
Income from the sale of pharmaceutical business	–	200
Rental income	–	150
Proceeds of impaired receivables	–	43
Total	**361**	**485**

6. Other expenses

Other expenses for financial years 2010/2011 and 2009/2010 were as follows:

(in € '000)	Financial year 2010/2011	Financial year 2009/2010
Expenses from rental agreements	–	50
Other taxes	–	17
Total	–	**67**

7. Personnel expenses

Personnel expenses for financial years 2010/2011 and 2009/2010 were as follows:

(in € '000)	Financial year 2010/2011	Financial year 2009/2010
Wages and salaries	151,863	150,214
Social security expenses	28,157	26,420
Pension costs	5,290	5,549
Total	**185,310**	**182,183**

Total expenses from all defined contribution plans in the current financial year amounted to € 7,870 thousand (previous year: € 6,359 thousand). The employer's statutory pension contribution is contained in the social security costs.

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

	30 September 2011	30 September 2010	Average/ financial year 2010/2011	Average/ financial year 2009/2010
Production	719	644	674	625
Sales & Marketing	637	576	605	581
Service	453	426	450	412
Research and Development	344	353	345	360
Administration	213	190	197	180
Total	**2,366**	**2,189**	**2,271**	**2,158**
Trainees	16	21	17	20
Employees joint venture (at equity)	0	1	0	1

8. Financial result

The financial result comprises the following:

(in € '000)	Financial year 2010/2011	Financial year 2009/2010
Interest income	4,522	2,239
Interest expense	7,171	5,883
thereof interest expense pensions	2,936	2,653
Net interest income/loss	**(2,649)**	**(3,644)**
Earnings of companies carried at equity	(68)	(37)
Investment income	**(68)**	**(37)**
Foreign currency gains/(losses), net	(2,570)	(3,704)
Anticipated return from plan assets	2,393	2,307
Other financial result	209	1,311
Other financial result	**32**	**(86)**
Total financial result	**(2,685)**	**(3,767)**

The interest expense for pensions must be considered in conjunction with the anticipated return on plan assets shown under "Other financial result". The balance of these two values gives the Group's net financing expense for pensions.

9. Income taxes

Income taxes are comprised as follows:

(in € '000)	Financial year 2010/2011	Financial year 2009/2010
Current taxes:		
Germany	17,359	16,058
Abroad	16,574	17,527
	33,933	33,585
(thereof prior-period)	(602)	(2,516)
Deferred taxes:		
Germany	(2,729)	(5,956)
Abroad	(2,597)	(4,289)
	(5,326)	(10,245)
Total	**28,607**	**23,340**

The following current and deferred taxes result from items directly attributable to equity:

(in € '000)	Financial year 2010/2011	Financial year 2009/2010
Revaluation of securities (available for sale)	–	(1)
Total	**–**	**(1)**

The tax effects recorded under gains and losses recognized directly in equity developed as follows:

(in € '000)	Financial year 2010/2011			Financial year 2009/2010		
	Before tax	**Tax expense/ income**	**After tax**	**Before tax**	**Tax expense/ income**	**After tax**
Gains/(losses) with no effect on income from revaluation of available-for-sale financial assets	166	–	166	(11)	(1)	(12)
Gains/(losses) from financial assets carried at equity	1	–	1	1	–	1
Gains/losses from foreign currency translation	7,366	–	7,366	14,281	–	14,281
Other result	**7,533**	**–**	**7,533**	**14,271**	**(1)**	**14,270**

In accordance with the tax law applicable in financial year 2010/2011, the income of Group subsidiaries in Germany is subject to a corporation tax rate of 15 % (previous year: 15 %). Taking into account the solidarity surcharge and the varying trade income tax rates, companies in Germany are subject to a tax rate of between 27.73 % and 30.53 % (previous year: 27.73 % to 32.97 %) The nominal tax rates applicable outside Germany in the financial year range between 27.00 % and 42.10 % (previous year: 28.00 % and 42.10 %).

The nominal tax rate of the parent company, Carl Zeiss Meditec AG, Jena, of 29.13 % (previous year: 29.64 %), which applied in the past financial year, is the tax rate used for the tax reconciliation account. Deferred taxes on interim profits are calculated in each case using the current or future tax rate applicable for the receiving Group company. This results in a tax rate ranging from 27.73 % to 42.10 %. For the sake of simplicity, other deferred taxes are calculated using the prevailing nominal tax rate for the parent company, Carl Zeiss Meditec AG, Jena, of 29.13 % (previous year: 29.64 %).

The reconciliation of the expected income tax expense in relation to earnings before income taxes to the actual income tax expense is as follows:

(in € ’000)	**Financial year 2010/2011**	**Financial year 2009/2010**
Expected income tax expense	29,382	24,594
Non-deductible expenses	1,480	621
Tax-free income	(4,526)	(2,608)
Taxes previous years	(602)	(2,516)
Foreign tax rate differential	5,157	3,024
Net retained earnings of subsidiaries intended for disbursement	(1,134)	478
Recognition & measurement of deferred tax assets	(1,240)	(631)
Other	90	378
Actual income tax expense	**28,607**	**23,340**
Effective tax rate	28.4 %	28.1 %

10. Earnings per share

The following table shows the calculation of earnings per share:

	Financial year 2010/2011	Financial year 2009/2010
Net income attributable to shareholders of the parent company (€ ’000)	66,906	54,889
Weighted average of issued shares	81,309,610	81,309,610
Earnings per share (in €)	**0.82**	**0.68**

11. Dividend

During the period under review, a dividend of € 0.55 per share (previous year: € 0.18 per share) was paid to the shareholders of Carl Zeiss Meditec AG for financial year 2009/2010.

	Financial year 2010/2011		Financial year 2009/2010	
	€ Cent per share	**€ ’000 Total**	**€ Cent per share**	**€ ’000 Total**
Dividend paid	**55**	**44,720**	**18**	**14,636**

Notes to the consolidated statement of financial position

12. Goodwill

The table below shows the development of the Group's recognized goodwill and its allocation to the respective strategic business units (SBUs) for financial years 2010/2011 and 2009/2010:

(in € '000)	Surgical Ophthalmology SBU	Ophthalmic Systems SBU	Total
As of 1 October 2010	**84,791**	**28,277**	**113,068**
Currency effects	–	144	**144**
As of 30 September 2011	**84,791**	**28,421**	**113,212**
As of 1 October 2009	**86,205**	**27,388**	**113,593**
Disposals	(1,414)	–	**(1,414)**
Currency effects	–	889	**889**
As of 30 September 2010	**84,791**	**28,277**	**113,068**

The recognized book values correspond to the acquisition costs. Accumulated impairment expenses of the capitalized goodwill do not exist. The allocation of existing goodwill to cash-generating units conforms to IAS 36.80. Accordingly, the relevant goodwill is allocated within the Group independently of other individual assets and liabilities to the smallest cash-generating unit, which is expected to benefit from the synergy effects of the business combination. The cash-generating unit is determined based on the Group's internal reporting system.

The change in the goodwill of the cash-generating unit "Surgical Ophthalmology SBU" results from the sale of the pharmaceutical business (see Note (3)). Currency effects also arose within the Ophthalmic Systems SBU between the U.S. dollar and the euro.

13. Other intangible assets

Intangible assets developed as follows in financial years 2010/2011 and 2009/2010:

(in € '000)	Brand names and trademarks	Software	Licenses, royalties	Patents and other industrial property rights	Development costs	Other intangible assets	Total
Acquisition and production costs as of 1 October 2010	**8,066**	**11,738**	**1,588**	**26,668**	**7,646**	**23,639**	**79,345**
Additions	–	73	–	245	407	18	743
Reclassifications	–	(41)	(1)	1,155	82	(1,195)	–
Disposals	–	(2)	–	–	(275)	–	(277)
Currency effects	10	93	–	(8)	42	135	272
As of 30 September 2011	**8,076**	**11,861**	**1,587**	**28,060**	**7,902**	**22,597**	**80,083**
Amortization and write downs as of 1 October 2010	**5,464**	**6,712**	**1,350**	**15,196**	**2,608**	**14,073**	**45,403**
Additions	381	1,290	82	4,364	1,510	2,688	10,315
Reclassifications	–	19	54	567	9	(649)	–
Disposals	–	(2)	–	–	(45)	–	(47)
Currency effects	–	76	–	(4)	26	146	244
As of 30 September 2011	**5,845**	**8,095**	**1,486**	**20,123**	**4,108**	**16,258**	**55,915**
Net carrying amount as of 30 September 2011	**2,231**	**3,766**	**101**	**7,937**	**3,794**	**6,339**	**24,168**

(in € '000)	Brand names and trademarks	Software	Licenses, royalties	Patents and other industrial property rights	Develop-ment costs	Other intangible assets	Total
Acquisition and production costs as of 1 October 2009	**8,165**	**11,008**	**1,488**	**22,023**	**3,468**	**24,885**	**71,037**
Additions	–	135	–	2,501	4,233	195	7,064
Reclassifications	–	127	100	1,932	(117)	(2,042)	–
Disposals	(160)	(107)	–	–	(24)	(226)	(517)
Currency effects	61	575	–	212	86	827	1,761
As of 30 September 2010	**8,066**	**11,738**	**1,588**	**26,668**	**7,646**	**23,639**	**79,345**
Amortization and write downs as of 1 October 2009	**4,726**	**5,197**	**509**	**10,357**	**1,428**	**10,775**	**32,992**
Additions	738	1,449	841	4,757	1,149	3,100	12,034
Disposals	–	(107)	–	–	(6)	(123)	(236)
Currency effects	–	173	–	82	37	321	613
As of 30 September 2010	**5,464**	**6,712**	**1,350**	**15,196**	**2,608**	**14,073**	**45,403**
Net carrying amount as of 30 September 2010	**2,602**	**5,026**	**238**	**11,472**	**5,038**	**9,566**	**33,942**

In financial year 2010/11, an impairment loss on patents in the amount of € 31 thousand was recognized in the Surgical Ophthalmology SBU, which is carried in the income statement under "Cost of goods sold". Other accumulated extraordinary impairment losses on the capitalized intangible assets do not exist. Other intangible assets include assets identified via purchase price allocations (PPA) for customer relationships with a carrying amount of € 3,167 thousand (previous year: € 3,810 thousand) and for technology with a carrying amount of € 2,980 thousand (previous year: € 5,066 thousand).

With the exception of the legally protected trademark with a book value of € 889 thousand, which is to be allocated to the Ophthalmic Systems SBU, (previous year: € 879 thousand), which was capitalized within the scope of the PPA of LDT[2], the Group does not have any other intangible assets which are not subject to scheduled amortization. The useful life was defined as indefinite, as indefinite perpetual use is to be assumed until further notice.

[2] Laser Diagnostics Technologies Inc., San Diego, USA, was taken over by Carl Zeiss Meditec Inc. by way of a 100 % acquisition of shares, with effect from 2 December 2004.

14. Property, plant and equipment

Property, plant and equipment developed as follows in financial years 2010/2011 and 2009/2010:

(in € '000)	Land, buildings and leasehold improvements	Technical plant and machinery	Other fixtures and fittings, tools and equipment	Construction in progress	Total
Acquisition and production costs as of 1 October 2010	**33,335**	**18,726**	**43,050**	**1,168**	**96,279**
Additions	806	1,025	6,005	2,027	9,863
Reclassifications	537	(753)	1,357	(1,141)	–
Disposals	(88)	(67)	(2,387)	–	(2,542)
Currency effects	179	9	336	2	526
As of 30 September 2011	**34,769**	**18,940**	**48,361**	**2,056**	**104,126**
Depreciation and write downs as of 1 October 2010	**15,742**	**9,991**	**30,640**	**–**	**56,373**
Additions	1,565	1,722	5,340	–	8,627
Reclassifications	427	(1,019)	592	–	–
Disposals	(88)	(63)	(1,647)	–	(1,798)
Currency effects	152	30	240	–	422
As of 30 September 2011	**17,798**	**10,661**	**35,165**	**–**	**63,624**
Net carrying amount as of 30 September 2011	**16,971**	**8,279**	**13,196**	**2,056**	**40,502**

(in € '000)	Land, buildings and leasehold improvements	Technical plant and machinery	Other fixtures and fittings, tools and equipment	Construction in progress	Total
Acquisition and production costs as of 1 October 2009	**31,872**	**18,044**	**40,323**	**706**	**90,945**
Additions	91	940	4,838	552	6,421
Reclassifications	113	350	(463)	–	–
Disposals	(265)	(1,166)	(2,909)	(90)	(4,430)
Currency effects	1,524	558	1,261	–	3,343
As of 30 September 2010	**33,335**	**18,726**	**43,050**	**1,168**	**96,279**
Depreciation and write downs as of 1 October 2009	**13,598**	**8,104**	**27,050**	**–**	**48,752**
Additions	1,596	2,633	4,707	–	8,936
Disposals	(260)	(1,094)	(2,054)	–	(3,408)
Currency effects	808	348	937	–	2,093
As of 30 September 2010	**15,742**	**9,991**	**30,640**	**–**	**56,373**
Net carrying amount as of 30 September 2010	**17,593**	**8,735**	**12,410**	**1,168**	**39,906**

Property, plant and equipment – mainly land, buildings and leasehold improvements – includes leased property with a net book value of € 8,227 thousand (previous year: € 8,864 thousand).

Property plant and equipment with a net book value of € 4,575 thousand (previous year: € 4,161 thousand) serves as collateral for liabilities.

In the financial year, income of € 80 thousand was generated from the reversal of an impairment loss on technical plant and machinery. The reason for the anticipated discontinuation of a product and the associated write-down of the relevant production plant no longer existed in the current financial year under review.

15. At-equity investments

Since the financial year 2007/2008 the Group has held a 49 % share in the voting rights of Advanced Research Institute GmbH – a joint venture pursuant to IAS 31 – which has its registered office in Hennigsdorf. This company was included in the consolidated financial statements according to the equity method under IAS 31.38. Advanced Research Institute GmbH was dissolved with effect from the end of 30 November 2010 and has been in liquidation ever since. Due to the uncertainty with respect to anticipated liquidation proceeds, the Group wrote down its at-equity investment in the company in the reporting period 2010/2011.

The table below provides a summary of financial data relating to the at-equity investment based on a 100 % holding: Due to the liquidation of the company a closing statement of financial position was prepared as of 30 November 2010:

(in € '000)	30 November 2010	30 September 2010
Total assets	**29**	**139**
Current	29	139
Shareholders' equity	**26**	**138**
Total liabilities	**3**	**1**
Current	3	1
Expenses	**(13)**	**(79)**
Income	**–**	**4**
Result	**(13)**	**(75)**

16. Investments

The table below shows the changes in investments in financial years 2010/2011 and 2009/2010:

(in € '000)	Financial year 2010/2011	Financial year 2009/2010
As of 1 October	**364**	**364**
Additions/disposals	–	–
As of 30 September	**364**	**364**

The item "Investments" in the statement of financial position includes the non-controlling interests carried at amortized cost in Elsia S.A.S., La Rochelle, France (€ 240 thousand) and Polymerexpert S.A., Pessac, France (€ 122 thousand). Carl Zeiss Meditec S.A.S. holds 13.8 % (previous year: 13.8 %) of the shares in Elsia S.A.S. and 7.8 % (previous year: 7.8 %) of the shares in Polymerexpert S.A.

This item also includes the non-controlling interest carried at amortized cost in S&V Technologies AG, Hennigsdorf (€ 2 thousand).

17. Deferred taxes

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

(in € '000)	30 September 2011		30 September 2010	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Loss carryforwards	3,747	–	3,165	–
Intangible assets	1,058	3,677	807	5,154
Fixed assets	4,166	1,134	4,164	1,016
Financial assets	1,934	1,158	581	782
Inventories	19,273	856	16,236	415
Trade receivables	1,281	2	1,277	18
Other assets	158	488	–	563
Provisions	14,371	18	14,995	102
Trade payables	–	35	–	55
Other liabilities	4,111	125	4,864	385
Retained earnings	–	1,427	–	2,561
Total	**50,099**	**8,920**	**46,089**	**11,051**
Deferred tax assets (net)	**41,179**		**35,038**	

After netting according to IAS 12, the consolidated statement of financial position includes deferred tax assets totaling € 45,513 thousand (previous year: € 41,568 thousand), and deferred tax liabilities totaling € 4,334 thousand (previous year: € 6,530 thousand).

Deferred tax liabilities are carried in the amount of € 1,427 thousand (previous year: € 2,561 thousand) for net retained earnings from subsidiaries intended for disbursement in the amount of € 97,982 thousand (previous year: € 172,787 thousand).

The Group did not carry as liabilities deferred tax liabilities of € 5,441 thousand (previous year: € 3,717 thousand) on retained earnings of subsidiaries of € 166,184 thousand (previous year: € 96,980 thousand) because, from today's perspective, these earnings are to remain permanently invested.

As a result of the merger of several Germany subsidiaries with the parent company Carl Zeiss Meditec AG, deferred taxes on retained earnings set up in the previous years in the amount of € 1,248 thousand were reversed through profit and loss in financial year 2010/2011.

As of 30 September 2011, Carl Zeiss Meditec had tax credits from loss carryforwards in the amount of € 0 thousand (previous year: € 0 thousand) for which no deferred taxes had been formed. At the present time, no tax loss carryforwards can be carried forward indefinitely.

The table below shows the reconciliation of deferred taxes:

(in € '000)	
Deferred tax assets (net) as of 30 September 2009	**22,950**
Effects recognized in income	10,245
Effects recognized directly in equity	(1)
Currency effects	1,844
Deferred tax assets (net) as of 30 September 2010	**35,038**
Effects recognized in income	5,326
Currency effects	815
Deferred tax assets (net) as of 30 September 2011	**41,179**

As in the previous year, Carl Zeiss Meditec's consolidated financial statements do not show any valuation allowance for deferred taxes in financial year 2010/2011.

18. Inventories

Inventories comprise the following:

(in € '000)	30 September 2011	30 September 2010
Raw materials and supplies	50,592	41,823
Work in progress	19,382	15,401
Finished goods and merchandise	88,143	84,998
Total inventories, gross	**158,117**	**142,222**
Valuation allowances	(24,516)	(23,006)
Total inventories, net	**133,601**	**119,216**

Inventories were written up/down as follows:

(in € '000)	Financial year 2010/2011	Financial year 2009/2010
Beginning of financial year	**23,006**	**19,519**
Additions recognized as expenses	9,587	5,412
Currency effects	82	489
Reclassifications	–	(34)
Reversals/utilization	(8,159)	(2,380)
End of financial year	**24,516**	**23,006**

The carrying amount of inventories carried at their net realizable value totaled € 81,096 thousand as of 30 September 2011 (previous year: € 71,707 thousand). Write-ups of € 1,854 thousand (previous year: € 1,119 thousand) were recognized in income. The main reason for the write-ups was the reversal of allowances for slow/non-moving inventories and the reversal of loss-free valuation. The cost of materials totaled € 265,938 thousand and € 253,533 thousand, respectively, in financial years 2010/2011 and 2009/2010. These expenses are calculated according to the total cost format and include the costs of raw materials and supplies and purchased goods and services, plus any valuation allowances and changes in inventories. No inventories have been pledged as collateral for liabilities.

19. Trade receivables

Trade receivables comprise the following:

(in € '000)	30 September 2011	30 September 2010
Current trade receivables	139,657	104,018
Noncurrent trade receivables	2,727	3,673
Trade receivables, gross	**142,384**	**107,691**
Valuation allowances	(4,904)	(5,905)
Trade receivables, net	**137,480**	**101,786**

20. Other current financial assets

Other current financial assets comprise the following:

(in € '000)	30 September 2011	30 September 2010
Current financial investments	110,000	–
Accrued interest	1,163	–
Derivative financial instruments	335	1,823
Loans to employees	101	93
Other receivables	97	145
Other current financial assets	**111,696**	**2,061**

Current financial investments are time deposits invested in March 2011 with a term of one year.

21. Other current non-financial assets

Other current non-financial assets comprise the following:

(in € '000)	30 September 2011	30 September 2010
Prepaid expenses	4,711	3,749
Credit card receivables	1,351	828
Receivables from the tax office	1,147	1,554
Advances paid	898	966
Accounts receivable from R&D subsidies	313	184
Subsidies	258	322
Other receivables	660	1,236
Other current non-financial assets	**9,338**	**8,839**

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

22. Cash and cash equivalents

Cash and cash equivalents comprise the following:

(in € '000)	30 September 2011	30 September 2010
Cash	12	97
Bank balances	4,874	22,786
Deposits with Carl Zeiss Financial Services GmbH (secured by a declaration of pledge)	186,250	290,526
Short-term time deposits	3,505	107
Cash and cash equivalents	**194,641**	**313,516**

23. Shareholders' equity

Share capital

As in the previous financial year 2009/2010, the share capital of Carl Zeiss Meditec AG consists of 81,309,610 no-par value shares bearing equal rights, each with a theoretical value of € 1, and was fully paid up. Ownership of the shares is linked to voting rights at the General Meeting and profit participation rights for resolved disbursements.

Authorized capital

Pursuant to a resolution of the Annual General Meeting in financial year 2010/2011 and the entry in the commercial register dated 19 May 2011, the Management Board is authorized, with the consent of the Supervisory Board, to increase the share capital of the Company, on one or several occasions until 11 April 2016, by up to a maximum of € 39,655 thousand, by issuing new no-par value bearer shares with a theoretical nominal value of € 1 per share (39,654,800 shares) against cash and/or contributions in kind (Authorized Capital I). The Management Board is authorized, with the consent of the Supervisory Board, to exclude shareholders' statutory subscription rights in certain cases.

Capital reserve

The capital reserve contains the amounts obtained in excess of the theoretical value from the share issue.

Retained earnings

Under the German Stock Corporation Act *(Aktiengesetz)*, the dividend available for distribution to the shareholders is dependent upon equity as reported in the single-entity financial statements of Carl Zeiss Meditec AG in accordance with the German Commercial Code *(HGB)*. Dividends may only be declared and paid from any retained earnings that exist (after transfer to statutory reserves). The net profit disclosed in the single-entity financial statements *(HGB)* of Carl Zeiss Meditec AG generally differs from the accumulated net profit shown in these consolidated financial statements (IFRS). As of 30 September 2011, the single-entity financial statements of Carl Zeiss Meditec AG posted net earnings of € 41,160 thousand (previous year: € 49,403 thousand).

Non-controlling interests
The item non-controlling interests comprises the holdings of other shareholders in the equity of Carl Zeiss Meditec Co. Ltd., Tokyo.

Gains and losses recognized directly in equity
The amounts recorded under gains and losses recognized directly in equity resulting from currency translation developed as follows:

(in € '000)	
Currency translation as of 30 September 2009	**(25,568)**
Change in financial year 2009/2010	11,199
Currency translation as of 30 September 2010	**(14,369)**
Change in financial year 2010/2011	4,402
Currency translation as of 30 September 2011	**(9,967)**

24. Employee benefit obligations

The Group uses legally independent trusts to cover its pension commitments – within the scope of contractual trust arrangements (CTAs) – as well as pledged reinsurance policies.

The amount disclosed in the statement of financial position on the basis of the Company's obligation from defined benefit plans is based on the following:

(in € '000)	30 September 2011	30 September 2010
Present value of obligations not financed by plan assets	10,688	9,504
Present value of obligations wholly or partly financed by plan assets	62,409	60,936
Total value of defined benefit obligation (DBO)	**73,097**	**70,440**
Fair value of plan asset	47,865	42,678
Net obligation	**25,232**	**27,762**
Unrecognized actuarial net gains/(losses)	(11,949)	(13,669)
Reported net liability from defined benefit obligation	**13,283**	**14,093**

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

(in € ’000)	Financial year 2010/2011	Financial year 2009/2010
Current service cost	4,251	2,586
Interest expense	2,936	2,653
Anticipated return on plan assets	(2,393)	(2,307)
Recognized actuarial (gains)/losses	662	635
Net expenditure in the financial year	**5,456**	**3,567**
Actual (income)/expense on plan assets	(191)	(1,808)

The ongoing annual expense of € 4,251 thousand (previous year: € 2,586 thousand) is included under both “Cost of goods sold” and “Functional costs”, depending on the allocation of personnel expenses to the divisions. This also applies to the actuarial gains/losses recognized. Interest costs in the amount of € 2,936 thousand (previous year: € 2,653 thousand) are included in interest expenses. The anticipated income from plan assets is included in the other financial result.

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

(in € ’000)	Financial year 2010/2011	Financial year 2009/2010
Defined benefit obligation (DBO) at beginning of financial year	**70,440**	**49,106**
Current service cost	4,251	2,586
Interest expense	2,936	2,653
Benefit payments	(1,484)	(1,461)
Employee contributions	56	–
Actuarial (gains)/losses	(3,253)	13,057
Additions/(disposals)	(735)	2,676
Currency translation differences from foreign plans	886	1,823
Defined benefit obligation (DBO) at end of financial year	**73,097**	**70,440**

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

(in € '000)	Financial year 2010/2011	Financial year 2009/2010
Fair value of plan assets at beginning of financial year	**42,678**	**39,505**
Anticipated return on plan assets	2,393	2,307
Gains/(losses) from plan assets	(2,202)	(499)
Employer contributions	4,325	1,557
Employee contributions	97	44
Pension payments from plan assets	(1,075)	(944)
Change of items which cannot be offset	–	5
First-time classification as plan assets	1,521	–
Currency translation differences from foreign plans	128	703
Fair value at end of financial year	**47,865**	**42,678**

For the coming financial year the Group intends to pay a contribution of € 444 thousand (previous year: € 4,011 thousand) into the defined benefit plans.

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

(in € '000)	Financial year 2010/2011	Financial year 2009/2010
Equity instruments	11,266	8,828
Debt instruments	25,682	24,115
Cash	4,073	3,327
Other	6,844	6,408
Total plan assets	**47,865**	**42,678**

The anticipated total return on plan assets is calculated on the basis of the market prices prevailing for the period in which the obligation is fulfilled.

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

(in %)	Germany Financial year		USA Financial year		Japan Financial year	
	2010/2011	**2009/2010**	**2010/2011**	**2009/2010**	**2010/2011**	**2009/2010**
Discount factor	5.20	4.70	4.55	5.50	1.00	1.00
Noncurrent increase in salaries	3.00	3.00	4.00	3.50	2.54	2.54
Future increase in pensions	2.00	2.00	4.00	4.00	2.54	2.54
Cost trend medical care	–	–	3.50	8.40	–	–
Anticipated return on plan assets	4.50	4.50	7.50	7.50	–	–

The calculation of pensions is linked to employee turnover. The retirement age was generally assumed to be 65. As in the previous year, pension commitments in Germany were calculated based on Prof. Dr. Klaus Heubeck's 2005 G life expectancy tables. The calculation of the underlying discount factor also took market changes into account.

A change of 1 % would have the following effect, assuming the current cost trends for post-employment benefit obligation for medical costs which apply only for the U.S. subsidiary.

(in € '000)	**Increase**	**Decrease**
Effect on total current service cost and interest expense	13	(11)
Effect on defined benefit obligation	323	(281)

The table below shows the development of historical adjustments:

(in € '000)	Financial year 2010/2011	Financial year 2009/2010	Financial year 2008/2009	Financial year 2007/2008	Financial year 2006/2007
Present value of defined benefit obligation	73,097	70,440	51,323	43,332	46,937
Fair value of plan asset	47,865	42,678	39,505	36,345	39,974
Plan surplus/(deficit)	**(25,232)**	**(27,762)**	**(11,818)**	**(6,987)**	**(6,963)**
Historical adjustments of plan liabilities as of the balance sheet date	(3,253)	13,057	6,064	(7,573)	(6,510)
Historical adjustment of plan assets as of the balance sheet date	(2,202)	(499)	(1,129)	(7,005)	725

25. Provisions

The table below shows the development of current and noncurrent provisions:

(in € '000)	Personnel and social	Ongoing operations	Other	Total
As of 1 October 2010	**16,869**	**24,172**	**10,266**	**51,307**
Additions	9,674	18,046	6,552	34,272
Interest yield	362	660	–	1,022
Reversals	(356)	(9,965)	(283)	(10,604)
Reclassifications	115	–	(115)	–
Utilization	(8,756)	(11,197)	(8,508)	(28,461)
Currency effects	257	150	74	481
As of 30 September 2011	**18,165**	**21,866**	**7,986**	**48,017**
Current provisions	9,183	17,867	7,986	35,036
Noncurrent provisions	8,982	3,999	–	12,981
Provisions as of 30 September 2011	**18,165**	**21,866**	**7,986**	**48,017**
Current provisions	7,324	18,716	10,266	36,306
Noncurrent provisions	9,545	5,456	–	15,001
Provisions as of 30 September 2010	**16,869**	**24,172**	**10,266**	**51,307**

In the financial year under review – as in the previous year – no reimbursements were expected or recognized in income; accordingly, no assets were capitalized for reimbursements.

26. Noncurrent financial liabilities

Noncurrent financial liabilities comprise the following:

(in € '000)	30 September 2011	30 September 2010
Annuity loans	3,143	3,444
Other loans	5,948	5,913
Total noncurrent loans	**9,091**	**9,357**
Less current portion of noncurrent loans	379	288
Noncurrent loans, net of current portion	**8,712**	**9,069**

The annuity loan of a Group company has a term of 18 years and is redeemed in quarterly installments of € 124 thousand, each including interest. The loan bears interest at a rate of 3.91 % p. a.; this rate is fixed until further notice.

The item "Other loans" mainly consists of a mezzanine loan to Carl Zeiss Meditec AG, which is subject to an interest rate of 7.93 %. This loan has a total term of seven years. At the end of the financial year under review the loan had a remaining term of 2 years.

As of 30 September 2011 the Company's noncurrent liabilities had the following maturities:

(in € '000)

Financial year ending 30 September	Liabilities
2012	379
2013	6,341
2014	409
2015	426
2016	442
2017	460
Thereafter	634
Noncurrent liabilities, total	**9,091**

27. Current accrued liabilities

Current accrued liabilities include the following items:

(in € '000)	30 September 2011	30 September 2010
Outstanding invoices	19,884	19,910
Other personnel liabilities	12,466	10,256
Commissions/bonuses	4,801	5,234
Christmas bonus and special payments	8,038	8,642
Year-end costs	421	585
Consultancy fees	215	35
Dismantling obligations	–	450
Other accrued liabilities	1,609	1,824
Current accrued liabilities	**47,434**	**46,936**

28. Other current non-financial liabilities

Other current non-financial liabilities comprise the following:

(in € '000)	30 September 2011	30 September 2010
Deferred income	13,006	11,905
Advance payments received on account of orders	4,692	4,109
Liabilities from taxes not related to income	2,842	2,060
Liabilities from social security	2,013	1,815
Wage withholding tax	1,557	1,229
Outstanding customs duties	1,200	343
Other liabilities	2,241	2,201
Other current non-financial liabilities	**27,551**	**23,662**

29. Additional disclosures on financial instruments

The following table shows the book values, carrying amounts and fair values by valuation category of the Company's financial instruments as of 30 September 2011 and 30 September 2010.

(in € '000))	30 September 2011 Recognition and measurement in statement of financial position acc. to IAS 39							
	Valuation category according to IAS 39	**Book value**	**Amortized cost**	**Fair value taken directly to equity**	**Fair value recognized in income**	**Recog-nition cash reserves**	**Recog-nition statement of financial position IAS 17**	**Fair value***
Primary financial instruments								
Assets								
Trade receivables	LaR	**137,480**	137,480	–	–	–	–	**137,480**
Accounts receivable from related parties	LaR	**40,626**	40,626	–	–	–	–	**40,626**
Treasury receivables	LaR	**14,475**	14,475	–	–	–	–	**14,475**
Investments	AfS	**364**	364	–	–	–	–	**364**
Other noncurrent financial assets	LaR	**137**	137	–	–	–	–	**137**
Other current financial assets	LaR	**111,361**	111,361	–	–	–	–	**111,361**
Financial assets which cannot be allocated to any category within the meaning of IAS 39:								
Cash	n. a.	**194,641**	–	–	–	194,641	–	**194,641**
Liabilities								
Trade payables	FLAC	**29,176**	29,176	–	–	–	–	**29,176**
Accounts payable to related parties	FLAC	**13,224**	13,224	–	–	–	–	**13,224**
Treasury payables	FLAC	**5,985**	5,985	–	–	–	–	**5,985**
Loans from banks	FLAC	**4,977**	4,977	–	–	–	–	**5,077**
Other financial liabilities	FLAC	**5,948**	5,948	–	–	–	–	**5,948**
Financial liabilities which cannot be allocated to any category within the meaning of IAS 39:								
Leasing liabilities	n. a.	**17,005**	–	–	–	–	17,005	**19,171**
Derivative financial instruments								
Assets								
Currency hedging contracts	FAHfT	**335**	–	–	335	–	–	**335**
Liabilities								
Currency hedging contracts	FLHfT	**4,051**	–	–	4,051	–	–	**4,051**
Thereof aggregated by valuation category pursuant to IAS 39								
Loans and Receivables (LaR)		**304,079**	304,079	–	–	–	–	**304,079**
Available-for-Sale Financial Assets (AfS)		**364**	364	–	–	–	–	**364**
Financial Assets Held for Trading (FAHfT)		**335**	–	–	335	–	–	**335**
Financial Liabilities measured at Amortized Cost (FLAC)		**59,310**	59,310	–	–	–	–	**59,410**
Financial Liabilities Held for Trading (FLHfT)		**4,051**	–	–	4,051	–	–	**4,051**

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

(in € '000)	30 September 2010 Recognition and measurement in statement of financial position acc. to IAS 39							
	Valuation category according to IAS 39	**Book value**	**Amortized cost**	**Fair value taken directly to equity**	**Fair value through profit and loss**	**Recog-nition amount cash reserve**	**Recog-nition statement of financial position IAS 17**	**Fair value***
Primary financial instruments								
Assets								
Trade receivables	LaR	**101,786**	101,786	–	–	–	–	**101,786**
Accounts receivable from related parties	LaR	**32,069**	32,069	–	–	–	–	**32,069**
Treasury receivables	LaR	**24,727**	24,727	–	–	–	–	**24,727**
Investments & at-equity investments	AfS	**432**	432	–	–	–	–	**432**
Securities	AfS	**91**	–	91	–	–	–	**91**
Noncurrent loans to employees	LaR	**1**	1	–	–	–	–	**1**
Other noncurrent financial assets	LaR	**116**	116	–	–	–	–	**116**
Other current financial assets	LaR	**506**	506	–	–	–	–	**506**
Financial assets which cannot be allocated to any category within the meaning of IAS 39:								
Cash	n. a.	**313,516**	–	–	–	313,516	–	**313,516**
Liabilities								
Trade payables	FLAC	**28,685**	28,685	–	–	–	–	**28,685**
Accounts payable to related parties	FLAC	**10,899**	10,899	–	–	–	–	**10,899**
Treasury payables	FLAC	**10,260**	10,260	–	–	–	–	**10,260**
Loans from banks	FLAC	**3,449**	3,449	–	–	–	–	**3,954**
Other financial liabilities	FLAC	**5,919**	5,919	–	–	–	–	**5,919**
Financial liabilities which cannot be allocated to any category within the meaning of IAS 39:								
Leasing liabilities	n. a.	**18,194**	–	–	–	–	18,194	**19,560**
Derivative financial instruments								
Asset-side currency hedging contracts	FAHfT	**1,823**	–	–	1,823	–	–	**1,823**
Liabilities-side currency hedging contracts	FLHfT	**3,374**	–	–	3,374	–	–	**3,374**
Thereof aggregated by valuation category pursuant to IAS 39								
Loans and Receivables (LaR)		**159,205**	159,205	–	–	–	–	**159,205**
Available-for-Sale Financial Assets (AfS)		**523**	432	91	–	–	–	**523**
Financial Assets Held for Trading (FAHfT)		**1,823**	–	–	1,823	–	–	**1,823**
Financial Liabilities measured at Amortized Cost (FLAC)		**59,212**	59,212	–	–	–	–	**59,718**
Financial Liabilities Held for Trading (FLHfT)		**3,374**	–	–	3,374	–	–	**3,374**

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

The abbreviations of the valuation categories according to IAS 39 are explained in note (2(i)). The following reclassifications should be noted for a comparison of valuation categories with items in the statement of financial position:

Category according to IFRS 7	Category according to IAS 39	Item in statement of financial position
• Trade receivables	LaR	• Noncurrent trade receivables • Trade receivables
• Accounts receivables from related parties	LaR	• Accounts receivables from related parties
• Treasury receivables	LaR	• Treasury receivables
• Investments • At-equity investments	AfS	• Investments • At-equity investments
• Securities	AfS	• Securities
• Noncurrent loans to employees • Other noncurrent financial assets	LaR LaR	• Other noncurrent assets
• Other current financial assets • Asset-side currency hedging contracts	LaR FAHfT	• Other current financial assets
• Cash	n. a.	• Cash and cash equivalents
• Trade payables	FLAC	• Trade payables
• Payable to related parties	FLAC	• Payable to related parties
• Treasury payables	FLAC	• Treasury payables
• Loans from related companies • Other financial liabilities	FLAC FLAC	• Noncurrent financial liabilities
• Loans from banks	FLAC	• Current portion of noncurrent financial liabilities
• Liabilities-side currency forward contracts	FLHfT	• Current financial liabilities
• Lease liabilities	n. a.	• Noncurrent leasing liabilities • Current portion of noncurrent leasing liabilities

As of 30 September 2011 the company had currency hedging contracts with a total nominal value of € 101,654 thousand (previous year: € 92,201 thousand). Gains and losses from the valuation of derivative financial instruments not yet due in the amount of € -3,138 thousand (previous year: € -1,517 thousand) are recorded in the income statement under "Foreign currency gains/(losses), net". As in the previous year, the Group does not hold any financial instruments to be allocated to the categories "held-to-maturity" or "assets or liabilities to be measured at fair value through profit or loss based on a specific designation".

Net results by valuation category

The following tables show the distribution of income from interest, the subsequent valuation of financial instruments at fair value, and from currency translation among the individual categories of financial instruments in the sense of IAS 39, and how the respective net income is calculated.

(in € ’000)		Interest effects	From subsequent valuation at fair value	Currency translation	Valuation allowance	Write-offs	Result recognized in other comprehensive income	Net result
From loans and receivables	30 September 2011	4,390	n. a.	1,693	(554)	(139)	n. a.	5,390
	30 September 2010	2,433	n. a.	(4,178)	(860)	–	n. a.	(2,605)
From available-for-sale financial assets	30 September 2011	–	(166)[3]	–	–	–	166[3]	–
	30 September 2010	–	–	–	–	–	(12)	(12)
From held-for-trading financial assets and liabilities	30 September 2011	–	(3,138)	–	–	–	–	(3,138)
	30 September 2010	–	(1,517)	–	–	10	–	(1,507)
From financial liabilities carried at amortized cost	30 September 2011	(894)	n. a.	(1,062)	n. a.	n. a.	n. a.	(1,956)
	30 September 2010	(1,170)	n. a.	2,137	n. a.	n. a.	n. a.	967

The interest from financial instruments is carried under “Interest income”; dividends are carried under “Other financial result” (see note (8)). Carl Zeiss Meditec also records the other components of the net income under “Other financial result”, with the exception of the valuation allowances on trade receivables attributable to the valuation category “Loans and receivables”, which are carried under “Selling and marketing expenses”. In addition, the income statement also takes into account all factors that cannot be allocated to financial instruments. The Company did not make use of the possibility under IAS 39.9 (b) to classify financial assets or liabilities upon their first-time recognition as measured at fair value through profit or loss.

[3] Income from reclassification of losses from the revaluation of available-for-sale financial assets to consolidated net income

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

Category 1
- Financial instruments traded on active markets, for which the listed prices were taken over unchanged for valuation.

Category 2
- Valuation is based on valuation methods for which the influencing factors used were derived directly or indirectly from observable market data.

Category 3
- Valuation is based on valuation methods for which the influencing factors used are not exclusively based on observable market data.

(in € '000)		**Category 1**	**Category 2**	**Category 3**	**Total**
From available-for-sale financial assets and liabilities	30 September 2011	–	–	–	–
	30 September 2010	91	–	–	91
From held-for-trading financial assets and liabilities	30 September 2011	–	(3,716)	–	(3,716)
	30 September 2010	–	(1,551)	–	(1,551)

Other disclosures

30. Leases

Operating leases and rental agreements – Group as lessor
The Group leases technical equipment as well as other office equipment, fixtures and fittings.

The future accumulated minimum lease and rental payments from binding operating lease agreements amount to the following:

(in € '000)	Lease and rental payments
Up to 1 year	198
Due within 1 to 5 years	141
More than 5 years	35
Total minimum lease and rental payments	**374**

Operating leases and rental agreements – Group as lessee
The Company leases buildings and office equipment under lease and rental agreements which may not be cancelled during the basic term. The leases have different conditions as well as extension and purchase options.

The lease and rental expenses recorded in the income statement for financial years 2010/2011 and 2009/2010 amounted to € 8,999 thousand and € 9,055 thousand, respectively.

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

(in € '000)	Lease and rental payments
Up to 1 year	7,798
Due within 1 to 5 years	10,325
More than 5 years	5,625
Total minimum lease and rental payments	**23,748**

The future minimum lease payments for the leasing of buildings include the rental payments for the subsequent binding rental period. Extension options exist for these rental agreements.

Finance lease – Group as lessor

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

In addition, the land and buildings of the French subsidiary Carl Zeiss Meditec S.A.S. in La Rochelle are financed via a finance lease. The lease agreement comprises three contracts. The basic lease agreement was concluded in 2001 and was extended in 2002 and 2003 by additional agreements. Each of these agreements has a term of 15 years. After the original term expires, the leased assets can be acquired for a price of € 1.00 each. The leases do not include any price adjustment clauses; however, they are subject to variable interest rates.

In addition, there are finance leases for company vehicles at Carl Zeiss Meditec S.A.S.

The obligations from finance leases are as follows:

(in € '000)	Financial year 2010/2011	Financial year 2009/2010	Financial year 2010/2011	Financial year 2009/2010	Financial year 2010/2011	Financial year 2009/2010
	Present value of future lease payments		Interest portion of future lease payments		Total future lease payments	
Due within 1 year	1,607	1,513	1,196	1,276	2,803	2,789
Due within 1 to 5 years	8,017	7,064	3,554	4,072	11,571	11,136
Due after more than 5 years	7,381	9,617	1,141	1,826	8,522	11,443
Total	**17,005**	**18,194**	**5,891**	**7,174**	**22,896**	**25,368**

31. Contingent liabilities and other financial commitments

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

Purchase commitments
Carl Zeiss Meditec has purchase commitments towards suppliers for property, plant and equipment amounting to € 2,628 thousand (previous year: € 577 thousand) and for inventories in the amount of € 68,430 thousand (previous year: € 60,690 thousand). These are distributed over several years.

Litigation and arbitration proceedings
With the exception of the proceedings described below, the Carl Zeiss Meditec Group is not currently involved in any litigation or arbitration proceedings which, in the Company's current estimation, could individually have a material effect on the financial position of Carl Zeiss Meditec. Nor are such proceedings pending or to be expected to the Company's knowledge.

Furthermore, a litigation risk arises from the claim of a former sales partner in Egypt for compensation and damages. The Company believes that there is no sufficient basis for these claims; it therefore contests the claim. A provision was set up for the expected costs (note 25).

32. Securities

Assets pledged as security
Loans in the amount of € 3,143 thousand (previous year: € 3,443 thousand) are secured with land and buildings, plant and machinery. There are no restrictions for availability rights.

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

33. Segment reporting

According to IFRS 8, the Group publishes its operating segments based on the information that is reported internally to the CEO, who is also Chief Operating Decision Maker. The operating segments correspond to the Group's Strategic Business Units (SBUs). The Ophthalmic Systems and Surgical Ophthalmology SBUs comprise Carl Zeiss Meditec's major activities in the ophthalmic market. Ophthalmic systems include medical laser and diagnostic systems. The Surgical Ophthalmology segment combines the Company's activities in the field of intraocular lenses and consumables. The activities in the field of neuro, ear, nose and throat surgery are presented in the "Microsurgery" segment. Visualization solutions for ophthalmic surgery and activities in the area of intraoperative radiation are allocated to this SBU. Internal management reports are evaluated by the CEO at least every quarter for each of the strategic business units in terms of decisions on resource allocation and performance. In addition to the publication of results at a segment level, the amortization and depreciation and the additions to provisions are published per segment.

(in € '000)	Ophthalmic Systems 12 Months		Surgical Ophthalmology 12 Months		Microsurgery 12 Months		Total 12 Months	
	2010/2011	2009/2010	2010/2011	2009/2010	2010/2011	2009/2010	2010/2011	2009/2010
External revenue	**345,972**	**322,711**	**90,676**	**85,575**	**322,145**	**268,396**	**758,793**	**676,682**
Gross profit	172,181	155,826	51,334	49,565	191,321	153,336	414,836	358,727
Selling and marketing expenses	(80,833)	(71,867)	(23,178)	(24,429)	(83,129)	(66,505)	(187,140)	(162,801)
General and administrative expenses	(19,147)	(15,859)	(9,046)	(10,358)	(12,083)	(11,028)	(40,276)	(37,245)
Research and development expenses	(40,254)	(33,838)	(7,981)	(7,581)	(35,980)	(30,937)	(84,215)	(72,356)
Other	14	93	361	318	(14)	7	361	418
Earnings before interest and income taxes	**31,961**	**34,355**	**11,490**	**7,515**	**60,115**	**44,873**	**103,566**	**86,743**
Depreciation and amortization	7,304	8,004	6,849	8,853	4,789	4,113	18,942	20,970
Appropriation to provisions	14,388	16,209	2,430	1,363	17,454	15,856	34,272	33,428
Reconciliation of segments' comprehensive income to the Group's period-end result:								
Comprehensive income of the segments							**103,566**	**86,743**
Consolidated earnings before interest and taxes (EBIT)							**103,566**	**86,743**
Financial result							(2,685)	(3,767)
Consolidated earnings before income taxes							**100,881**	**82,976**
Income tax expense							(28,607)	(23,340)
Consolidated net income							**72,274**	**59,636**
Thereof attributable to:								
Shareholders of the parent company							66,906	54,889
Non-controlling interests							5,368	4,747

As the segment data are based on IFRS, the segment totals correspond to the total values in the consolidated income statement. Therefore, a reconciliation account is not necessary (except for the segment total). The reconciliation of earnings before interest and taxes to consolidated net income is explained in the notes to the consolidated income statement.

There were generally no inter-segment sales between the segments.

The information on geographic regions is based on the regions of Germany, the USA, Japan and Europe in line with the registered office of the subsidiary which recognizes the revenues or which holds the noncurrent assets. Each region essentially offers the same type of products and services.

(in € '000)	Financial year 2010/2011		Financial year 2009/2010	
	Revenue	**Noncurrent assets**	**Revenue**	**Noncurrent assets**
Germany	326,128	46,050	251,917	53,663
USA	245,135	31,704	226,551	35,489
Japan	105,206	805	97,815	515
Europe	82,324	99,256	100,399	98,295
Other	–	245	–	185
Total	**758,793**	**178,060**	**676,682**	**188,147**

The decline in revenue in the region Europe is attributable to reorganizations in the distribution structures in the Surgical Ophthalmology SBU. Sections of the European market shall be served from this financial year onwards via German locations.

In financial year 2010/11, an impairment loss on patents in the amount of € 31 thousand was recognized in the Surgical Ophthalmology SBU, which is carried in the income statement under "Cost of goods sold". This was calculated in accordance with the provisions of IAS 36 and results from a shorter useful life of the patents than originally anticipated. In addition, the same strategic business unit recorded income from a value appreciation amounting to € 80 thousand under property, plant and equipment. The reason for the expected discontinuation of a product in the previous year and the associated impairment of the related production plan no longer existed in the current financial year. This amount was also carried under the cost of goods sold.

Segment assets comprise the noncurrent assets less deferred taxes of € 45,513 thousand (previous year: € 41,568 thousand), investments of € 364 thousand (previous year: € 364 thousand), at-equity investments of € 0 thousand (previous year: € 68 thousand) and noncurrent trade receivables of € 2,727 thousand (previous year: € 3,673 thousand).

Major customers

Carl Zeiss AG and its subsidiaries (except the Carl Zeiss Meditec Group) represent a major customer of Carl Zeiss Meditec, accounting for 10 % of total revenue. Revenue is generated from Carl Zeiss AG and its subsidiaries in all segments (see Section (35)).

34. Government grants

Grants allocated for the years ending 30 September 2011 and 2010 were as follows:

(in € '000)	Financial year 2010/2011	Financial year 2009/2010
Research and development subsidies	1,001	441
Other subsidies	138	177
Total	**1,139**	**618**

Subsidies received in the amount of € 138 thousand (previous year: € 177 thousand) were deducted from the acquisition costs of the relevant property, plant and equipment. The investment subsidies and investment grants are subject to subsequent review. In particular, the investment grant is subject to the relevant property, plant and equipment remaining in the development area for a period of five years. The Group has not identified any repayment risks. The subsidies for research and development costs are carried under research and development costs.

35. Related party disclosures

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

(in € '000)	Transaction amount			Outstanding balance	
	Financial year 2010/2011	Financial year 2009/2010		30 September 2011	30 September 2010
Income	185,458	152,359	Receivables	40,626	32,069
thereof Carl Zeiss AG	2,261	5,715	thereof Carl Zeiss AG	6,060	6,655
Expenses	87,544	76,575	Liabilities	13,224	10,899
thereof Carl Zeiss AG	28,553	22,834	thereof Carl Zeiss AG	5,682	4,513

Expenses include research and development costs of € 5,489 thousand commissioned at the Carl Zeiss Group in financial year 2010/2011 (previous year: € 6,592 thousand). Relationships with key personalities with a significant influence do not and did not exist.

In addition to the amounts presented above, there was also income – mostly financial income – and expenses – mostly financial expenses – totaling € 3,828 thousand (previous year: € 8,240 thousand) and € 5,652 thousand (previous year: € 4,988 thousand), as well as receivables from and liabilities to Carl Zeiss Financial Services GmbH in the amount of € 14,475 thousand (previous year: € 24,727 thousand) and € 5,985 thousand (previous year: € 10,260 thousand). There are also credit balances at Carl Zeiss Financial Services GmbH (Section 22).

There were no transactions with the Carl Zeiss Foundation in the financial year; there were no open items at the end of the reporting period.

36. Employee participation programs

The Company issued neither stock options nor free shares in financial years 2010/2011 and 2009/2010.

37. Notifiable transactions in the reporting period

In financial year 2010/2011 members of the Management Board and Supervisory Board did not execute any notifiable securities transactions pursuant to Section 15a of the German Securities Trading Act *(Wertpapierhandelsgesetz, WpHG).*

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

38. Financial risk management

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

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

The Group's exposure to each of the risks listed above is described below. The Group's objectives, strategies and procedures for controlling, and methods for measuring the risks are also described.

Market risk

Interest fluctuation risk

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

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

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

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

(in € ’000)	**30 September 2011**	**30 September 2010**
Variable-interest financial assets	–	–
Fixed-interest financial assets	–	–
Total interest-bearing assets	**–**	**–**
Variable-interest financial liabilities	448	521
Fixed-interest financial liabilities	25,648	27,030
Total interest-bearing liabilities	**26,096**	**27,551**

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

(in € ’000)		Book value	Effects of interest risks on			
			Result		Shareholders’ equity	
			+100BP	-100BP	+100BP	-100BP
Variable-interest financial instruments	**30 September 2011**	448	(2)	2	–	–
	30 September 2010	521	(2)	2	–	–

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

Other price risks
IFRS 7 requires that the presentation of market risks also includes information about the effects hypothetical changes in risk variables could have on the prices of financial instruments. Possible risk variables are in particular stock market prices or indices. As in the previous year, there were no material risks of this kind within the Group as of 30 September 2011.

Currency risk
The currency risk for the Group in the sense of IFRS 7 results from its financial instruments, which arose from its business operations and investing and financing activities. The Group counters a risk that remains after compensation of payments made and received in the same foreign currency mainly by concluding simple currency forward contracts. Most of these transactions relate to the US dollar, the British pound and the Japanese yen. Carl Zeiss Meditec AG and its subsidiaries are integrated in the currency hedging processes of Carl Zeiss AG, Oberkochen, via its treasury company, Carl Zeiss Financial Services GmbH. The treasury of Carl Zeiss AG proposes the hedge ratios per foreign currency on a monthly basis and these ratios are then reviewed and approved by the Management Board of Carl Zeiss Meditec. The total foreign currency payments made and received and reported to the treasury by the Group’s subsidiaries on a monthly basis are thus hedged against the euro by means of currency forward contracts with a term of generally one year in the amount of the rate fixed.

The book values of the Group's financial assets and liabilities denominated in foreign currencies reflect the level of risk exposure at the end of the reporting period. The tables below provide an overview of the Group's foreign currency financial instruments.

(in € '000)		Total	Thereof: in the following currencies – translated to € –							
		EUR	EUR	USD	JPY	GBP	CAD	SEK	CHF	Remaining amount
Assets										
Trade receivables	30 September 2011	137,480	137,339	141	–	–	–	–	–	–
	30 September 2010	101,786	100,356	723	526	19	–	–	162	–
Accounts receivable from related parties	30 September 2011	40,626	27,010	8,640	–	1,964	1,828	338	775	71
	30 September 2010	32,069	27,392	3,253	–	654	203	166	94	307
Asset-side currency hedging contracts	30 September 2011	335	–	150	–	29	106	–	50	–
	30 September 2010	1,823	–	1,450	150	65	89	–	69	–
Total assets	**30 September 2011**	**178,441**	**164,349**	**8,931**	**–**	**1,993**	**1,934**	**338**	**825**	**71**
	30 September 2010	**135,678**	**127,748**	**5,426**	**676**	**738**	**292**	**166**	**325**	**307**
Liabilities										
Trade payables	30 September 2011	29,176	27,015	1,281	726	48	–	–	98	8
	30 September 2010	28,685	27,963	718	1	–	–	–	3	–
Accounts payable to related parties	30 September 2011	13,224	12,464	450	–	28	13	–	–	269
	30 September 2010	10,899	4,247	4,028	–	1,043	914	202	129	336
Liabilities-side currency hedging contracts	30 September 2011	4,051	–	1,709	2,178	70	10	–	84	–
	30 September 2010	3,374	–	1,238	1,806	163	60	–	107	–
Total liabilities	**30 September 2011**	**46,451**	**39,479**	**3,440**	**2,904**	**146**	**23**	**–**	**182**	**277**
	30 September 2010	**42,958**	**32,210**	**5,984**	**1,807**	**1,206**	**974**	**202**	**239**	**336**

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

(in € '000)		**Book value**	**Effects of currency risks on**			
			Result		**Shareholders' equity**	
			+10 %	-10 %	+10 %	-10 %
Assets						
Trade receivables	30 September 2011	137,480	(14)	14	–	–
	30 September 2010	101,786	(143)	143	–	–
Accounts receivable from related parties	30 September 2011	40,626	(1,355)	1,355	–	–
	30 September 2010	32,069	(437)	437	–	–
Asset-side currency hedging contracts	30 September 2011	335	1,771	(1,771)	–	–
	30 September 2010	1,823	3,950	(3,950)	–	–
Effect of financial instruments before taxes	**30 September 2011**	**178,441**	**402**	**(402)**	**–**	**–**
	30 September 2010	**135,678**	**3,370**	**(3,370)**	**–**	**–**
Liabilities						
Trade payables	30 September 2011	29,176	215	(215)	–	–
	30 September 2010	28,685	72	(72)	–	–
Liabilities to related parties	30 September 2011	13,224	49	(49)	–	–
	30 September 2010	10,899	632	(632)	–	–
Liabilities-side currency hedging contracts	30 September 2011	4,051	8,022	(8,022)	–	–
	30 September 2010	3,374	1,770	(1,770)	–	–
Effect of financial instruments before taxes	**30 September 2011**	**46,451**	**8,286**	**(8,286)**	**–**	**–**
	30 September 2010	**42,958**	**2,474**	**(2,474)**	**–**	**–**

Credit risk

The Group is exposed to a default risk due to its business operations and financing activities. The following applies to all performance relationships underlying the primary financial instruments: depending on the type and level of the respective service, collateral is required, credit information/references are obtained and historical data from the previous business relationship is used, in particular regarding payment behaviour, in order to minimize the default risk. To the extent that default risks can be identified for the individual financial assets, these risks are covered by valuation allowances. The management is routinely involved in such decisions on risk provisioning. The default risk from the derivative financial instruments used is not believed to be material, due to credit checks, among other things. There is no discernible concentration of default risks from business relationships with individual debtors or groups of debtors. The maximum default risk is reflected by the book values of the financial assets carried in the statement of financial position. It is assumed that default rates will not change significantly in the future. As in the previous year, no material financial assets were individually impaired at the end of the reporting period; nor were the conditions of the financial assets re-negotiated, since they would otherwise have been overdue or impaired.

The risks associated with trade receivables are adequately covered by valuation allowances. Valuation allowances developed as follows:

(in € '000)	**Valuation allowance on trade receivables**	
	Financial year 2010/2011	**Financial year 2009/2010**
Beginning of financial year	**5,905**	**6,454**
Appropriation	856	1,461
Utilization	(1,552)	(1,839)
Reversal	(302)	(601)
Exchange rate differences	(3)	430
End of financial year	**4,904**	**5,905**
Gross book value of impaired trade receivables	38,074	53,291
Net book value of impaired trade receivables	33,170	47,386

The credit risks remaining after the individual valuation allowance for trade receivables are presented using the following age analysis:

(in € '000)		Book value	thereof neither impaired nor past due at the end of the reporting period	thereof not impaired at the end of the reporting period, but past due in the following periods				
				up to 30 days	from 31 to 90 days	from 91 to 180 days	from 181 to 360 days	more than 360 days
Trade receivables	30 September 2011	137,480	88,473	8,786	5,035	1,375	453	188
	30 September 2010	101,786	46,611	3,754	2,581	806	560	88
Accounts receivable from related parties	30 September 2011	40,626	38,113	2,129	163	161	60	–
	30 September 2010	32,069	24,344	6,424	839	478	53	293
Treasury receivables	30 September 2011	14,475	14,475	–	–	–	–	–
	30 September 2010	24,727	24,727	–	–	–	–	–

The majority of the trade receivables result from sales with companies of the Carl Zeiss Group and public authorities. In addition, large orders are subject to an independent credit check. For this reason and from past experience it is assumed that there is no need for valuation allowances on receivables that are not overdue.

Liquidity risk

In order to ensure solvency and financial flexibility within the Group, Carl Zeiss Meditec forecasts, within a fixed planning period, the funds it will require using a cash forecast, and holds a corresponding liquidity reserve in the form of cash and unused lines of credit at the treasury of Carl Zeiss AG. Due to the high amount of cash and cash equivalents held within the Group and the Group's sound financing structure with an equity ratio of 73.1 %, the risk of insolvency is currently considered immaterial.

As of 30 September 2011 the Group's financial liabilities had the following maturities.

(in € '000)	End of reporting	Book value	Statement of contractually agreed undiscounted cash outflows					
			Total	up to 30 days	from 31 to 90 days	from 91 to 180 days	from 181 to 360 days	more than 360 days
Trade payables	30 September 2011	29,176	29,176	23,087	5,876	120	25	68
	30 September 2010	28,685	28,685	21,230	7,386	40	27	2
Accounts payable to related parties	30 September 2011	13,224	13,224	12,752	368	104	–	–
	30 September 2010	10,899	10,899	10,696	164	–	–	39
Treasury payables	30 September 2011	5,985	5,985	5,985	–	–	–	–
	30 September 2010	10,260	10,260	10,260	–	–	–	–
Liabilities to banks	30 September 2011	4,977	5,463	1,834	–	–	496	3,133
	30 September 2010	3,449	3,449	6	–	–	288	3,155
Leasing liabilities	30 September 2011	17,005	22,810	231	461	690	1,380	20,048
	30 September 2010	18,194	25,167	228	456	685	1,372	22,426
Other financial liabilities	30 September 2011	5,948	5,948	–	–	–	–	5,948
	30 September 2010	5,919	5,919	6	–	–	–	5,913
Derivative financial instruments	30 September 2011	4,051	4,051	661	544	882	1,870	94
	30 September 2010	3,374	3,374	455	942	1,084	844	49
Total	**30 September 2011**	**80,366**	**86,657**	**44,550**	**7,249**	**1,796**	**3,771**	**29,291**
	30 September 2010	**80,780**	**87,753**	**42,881**	**8,948**	**1,809**	**2,531**	**31,584**

39. Additional disclosures on capital management

The Group manages its capital with the aim of minimizing the Group's capital costs and, at the same time, maintaining the balance between cash flow volatility and financial flexibility. In order to achieve this goal, the ratio of equity to borrowed capital, among other things, must be optimized accordingly. At the present time, the Company is moving within the specified target corridor. The main decisions relating to the financing structure are made by the Management Board. The key ratios equity ratio and net debt are used as a control ratio for the ratio between equity and borrowings. Carl Zeiss Meditec calculates these key ratios regularly and informs the Management Board of them to allow the Management Board to introduce any measures necessary. The key ratio equity ratio is defined as the percentage ratio of equity, including non-controlling interests, to total capital. Net debt is calculated from the Group's borrowings less cash and cash equivalents and treasury receivables (Group treasury of Carl Zeiss AG). In the past financial year, the equity ratio stood at 73.1 % (previous year: 71.2 %). Net debt amounted to € 24.3 million (previous year: € -96.0 million). The Company made a short-term financial investment of € 110 million in the financial year, which was not included in the calculation of net debt, due to its allocation to other current financial assets as of 30 September 2011.

The Company is not subject to any external minimum capital requirements. The table below shows the bottom left key ratios in the reporting period:

(in € '000)	30 September 2011	30 September 2010
Equity*	634,069	598,982
Borrowed capital	233,425	242,221
Total assets	**867,494**	**841,203**
Cash and cash equivalents	194,641	313,516
Treasury receivables	14,475	24,727
Equity ratio in percent	73.1 %	71.2 %
Net debt**	**24,309**	**(96,022)**

* including non-controlling interests
** negative sign denotes credit

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

40. Events after the end of the reporting period

Dividend payments
The Management Board and Supervisory Board propose a dividend payment of € 24,393 thousand (€ 0.30 per share). Based on financial year 2009/2010, a dividend of € 44,720 thousand (€ 0.55 per share) was proposed in the current financial year under review and distributed to the shareholders.

Asset Deal IMEX
On 21 September 2011, Carl Zeiss Meditec Iberia, S.A., concluded a purchase agreement with the medical distribution and service company IMEX Clinic S.L, Paterna, Spain (IMEX), and Dismedica S.A., Las Arenas, Spain, which provides for the purchase of assets and the transfer of employees and their entitlements in connection with the distribution and support of intraocular lenses (IOLs) and viscoelastics (OVDs). See Section 3 "Purchase and sale of business operations" for more information.

Changes on the Supervisory Board
Following the merger, which was entered in the Company's commercial register on 1 June 2011, thus becoming legally effective, Carl Zeiss Meditec AG had more than 500 employees, but less than 2,000 employees. Accordingly, the Company's Supervisory Board must, in accordance with the provisions of German stock corporation law, in conjunction with the provisions of the German One-Third Participation Act, be one third employee representatives to be elected by the workforce and two thirds Supervisory Board members to be elected by the Annual General Meeting from among the shareholders.

The Electoral Commission of the employee representatives informed the Management Board that in the election on 11 October 2011 Ms. Cornelia Grandy, Oberkochen, and Mr. Jörg Heinrich, Jena, were appointed as employee representatives to the Supervisory Board.

Mr. Wilhelm Burmeister and Mr. Franz-Jörg Stündel stepped down from the Company's Supervisory Board at this point.

The announcement concerning the members and replacement members of the Supervisory Board elected by the employees was recorded in the Company's commercial register and published in the electronic Federal Gazette (Bundesanzeiger) in October 2011.

41. Additional mandatory disclosures pursuant to Section 314 and Section 285 (1) No. 10 *HGB*

Information on executive bodies of the parent company

Management Board

The following were appointed as members of the Management Board of Carl Zeiss Meditec AG in financial year 2010/2011 and entered in the commercial register:

Member of Management Board	**Membership of statutory supervisory boards and similar supervisory bodies at companies of the Carl Zeiss Group**	**Membership of statutory supervisory boards and similar supervisory bodies at other companies**
Dr. Ludwin Monz Chairman Physics graduate, MBA Area of responsibility: "Ophthalmic Systems" SBU, "Microsurgery" SBU, strategic business development, Group function (Human Resources, Corporate Communications, Quality) Year of first appointment 2007	• Chairman of the Board of Directors of Carl Zeiss Meditec, Inc., Dublin, USA • Member of the Supervisory Board of Carl Zeiss MicroImaging GmbH, Jena, Germany (since 29 September 2011) • Member of the Board of Directors of Carl Zeiss Meditec Co. Ltd., Tokyo, Japan	
Thomas Simmerer Dipl.-Ing. (graduate engineer) Area of responsibility: Sales, Service Member of the Management Board since 1 April 2011	• Chairman of the Board of Directors of Carl Zeiss Meditec Iberia S.A., Tres Cantos, Spain (since 19 July 2011) • Member of the Board of Directors of Carl Zeiss Ltd., Welwyn Garden City, United Kingdom (since 13 April 2011) • Member of the Board of Directors of Carl Zeiss Meditec Co. Ltd., Tokyo, Japan (since 13 April 2011) • Member of the Board of Directors of Carl Zeiss Meditec France S.A.S., Le Pecq, France (since 5 July 2011) • Member of the Supervisory Board of Carl Zeiss MicroImaging GmbH, Jena, Germany (since 10 May 2011 until 9 September 2011)	
Dr. Christian Müller Dipl.-Kaufmann (MBA) Area of responsibility: "Surgical Ophthalmology" SBU, Group functions Finance and Controlling, Investor Relations, IT, Legal Affairs, Taxes Year of first appointment 2009	• Member of the Board of Directors of Carl Zeiss Meditec France S.A.S., Le Pecq, France • Member of the Board of Directors of Carl Zeiss Meditec, Inc., Dublin, USA (since 29 June 2011) • Member of the Board of Directors of Carl Zeiss Meditec Iberia S.A., Tres Cantos, Spain (since 19 July 2011)	

Member of Management Board	Membership of statutory supervisory boards and similar supervisory bodies at companies of the Carl Zeiss Group	Membership of statutory supervisory boards and similar supervisory bodies at other companies
Ulrich Krauss Dipl.-Kaufmann (MBA) Area of responsibility: Sales, Service Member of the Management Board until 12 April 2011 Year of first appointment 2002	• Member of the Board of Directors of Carl Zeiss India Pte. Ltd., Singapore, Singapore • Member of the Board of Directors of Carl Zeiss India (Bangalore) Pte. Ltd., Bangalore, India • Member of the internal Administrative Board of Carl Zeiss GmbH, Vienna, Austria • Member of the Board of Directors of Carl Zeiss Vision Italia S.p.A., Castiglione Olona, Italy (since 31 May 2011) • Chairman of the Board of Directors of Carl Zeiss Meditec Iberia S.A., Tres Cantos, Spain (until 19 July 2011) • Member of the Supervisory Board of Carl Zeiss MicroImaging GmbH, Jena, Germany (until 9 May 2011) • Member of the Board of Directors of Carl Zeiss Meditec Co. Ltd., Tokyo, Japan (until 13 April 2011) • Member of the Advisory Board (Director) of Carl Zeiss Ltd., Welwyn Garden City, United Kingdom (until 13 April 2011) • Member of the Board of Directors of Carl Zeiss Meditec France S.A.S., Le Pecq, France (until 5 July 2011)	

The total remuneration paid directly to the active members of the Management Board amounted to € 1,206 thousand in financial year 2010/2011 (previous year: € 1,184 thousand). Details of this remuneration are contained in the remuneration report in the management report. Projected unit credits for pensions for former members of the Management Board of Carl Zeiss Meditec amounted to € 368 thousand. (previous year: € 347 thousand). In addition, the expense for transfers to provisions for pensions of active Management Board members was € 67 thousand in financial year 2010/2011 (previous year: € 605 thousand).

Supervisory Board

The Supervisory Board of Carl Zeiss Meditec AG had the following members in financial year 2010/2011:

Member of Supervisory Board	**Membership of statutory supervisory boards and similar supervisory bodies at companies of the Carl Zeiss Group**	**Membership of statutory supervisory boards and similar supervisory bodies at other companies**
Dr. Michael Kaschke Chairman Chairman of the Management Board of Carl Zeiss AG, Oberkochen, Germany Member of the Supervisory Board since 2002 Dormant seat pursuant to Section 105 *AktG* between 22 July 2008 and 21 July 2009. Member of the Supervisory Board again since 4 March 2010	• Chairman of the Supervisory Board of Carl Zeiss MicroImaging GmbH, Jena, Germany • Chairman of the Board of Directors of Carl Zeiss MicroImaging Inc., Thornwood, USA (until 30 November 2010) • Chairman of the Board of Directors of Carl Zeiss Co., Ltd., Tokyo, Japan • Chairman of the Board of Directors of Carl Zeiss India Pte. Ltd., Singapore, Singapore • Member of the Board of Directors of Carl Zeiss India (Bangalore) Pte. Ltd., Bangalore, India • Chairman of the Board of Directors of Carl Zeiss Co. Ltd., Seoul, South Korea • Chairman of the Board of Directors of Carl Zeiss Far East Co., Ltd., Kowloon, Hong Kong, China • Chairman of the Board of Directors of Carl Zeiss (Pty.) Ltd., Randburg, South Africa (until 31 December 2010) • Chairman of the Board of Directors of Carl Zeiss Australia Pty. Ltd., Camperdown, Australia • Chairman of the Supervisory Board of Carl Zeiss Financial Services GmbH, Oberkochen, Germany (until 7 October 2010) • Chairman of the Supervisory Board of Carl Zeiss SMT GmbH, Oberkochen, Germany (since 29 January 2011)	• Member of the Supervisory Board of Henkel AG & Co. KGaA, Düsseldorf, Germany • Member of the Supervisory Board of Siltronic AG, Munich, Germany (until 4 March 2011)
Dr. Markus Guthoff Deputy Chairman Member of the Managing Board (CFO) of ALBA Group plc & Co. KG, Berlin, Germany, since 1 October 2011 Member of the Supervisory Board since 2004	• none	• none
Thomas Spitzenpfeil Member of the Management Board of Carl Zeiss AG, Oberkochen, Germany Member of the Supervisory Board since 12 April 2011	• Chairman of the Administrative Board of Carl Zeiss AG, Feldbach, Switzerland • Chairman of the Board of Directors of Carl Zeiss AB, Stockholm, Sweden • Chairman of the Advisory Board of Carl Zeiss GmbH, Vienna, Austria • Chairman of the Board of Directors of Carl Zeiss Ltd., Welwyn Garden City, United Kingdom • Chairman of the Board of Directors of Carl Zeiss S.A.S., Le Pecq, France • Chairman of the Board of Directors of Carl Zeiss S.p.A., Arese, Italy • Chairman of the Board of Directors of Carl Zeiss (Pty.) Ltd., Randburg, South Africa • Member of the Board of Directors of Carl Zeiss Inc., Thornwood, USA	• Member of the Supervisory Board of Austria Metall Aktiengesellschaft, Ranshofen, Austria

Member of Supervisory Board	Membership of statutory supervisory boards and similar supervisory bodies at companies of the Carl Zeiss Group	Membership of statutory supervisory boards and similar supervisory bodies at other companies
Dr. Wolfgang Reim Independent MedTech consultant Member of the Supervisory Board since 2007	• none	• Member of the Board of Directors of GN Store Nord, Ballerup, Denmark • Member of the Advisory Board of Klingel GmbH, Pforzheim, Germany • Member of the Advisory Boards of Venture Capital Fonds BB Biotech Ventures, Küsnacht/ Zurich, Switzerland • Member of the Board of Directors of ESAOTE S.p.A., Genova, Italy • Member of the Board of Directors of Elekta AB, Stockholm, Sweden (since September 2011)
Dr. Dieter Kurz Chairman of the Management Board of Carl Zeiss AG, Oberkochen, Germany, until 31 December 2010 Member of the Supervisory Board from 2006 until 12 April 2011	• Chairman of the Supervisory Board of Carl Zeiss SMT GmbH, Oberkochen, Germany (until 31 December 2010) • Chairman of the Supervisory Board of Carl Zeiss Industrielle Messtechnik GmbH, Oberkochen, Germany (until 31 December 2010) • Chairman of the Supervisory Board of Carl Zeiss Jena GmbH, Jena, Germany (until 31 December 2010) • Chairman of the Board of Directors of Carl Zeiss de Mexico S.A. de C.V., Sta. Catarina Coyoacán, Mexico (until 31 December 2010) • Chairman of the Board of Directors of Carl Zeiss do Brasil Ltda., Sao Paulo, Brasil (until 31 December 2010) • Chairman of the Board of Directors of Carl Zeiss Inc., Thornwood, USA (until 31 December 2010) • Chairman of the Board of Directors of Carl Zeiss IMT Corp., Minneapolis, USA (until 31 December 2010) • Chairman of the Board of Directors of Carl Zeiss AG, Feldbach, Switzerland (until 31 December 2010) • Chairman of the Board of Directors of Carl Zeiss AB, Stockholm, Sweden (until 31 December 2010) • Chairman of the Board of Directors of Carl Zeiss B.V., Sliedrecht, Netherlands (until 31 December 2010) • Chairman of the internal Aministrative Board of Carl Zeiss GmbH, Vienna, Austria (until 31 December 2010) • Chairmanof the Board of Directors of Carl Zeiss Ltd., Welwyn Garden City, United Kingdom (until 31 December 2010) • Chairman of the Board of Directors of Carl Zeiss S.A.S., Le Pecq, France (until 31 December 2010)	• Member of the Supervisory Board of Ravensburger AG, Ravensburg, Germany • Member of the shareholders' committee of Freudenberg & Co. KG, Weinheim, Germany
Wilhelm Burmeister Team Manager Manufacturing Control Member of the Supervisory Board from 2004 until 11 October 2011	• none	• none

Member of Supervisory Board	Membership of statutory supervisory boards and similar supervisory bodies at companies of the Carl Zeiss Group	Membership of statutory supervisory boards and similar supervisory bodies at other companies
Franz-Jörg Stündel Service engineer and member of the Works Council of Carl Zeiss Meditec AG, Jena, Germany Member of the Supervisory Board from 2002 until 11 October 2011	• none	• none
Cornelia Grandy Constructing engineer and deputy chairwoman of the Joint Works Council of Carl Zeiss Meditec AG, Jena, Germany Member of the Supervisory Board since 11 October 2011	• none	• none
Jörg Heinrich Product Manager and member of the Joint Works Council of Carl Zeiss Meditec AG, Jena, Germany Member of the Supervisory Board since 11 October 2011	• none	• none

Committees of the Supervisory Board

	Members
General and Personnel Committee	Dr Michael Kaschke, Chairman Dr. Markus Guthoff Dr. Dieter Kurz until 12 April 2011 Thomas Spitzenpfeil
Audit Committee	Dr. Wolfgang Reim, Chairman Dr. Michael Kaschke Franz-Jörg Stündel until 11 October 2011 Jörg Heinrich
Nominating Committee	Thomas Spitzenpfeil, Chairman Dr. Dieter Kurz until 12 April 2011 Dr. Wolfgang Reim Dr. Markus Guthoff

The total remuneration of the active members of the Supervisory Board amounted to € 338 thousand in financial year 2010/2011 (previous year: € 316 thousand). Details of this remuneration are contained in the remuneration report in the management report. The remuneration of Supervisory Board members is governed by Section 19 of the Articles of Association of Carl Zeiss Meditec AG.

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

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

Auditors' fees

According to Section 285 Sentence 1 No. 17 *HGB*, which was amended by the *BilMoG* (German Accounting Law Modernization Act), the auditors' fees carried as expenses in this financial year are broken down as follows:

(in € '000)	Financial year 2010/2011	Financial year 2009/2010
Auditing services	**797**	**874**
thereof KPMG incl. affiliated companies	276	305
thereof KPMG international association	518	539
thereof third parties	3	30
Other audit expenses	**75**	**3**
thereof KPMG incl. affiliated companies	75	3
Tax consultancy services	**100**	**67**
thereof KPMG international association	100	67
Other services	**58**	**19**
thereof KPMG international association	23	9
thereof third parties	35	10

Information on shareholdings (consolidated companies)

Name and registered office of the company	Currency	Share of voting capital (in %)	Equity as of 30 September 2011 translated at the market rate at the end of the reporting period*	thereof profit/loss for financial year 2010/2011 at average annual exchange rate*
Carl Zeiss Meditec, Inc., Dublin, USA	USD ’000 € ’000	100	162,284 120,215	21,235 15,220
Carl Zeiss Meditec Asset Management Verwaltungsgesellschaft mbH, Jena, Germany	€ ’000	100	67,661	15,761
Carl Zeiss Meditec Iberia S.A., Tres Cantos, Spain	€ ’000	100	1,763	-670
Carl Zeiss Meditec Co. Ltd., Tokyo, Japan	JPY ’000 € ’000	51	7,203,225 69,445	1,205,490 10,667
Carl Zeiss Meditec Vertriebsgesellschaft mbH, Oberkochen, Germany	€ ’000	100	-2,418	-1,776
Advanced Research Institute GmbH, Hennigsdorf, Germany, i. L.**	€ ’000	49	26	-66
Atlantic S.A.S., La Rochelle, France	€ ’000	100	67,807	6,512
HYALTECH Ltd., Livingston, United Kingdom	GBP ’000 € ’000	100	16,863 19,478	3,065 3,528
F.C.I. S.A.S., Paris, France	€ ’000	100	10,688	675
Carl Zeiss Meditec France S.A.S., Le Pecq, France	€ ’000	100	2,856	643
Carl Zeiss Meditec S.A.S., La Rochelle, France	€ ’000	100	55,605	6,418
F.C.I. SUD Ltd., Quatre Bornes, Mauritius	MUR ’000 € ’000	100	47,516 1,218	9,556 237
F.C.I. Ophthalmics Inc., Pembroke, USA	USD ’000 € ’000	100	2,084 1,544	509 365

* The figures show the values calculated according to the respective national accounting standards.
** The joint venture is included in the consolidated financial statements at equitiy; information on shareholdings according to the last financial statement available as of 30 November 2010 in accordance with *HGB*.

Disclosures pursuant to Section 160 (1) No. 8 *AktG*
All voting rights announcements can be inspected on the Company’s website at **www.meditec.zeiss.com/ir**, “Corporate Governance – Vote Rights Disclosures”.

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

42. Clearance for publication

The Management Board of Carl Zeiss Meditec AG cleared these IFRS consolidated financial statements for submission to the Supervisory Board on 18 November 2011. The Supervisory Board’s task is to review the consolidated financial statements and declare whether it approves the consolidated financial statements.

Jena, 18 November 2011

Carl Zeiss Meditec AG

Dr. Ludwin Monz
President and
Chief Executive Officer

Dr. Christian Müller
Member of the
Management Board

Thomas Simmerer
Member of the
Management Board

Declaration pursuant to Section 297 (2) Sentence 4 *HGB* and Section 315 (1) Sentence 6 *HGB*

To the best of our knowledge, and in accordance with the applicable reporting principles, we declare that the consolidated financial statements of Carl Zeiss Meditec provide a true and fair view of the Group's net assets, financial position and results of operations, the consolidated management report provides a true and fair view of the development of the Group's business, including its results and position, and describes the principal opportunities and risks for the anticipated growth of the Carl Zeiss Meditec Group.

Jena, 18 November 2011

Carl Zeiss Meditec AG

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

Auditor's opinion

We have audited the consolidated financial statements, comprising the balance sheet, income statement and the statement of changes in shareholders' equity and cash flows as well as the notes to the consolidated financial statements, prepared by Carl Zeiss Meditec AG, Jena, for the financial year from 1 October 2010 to 30 September 2011. The preparation of the consolidated financial statements and the group management report in accordance with the IFRSs, as adopted by the EU, and the additional requirements of the German commercial law pursuant to Section 315a (1) *HGB* (*Handelsgesetzbuch*: German Commercial Code) are the responsibility of the Company's Board of Management. Our responsibility is to express an opinion on the consolidated financial statements and the management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 *HGB* [*"Handelsgesetzbuch"*: "German Commercial Code"] and German generally accepted standards for the audit of financial statements promulgated by the *Institut der Wirtschaftsprüfer* [Institute of Public Auditors in Germany] (*IDW*). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company's Board of Management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonably secure basis for making our assessment.

Our audit led to no objections.

In our opinion, based on the results of our audit, the consolidated financial statements comply with IFRSs as these are to be applied in the EU and the supplementary provisions of the *HGB* as stipulated by Section 315a (1) of the *HGB*, and convey a true and fair view of the group's financial position and results of opertions. The Group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Jena, 18 November 2011

KPMG Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Strom
Wirtschaftsprüfer

Pülmanns
Wirtschaftsprüfer

Single-entity financial statements of Carl Zeiss Meditec AG, Jena, financial year 2010/2011 *(HGB)* – Summary

The complete annual financial statements of Carl Zeiss Meditec AG, Jena, in accordance with the German Commercial Code *(Handelsgesetzbuch, HGB),* including the unqualified audit certificate, will be available for downloading from the Carl Zeiss Meditec Website **www.meditec.zeiss.com/ir.** Alternatively, it may also be requested in written form as an offprint from Carl Zeiss Meditec AG.

Table: Overview of key items in the single-entity financial statements (figures in € ’000)

Income statement	**Financial year 2009/2010**	**Financial year 2010/2011**	**Change**
Revenue	**139,259**	**456,548**	**+227.8 %**
Gross profit	49,383	193,602	+292.0 %
Result from ordinary activities	**32,273**	**49,620**	**+53.8 %**
Net income/loss for the year	**28,656**	**36,476**	**+27.3 %**
Retained profits brought forward	35,383	49,403	+39.6 %
Net retained profit	**49,403**	**41,159**	**-16.7 %**

Balance sheet	**30 September 2010**	**30 September 2011**	**Change**
Fixed assets	595,449	576,184	-3.2 %
Current assets	220,798	330,758	+49.8 %
Thereof: trade receivables	*4,978*	*22,774*	*+357.5 %*
Thereof: cash and cash equivalents	*157,007*	*149,009*	*-5.1 %*
Shareholders’ equity	778,725	771,863	-0.9 %
Liabilities	11,964	46,500	+288.7 %
Total assets	**816,279**	**907,812**	**+11,2 %**

Proposal for the utilisation of profits by the Management Board for financial year 2010/2011

Financial year 2010/2011 closes with net income for the year of € 36,476,148.18.

The Management Board recommends utilising the net retained profits of € 41,159,553.64 for financial year 2010/2011 as follows:

1. Payment of a dividend of € 0.30 per no-par value share for 81,309,610 no-par-value shares: € 24,392,883.00.
2. Carryforward of residual profit to new account: € 16,766,670.64.

CORPORATE GOVERNANCE

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Corporate Governance report

I. Carl Zeiss Meditec conforms to all recommendations of the Government Commission on the German Corporate Governance Code with just one exception

Corporate Governance

Executive and supervisory bodies of Carl Zeiss Meditec AG are committed to responsible corporate governance and control geared to increasing Company value in the long term. At the same time, the Management Board and Supervisory Board would like to ensure the best possible transparency for all German and international interest groups and thus sustainably strengthen the trust of its shareholders, business partners, employees and the public. Vitally important for this are both trusting collaboration between the Management Board and Supervisory Board, the assurance of efficient internal and external control mechanisms, as well as transparent accounting and a solid finance policy, and prompt and comprehensive reporting and open communication with all shareholders and other target groups of the Company.

In the following, the Management Board and Supervisory Board of Carl Zeiss Meditec AG report, pursuant to Section 3.10 of the German Corporate Governance Code in its applicable version dated 26 May 2010, on the basic principles of the management and control structure, the main rights of the shareholders, the accounting and auditing, and on the notifiable securities transactions executed by executive body members (directors' dealings) and refer to the Management Board remuneration described in the management report. They also state their position regarding the discretionary provisions of the German Corporate Governance Code.

The Corporate Governance report of Carl Zeiss Meditec AG and the declaration of the Management Board and Supervisory Board on the recommendations of the Government Commission on the German Corporate Governance Code in accordance with Section 161 *AktG* were made accessible on the Company's website at **www.meditec.zeiss.com,** under Investors, Corporate Governance.

Collaboration between the Supervisory Board and Management Board

As a company under German law, Carl Zeiss Meditec AG has a dual management system consisting of the Supervisory Board and the Management Board, which each have separate competencies. The management and monitoring of the Company by the Management Board and Supervisory Board is characterized by their trusting and close cooperation in the form of common goals, a jointly developed strategy and a uniform approach of both bodies. This collaboration focuses primarily on the Company's interests in achieving sustained, profitable growth.

During scheduled meetings in the past financial year the Management Board informed the Supervisory Board about Company-related matters, the planning, business development and the position of the Group, including its risk position, risk management and compliance, in order to discuss goals as one body and reach a joint agreement on strategies. The Supervisory Board was involved in good time and kept fully informed in all decisions that could have a material effect on the Company's net assets, financial position and results of operations. The Management Board therefore fulfilled, in every respect, its obligation to report to the Supervisory Board promptly, in detail and on a regular basis, both verbally and in writing. For further details on the collaboration between the Supervisory Board and the Management Board please refer to the Report of the Supervisory Board (page 32).

Declaration of conformity

The Management Board and Supervisory Board considered corporate governance in great detail during the past financial year 2010/2011. At the meeting of the Company's Supervisory Board on 5 December 2011, both bodies adopted the declaration of conformity in accordance with Section 161 *AktG.* This declaration states that Carl Zeiss Meditec AG conforms to all the recommendations of the Government Commission on the German Corporate Governance Code in its version dated 26 May 2010, as published by the German Federal Ministry of Justice in the official section of the electronic Federal Gazette *(Bundesanzeiger).*

Section 5.4.1 of the German Corporate Governance Code stipulates that the Supervisory Board shall set specific targets in terms of its composition, which – taking the company-specific situation into account – shall consider the international activities of the Company, potential conflicts of interest, an age limit to be defined for Supervisory Board members, and diversity. These targets should, in particular, also include a reasonable number of women.

The Supervisory Board of Carl Zeiss Meditec is of the opinion that the composition of the Supervisory Board should, first and foremost, be geared to the interests of the Company, and must ensure efficient consulting with and monitoring of the Management Board. When appointing the Supervisory Board of Carl Zeiss Meditec AG, the priority shall therefore be to ensure that the members have the necessary capabilities, skills and specialist qualifications to properly fulfil their duties. At the same time, the Supervisory Board believes that a leading international company like Carl Zeiss Meditec also needs to consider aspects such as internationality and the appropriate participation of women when appointing its Management Board and Supervisory Board. When appointing the members of these bodies in the past, Carl Zeiss Meditec has always endeavoured to comply with these principles and shall continue to take these principles into account in future decisions.

A previous deviation from Section 3.8 of the German Corporate Governance Code was resolved during the year. This recommendation provides, in the case of D&O insurance being taken out for the Supervisory Board, for the agreement of an excess of at least 10 percent of the damages up to at least one-and-a-half times the fixed annual remuneration of the Supervisory Board member. At the Annual General Meeting on 12 April 2011, a resolution was passed on the agreement to take out a D&O insurance policy in favor of the members of the Supervisory Board and to make a corresponding amendment to the Articles of Association. The added Art. 20 of the Articles of Association provides for the Company to maintain a D&O insurance policy for the members of the Supervisory Board in future, providing appropriate insurance cover and an excess of at least 10 % of the damages, up to one-and-a-half times the fixed annual remuneration.

Annual General Meeting

The Annual General Meeting gives shareholders the opportunity to actively influence the organization of the Company, since fundamental decisions are taken at this meeting, such as the election of the members of the Supervisory Board, the decision on how to utilize net retained profits, and the resolution on the discharge of the two executive bodies, the Supervisory Board and the Management Board. Other major decision-making powers of the General Meeting include, for example, amendments to the Articles of Association and important business measures, such as company agreements and reorganizations, the issue of new shares and other financial instruments, as well as the authorization to purchase treasury shares.

The Annual General Meeting is chaired by the Chairman of the Supervisory Board. In addition, it is the duty of the Management Board to present the consolidated and annual financial statements. The shareholders of Carl Zeiss Meditec AG exercise their voting right at the Annual General Meeting, whereby each share of Carl Zeiss Meditec AG entitles the bearer to one vote. The Annual General Meeting gives shareholders an opportunity to voice their opinions on all agenda items and to ask relevant questions and make proposals. The Management Board also arranges for the appointment of a proxy to exercise the shareholders' voting rights according to their instructions. This proxy can be reached during the entire event. Carl Zeiss Meditec AG thus makes it easier for its shareholders to personally exercise their rights and helps them to vote by proxy.

The Management Board

As previously, the Management Board of Carl Zeiss Meditec AG had three members in the past financial year.

After nine years of successful work, Management Board member Ulrich Krauss stepped down early from his seat on the Management Board at the end of 12 April 2011. With effect from 1 April 2011, Mr. Thomas Simmerer was appointed to the Management Board of Carl Zeiss Meditec. Mr. Simmerer was hitherto responsible within Carl Zeiss Meditec for the strategic business unit Microsurgery and succeeds Mr. Ulrich Krauss as Head of Sales.

The Management Board of Carl Zeiss Meditec AG runs the Company on its own authority. In accordance with the Company's interests, the Management Board fulfils its management responsibility with the aim of sustainably increasing the Company's value and giving consideration to the needs of the shareholders, its employees and the other groups affiliated with the Company (stakeholders). The duties of the Management Board members include the Group's organization and filling important positions within the Company, as well as the publication of interim and annual financial statements, the strategic orientation and the definition and pursuit of corporate objectives. The Chairman of the Management Board coordinates the work of the Management Board members.

The rules of procedure for the Management Board of Carl Zeiss Meditec AG, which have been inspected and approved by the Supervisory Board, regulate, among other things, the departmental responsibilities of the individual members of the Management Board, matters reserved for the Management Board as a whole, and the majorities required to pass Management Board resolutions. Both the Supervisory Board and the other members of the Management Board must be informed immediately of any conflicts of interest of a Management Board member. In addition, a member of the Management Board may only pursue secondary employment with the consent of the Supervisory Board, particularly in the case of a position on the Supervisory Board of companies outside the Group. The contracts of the Management Board members do not provide for any severance payments in the event of contract termination without just cause or in the event of a change in control.

The Supervisory Board

As of 30 September 2011, the Supervisory Board of Carl Zeiss Meditec AG had a total of six members. Due to mergers within the Group during the past financial year, Carl Zeiss Meditec AG's workforce increased, with the result that, since July 2011, the Supervisory Board of Carl Zeiss Meditec AG has to be appointed in accordance with the German One-Third Participation Act. Accordingly, the Supervisory Board is composed of four shareholder representatives and two employee representatives.

During the past financial year, the composition of the Supervisory Board changed as follows:

Dr. Dieter Kurz left the Supervisory Board. Mr. Thomas Spitzenpfeil was appointed as a new member of the Supervisory Board. Further details on the date of departure from or accession to the Supervisory Board can be found in this Annual Report in the Notes to the consolidated financial statements under the information on the Supervisory Board (page 172–174).

In its own estimation, the Supervisory Board has a sufficient number of independent members who have no business or personal relationship with Carl Zeiss Meditec AG or the Management Board.

The Supervisory Board of Carl Zeiss Meditec AG monitors and advises the Management Board on the management of the Company. The Chairman of the Supervisory Board coordinates the work of the Supervisory Board. To fulfill its duties, the Supervisory Board has formed three permanent committees, each of which has three members: the General and Personnel Committee, the Audit Committee and the Nominating Committee. The Chairman of the Supervisory Board is the Chairman of the General and Personnel Committee. Information on the work of the individual committees is contained in the Report of the Supervisory Board (page 34) on the Company's website at **www.meditec.zeiss.com** under Investors, Explanation on corporate management.

Remuneration of the Management Board

The remuneration of the Management Board and the Supervisory Board is uniformly presented and published in a remuneration report within the management report. To avoid duplication, please refer to the management report in this Annual Report (page 73–77) for more information.

Relationship with shareholders, transparency and communication

The Company has a number of different communication platforms at its disposal to ensure transparent reporting. Share price-related news, or "ad hoc disclosures", are published simultaneously worldwide via an external service provider, in German and English. Similarly, Company notifications are made accessible to the public in the companies register or the electronic Federal Gazette *(Bundesanzeiger).* In accordance with stock exchange regulations, information is also made available on the *Deutsche Börse* website. The Company also uses the Internet to report and disseminate capital market-related news and corporate information. The Company website at **www.meditec.zeiss.com/ir** publishes, among other things, the mandatory publications such as the Company's interim and annual financial statements, as well as additional information, such as corporate governance, presentations, share price data, press releases, a calendar of events, and much more, for the various interest groups. Telephone conversations, conferences and occasional visits to the Company, during which the Company explains its philosophy, the development of its business and its future strategy, serve as additional channels of communication for the Company.

The Management Board of Carl Zeiss Meditec publishes, immediately, insider information that relates to the Company, except in cases where it is exempt from its disclosure obligation. An insider list was implemented for this purpose, to allow the Company to inform the relevant individuals at regular intervals, or when necessary, about the obligations that arise for insiders.

Pursuant to the new legislation, Carl Zeiss Meditec AG has undertaken to disclose, on the Internet, any changes in the security holdings of members of the Management Board and Supervisory Board in shares of the Company, as soon as the total sum exceeds an amount of € 5,000 in the calendar year.

Carl Zeiss Meditec AG shall also disclose changes in shareholdings, if, among other things, an individual, by purchase, sale or other means, falls below or exceeds the thresholds of 3, 5, 10, 15, 20, 25, 30, 50 or 75 % of the voting rights in Carl Zeiss Meditec AG, as well all information relating to company law that is subject to disclosure, which the electronic companies register makes centrally accessible.

The Company's executive bodies feel an obligation to ensure open and transparent communication and are committed to continuing this in future. In this connection, Carl Zeiss Meditec attaches great importance to prompt publication of its financial statements. This means that the Company publishes its annual financial statements, including the accompanying annual report, within less than the required 90 days after the end of the financial year. Interim reports are published within 45 days of the end of the respective quarter.

Objectives

The common objective of the Management Board and the Supervisory Board is to exploit all opportunities to be profitable on its own resources. In addition to purely organic growth, the Company also continues to pursue opportunities and options for external growth.

Directors' dealings: notifiable securities transactions by members of the executive bodies of Carl Zeiss Meditec AG in financial year 2010/2011

In financial year 2010/2011, members of the Management Board and Supervisory Board did not execute any notifiable securities transactions pursuant to Section 15a of the German Securities Trading Act *(Wertpapierhandelsgesetz, WpHG).*

No member of the Management Board or Supervisory Board alone holds shares or related financial instruments that directly or indirectly comprise more than one percent of the issued shares of Carl Zeiss Meditec AG. Nor do the total holdings of all Management Board and Supervisory Board members exceed this value.

Pursuant to Section 15a *WpHG,* all details of the securities transactions executed by members of the Management Board and the Supervisory Board are published immediately on the Company's website **www.meditec.zeiss.com/ir | Corporate Governance | Directors' Dealings.** The relevant disclosures and the publication documents are forwarded to the German Federal Financial Supervisory Authority *(Bundesanstalt für Finanzdienstleistungsaufsicht, BaFin).*

Directors' holdings: shareholdings of members of the executive bodies of Carl Zeiss Meditec AG

Table 1: Directors' holdings – Number of Carl Zeiss Meditec shares held by members of the Company's executive bodies

		Number of Carl Zeiss Meditec shares (30 September 2011)
Management Board		
Dr. Ludwin Monz	Shares	1,000
Dr. Christian Müller	Shares	2,000
Thomas Simmerer	Shares	–
Supervisory Board		
Dr. Michael Kaschke	Shares	6,000
Dr. Markus Guthoff	Shares	1,900
Dr. Wolfgang Reim	Shares	10,000
Thomas Spitzenpfeil	Shares	–
Franz-Jörg Stündel	Shares	1,419
Wilhelm Burmeister	Shares	839
Company		
Carl Zeiss Meditec AG	Shares	–

Accounting and auditing

Since 1 October 2005, the Company has prepared its accounts according to the International Accounting Standards (IASs) and the International Financial Reporting Standards (IFRSs). The Company's single-entity financial statements are prepared according to the requirements of the German Commercial Code *(Handelsgesetzbuch, HGB).* These provisions make it possible to present a true and fair view of the Company in terms of its net assets, financial position and results of operations. In 2011, the Annual General Meeting appointed KPMG Aktiengesellschaft-Wirtschaftsprüfungsgesellschaft, Stuttgart, after obtaining a declaration of independence in accordance with Section 7.2.1 of the Code, as auditor of the single-entity and consolidated financial statements for financial year 2010/2011. In the financial year just ended no objections were raised by the German Financial Reporting Enforcement Panel *(Deutsche Prüfstelle für Rechnungslegung, DPR)* or the German Federal Financial Supervisory Authority *(Bundesanstalt für Finanzdienstleistungsaufsicht, BaFin),* which are authorized to review the conformity of the annual financial statements and the consolidated financial statements (each with an accompanying management report) to the applicable accounting requirements (enforcement).

II Discretionary provisions of the German Corporate Governance Code

In accordance with its voluntary commitment to good corporate governance, Carl Zeiss Meditec implements not only the recommendations of the Code – with just one exception – but also observes any relevant "discretionary provisions" of the Code.

The following table provides an overview of these provisions.

Table 2: Implementation status of discretionary provisions of the Code by Carl Zeiss Meditec AG in financial year 2010/2011

No.	Discretionary provision	Compliance by the Company
2.2.1	The general meeting can resolve to approve the remuneration system for the members of the management board.	~~✓~~ The Company does not believe the remuneration system contains any components that should be presented to the General Meeting for approval.
2.2.4	The meeting chairman shall ensure that the general meeting proceeds quickly. As a guideline, the chairman should note that an ordinary general meeting should last no longer than 4 to 6 hours.	✓
2.3.3	Proxies nominated by the company should also be contactable during the general meeting.	✓
2.3.4	The company should allow shareholders to follow the general meeting via modern communication media (e. g. the Internet).	~~✓~~ The Company doubts whether such a service would be used by many shareholders. However, Carl Zeiss Meditec shall monitor relevant developments and respond quickly to any fundamental changes.
3.6	In supervisory boards with employee representatives, the shareholder and employee representatives should prepare for the supervisory board meetings separately or together with members of the management board, where applicable.	Does not apply to the Company to date. There have been no Supervisory Board meetings since the election and appointment of the employee representatives to the Supervisory Board.
3.6	The supervisory board should meet without the management board where necessary.	There was no such requirement in financial year 2010/2011.
3.7	An extraordinary general meeting should be held where appropriate.	There was no such requirement in financial year 2010/2011.
3.10	The company may comment on the Code's discretionary provisions in its corporate governance report.	✓

Table 2: Implementation status of discretionary provisions of the Code by Carl Zeiss Meditec AG in financial year 2010/2011

No.	**Discretionary provision**	**Compliance by the Company**
5.1.2	The supervisory board may commission a committee with the task of preparing for the appointment of management board members. This committee shall also specify the contract details and the remuneration.	✓
5.1.2	When new management board members are appointed, the maximum possible term of office of five years should not be the general rule.	✓
5.2	The chairman of the supervisory board should not also be the chairman of the audit committee.	✓
5.3.2	The chairman of the audit committee should be independent and should not be a former member of the management board whose appointment ended less than two years ago.	✓
5.3.4	The supervisory board may delegate other issues to committees.	✓
5.3.5	The supervisory board may arrange for committees to prepare supervisory board meetings and to take decisions in place of the supervisory board.	✓
5.4.6	Remuneration of the supervisory board should also contain components based on the long-term success of the company.	~~✓~~ To date, the remuneration of the supervisory board does not provide for any components based on the long-term success of the Company.
6.8	Company publications should also be produced in English.	✓

Declaration by the Management Board and the Supervisory Board of Carl Zeiss Meditec AG on the German Corporate Governance Code in accordance with Section 161 German Stock Corporation Act *(AktG)*

Pursuant to Section 161 *AktG,* the Management Board and Supervisory Board of Carl Zeiss Meditec AG are obliged to submit an annual declaration of conformity to the recommendations of the Government Commission on the German Corporate Governance Code (*Regierungskommission Deutscher Corporate Governance Kodex)*. This declaration must be made permanently accessible to the shareholders.

The Management Board and Supervisory Board of Carl Zeiss Meditec AG declare that they conform to the recommendations of the Government Commission on the German Corporate Governance Code in the applicable version dated 26 May 2010, as published by the German Federal Ministry of Justice in the official section of the electronic Federal Gazette *(Bundesanzeiger),* and that they have conformed to these recommendations since issuing their declaration of conformity dated 9 December 2010, with just one exception.

The following exception applies:
Section 5.4.1 of the German Corporate Governance Code stipulates that the Supervisory Board shall set specific targets in terms of its composition, which – taking the company-specific situation into account – shall consider the international activities of the Company, potential conflicts of interest, an age limit to be defined for Supervisory Board members, and diversity. These targets should also, in particular, include a reasonable proportion of women.

The Supervisory Board of Carl Zeiss Meditec is of the opinion that the composition of the Supervisory Board should, first and foremost, be geared to the interests of the Company, and must ensure efficient consulting with and monitoring of the Management Board. When appointing the Supervisory Board of Carl Zeiss Meditec AG, the priority shall therefore be to ensure that the members have the necessary abilities, skills and specialist qualifications to properly fulfill their duties. However, in a leading international company such as Carl Zeiss Meditec, it is necessary to consider aspects such as internationality and the appropriate participation of women when appointing the Management Board and Supervisory Board. When appointing the members of these bodies in the past, Carl Zeiss Meditec has always endeavored to comply with these principles and shall continue to take these principles into account in future decisions.

A previous deviation from Section 3.8 of the German Corporate Governance Code was resolved during the year. This recommendation provides, in the case of D&O insurance being taken out for the Supervisory Board, for the agreement of an excess of at least 10 percent of the damages up to at least one-and-a-half times the fixed annual remuneration of the Supervisory Board member. At the Annual General Meeting on 12 April 2011, a resolution was passed on the agreement to take out a D&O insurance policy in favor of the members of the Supervisory Board and to make a corresponding amendment to the Articles of Association. The added Art. 20 of the Articles of Association provides for the Company to maintain a D&O insurance policy for the members of the Supervisory Board in future, providing appropriate insurance cover and an excess of at least 10 % of the damages, up to one-and-a-half times the fixed annual remuneration.

Jena, 5 December 2011

For the Supervisory Board
(Dr. Michael Kaschke)

For the Management Board
(Dr. Ludwin Monz)

Explanatory report of the Management Board of Carl Zeiss Meditec AG on the disclosures pursuant to Section 289 (4) and Section 315 (4) *HGB*

As an introduction please refer to the disclosures pursuant to Section 289 (4) and Section 315 (4) *HGB* in the consolidated management report for financial year 2010/2011, which are self-explanatory. In addition to these disclosures, the Management Board of Carl Zeiss Meditec AG is issuing the following explanatory report:

Classes of shares other than those described in the disclosures of the consolidated management report for financial year 2010/2011 as mentioned above do not exist. Nor are there restrictions on behalf of Carl Zeiss Meditec AG concerning the voting rights or transfer of shares. Furthermore, the Management Board is not aware of any other agreements concluded, for example, between individual shareholders.

The voting rights announcement last issued by Carl Zeiss AG pursuant to Section 21 (1), Section 22 (1) Sentence 1 No. 1 German Securities Trading Act *(Wertpapierhandelsgesetz, WpHG)* is dated 15 February 2006. Another voting rights announcement in connection with Germany's Transparency Directive Implementation Act *(Transparenzrichtlinie-Umsetzungsgesetz, TUG)* by 20 January 2007 was not required due to Section 41 (4a) Sentence 2. The voting rights announcement pursuant to Section 21 (1), Section 24 *WpHG*, which was issued by Carl Zeiss AG on behalf of Carl Zeiss Inc., is dated 27 October 2006. All of the voting rights announcements mentioned above can be viewed on the Company's website at: **www.meditec.zeiss.com/ir**, "Corporate Governance – Vote Right Disclosures".

The Company did not issue shares with special rights that grant supervisory powers.

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 that comprises 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. Section 25 of Carl Zeiss Meditec AG's Articles of Association states that in those 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 Section 28 of the Articles of Association of Carl Zeiss Meditec AG, the Supervisory Board is authorised 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 these provisions Section 6 (2) of the Articles of Association of Carl Zeiss Meditec AG stipulates that the Supervisory Board should be responsible for appointing and dismissing the members of the Management Board. According to the legal requirements it is only possible to dismiss a member of the Management Board for serious reasons. The Supervisory Board is responsible for concluding and terminating contracts of employment with the members of the Management Board.

Further details on the authorisation of the Management Board to repurchase own shares can be found in the Invitation to the Annual General Meeting 2010 under Agenda item 6 "Resolution on authorisation to purchase Company's own shares" and the related report of the Management Board. The invitation is available on the Company's website at: **www.meditec.zeiss.com/ir**, "Annual General Meeting 2010".

ADDITIONAL INFORMATION

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Financial glossary

Capex

Abbreviation for "Capital expenditure"
Indicates the level of investment in property, plant and equipment.
Usually stated as the capex ratio, i. e., investments in property, plant and equipment in the reporting period in relation to consolidated revenue for the same period.

Cash flow from operating activities

Also: operative cash flow
Shows the net change in the company's cash and cash equivalents resulting from operating activities and is thus and indicator of the financial strength arising from this.
Calculation: usually an indirect calculation by adjusting the consolidated net income generated in a period by non-cash transactions from the income statement and cash transactions resulting from changes in individual items in the consolidated balance sheet; adjusted items are associated with the company's operating activities – mainly depreciation and amortization and changes in working capital.

DSO

Abbreviation for "Days of sales outstanding"
Number of days that customers take to pay an invoice.

Earnings per share

Indicates the consolidated earnings per share that were generated.
Calculation: consolidated net income divided by the weighted average number of outstanding shares in the reporting period.

EBIT

Abbreviation for "Earnings before interest and taxes"

EBITDA

Abbreviation for "Earnings before interest, taxes, depreciation and amortization"
Property, plant and equipment and intangible assets are depreciated and amortized, respectively, insofar as they have a limited useful life.

EMEA

Abbreviation for “Europe, Middle East and Africa”
Term to describe the economic area of Europe, consisting of Western and Eastern Europe, the Middle East and Africa.

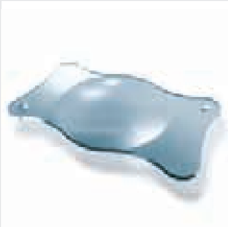
IFRS

Abbreviation for “International Financial Reporting Standards”, until 2001: “International Accounting Standards” or “IAS”
International accounting regulations developed and published by the London-based “International Accounting Standards Board” (IASB).
Pursuant to Section 62 German Stock Exchange Regulations *(Börsenordnung, BörsO),* companies in Germany that are listed on the official or regulated market with extended admission criteria (Prime Standard), must prepare consolidated financial statements according to IFRS or US GAAP.

Working Capital

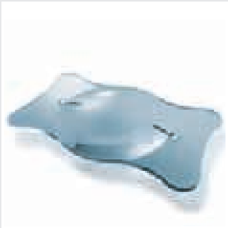
Calculated from the difference between current assets and current liabilities and thus reflects, in purely financial terms, the extent to which current liabilities are covered by current assets.
Working capital is also an indicator of how much capital generated from operating activities is tied up in the company, i. e., it indicates the portion of current assets not tied up to cover current liabilities and that therefore “work” in the procurement, production and selling process.

Technical terms



AT LISA®

The world's first pre-loaded multifocal microincision lens (MICS IOL) for the correction of presbyopia through a microincision of 1.8 mm.



AT TORBI®

The first pre-loaded bitoric microincision lens (MICS) developed for the correction of astigmatism. Their cylinder power is distributed symmetrically on the front and rear surface of the IOL. Due to the reduction in the difference between the two radii, compared with monotoric intraocular lenses, significantly better imaging properties are achieved.

BLUEMIXS® 180 Injector

Novel injector, which can also be used, for the first time, for the implantation of preloaded refractive ZEISS MICS intraocular lenses (multifocal, toric and multifocal toric IOLs). The lenses to be implanted do not have to be loaded first, thus ensuring quick and safe implantation. The injector enables an incision of 1.8 mm and is therefore MICS-compatible.

CT ASPHINA®

The fist pre-loaded monofocal aspheric intraocular lens with correction of aberrations for microincision cataract surgery (MICS) with an incision of 1.8 mm.

Cirrus™ HD-OCT

High-resolution diagnostic system for the structural examination of cross-sections and three-dimensional reconstructions of the fundus of the eye (e. g. for the early detection of glaucoma or the diagnosis of age-related macular degeneration).

FORUM®

State-of-the-art data management system for ophthalmology It serves to store all relevant examination data and images in a central location and also gives access to and presents this data in a clinically relevant manner via viewer software, in the practices and clinics, or by remote access. FORUM® can communicate with virtually all available examination devices and EMR (Electronic Medical Record) systems.

Humphrey® Field Analyzer (HFA II-*i*)

System for static and kinetic measurement of the visual field to assist with glaucoma diagnosis.

INTRABEAM®

INTRABEAM® is an innovative radiation therapy device by Carl Zeiss, which is used for intraoperative radiotherapy of all solid tumors. The INTRABEAM® device utilizes soft, short-range x-ray radiation and brings the radiation directly into the tumor or the tumor bed. The INTRABEAM® radiation device therefore enables a gentle and at the same time highly effective treatment.

IOLMaster® 500

Device for accurate and efficient, non-contact measurement of the eye and calculation of the required intraocular lens prior to cataract surgery.

MEL 80™

Excimer laser for fast and accurate treatment of vision defects (refractive errors).

OPMI LUMERA® 700

Surgical microscope for ophthalmology, which uses Stereo Coaxial Illumination (SCI) to enable surgeons to visualize details of the eye that were previously extremely difficult to identify. Newly available assistance functions enable the surgeon to work more comfortably and more precisely, and the freely movable ceiling mount creates space and headroom in the operating room.

OPMI® PENTERO® 900

High-end surgical microscope for neuro and spinal surgery that accurately displays diseased tissue structures, e. g. brain tumors and vascular diseases. Innovative technologies, such as various fluorescence modules are fully integrated in the surgical microscope and make surgical workflows more efficient. Microsurgical procedures in the brain and spinal cord can thus be performed with much less invasion.

OPMI® VARIO 700
Multidisciplinary surgical microscope with outstanding optical features, intuitive user interface and ergonomic design for spinal, ear, nose and throat, plastic and reconstructive surgery, and neurosurgery.

VISALIS® 500
A modular system for treating cataracts (cataract surgery) and for retinal surgery. It therefore offers all device functions required in the ophthalmic operating room and is very versatile in use.

VisuMax®

Femtosecond laser system used to create incision-like tissue perforations in the cornea. This extremely high-precision incision technique is used in refractive surgery and other corneal surgery procedures.

VISULAS Trion *VITE*

First multi-wavelength laser for photocoagulation of the retina, which significantly cuts treatment time, due to the use of multi-spot sequences, and reduces pain for patients.

Cataract

Deterioration of vision through opacity of the lens.
Most common cause of blindness worldwide; typical disease among the elderly.

Ear, nose and throat surgery

Abbreviation: “ENT surgery”
Also: Otorhinolaryngology
Medical field concerned with the recognition and surgical treatment of diseases, injuries, malformations and malfunctions in the entire head and neck area.

Glaucoma

Ophthalmic disease which leads to increasing restriction of the field of vision, often caused by an increase in ocular pressure.
Second most common cause of blindness in industrialized countries.

IOL

Abbreviation of “Intraocular lens”
Synthetic lens to replace the natural lens of the eye, used in cataract surgery.

Neurosurgery

Medical field concerned with the treatment of diseases, injuries and malformations of the central nervous system (brain, spinal cord, peripheral nerves).

ReLEx® smile

Minimally invasive procedure for the correction of vision defects by means of lenticule extraction, which uses only state-of-the-art and precise femtosecond technology.

ZEISS MICS Platform

Broadest range of MICS intraocular lenses (IOLs) and viscoelastics (OVDs) on the market, and the VISALIS® phaco technology for microincision surgery. New to the range is the BLUEMIXS® 180 Injector, which can also be used, for the first time, for the implantation of preloaded refractive ZEISS MICS intraocular lenses.

ZEISS Toric Solution

This is a specifically coordinated combination of different products and services that enables the physician to implant toric intraocular lenses quickly and easily. Treatment outcomes are thus improved.

Financial calendar and Event calendar 2011/2012

Table 1: Financial calendar 2011/2012

Date	Financial year 2011/2012
14 February 2012	3 Month Report
14 February 2012	Telephone conference
9 March 2012	Annual General Meeting
15 May 2012	6 Month Report
15 May 2012	Telephone conference
14 August 2012	9 Month Report
14 August 2012	Telephone conference
6 December 2012	Annual Financial Statements 2011/2012
6 December 2012	Analyst's Conference, Frankfurt am Main

Table 2: Event calendar 2011/2012

Date	Financial year 2011/2012
3 – 5 February 2012	ESCRS Winter Meeting (European Society of Cataract & Refractive Surgery) (Ophthalmology) Prague, Czech Republic
21 – 24 March 2012	EBCC (European Breast Cancer Conference) (Oncology) Vienna, Austria
20 – 24 April 2012	ASCRS (American Society of Cataract and Refractive Surgery) (Ophthalmology) Chicago, USA
14 – 18 April 2012	AANS (American Association of Neurological Surgeons) (Neurosurgery) Miami, USA
9 – 13 May 2012	ESTRO (European Society for Therapeutic Radiology and Oncology) (Radiooncology) Barcelona, Spain
6 – 9 September 2012	Euretina (Ophthalmology) Milano, Italy
8 – 11 September 2012	ESCRS Summer Meeting (European Society of Cataract & Refractive Surgery) (Ophthalmology) Milano, Italy
28 October – 1 November 2012	ASTRO (American Society for Therapeutic Radiology and Oncology) (Radiooncology) USA
10 – 13 November 2012	AAO (American Academy of Ophthalmology) (Ophthalmology) Chicago, USA

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