

**Single-entity financial statements
of Carl Zeiss Meditec AG (HGB)**
Financial year 2010/2011



CARL ZEISS MEDITEC

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Management report for financial year 2010/2011¹

1 Carl Zeiss Meditec AG

1.1 Business

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

Ophthalmology

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

Microsurgery

In **Microsurgery**, 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 tumours, 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.

1.2 Markets

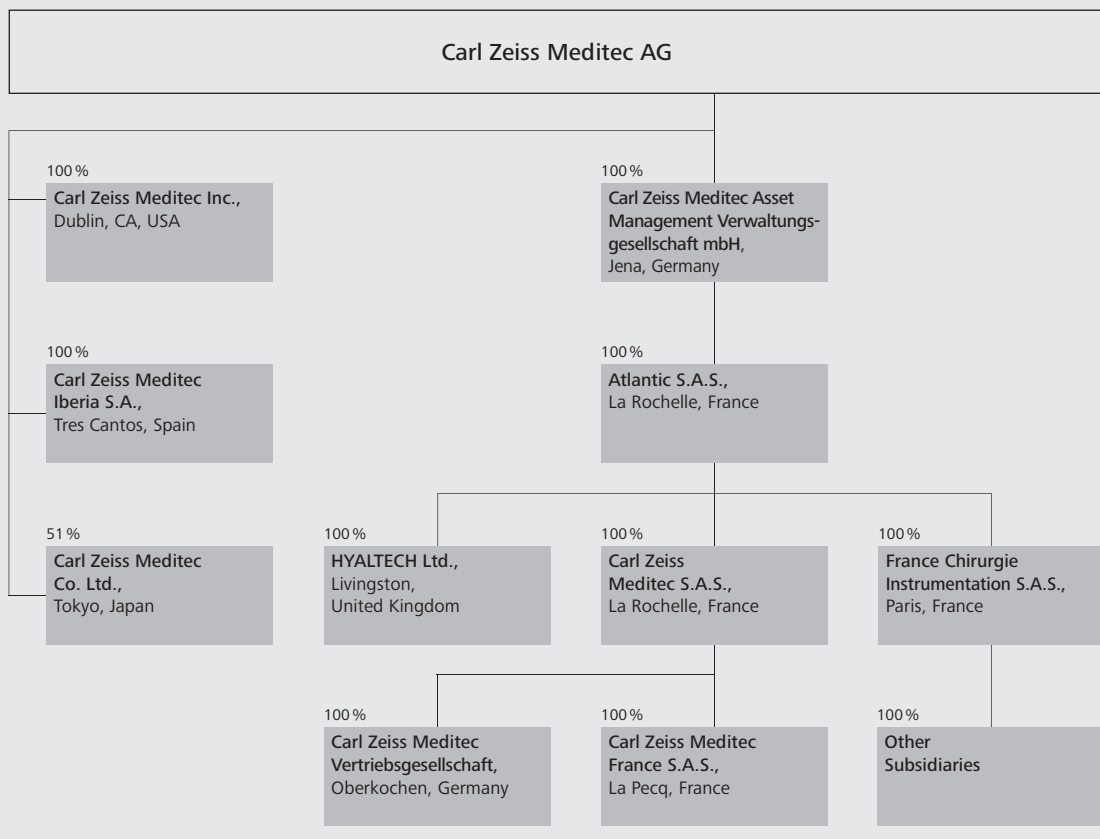
Carl Zeiss Meditec is a company with a global presence. With our headquarters in Jena (Germany) and operating sites and subsidiaries in Germany, France, Spain, the USA and Japan, we have a direct presence in the most important medical technology markets. In addition, we use the strong global distribution 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.

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

1.3 Group structure

Carl Zeiss Meditec AG, Jena, Germany, is the parent company of the Carl Zeiss Meditec Group (the "Group"), which comprises additional subsidiaries. These are presented in the chart below, which shows the investment structure of the Carl Zeiss Meditec Group as of 30 September 2011.

Figure 1: 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 merger was entered in the commercial register on 1 June 2011.

Consequently, the Company's data for financial year 2010/2011 and the data in the annual financial statements as of 30 September 2011 are only comparable to a limited extent with the previous year's figures.

More details on the merger can be found in the Notes to these annual financial statements.

1.4 Corporate 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 programme is to focus on the mission-critical areas and work specifically on these. The individual focus areas are innovation, customer focus, 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 stay on the course we have taken and secure a continued high-income future for the Company. Consistently implementing our targets will require the involvement of the entire Company and each individual employee.

1.5 Management of the Company

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 Company. 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 importance is attached to sales, 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

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 group², 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 Economics (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%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 entirely 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 GDP in Germany to increase by 2.9%⁴. 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%⁵, while in India, experts anticipate an 8%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.

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 high level of income and a growing tendency to pursue health care services. At the same time, the growing cost pressure in the key industrialised 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 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.

³ Cf. *ibid.*, p. 13

⁴ Cf. *ibid.*, p. 24

⁵ Cf. *ibid.*, p. 13

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.

a) Market for ophthalmic products

The market for ophthalmic products in the broader sense includes devices and systems for the diagnosis, treatment and post-treatment of ophthalmic diseases, implants for ophthalmic surgery, as well as 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 product range of Carl Zeiss Meditec and its subsidiaries 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. According to our own estimates, our global market share of the market segment “implants, consumables and instruments for ophthalmic surgery” amounted to about 3 % – 4 % in 2011. However, our regional market shares in this market segment vary between 5 % and 20 % in the countries we are currently focusing on.

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 over US\$ 830 million or around € 610 million in 2011. With a market share which it estimates to be above 20 %, Carl Zeiss Meditec is thus the largest supplier 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 Carl Zeiss Meditec at the end of the financial year

The past financial year was a very successful year for Carl Zeiss Meditec. Together with all our employees, we achieved a significant increase in sales and even exceeded our target. All strategic business units and regions contributed to this growth. We also disproportionately increased our 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 Company's sound financial position is also contributing to our growth and excellence-driven corporate objectives, and protects Carl Zeiss Meditec against external influences.

2.3 Summary of business development

Carl Zeiss Meditec AG's development in financial year 2010/2011 was very encouraging. Firstly, the Company conducted the merger of several subsidiaries in the past financial year, as the absorbing entity. Secondly, it continued on its growth course of the last year and even increased its growth rate.

Compared with the previous year (€ 139.3 million), sales increased by 227.8% to € 456.5 million. Compared on a similar basis with the previous year, i. e., taking the merger into account, the previous year's sales would have amounted to € 373.6 million, resulting in like-for-like sales growth of 22.2%.

Besides the well-known ophthalmic products, in particular the innovative products of the former Carl Zeiss Surgical GmbH and *Acri.Tec GmbH contributed to this growth in sales. Sales also increased due to the bundling of the global sales logistics of implants (intraocular lenses, IOLs) and other products (viscoelastic solutions and products for vitreoretinal surgery) for ophthalmic surgery via Carl Zeiss Meditec AG. This measure began in the previous year and was completed in the past financial year.

Sales in the area of ophthalmology increased significantly compared with the previous year, particularly for the products in the VISUCAM® series, the ZEISS Refractive Laser Solution and femtosecond technology. In the Microsurgery SBU, sales increased most significantly for the surgical microscopes OPMI® Pentero®, OPMI® VARIO 700 and OPMI LUMERA® 700. The products for intraoperative radiation therapy ("IORT") also contributed disproportionately to sales growth. In the third SBU, Surgical Ophthalmology, the main contributors are the intraocular lenses (IOLs) for microincision surgery CT ASPHINA®, and the products of the IOL family AT LISA®.

Due to the merger, regional growth rates are between 163% and 300%. Compared on a similar basis with the previous year, however, i. e., taking the merger into account, growth rates would have been between 4% and 33%. The region "Europe, Middle East and Africa", excluding Germany ("EMEA"), with sales of € 166.1 million (previous year: € 63.1 million), ceded relative shares in sales to other selling regions. Although this region is still the strongest regional selling market, with a share of sales of 36.4%, its growth was not as significant in comparison with the other regions. Like-for-like, sales in this region increased by 16%, from € 143.0 million in the previous year. The highest growth rates were achieved by the "Americas" and "Asia/Pacific" regions. The sales increase in the "Asia/Pacific" region, to € 141.4 million (previous year: € 37.7 million), is attributable not only to the merger but also to our efforts in operations, our strategic orientation, and to the particularly dynamic growth in the region. Compared on a "like-for-like" basis with the previous year, sales in this region increased by 33%, from € 106.0 million in the previous year. In the "Americas" region, sales increased by 300.6% compared with the previous year; like-for-like, sales increased by 27% from € 82.4 million. Due to the merger, business in Germany grew by 259.3% to € 44.0 million; like-for-like, sales grew by just 4%.

The result from ordinary activities increased from € 32.3 million the previous year to € 49.6 million in financial year 2010/2011. This includes investment income from the dividend distribution of the wholly-owned subsidiary Carl Zeiss Meditec, Inc. of € 7.1 million. In the previous year, this included a similar item of the former wholly-owned subsidiary Carl Zeiss Surgical GmbH, of € 20.0 million. Net income in the year under review amounted to € 36.5 million (previous year: € 28.7 million).

Carl Zeiss Meditec AG's cash holdings decreased by € 8.0 million, from € 157.0 million in the previous year to € 149.0 million as at 30 September 2011. Added to this are receivables (i. e. credit) of € 2.2 million from the Group treasury of Carl Zeiss AG (previous year: € 1.4 million). Working capital increased significantly compared with the previous year. This is attributable, firstly, to the assumption of the assets of the companies merged during the financial year and, secondly, to the stockpiling of products in our strategic business unit Surgical Ophthalmology due to the reorganization of its goods logistics to bring it into line with the Carl Zeiss Meditec AG system. Furthermore, the payment of the dividend to our shareholders to the amount of € 44.7 million had a reverse effect. However, due to the improved operating result during the reporting period, cash flow from operating activities increased to € 42.1 million (previous year: € 20.3 million).

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

2.4 Results of operations

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

	Financial year 2010/2011	Financial year 2009/2010	Change from previous year
Sales	456,548	139,259	+227.8 %
Gross profit	193,602	49,383	+292.0 %
Business results	49,620	32,273	+53.8 %
Net income	36,476	28,656	+27.3 %

Sales

In addition to the existing strategic business unit ("SBU") "Ophthalmic Systems", the Company now also operates, due to the merger, in the strategic business units "Microsurgery" and "Surgical Ophthalmology" of the Carl Zeiss Meditec Group.

Carl Zeiss Meditec AG generated sales of € 456.5 million in financial year 2010/2011. This corresponds to an increase of 227.8% year-on-year (previous year: € 139.3 million). This development is mainly attributable to the merger of a number of subsidiaries in the past financial year, and to the acquisition of the global logistics organization of the strategic business unit Surgical Ophthalmology by Carl Zeiss Meditec AG. Compared on a similar basis with the previous year, i. e., taking the merger into account, the previous year's sales would have amounted to € 373.6 million, resulting in like-for-like sales growth of 22.2%.

Sales by strategic business unit

The main sales drivers in the strategic business unit "Ophthalmic Systems" are the diagnostic systems IOLMaster® 500, Cirrus™ HD-OCT, the VISUCAM® series fundus cameras and the ZEISS Refractive Laser Solution products. The most important products in the Surgical Ophthalmology are in particular the intraocular lenses for microincision surgery, CT ASPHINA®, the products in the IOL family AT LISA® and the IOLs of ZEISS Toric Solution. The surgical microscopes OPMI® Pentero®, OPMI® VARIO 700 and OPMI LUMERA® 700, and the products for intraoperative radiation therapy (IORT) are the main drivers of sales in the Microsurgery strategic business unit.

Service sales increased slightly compared with the previous year.

Table 2: Share of strategic business units in sales in financial year 2010/2011 (sales figures in € '000)

Business area	Financial year 2010/2011		Financial year 2009/2010		Change from previous year
	Sales	Share of sales	Sales	Share of sales	
Ophthalmic Systems	155,351	34.0 %	138,535	99.5 %	+12.1 %
Surgical Ophthalmology	59,993	13.2 %	724	0.5 %	+8,186.3 %
Microsurgery	241,204	52.8 %	–	–	+∞ %
Total	456,548	100.0 %	139,259	100.0 %	227.8 %

Sales 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 sales growth. However, it was in particular the "Asia/Pacific" and the "Americas" regions which provided markedly positive impetus for growth, with double-digit growth rates.

Due to the merger, the macroeconomic trends presented in the financial report are not completely reflected in the distribution of sales by region. Moreover, the merger resulted in a mix shift in regional sales. Since a main focus of the Microsurgery SBU's sales is in the "Americas" region, this leads, with growth of 300.6 % to € 105.0 million, to a greater increase than the sales growth recorded in the "Asia/Pacific" region. Sales in this region increased by 275.0 %, from € 37.7 million to € 141.4 million.

Table 3: Sales by region in financial year 2010/2011, in percent (sales figures in € '000)

Region	Financial year 2010/2011		Financial year 2009/2010		Change from previous year
	Sales	Share of sales	Sales	Share of sales	
Germany	44,014	9.6 %	12,249	8.8 %	+259.3 %
EMEA (excluding Germany)	166,103	36.4 %	63,075	45.3 %	+163.3 %
Asia/Pacific region	141,396	31.0 %	37,717	27.1 %	+275.0 %
Americas	105,035	23.0 %	26,218	18.8 %	+300.6 %
Total	456,548	100.0 %	139,259	100.0 %	+227.8 %

Due to the merger, regional sales growth rates are between 163 % and 300 %. Compared on a similar basis with the previous year, however, i. e., taking the merger into account in the previous year's sales, growth rates would have been between 4 % and 33 %.

Table 4: Sales by region in financial year 2010/2011, in percent, "like-for-like" (sales figures in € '000)

Region	Financial year 2010/2011		Financial year 2009/2010 "like-for-like"		Change from previous year "like-for-like"
	Sales	Share of sales	Sales	Share of sales	
Germany	44,014	9.6 %	42,171	11.3 %	+4.4 %
EMEA (excluding Germany)	166,103	36.4 %	142,971	38.3 %	+16.2 %
Asia/Pacific region	141,396	31.0 %	106,048	28.4 %	+33.3 %
Americas	105,035	23.0 %	82,443	22.0 %	+27.4 %
Total	456,548	100.0 %	373,633	100.0 %	+22.2 %

Presentation of results of operations

Carl Zeiss Meditec's gross margin increased to 42.4 % in financial year 2010/2011, compared with 35.5 % in the previous year. This very encouraging trend is the result, on the one hand, of consistently implemented cuts in production costs. On the other hand, the merger led to a shift in the product mix to more profitable products, for example from the strategic business unit Microsurgery, which is having a positive effect on the gross margin.

The Company will continue to work on the development of high-margin products with the aim of continuously improving the gross margin.

The result from ordinary activities in financial year 2010/2011 was € 49.6 million (previous year: € 32.3 million). The following major effects should be taken into account in period under review:

- In the sales area, costs rose by € 57.7 million over the previous year, due to the merger. The corresponding costs ratio increased from 15.8 % in financial year 2009/2010 to 17.5 % in the period under review. The operative increase is mainly attributable to the higher freight and commission costs associated with the volume sales, as well as higher marketing costs, including in the area of IORT and Service.
- Administrative costs increased by € 22.6 million year-on-year to € 33.7 million. In addition to the merger effect, this increase is particularly attributable to project costs incurred in connection with the merger of the legal entities in Germany. Relative to sales, there is an administrative costs ratio of 7.4 % for financial year 2010/2011 (previous year: 8.0 % of sales).
- Research and development costs rose by less than 276.9% year-on-year before offsetting against subsidies received. Taking subsidies into account, these costs amount to € 59.5 million. At € 0.7 million, the Company received € 0.4 million more in subsidies from public funding authorities in the reporting year than in the previous year. Relative to sales, investment in research and development increased compared with the previous year, resulting in a ratio of 13.0 % for the reporting year (previous year: 11.2 % of sales).
- Other operating income increased by € 14.2 million year-on-year and mainly includes prior-period income from the reversal of provisions (€ 10.0 million), income from foreign currency translation (€ 9.0 million), on-charging to Group companies (€ 6.0 million), an investment grant (€ 0.4 million), as well as accounting profits from asset disposals (€ 0.1 million).
- As in the previous year, other operating expenses include currency losses and amount to € 10.0 million (previous year: € 3.7 million).
- A distribution by Carl Zeiss Meditec, Inc. results in income from investments of € 7.1 million; in the previous year, this included a similar item of the former Carl Zeiss Surgical GmbH in the amount of € 20.0 million.
- Net interest income arises in particular from the financial investment of the cash and cash equivalents, which attract interest at normal market rates. It also includes income from a profit-related payment of a convertible bond issued by the subsidiary Atlantic S.A.S. to finance the acquisition of shares in the former Ioltech S.A. (now operating as Carl Zeiss Meditec S.A.S.). In the period under review, this performance-related remuneration amounted to € 6.0 million (previous year: € 1.8 million). Interest expense contains an interest portion for pensions in the amount of € 2.2 million (previous year: € 0.0 million).
- The extraordinary result reflects exclusively the effects of the first-time application of the provisions of the German Accounting Law Modernization Act (BilMoG) at the date of transition. This includes expenses of € 1.1 million and income of € 0.5 million.

Overall, therefore, Carl Zeiss Meditec AG generated total net income for the year of € 36.5 million (previous year: € 28.7 million).

Key ratios relating to results of operations

Table 5: Key ratios relating to results of operations in financial year 2010/2011, in percent

Key ratio	Definition	Financial year 2010/2011	Financial year 2009/2010	Change from previous year
Return on sales	Net income	8.0%	20.6%	-12.6%-pts
	Sales			
EBIT	Earnings before interest and taxes	€ 36.3 million	€ 8.2 million	+342.7%
EBIT return	EBIT	8.0%	5.9%	+2.1%-pts
	Sales			
Gross margin	Gross profit	42.4%	35.5%	+6.9%-pts
	Sales			

2.5 Financial position

Objectives and principles of financial management

A primary objective of financial management at Carl Zeiss Meditec AG is to ensure the solvency of the Company and manage this efficiently throughout the Group. The Company's main source of liquidity comes from the business operations of the individual business units, upon which the financial activities and the strategic orientation of the 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. When investing surplus liquidity, short-term availability generally comes before the goal of maximising earnings, so that funds can be accessed quickly should, for example, acquisition opportunities arise. Carl Zeiss Meditec has production facilities in the USA and Europe and is therefore only partly exposed to a direct currency risk, which it hedges against using simple currency forward contracts.

Financial management

The debt ratio of the Company, i. e., the ratio of borrowed capital to equity, amounted to 17.6% as of 30 September 2011 (30 September 2010: 4.8%).

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

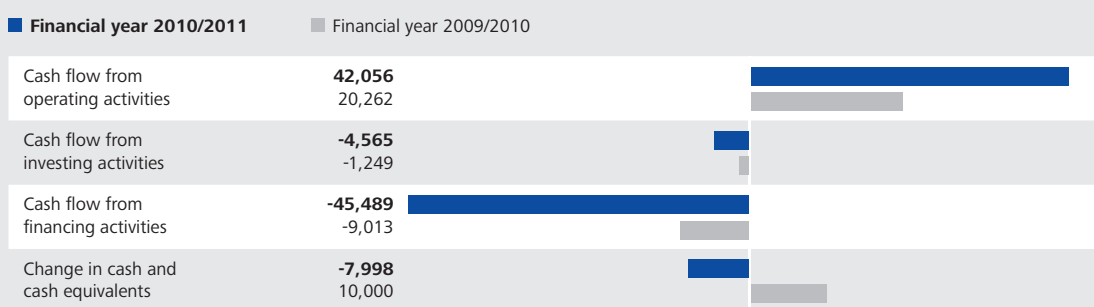
Since Carl Zeiss Meditec possesses enough cash funds to finance its operating and strategic objectives, changes in interest rates and credit conditions are not currently having any material effect on its financial position.

Statement of cash flows

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

The cash flow statement records the changes in individual items in the income statement and the balance sheet which occurred after the date of the merger. In contrast, the balance sheet presents the figures as they stood at the balance sheet date 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 balance sheet.

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



Cash flow from operating activities amounted to € 42.1 million in financial year 2010/2011 (previous year: € 20.3 million). Due in particular to the merger-related increase in the volume of business and the launch of new products, we stockpiled inventories accordingly. Trade receivables also increased as a result of the strong demand in the fourth quarter, which grew again significantly in the second half of September.

Cash flow from investing activities amounted to € -4.6 million (previous year: € -1.2 million). This is mainly attributable, in addition to the positive addition of € 13.6 million from the merger, to the granting of Group loans to two subsidiaries with a total value of € -21.5 million, the repayment of a Group loan by a subsidiary (€ 8.0 million), and to investments in tangible assets totalling € -4.5 million.

Investments in intangible assets amounted to € 0.3 million in the period under review.

Under **cash flow from financing activities** there was a cash outflow of € -45.5 million in reporting year 2010/2011 (previous year: € -9.0 million). 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.

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

Investment and depreciation policy

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

In terms of the production of devices and systems, the Company mostly confines itself to the integration of individual components to create system solutions. For this reason, the ratio of 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 required investment of capital in tangible assets is relatively limited, which is also evident from the development of the capex ratio – the ratio of total investments⁶ in tangible assets to sales. In the reporting year, the capex ratio was 1.0%; in the previous financial year it was 0.8%. For details on the depreciation policy, please refer to the Notes to the annual financial statements.

⁶ In financial year 2010/2011, investments in tangible assets totalled € 4.5 million, compared with € 1.0 million in the previous year.

Key ratios relating to financial position

Table 6: Key ratios relating to financial position

Key ratio	Definition	30 September 2011	30 September 2010	Change from previous year
Cash and cash equivalents	Cash on hand, bank balances and balances at Group treasury	€ 149.0 million	€ 157.0 million	-5.1 %
Net cash and cash equivalents	Cash-in-hand and bank balances + balances with or receivables from Carl Zeiss AG Group treasury	€ 151.2 million	€ 158.4 million	-4.5 %
Ratio of inventories to current assets	$\frac{\text{Total inventories}}{\text{Current assets}}$	20.8 %	10.0 %	+10.8 %-pts
Ratio of cash and cash equivalents to current assets	$\frac{\text{Cash and cash equivalents}}{\text{Current assets}}$	45.1 %	71.1 %	-26.0 %-pts
Net working capital	Current assets ./. cash and cash equivalents ./. receivables from Group treasury of Carl Zeiss AG ./. current liabilities	€ 133.1 million	€ 50.4 million	+164.0 %
Working capital ratio	$\frac{\text{Current assets}}{\text{Short-term liabilities}}$	712.1 %	1,843.8 %	-1,131.7 %-pts

2.6 Net assets

Presentation of net assets

Pursuant to German commercial law, Carl Zeiss Meditec AG had total assets of € 907.8 million as of 30 September 2011. Compared with the previous year (€ 816.3 million), this corresponds to an increase of 11.2 %. The increase in inventories to € 68.9 million (previous year: € 22.0 million) also reflects the assumed inventories from the merger. Part of the increase in inventories of finished goods and merchandise is attributable to the strategic business unit Surgical Ophthalmology. The Company had already begun taking over the global logistics of this business unit in financial year 2009/2010. Customers are supplied from a central warehouse, which shortens the delivery time to our customers, the physicians, and thus increases the availability of the products. However, due also to the increase in volume compared with last year, the larger number of orders on hand and the pending rollout of several new products, inventories of raw materials, consumables and supplies, and unfinished goods, also increased by a total of 159.6% to € 41.3 million.

Trade receivables increased from € 5.0 million as of 30 September 2010 to € 22.8 million as of 30 September 2011, mainly as a result of the merger. Receivables from affiliated companies amounted to € 86.9 million as of the balance sheet date 30 September 2011 (previous year: € 29.6 million). These receivables are exclusively receivables from companies affiliated with Carl Zeiss Meditec AG and Carl Zeiss AG. The increase compared with the previous year is due to a higher level of trade receivables, a larger short-term Group loan in the amount of € 14.0 million (previous year: € 3.0 million), receivables from Carl Zeiss AG for on-charged costs and an advance VAT return, and receivables from the Group treasury.

This balance sheet item also includes receivables from the French interim holding Atlantic S.A.S. from the performance-related convertible bond remuneration. In the year under review this performance-related remuneration amounted to € 6.0 million (previous year: € 1.8 million).

The receivables from the Group treasury of Carl Zeiss AG reported in the previous year amount to € 2.2 million as of 30 September 2011 (30 September 2010: € 1.4 million).

The item "Shares in affiliated companies" decreased compared with the previous year in the course of the merger. This item includes any remaining investments in subsidiaries of Carl Zeiss Meditec AG. Essentially these are Carl Zeiss Meditec Inc., Dublin, USA (investment book value: € 177.2 million), Carl Zeiss Meditec Co., Ltd., Tokyo, Japan (investment book value: € 0.3 million), Carl Zeiss Meditec Iberia S.A., Madrid, Spain (investment book value: € 3.8 million) and Carl Zeiss Meditec Asset Management Verwaltungsgesellschaft mbH, Jena, Germany (investment book value: € 52.1 million).

The loans to affiliated companies increased by € 21.9 million year-on-year, from € 92.0 million to € 113.9 million as of 30 September 2011. This is mainly attributable to a loan to a subsidiary with a term of 18 years, in the amount of € 22.2 million.

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

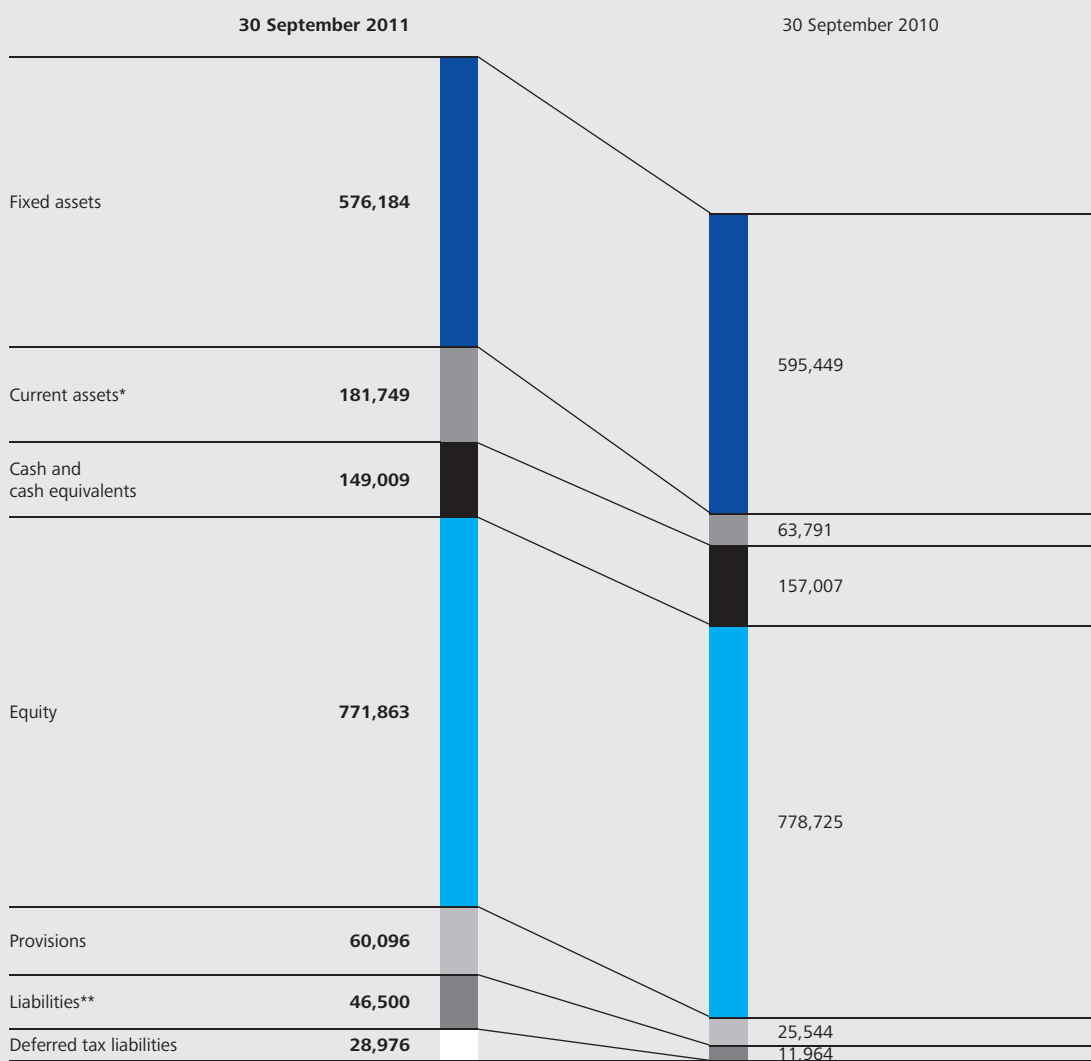
Cash and cash equivalents include cash-in-hand and bank balances, as well as short-term financial investments at banks deposited via the Group treasury of the Carl Zeiss Group and pledged with Carl Zeiss Meditec AG amounting to € 39.0 million (previous year: € 157.0 thousand). There is also another fixed-term deposit of € 110.0 million, which is also carried under cash and cash equivalents.

In a year-on-year comparison as of the balance sheet date, the following major changes resulted on the liabilities side of the balance sheet. Net retained profits increased on a level with the net income for the year of € 36.5 million (see also section "2.4 Results of operations" for further details). The dividend paid of € 44.7 million had the reverse effect.

Under provisions, provisions for pensions decreased by 97.5 %, since these provisions were offset against the relevant, external plan assets. Other provisions increased by € 40.2 million, due mainly to the merger.

Figure 3 below charts the most important changes in the balance sheet structure as of 30 September 2011 and 2010.

Figure 3: Balance sheet structure of Carl Zeiss Meditec AG as of 30 September 2011 and 2010 (figures in € '000)



* excluding cash and cash equivalents
 ** incl. deferred income

Key ratios relating to net assets

In the period under review, Carl Zeiss Meditec maintained its exceptionally sound asset structure of previous years.

Table 7: Key ratios relating to net assets

Key ratio	Definition	30 September 2011	30 September 2010	Change from previous year
Equity ratio	Equity Total assets	85.0%	95.4%	-10.4 %-pts
Debt ratio	Total borrowed capital (excluding deferred income) Equity	17.6%	4.8%	+12.8 %-pts
Liquidity ratio A	Equity Fixed assets	134.0%	130.8%	+3.2 %-pts
Liquidity ratio B	Equity + long-term borrowed capital Fixed assets	134.0%	131.8%	+2.2 %-pts
Liquidity ratio for medium-term and long-term assets	Equity + medium-term and long-term borrowed capital Fixed assets + receivables due after > 1 year	134.9%	131.6%	+3.3 %-pts

2.7 Orders on hand

The current order situation allows the Company to look forward with optimism. Orders on hand increased to € 62.4 million as of 30 September 2011 and were thus € 50.4 million higher than the previous year's level of € 12.0 million. The Company believes that the trend for customers to place orders at short notice will continue unabated.

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). His successor as Head of Sales and Service, Mr. Thomas Simmerer, already assumed his office effective from 1 April 2011. Mr. Simmerer was previously CEO of Carl Zeiss Surgical GmbH.

On 1 June 2011, the legal entities Carl Zeiss Surgical GmbH, *Acri.Tec GmbH, Carl Zeiss Meditec Systems GmbH and Carl Zeiss Medical Software GmbH were fully merged under the umbrella of Carl Zeiss Meditec AG. Specifically, this means that, effective from 1 June 2011, we also operate in Germany as a single company under the name "Carl Zeiss Meditec". We see this as the next, necessary step to appear even more to our customers as ONE company in future, and to collaborate even more closely across locations and business areas. For details of the merger, please refer to the Notes to these annual financial statements.

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 is to be 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

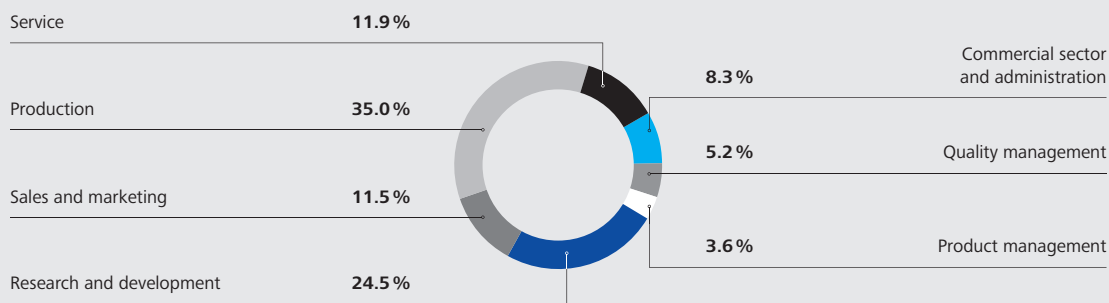
Development of workforce

As of 30 September 2011, Carl Zeiss Meditec had 969 employees. This figure does not include Management Board members. There were also 14 trainees. In the previous year, the Company had 339 employees, plus 16 trainees. Neither of the above figures takes account of partially retired employees.

On average, the Company had a 927 employees in financial year 2010/2011 (previous year: 333 employees). In addition, the Company had an average of 14 trainees in the reporting period (previous year: 16 trainees). Carl Zeiss Meditec's success relies on the commitment, the motivation and the qualifications of its employees. Based on the growth of our business volume, we increased the number of employees slightly.

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

Figure 4: Company personnel structure by function, in percent



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 in this respect is on the personal and professional development of our Company’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

Production plants

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

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 purchased preliminary products 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, Carl Zeiss Meditec strives to qualify additional suppliers for key components and vendor parts.

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

Production planning

Production planning in Jena and Oberkochen is based on the rolling forecast method. The majority of distribution partners prepare a sales forecast once a quarter for the next 15 months. This sales forecast is then translated into a demand forecast for production units, taking inventory changes into account. In order to keep stocks to a minimum, products are usually assembled to customer order (series production of individual items). The rolling forecast method described above is also applied for the manufacture of intraocular lenses. Limited quantities of the finished products are stockpiled, however, since customers expect the implants to be delivered very quickly.

3.3 Research and development

Objectives and focus of research and development

Our excellence in research and development (R&D) is measured based on our ability to continuously and sustainably improve the performance and growth of the Company 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 in the Company. The aim is to enable customers and physicians to continuously improve treatment outcomes by increasing efficiency and providing innovative new products. In the past financial year, the R&D ratio rose from 11.2% in the previous year to 13.0%.

In the reporting period, the Company had 227 research and development employees on average (previous year: 91). This corresponds to 24.5% of the overall workforce of Carl Zeiss Meditec.

Focus of research and development activities in the reporting period

Research and development at Carl Zeiss Meditec mainly focuses on:

- examining new technological concepts in terms of their clinical relevance and effectiveness. The concept of “evidence-based medicine” plays a major role in this, i.e. 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. This procedure enables physicians to operate with precision and minimal invasion. 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 4 mm wide. This procedure thus requires around 80 % less of an incision area in the patient's upper cornea. Compared with previous methods of treatment, 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®. This innovation means that patients no longer have 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. For the first time, the OPMI LUMERA® 700 now has an integrated data injection system, which allows toric intraocular lenses to be aligned with precision, since the target axis is visible when looking through the microscope. Another option now available for the device is the space-saving ceiling mount. In addition, combining the system with the modular platform CALLISTO eye® provides the physician with 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.

VISALIS® 500

Carl Zeiss Meditec now covers the entire spectrum of services for cataract treatment and aftercare (diagnostic equipment, surgical microscope, phaco system, CALLISTO eye® OR 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. VISALIS® 500 supplements this series. In addition to its use in the treatment of cataracts, VISALIS® 500 can also be used for 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. 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 its simple user interface and the flexible positioning of the device, the microscope gives the surgeon a better view of the surgical field, thus making workflows in the operating room more efficient.

OPMI® PENTERO® 900

Carl Zeiss Meditec's new surgical microscope OPMI® PENTERO® 900 represents the next generation of surgical microscopes for the neurosurgical field. 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.

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 one patent a week is awarded to Carl Zeiss Meditec or one of its subsidiaries. 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 the Section 87 German Stock Corporation Act (AktG). 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 them, 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.

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 sales, 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 fulfilment.

In addition to the two components of Management Board remuneration described above, there is also a so-called Long Term Incentive Program ("LTIP"), which was last published in financial year 2007/2008 and had a term of three years. The programme 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 final 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) of the first year of each tranche period.

Table 8: 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 kind⁷	Variable remuneration⁸	Sum of directly paid remuneration	LTIP⁹	Total remuneration pursuant 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 ¹⁰	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 ¹¹	110.0	10.3 ¹²	81.2	201.5	–	201.5
Ulrich Krauss ¹³	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 ¹⁴	– (112.5)	– (–)	– (–)	– (112.5)	– (–)	– (112.5)
Bernd Hirsch ¹⁵	– (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 that has been prescribed by the German Stock Corporation Act (AktG) since 5 August 2009 of at least 10% of the damages up to at least one-and-a-half times the fixed annual remuneration. 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.

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. Pursuant to HGB, an appropriation of € 121 thousand was made for Management Board member Dr. Ludwin Monz in financial year 2010/2011; an appropriation of € 22 thousand was made for Management Board member Dr. Christian Müller, and an appropriation of € 14 thousand was made for Management Board member Thomas Simmerer.

⁷ Payments in kind include other benefits such as perks from the provision of a company car, as well as contributions to group accident insurance.

⁸ 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.

⁹ Information on the Long Term Incentive Programme (LTIP) in financial year 2010/2011 relates to the payments made in this financial year for the performance period from 1 October 2007 to 30 September 2010, if these differ from those in the previous year.

¹⁰ from 15 December 2009

¹¹ from 1 April 2011

¹² incl. cost reimbursement in connection with job-related relocation of € 4.6 thousand

¹³ until 12 April 2011

¹⁴ until 4 March 2010

¹⁵ until 30 November 2009

The appropriation to pension provisions of € 26 thousand for Management Board member Ulrich Krauss, who stepped down 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.

Projected unit credits for pensions for other former members of the Management Board of Carl Zeiss Meditec amounted to € 374 thousand (previous year: € 283 thousand).

Employer contributions were paid into the statutory pension fund in financial year 2010/11 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.

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 members of the Supervisory Board was amended, effective from 1 October 2010, by way of a revision of Section 19 of Carl Zeiss Meditec AG's Articles of Association resolved during the Annual General Meeting on 12 April 2011.

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 calculated in accordance with the International Financial Reporting Standards (IFRSs) 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 9: Itemized breakdown of the remuneration paid to the Supervisory Board of Carl Zeiss Meditec pursuant to Section 19 (1) of Carl Zeiss Meditec AG's Articles of Association (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 ¹⁶ (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 ¹⁷	9.3	2.3	10.9	22.5
Dr. Dieter Kurz ¹⁸	10.7 (12.1)	2.7 (-)	12.4 (47.0)	25.8 (59.1) ¹⁹
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 ²⁰	- (4.2)	- (-)	- (11.4)	- (15.6) ¹⁹

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 2010/11.

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 a negative effect on the attainment of business targets and budgets within a defined period of assessment.

¹⁶ from 4 March 2010

¹⁷ from 12 April 2011

¹⁸ until 12 April 2011

¹⁹ Dr. Dieter Kurz and Ulrich Hoffmann waived their remuneration entitlement for financial year 2009/2010 by way of waivers submitted during the financial year.

²⁰ until 4 March 2010

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

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

- **Risk management system:** In order to be able to identify risks in good time, evaluate them and take the appropriate countermeasures, the Company has set up an efficient risk 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:** Controlling at Carl Zeiss Meditec keeps the Management Board and all responsible decision-makers within the Company regularly informed on occurring risks on the basis of key ratios, thereby supplementing 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 key element of the early risk detection is Carl Zeiss Meditec's certified quality management system. Clearly structured and documented quality management processes ensure not only transparency, but are now a prerequisite in most markets for obtaining regulatory approval for medical devices. The quality assurance system employed by Carl Zeiss Meditec was certified by DQS GmbH Deutsche Gesellschaft zur Zertifizierung von Managementsystemen and complies with the U.S. 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.

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 Carl Zeiss Meditec 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 annual financial statements is in line with German Commercial Code (HGB) and that external financial reporting is reliable.

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

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.

Economic environment

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

In particular the underlying conditions in the global economy have become more volatile over the past few years, which has led to greater overall economic risks. Although there was a substantial revival in incoming orders in the medical technology business in financial year 2010/11, 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. The early warning system for risks established by the Company enables these risks to be recognized in good time and countermeasures to be initiated. 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.

Market and competition

The search for new treatment methods in the medical technology industry has intensified as a result of global competition. Some competitors are larger than Carl Zeiss Meditec in terms of their total sales and have greater financial resources at their disposal to deal with this competitive pressure. Existing competitors may also be bought up by large, financially 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. Health insurance funds, insurance companies or government health schemes reimburse the costs of certain medical treatments carried out using products of Carl Zeiss Meditec. Changes in health and reimbursement policy in Germany or abroad could lead to the denial or reduction of reimbursement services. If reimbursement rates are too low, the profit margin of 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 Company 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 behaviour 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 result in a decline in Carl Zeiss Meditec's sales, as physicians and treatment centres might no longer purchase the equipment in the same volumes.

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.

New technologies and products

The markets in which the Company operates are characterized by a constant stream of technological innovations. A capacity for innovation and rapid product development are key competitive factors. New scientific findings may lead to shorter development and product cycles, alternative technologies or new pharmaceutical procedures. Whoever is first to launch innovative products for better treatment methods on the market may gain market shares from other suppliers. The success of Carl Zeiss Meditec therefore depends heavily on the quick development of innovative and market-driven products, and on the timely recognition

and conversion of new technology trends and new medical findings into new products. Should the Company lose touch with technological developments on the market, react too late to major technological developments, or fail to identify a market trend in good time or at all, this could have an impact on its competitive position. There is also a risk of one or more of the Carl Zeiss Meditec's products being entirely replaced by alternative technologies, pharmaceutical procedures or treatment methods. This could diminish or even completely eliminate demand for certain products in future, resulting in losses in sales and earnings.

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

Personnel risks

The ability of the Company to develop new products and technologies or enhance existing ones and market these successfully also depends on its ability to recruit well qualified employees and keep them with the Company long term. Employee competence, commitment and motivation play a vital role in determining the Company's success and 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 at all our locations; otherwise, the technological advancement and sale of the products and services the Company offers could become compromised. Carl Zeiss Meditec counters this risk with active employee development and successor planning. It is therefore very important for the Company to maintain and increase its attractiveness as an employer.

Product approval and political environment

In almost all of the countries in which the Company operates, business activities in the medical technology sector are subject to extensive government regulations. Particular attention must be paid to legal requirements concerning the manufacture and marketing of medical devices. In many countries, medical devices require explicit marketing approval or certification. Since Carl Zeiss Meditec's products are intended for a global market, they must comply as far as possible 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 Carl Zeiss Meditec will still exist or be renewed in the future. This could lead to losses in sales. If, for instance, the regulatory approval of a product is delayed, competitors may launch new products in the meantime and thereby win market shares, as a product whose market launch is delayed may, in some circumstances, not be met with (full) acceptance. It is also possible for a sales ban to be imposed on the products of the Company, or for the regulatory approval requirements to be tightened in future.

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

Dependence on affiliated companies and external suppliers

Carl Zeiss Meditec 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 Carl Zeiss Group to ensure the distribution of Carl Zeiss Meditec'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 Carl Zeiss Meditec may be unable to quickly turn to other, lower-cost providers.

The Company also 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 fulfil 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 various reasons, to terminate their business relationships with Carl Zeiss Meditec. Qualifying new suppliers, which would be necessary in this case, could take a long time. In addition, the Company 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 earlywarning, 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.

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, Carl Zeiss Meditec protects its own inventions with patents, acquires or licences patents from third parties and endeavours 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 Carl Zeiss Meditec to enter the market or strengthen their market position.

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

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

Loss of confidential data

Carl Zeiss Meditec owns a large number of business secrets. A number of measures serve to guarantee that the confidentiality of these business secrets is effectively protected and remains intact. If business secrets of the Company become known to competitors, this may have adverse effects on the Company's competitive position. To limit this risk, ethical rules of behaviour were laid down in the Carl Zeiss Group's "Code of conduct" and brought to the attention of all employees.

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

Product liability risk

There is an inherent risk of malfunctions in some of the medical 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 materialises. On the other hand, it could damage the reputation of Carl Zeiss Meditec in the long term.

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

Subsidiaries and company acquisitions

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

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

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

As a result of the merger in the past financial year, Carl Zeiss Meditec reports goodwill, for the first time, in its balance sheet as of 30 September 2011, totalling € 102.7 million, net. At the date of the merger, the gross value was € 110.0 million, and shall be amortized over a period of up to 15 years.

The impairment tests carried out in the current financial year did not give any indication of impairment of the goodwill-bearing cash-generating units (CGUs). Based on the development of business, the Company also anticipates positive results in 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 through profit or loss an impairment of the goodwill entered in the balance sheet of its annual financial statements.

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

In the future, Carl Zeiss Meditec may achieve further growth by acquiring other companies, among other things. When looking for suitable acquisition targets, the Company competes with other interested parties. There is a risk that suitable target companies may not exist or be available at acceptable conditions. Acquisitions also bear the additional entrepreneurial risk of the acquired company not performing as well economically as expected in the market, or of the sales and earnings targets being pursued with its acquisition not being reached, or of intended synergy effects not being achievable. With regard to other companies that may be acquired in future, there is a fundamental possibility of it being impossible to fully integrate these companies into Carl Zeiss Meditec. In such an event, this could have adverse effects on the net assets, financial position and results of operations of the Company.

Legal risks

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

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

Financial risks

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

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

In spite of the enduring financial crisis, we have categorised Carl Zeiss Meditec's financial risks as low. The basis for this categorization is our sound financing structure with an equity ratio of 85.0 %, 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 Carl Zeiss Group-wide cash pool. We do not therefore anticipate any material adverse effect on the Company's financial result.

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 optimising 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 Company also regularly sets up adequate provisions to cover such risks. On the whole, however, we consider this to be a limited risk.

The financial situation of Carl Zeiss Meditec can be considered stable. Cash and cash equivalents amounted to € 149.0 million as of the balance sheet date 30 September 2011. We also had a credit balance of € 2.2 million, expressed as receivables from the Group treasury of Carl Zeiss AG. The Company also generated cash flow from operating activities of € 42.1 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 Carl Zeiss Meditec'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 Company and ensure that they are manageable.

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

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

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

Carl Zeiss Meditec AG is aware of the following direct and indirect holdings in the capital of Carl Zeiss Meditec AG that exceed ten percent of the voting rights. Carl Zeiss AG, Oberkochen, Germany, holds, both directly and indirectly, a total of 65.05 % of the voting rights in Carl Zeiss Meditec AG. This corresponds to 52,893,270 no-par value shares. Carl Zeiss AG also indirectly holds 7.47 % of the voting rights or 6,074,256 no-par value shares in Carl Zeiss Meditec AG via its 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 Carl Zeiss Meditec AG's Articles of Association, the Supervisory Board is authorized to resolve amendments to the Articles of Association that only affect the version. This complies with Section 179 (1) Sentence 2 AktG.

The legal provisions concerning the appointment and dismissal of members of the Management Board are set forth in Section 84 and Section 85 AktG. In compliance with this, 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 own shares on the basis of other authorizations pursuant to Section 186 (3) sentence 4 AktG must be taken into account in the restriction to 10 % of the share capital.
- For capital increases against contributions in kind to grant shares for the purpose of acquiring companies, parts thereof or interests in a company.

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

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

- offer them for purchase to employees of the Company and affiliates of the Company as defined by Section 15 et seq. 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 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 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 into our sales organization in Spain was taken during the past financial year. The 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 twelve months in financial year 2011/2012. Our ambitious objectives are stated in our MEGA programme 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 focus, 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, for the first time, to perform a minimally invasive refractive correction. 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, as only one laser is required for the whole procedure. Although the procedure is not yet approved in all countries and only has a limited correction range to date, it still has huge potential in our opinion.

We supplemented our range of VISALIS® phacoemulsification devices, which can be used to remove the cloudy natural lens during cataract surgery, with the VISALIS® 500 product newly launched for the global market. In addition to its use in treating cataracts, the VISALIS® 500 can also be used for 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 from those 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. We are therefore increasing our presence in growth markets like India and are investing selectively in research and development projects there. 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 focus

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 demands for treatment quality and efficiency. We are continuously striving to improve our customer focus 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 sales 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, optimized logistics concept in the area of surgical ophthalmology, which we set up during the past financial year. As a result of acquisitions and expansions of capacities for the production of IOLs and the related consumables, there used to be several warehouses until 2010, but these did not always all 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 programme, 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

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%²¹ in 2011 and by 2.5%²¹ 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. As a result, GDP in the USA is expected to increase by 1.6%²¹, both in the current financial year and 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%²² in 2011 and by 0.4%²² 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.

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 predicts that GDP will increase by 2.9%²² in 2011 and by 0.8%²² 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%²³ in China's GDP this year and an increase of 8.3%²³ 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. India's GDP is expected to increase by 8.0%²³ this year and by 7.5%²³ next year.

In Japan, experts expect GDP to decline slightly this year, by 0.6%²³; in 2012, in spite of stagnating investments and no change in the level of private consumption, GDP is expected to increase by 2.0%²³. This is mainly attributable to the recovery in production following the natural disaster in 2011.

²¹ Cf. *ibid.*, p. 13

²² Cf. *ibid.*, p. 24

²³ Cf. *ibid.*, p. 13

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 are 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.

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, utilizes the benefits of high-precision femtosecond technology and lenticule extraction. This procedure enables physicians to operate with precision and minimal invasion. It requires around 80 % less of an incision area in the patient's upper cornea. Compared with previous methods of treatment, 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®.

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

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 a further step in this direction at the end of the past financial year with the agreement to acquire the distribution business of our longstanding Spanish distribution partner, IMEX, which was concluded 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, shall be on our geographical expansion to regions not yet addressed by us, such as Asia or Latin America.

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 one-time 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 of 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 sales as possible across our individual markets. At present, Carl Zeiss Meditec AG still generates the largest proportion of its sales in the “Europe, Middle East and Africa” region, followed by the “Asia/Pacific” region. In the past financial year the share of the Asia/Pacific region increased further. We see particularly promising business prospects in this region, because this region shall become even more important in the medium to long term, due to its economic development. Our growth here was once again in the high double-digit range in the past financial year, and we therefore plan to further expand our activities in this region in future in terms of the marketing, development, procurement and production of our products. We shall nevertheless maintain our focus on our traditionally strong position in the “Americas” selling region.

8.5 Future research & development

We are committed to remaining an innovation leader and also to continuously expanding this competency, by establishing ourselves in particular in new markets with new products developed especially 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 in the range of at least 10 % of sales. 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 in capacity expansion necessary to achieve the growth targets of the "Surgical Ophthalmology" SBU shall lead in the next financial year to a one-off increase in the current investment ratio.

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. This means we plan to distribute an appropriate dividend in future, too, depending on the financial and operative situation of the Company.

8.8 Future employee development

Our employees bring the necessary potential to be able to work innovatively and profitably in future, too, and are indispensable for the success of the Company. It is therefore very important to keep investing in the further development of our existing employees and to invest in new ones. We endeavour to continuously offer our employees further training opportunities and to gradually give them 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 totalling € 149.0 million as of 30 September 2011, of which a partial amount 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 programme, to achieve excellence and growth.

8.11 Overall assertion on future development

At the date of publication of this management report we believe that the outlook for Carl Zeiss Meditec is also 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 sales and earnings growth. The macroeconomic environment and the associated economic developments shall play an important role in this. Given the increasingly volatile markets and the resulting forecast uncertainty with regard to the further development of business, we shall monitor further developments closely so that we can 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 behaviour. 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 sales 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 in the medium term to at least 25%. This will also contribute to the aim of improving the Company's profitability.

From today's perspective, the management expects sales 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 market growth in the sector.

We aim to increase our EBIT profitability in future, without foregoing any major investments that may help us to sustainably secure our Company. We continue to adhere to our objective to sustainably increase the margin at Group level to 15% in the medium term until 2015. 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 Carl Zeiss Meditec 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 particularly important for ophthalmology, since the incidence of ophthalmic diseases is influenced significantly by the age of the 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.

Should there be any significant changes to the economic environment currently forecast, or to earnings, we shall publish this information in good time and specify our expectations in more detail.

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

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

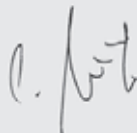
10 Declaration on corporate governance (pursuant to Section 289a HGB)

The declaration on corporate governance (pursuant to Section 289a 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 website at www.meditec.zeiss.com/ir.

Jena, 18 November 2011



Dr. Ludwin Monz
President and
Chief Executive Officer



Dr. Christian Müller
Member of the
Management Board



Thomas Simmerer
Member of the
Management Board

Income statement for financial years 2010/2011 and 2009/2010 (HGB)

(Figures in € '000)	Notes	Financial year 2010/2011		Financial year 2009/2010	
Sales	(22)	456,548		139,259	
Cost of sales		(262,946)		(89,876)	
Gross profit on sales		193,602		49,383	
Selling expenses		(79,804)		(22,071)	
General administrative expenses		(33,680)		(11,125)	
Research and development expenses less subsidies received		(60,206) 704	(59,502)	(15,971) 349	(15,622)
Other operating income	(25)	25,637		11,352	
Other operating expenses	(26)	(9,970)		(3,680)	
Income from investments	(27)	7,092		20,000	
Income from long-term loans	(27)	6,930		1,921	
Other interest and similar income	(27)	3,040		2,123	
Write-downs of financial assets and investments classified as current assets	(27)	(7)		–	
Interest and similar expenses	(27)	(3,718)		(8)	
Result from ordinary activities		49,620		32,273	
Extraordinary income		524			
Extraordinary expense		(1,105)			
Extraordinary result	(28)	(581)			
Taxes on income	(29)	(12,563)		(3,617)	
Net income for the year		36,476		28,656	
Retained profits brought forward		49,403		35,383	
Dividend		(44,720)		(14,636)	
Net retained profits		41,159		49,403	

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

Balance sheet as of 30 September 2011 and as of 30 September 2010 (HGB)

(Figures in € '000)	Notes	30 September 2011	30 September 2010
ASSETS			
Fixed assets	(8)		
Intangible assets			
Purchased concessions, industrial and similar rights and assets and licenses in such rights and assets		114,691	362
Goodwill		102,678	
		217,370	
Tangible assets			
Land, land right and buildings including buildings on third-party land		422	372
Technical equipment and machinery		3,017	27
Other equipment, operating and office equipment		6,133	2,187
Payments on account and assets under construction		1,952	–
		11,524	2,586
Financial assets			
Shares in affiliated companies		233,370	496,283
Loans to affiliated companies		113,919	92,023
Equity investments		2	–
Long-term investments		–	4,027
Other loans		–	168
		347,291	592,501
		576,184	595,449
Current assets			
Inventories			
	(9)		
Raw materials, consumables and supplies		31,218	11,504
Work in progress		10,111	4,418
Finished goods and merchandise		29,493	8,056
Payments on account of orders		336	11
Payments received on account of orders		-2,247	-2,008
		68,911	21,981
Receivables and other assets			
Trade receivables	(10)	22,774	4,978
Receivables from affiliated companies	(11)	86,878	29,562
Other assets	(12)	3,186	7,270
		112,838	41,810
Cash and cash equivalents			
	(13)		
Cash on hand		9	
Bank balances		149,000	157,007
		330,758	220,798
Prepaid expenses			
	(14)		
Discount (disagio)		53	
Other prepaid expenses		817	870
			32
Total Assets		907,812	816,279

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

Fixed asset movement schedule (gross presentation)

(Figures in € '000)	Cost of conversion/purchase							30 September 2011
	1 October 2010	Additions merger	Additions from remeasurement	Additions	Transfers (+/-)	Disposals	Disposals merger	
Intangible assets								
Purchased concessions, industrial and similar rights and assets and licenses in such rights and assets	1,352	7,070	125,771	280	35	–	–	134,508
Goodwill	–	–	110,012	–	–	–	–	110,012
	1,352	7,070	235,783	280	35	–	–	244,520
Tangible assets								
Land, land rights and buildings including buildings on third-party land	704	–	–	72	466	88	–	1,154
Technical equipment and machinery	219	8,975	–	132	(2,460)	41	–	6,825
Other equipment, operating and office equipment	10,516	9,856	–	2,396	2,466	1,273	–	23,961
Payments on account and assets under construction	–	523	–	1,936	(507)	–	–	1,952
	11,439	19,354	–	4,536	(35)	1,402	–	33,892
Financial assets								
Shares in affiliated companies	496,283	–	–	37,991	–	–	300,904	233,370
Loans to affiliated companies	92,023	22,181	–	7,715	–	8,000	–	113,919
Equity investments	–	58	–	–	–	49	–	9
	588,306	22,239	–	45,706	–	8,049	300,904	347,298
	601,097	48,663	235,783	50,522	–	9,451	300,904	625,710

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

(Figures in € '000)	Cumulative depreciation and amortization						Net book value		
	1 October 2010	Depreciation/ amortisation merge	Depreciation/ amortization financial year	Disposals	Write-ups	Transfers	30 September 2011	30 September 2011	1 October 2010
Intangible assets									
Purchased concessions, industrial and similar rights and assets and licenses in such rights and assets	990	3,988	14,809	–	–	30	19,817	114,691	362
Goodwill	–	–	7,334	–	–	–	7,334	102,678	–
	990	3,988	22,143	–	–	30	27,151	217,369	362
Tangible assets									
Land, land rights and buildings including buildings on third-party land	332	–	61	88	–	427	732	422	372
Technical equipment and machinery	192	4,726	620	40	–	(1,690)	3,808	3,017	27
Other equipment, operating and office equipment	8,329	6,635	2,358	727	–	1,233	17,828	6,133	2,187
Payments on account and assets under construction	–	–	–	–	–	–	–	1,952	–
	8,853	11,361	3,039	855	–	(30)	22,368	11,524	2,586
Financial assets									
Shares in affiliated companies	–	–	–	–	–	–	–	233,370	496,283
Loans to affiliated companies	–	–	–	–	–	–	–	113,919	92,023
Equity investments	–	–	7	–	–	–	7	2	–
	–	–	7	–	–	–	7	347,291	588,306
	9,843	15,349	25,189	855	–	–	49,526	576,184	591,254

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

Notes to the annual financial statements for financial year 2010/2011

General information and explanatory notes to the annual financial statements

(1) Description of operations

Carl Zeiss Meditec AG, Jena ("CZ Meditec" or the "Company") is engaged in the development, manufacture and marketing of products and systems as well as the rendering of services for diagnosis and treatment in the field of medical technology. The Company's registered office is located in Jena, Germany's traditional centre of excellence for optical and optical-related technologies. Further operating facilities are located in Oberkochen, Hennigsdorf and Munich. The Company has subsidiaries in, among others, the United States (100 % interest), Germany (100 % interest), France (100 % interest), Spain (100 % interest) and Japan (51 % interest). Together, these form the Carl Zeiss Meditec Group (the "Group").

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

(2) Foundation, stock exchange listing

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

On 10 November 1999, Aesculap-Meditec GmbH was transformed into a stock corporation and traded from this date under the name Asclepion-Meditec AG ("Asclepion"). The Company went public on 22 March 2000 and was listed on the *Neuer Markt* of the Frankfurt Stock Exchange.

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

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

(3) Explanatory notes on the merger dated 1 October 2010

Carl Zeiss Meditec AG conducted the merger of several subsidiaries in the past financial year, as the absorbing entity. Specifically, the merged companies are:

- Carl Zeiss Surgical GmbH, Oberkochen,
- *Acri.Tec GmbH, Hennigsdorf,
- Carl Zeiss Meditec Systems GmbH, Jena, and
- Carl Zeiss Medical Software GmbH, Munich.

Presentation of the incorporated companies

Carl Zeiss Meditec AG ("CZM"), Jena, is the parent company of the Carl Zeiss Meditec Group (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 Surgical GmbH, Oberkochen (“CZS”) specializes in the development, manufacture and marketing of medical devices and products, in particular visualization systems, products for surgical manipulation, accessories and related products, as well as services for such products.

***Acri.Tec GmbH**, Hennigsdorf (“AcriTec”) specializes in innovative implants (intraocular lenses, IOLs) and supplementary products (viscoelastic solutions and products for vitreoretinal surgery) for ophthalmic surgery.

Carl Zeiss Meditec Systems GmbH, Jena (“CZM Systems”) specializes in medical software solutions in the field of medical communication systems and markets a successful product under the name VISUPAC®, which enables ophthalmologists and ophthalmic clinics to centrally archive and manage diagnostic and treatment data.

Carl Zeiss Medical Software GmbH, Munich (“CZ Medical SW”) develops, manufactures and markets software in the field of medical technology and provides related services.

Presentation of the transaction

To prepare for the merger, CZM directly acquired the previously indirectly held investments in CZ Medical SW and AcriTec from Carl Zeiss Meditec Asset Management Verwaltungsgesellschaft mbH, Jena, another wholly owned subsidiary of CZM.

In a revaluation carried out by an independent expert, a fair value totaling € 37,991 thousand was calculated for both companies. This value was agreed as the purchase price.

Subsequently, the above companies, which are now, without exception, wholly owned subsidiaries of CZM, were merged with CZM.

The merger was entered in the commercial register on 1 June 2011.

Legal basis of the merger

The certified merger agreements between CZM and the participating subsidiaries form the legal basis of the merger by absorption in accordance with Sections 4 to 6 German Reorganization Act (UmwG).

Pursuant to Section 62 UmwG, the approval of CZM’s General Meeting was not necessary for the merger agreements to become effective.

Transfer of assets

As a result of the merger, the relevant subsidiaries transferred to CZM their entire assets, together with all rights and obligations, by dissolution without liquidation, pursuant to Section 2 No. 1 UmwG, by way of a merger by absorption. After the merger was first entered in the respective commercial register of the transferring entities and then in the commercial register of the absorbing entity CZM, the transferring entities CZS, AcriTec, CZM Systems and CZ Medical SW ceased to exist. CZM thus became their universal successor.

The merger was based on the balance sheet as of 1 October 2010 (closing balance sheet) of the respective transferring entity.

The assets of the transferring entity were assumed by way of an internal arrangement with effect from 1 October 2010 (merger date). From 1 October 2010, all actions and transactions of the transferring entities are thus deemed to be for the account of the absorbing entity. This means that all business transactions of CZS, AcriTec, CZM Systems and CZ Medical SW, from the period from 1 October 2010 up until the date the merger becomes effective through its entry in CZM's commercial register, are accordingly already recognized in CZM's annual financial statements as of 30 September 2011.

Consequently, the Company's data for financial year 2010/2011 and the data in the annual financial statements as of 30 September 2011 are only comparable to a limited extent with the previous year's figures.

Assuming that the presented merger had already been completed as of 1 October 2009, the following pro forma figures would apply (presentation of key items):

Table 1 (in € '000)

	2010/2011	Pro forma figures 2009/2010
Sales	456,548	373,633
Result from ordinary activities	49,620	27,346
Net interest income/loss	-678	1,767
	30 September 2011	Pro forma figures 1 October 2010
Inventories	68,911	56,435
Receivables and other assets	112,838	136,586
Provisions	60,096	66,549
Liabilities	46,500	82,201

These pro forma figures are for comparison purposes only and contain certain adjustments. The pro forma figures are not necessarily indicators of possible business development had the merger ensued at an earlier date. Above all, it should be noted that these values do not account for the actual short and medium-term effects. Nor do the figures necessarily reflect future developments.

Effects of the merger for the employees and their representatives

The merger agreements contain a presentation of the individual and collective legal implications of the merger in detail. The inclusion of a description of these implications in the merger agreements, with the exception of the merger agreement pertaining to CZM Systems, which had no employees, is based on the mandatory provisions of Section 5 (1) No. 9 UmwG.

General disclosures, accounting and valuation principles of the merger

Starting point

The starting point for the accounting presentation of the merger was the balance sheets as of 30 September 2010 prepared as part of the annual financial statements. During the audit of the annual financial statements as of 30 September 2010, the balance sheets of CZM, CZS and AcriTec were audited and issued with an unqualified audit certificate. The annual financial statements of CZ Medical SW and CZM Systems, which were not subject to audit, were not audited.

Effects of the German Act to Modernize the Accounting Law (BilMoG)

The BilMoG led to the amendment of numerous accounting and valuation principles. In this connection, both the consistency requirement pursuant to Section 252 (1) No. 6 HGB and the principle obligations on consistency of presentation pursuant to Section 265 (1) HGB, including the required explanation in the Notes pursuant to Section 284 (2) No. 3 HGB as per Section 67 (8) Introductory Act on the German Commercial Code (EGHGB) were suspended. CZM is applying the accounting and valuation principles of the HGB as amended by the BilMoG, in accordance with Section 66 (3) p. 1 EGHGB, for the first time in the financial year from 1 October 2010 to 30 September 2011. The carrying amounts are adjusted in accordance with the transitional requirements on 1 October 2010.

In a first step, all companies included in the merger have prepared transitional balance sheets based on the closing balance sheets as of 30 September 2010 for the purpose of adjusting the accounting to the provisions of the BilMoG, whereby options were uniformly applied for all companies. The transitional balance sheets then formed the basis for the accounting presentation in relation to Carl Zeiss Meditec AG.

Valuation option pursuant to Section 24 UmwG

From the perspective of the acquiring legal entity (CZM), the asset transfer as a result of the merger constitutes an acquisition. In return for the acquisition of the assets, the acquiring legal entity waives the shares in the transferring legal entity cancelled by the merger (merger without capital increase). The acquiring legal entity shall recognize the acquired assets in its annual financial statements and measure them at cost in accordance with Section 253 (1) sentence 1 HGB.

Pursuant to Section 24 UmwG, by way of derogation from Section 255 (1) HGB, the book values from the closing balance sheet of the transferring legal entity may also be recognized as costs (basis rollover).

The option granted under Section 24 UmwG shall be exercised during the preparation and adoption of the annual financial statements of the acquiring legal entity. This option was not utilized by CZM. Instead, all assets and liabilities to be acquired were remeasured. The Company commissioned an external expert for this remeasurement, who performed his function in accordance with the "Standard Principles for Performing Company Valuations" (IDW S 1) as promulgated by the German Institute for Auditing (IDW).

Remeasurement of fair values

The fair values of the assets and liabilities to be acquired, as calculated by the independent expert, were recognized based on the balance sheets after adjustments for the BilMoG provisions.

The asset-side difference totaling € 203.6 million, resulting from the fair value accounting, was initially distributed among the identified assets inventories (€ 7.3 million) and intangible assets (€ 125.7 million). The identified assets shall be written down over a period of 1 – 15 years. The remeasurement also resulted in deferred tax liabilities for the identified assets totaling € 39.4 million. The residual amount of € 110.0 million from the remeasurement shall be carried in CZM's balance sheet as goodwill, and shall be written down over a useful life of 15 years.

Merger balance sheet

In the accounting for the merger, the book value of the shares was offset against equity (after BilMoG adjustment). Any remaining difference was treated in the remeasurement as if hidden reserves or goodwill of the existing companies had been uncovered and appropriated to CZM's equity.

Effect on the consolidated financial statements

As the companies to be merged are already fully consolidated in the reporting of CZM's consolidated financial statements, there are no effects on the consolidated reporting.

Summary of expert report

As part of the remeasurement, the following intangible assets were revalued:

- customer relationships
- orders on hand
- technologies

Finished goods and work in progress were also remeasured. No adjustments were made to the other assets and liabilities, since the book value of these mainly corresponded to the fair value at the merger date.

At the merger date, there were no contingent liabilities or any other off-balance-sheet liabilities.

Customer relationships/orders on hand

Orders on hand and customer relationships were measured in accordance with the net present value method. The multi-period excess earnings method was used as the valuation model, taking the provisions of IDW S 5 (Valuation of Intangible Assets) into account.

The measurement according to the multi-period excess earnings method considers only the present values of the cash flows generated from the customer relationship or the order on hand. As the customer relationship or the order on hand only generates cash flows in conjunction with other tangible or intangible assets, the calculation of the relevant net cash inflows is based on fictitious cash outflows for these "supporting" assets. It was assumed that the "supporting" assets were "rented" or "leased" from a third party to the extent necessary to generate the cash flows.

In order to determine these fictitious user fees, wear and tear and an appropriate discount on the invested capital were taken into account, based in each case on the fair value of the “supporting” assets.

The calculation of an appropriate discount on the invested capital was based on the capital costs used to calculate the fair value of the “supporting” assets.

Corporation tax was deducted both from the net cash inflows, before deduction of the fictitious user fees, and from the fictitious user fees themselves. The remaining surplus was discounted at the asset-specific capitalization interest rate on the reference date.

A weighted tax rate was used to calculate the net cash inflows. In addition, a fictitious tax benefit from the deductible amortization was taken into account.

The remeasurement resulted in fair values of the customer relationships and orders on hand of € 95.9 million. The amortization periods of the customer relationships and the orders on hand range between one and 15 years.

Technologies

The relief-from-royalty method was applied for the measurement of technologies.

In accordance with the relief-from-royalty method, the value of the technologies was calculated as the net present value of saved licensing fees. The calculation determined the fictitious licensing fees that would be payable if the respective intangible asset were to be owned by a third party. The fictitious licensing fees were determined based on standard market licensing rates for similar assets. As a result, both existing licence agreements for similar technologies at Carl Zeiss Meditec AG itself, as well as licensing rates of external databases were used in the calculation.

The licensing rates calculated in this way are all based on sales. The licensing rate was therefore multiplied by the planned sales attributable to the technologies. The calculated fictitious licensing fees after tax were discounted at the asset-specific, weighted capitalization interest rate to the reference date. The value of the tax amortization benefit was added to this net present value.

The remeasurement resulted in fair values of the technologies of € 29.8 million. The amortization periods of the technologies range between two and 15 years.

Finished goods/work in progress

As part of the remeasurement, finished goods and work in progress were revalued. This valuation took into account the anticipated selling prices, as well as costs still to be incurred. Based on the prudence concept pursuant to the HGB, a discount for a standard market profit margin was taken into account.

The remeasurement resulted in fair values of the finished goods and work in progress that exceed the previous book values of the assets of € 7.3 million.

Goodwill

Goodwill shall be amortized over the planned, company-specific, estimated useful life.

Indicators for estimating the individual useful life can be found in the explanatory statement on the government draft of the BilMoG. A brief explanation of the points listed in the government draft is provided below.

- Stability and duration of the sector of the acquired companies:

Due to the growing proportion of elderly people in the industrialized countries and the stronger demand in the RDE, it can be assumed that the market for medical technology is continuously growing, as in the past. Based on current market studies, it can therefore be assumed that this is a stable market with long-term growth potential.

- General economic conditions of the acquired companies/scope of maintenance costs:

General economic conditions can be considered as positive throughout all four companies. This is evident, among other things, from the high equity ratios of the individual companies. The stability and the success of their operations continues to be based on their innovative strength. Research and development costs are therefore expected to increase in future.

- Anticipated activities of key employees or employee groups for the acquired companies, and other off-balance-sheet assets:

Employee fluctuation at CZS, AcriTec and CZ Medical SW has been low for many years. There were no indications that employee fluctuation might be higher in future. In addition, there are off-balance sheet assets with a useful economic life of 15 years; however, these do not meet the recognition requirements of the HGB and are therefore lost in goodwill.

- Life cycle of the products of the acquired companies/procurement markets:

Taking certain bandwidths into account, due to patent protection, among other things, the product life cycles of the product groups range between 10 and 20 years.

- Expected duration of the acquired companies and expected period of control of the acquired companies:

Due to the integration, even closer cooperation is expected in future between the merging companies CZS, AcriTec and CZ Medical SW and the other companies of CZM. A long-term investment by CZM is therefore assumed.

Taking the above-mentioned indicators into account, a term of 15 years was defined as the useful life of the goodwill for the companies CZS, AcriTec and CZ Medical SW.

Based on the present general economic conditions at CZM Systems and the available technologies in the company, the goodwill of CZM Systems is assumed to have a useful life of three years.

(4) Development of share capital and capital reserves in financial year 2010/2011

Authorized Capital I

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

Based on this resolution of the General Meeting on 12 April 2011 the Management Board is authorized, with the consent of the Supervisory Board, to exclude shareholders' subscription rights. The exclusion of shareholders' subscription rights is, however, only possible in the following cases:

- to balance out fractional amounts,
- if the capital increase is effected against cash contributions and the new shares account for no more than 10 % of the existing share capital, either on the date it becomes effective, or on the date this authorization is exercised, and the issuing price of the new shares is not significantly below the market price of the shares of the same type and structure already listed. Sales of own shares on the basis of other authorizations pursuant to Section 186 (3) sentence 4 AktG must be taken into account in the limitation to 10 % of the share capital,
- for capital increases against contributions in kind to grant shares for the purpose of acquiring companies, parts thereof or interests in a company.

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

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

Own shares

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

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.

In the past financial year 2010/2011, the Company made no use of this authorization.

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

The annual financial statements of Carl Zeiss Meditec for the financial year ending on 30 September 2011 have been prepared in € thousand – unless specified otherwise – in accordance with the provisions of the German Commercial Code (HGB) and the German Stock Corporation Act (AktG).

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

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

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

(6) Transition to the provisions of the German Act to Modernize the Accounting Law (BilMoG)

The accounting and valuation principles of the HGB pursuant to Section 66 (3) p. 1 EGHGB introduced with the BilMoG are applied for the first time in the annual financial statements as of 30 September 2011. The BilMoG led to the amendment of numerous accounting and valuation principles. In this connection, both the consistency requirement pursuant to Section 252 (1) No. 6 HGB and the principle obligations on consistency of presentation pursuant to Section 265 (1) HGB, including the required explanation in the Notes pursuant to Section 284 (2) No. 3 HGB as per Section 67 (8) Introductory Act on the German Commercial Code (EGHGB) were suspended. Transition options relating to the retention or continued use of the previous year's figures, may only be exercised within the scope of the transition. Likewise, it is only within the scope of the transition that amounts from the adjustment of the previous year's figures may – insofar as legally permissible – be recognized in equity through transfers to or offsetting against revenue reserves. Other expenses and income from the adjustment of the carrying amounts shall be recognized in income, carried in the extraordinary result and explained in the Notes in accordance with Section 277 (4) HGB.

The transition date is 1 October 2010. The previous year's amounts were not adjusted after utilization of the option pursuant to Section 67 (8) sentence 2 EGHGB. The following significant changes result for financial year 2010/2011:

- Pension provisions are measured using the interest rate calculated by the German Central Bank in accordance with a statutory regulation, based on the projected unit credit method. Pension commitments to employee and retirees are largely financed by a CTA (Contractual Trust Arrangement). The cover fund is offset against pension provisions. Due to the changed measurement of current pensions or entitlements to pension as of 1 October 2010, an appropriation to pension provisions is necessary. In accordance with the transition regulations, a sum of € 809 thousand was appropriated. This amount was recognized in the extraordinary result.
- Other partial retirement obligations are discounted using the interest rate specified by the German Central Bank. The negative impact on earnings resulting at the transition date is recognized as an extraordinary expense in the amount of € 7 thousand.
- Due to the change in measurement, a reversal of provisions for long service awards and archiving costs is necessary. In accordance with the transition regulations, a sum of € 52 thousand was transferred directly to revenue reserves.
- Foreign currency receivables and liabilities are measured using the average spot exchange rate as of the balance sheet date. The remeasurement at the transition date resulted in extraordinary income of € 306 thousand. In the case of a remaining term of more than one year, this shall continue to apply only if the conversion results in a lower amount, for receivables, or a higher amount, for liabilities.
- Deferred taxes are calculated, pursuant to Section 274 HGB, in accordance with the balance sheet method (temporary concept). Deferred tax assets are offset against deferred tax liabilities. After offsetting, the Company still has an overhang of deferred tax assets. The Company made use of the option to recognize deferred tax assets. Pursuant to Section 67 (6) sentence 1 EGHGB, expenses or income arising from the first-time application of Section 274 HGB following the BilMoG shall be offset against or transferred to revenue reserves. Accordingly, as a result of the first-time recognition of deferred tax assets, an amount of € 1,330 thousand was transferred to revenue reserves. Valuation adjustments at the transition date result in the recognition of deferred tax expenses in the extraordinary result amounting to € 71 thousand.

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

As a result of the first-time application of the provisions of the BilMoG, there is a break in the consistency of methods and presentation in the reporting year. Comparability with the previous year's figures is thus limited in this respect and with respect to the merger-related aspects described in section (3). The valuation adjustments associated with the transition of the annual financial statements to the provisions of the BilMoG are carried in the income statement as an extraordinary result or offset in the balance sheet under revenue reserves. Taking into account the above explanations of the effects of the first-time application of the provisions of the BilMoG, the same accounting and valuation principles are applied as in the previous year.

In the accounting for the merger, the book value of the shares was offset against equity (after BilMoG adjustment). Any remaining difference was treated in the remeasurement as if hidden reserves or goodwill of the existing companies had been uncovered and appropriated to CZM's equity.

Fixed assets***Intangible assets***

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

The goodwill arising from the merger transactions on 1 October 2010 is amortized in accordance with the expected useful life. This amounts to more than five years, if the assets are expected to make a positive contribution to earnings over a longer period.

Taking the indicators listed under (3) into consideration, a term of 15 years was defined as the useful life of the goodwill for the companies CZS, AcriTec and CZ Medical SW.

As of 30 September 2011, no use had been made of the option to capitalize development costs.

Tangible assets

Tangible assets are carried at cost less scheduled depreciation.

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

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

Financial assets

Shares in affiliated companies, loans to affiliated companies, long-term investments and other loans are shown at cost. Appropriate valuation allowances are made for potential risks and impairment of financial assets. The cover fund to finance deferred compensation plans, carried under financial assets in the previous year, is offset against these plans. For more details on the item "Provisions for pensions and similar obligations" see section (17) Provisions.

Current assets

Inventories

Raw materials, consumables and supplies are carried at the lower of cost or market.

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

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

Receivables and other assets

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

Receivables due after more than one year are discounted.

Equity

Subscribed capital

As of 30 September 2011, the share capital comprises 81,309,610 no-par value bearer shares, each with a theoretical value of € 1.00. This is stated at the nominal amount.

Provisions and liabilities

Provisions

Pension provisions are calculated based on future wage/salary and pension trends in accordance with the projected unit credit method. The calculation of the present values of the pension obligations is based on the average market discount rate for an assumed period of 15 years. The obligations are measured using Dr. Klaus Heubeck's 2005 G mortality tables.

The measurement as of 30 September 2011 is based on the following accounting principles:

- discount rate pursuant to the German Regulation on the Discounting of Provisions
 (*Rückstellungsabzinsungsverordnung*): 5.13 % p. a.
- pension growth: 2.00 % p. a.
- salary growth: 3.00 % p. a.
- fluctuation factor: 2.00 % p. a.

The Company contracted out part of the funding of pension obligations. This outsourcing is based on the model of a contractual trust arrangement (CTA). For the first time, in September 2006, Carl Zeiss Meditec AG had transferred an amount of cash to a trustee equivalent to the pension provisions for the entitled group of employees. These funds are to be managed by the trustee, giving appropriate consideration to

yield potential and maintenance of assets, and may only be used in future to fulfil the respective pension obligations. Thus the pension obligations are primarily covered by external plan assets and are separate from the Company's other operating assets. Access to the assets by the employer or other third parties is generally excluded. In the event of the Company becoming insolvent, employees shall have a direct claim against the pension fund.

Contrary to the previous year, the interest portion of the discounting of pension provisions, amounting to € 2,199 thousand, is no longer carried under the item "Personnel expenses" but, rather, under the item "Interest expenses". The expense arising from the plan assets, in the amount of € 568 thousand (net value of expense of € 860 thousand and income of € 292 thousand) shall accordingly be combined with the expense from the discounting of the pension obligation and recognized in the amount of € 2,767 thousand under the item "Interest and similar expenses".

The provision for deferred compensation plans (postponed remuneration) corresponds to the asset values of the reinsurance policy determined according to actuarial principles.

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

Liabilities

Liabilities are stated at their respective amounts payable.

Foreign currency translation

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

Deferred taxes

Deferred taxes are calculated, pursuant to Section 274 HGB, in accordance with the balance sheet method (temporary concept). Deferred tax assets are offset against deferred tax liabilities. After offsetting, the Company still has an overhang of deferred tax liabilities. Deferred taxes are measured based on the company-specific tax rate (as of 30 September 2011: 29.13%).

Deferred taxes relate to the balance sheet items listed below:

Table 2

	30 September 2011 Deferred tax assets	30 September 2011 Deferred tax liabilities
Intangible assets		x
Tangible assets		x
Measurement financial assets	x	
Measurement receivables		x
Measurement cover fund	x	
Measurement pension provisions	x	
Measurement other provisions	x	
Measurement liabilities	x	
Outside basis difference		x

At the balance sheet date, the resulting amount in accordance with Section 268 (8) HGB is € 248 thousand, which is fully covered by free reserves.

The dividend payout restriction is due to the following circumstance:

Capitalization of assets (cover fund) at fair value: € 248 thousand

Derivative financial instruments

As a company with global operations, Carl Zeiss Meditec is exposed to the effects of exchange rate fluctuations and enters into currency forward contracts to hedge against its currency risks based on planned transactions in foreign currencies as hedges for peaks of receivables and liabilities. The aim of currency hedging is to fix prices on the basis of hedging rates, to protect against future unfavorable exchange rate fluctuations. These contracts have a term of up to one year. The fair value of currency forward contracts is calculated based on the average spot exchange rate at the balance sheet date, adjusted for forward premiums and discounts for the respective residual term of the contract, compared with the contracted forward exchange rate. The nominal value of the Company's currency forward contracts as of 30 September 2011 is composed of € 19,980 thousand in receivables and € 73,105 thousand in liabilities. The fair value of the currency forward contracts as of 30 September 2011 was composed of € 315 thousand in receivables and € 3,639 thousand in liabilities, for which a provision for contingent losses to the same amount was set up.

Notes to individual items in the balance sheet

(8) Fixed assets

The development of individual fixed assets in financial year 2010/2011 can be seen in the Annex to these Notes.

The addition to intangible assets results from the merger and the associated capitalization of goodwill, customer relationships, orders on hand and technology. This item also includes additions arising from the purchase of rights/patents and computer software.

Investments in tangible assets in the financial year relate in particular to the transfer of service and study equipment to fixed assets, tools, production and test facilities, and office furniture.

The cover fund to finance deferred compensation plans, carried in the previous year under financial assets, is offset against these plans; this is explained in more detail in section (17) Provisions under "Provisions for pensions and similar obligations".

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

The addition to loans to affiliated companies from the merger relates in particular to the annuity loan of a Group company with a term of 18 years, in the amount of € 22,181 thousand. In financial year 2010/2011, this loan was written up by € 215 thousand.

Other asset items

(9) Inventories

Inventories (€ 68,911 thousand, previous year € 21,981 thousand) include cumulated valuation allowances of € 14,872 thousand (previous year: € 3,954 thousand).

(10) Trade receivables

At the balance sheet date, trade receivables amount to € 22,774 thousand (previous year: € 4,978 thousand), taking accumulated specific and global valuation allowances totaling € 2,900 thousand into account (previous year: € 3,201 thousand). Discounted trade receivables amounting to € 166 thousand (previous year: € 236 thousand) are due in more than one year.

(11) Receivables from/liabilities to affiliated companies

The reported amounts result from trade receivables (€ 58,962 thousand; previous year: € 19,923 thousand), receivables from the Group treasury of the Carl Zeiss Group in the amount of € 2,175 thousand (previous year: € 1,406 thousand), as well as other receivables (€ 25,741 thousand; previous year: € 8,233 thousand), which include a short-term Group loan granted in the amount of € 14,000 thousand (previous year: € 3,000 thousand). This item also includes receivables due in more than one year amounting to € 141 thousand (previous year: € 541 thousand).

Receivables from shareholders amount to € 5,892 thousand (previous year: € 2,762 thousand).

Liabilities to affiliated companies consist of € 17,238 thousand (previous year: € 5,817 thousand) in trade payables, and € 1,059 thousand (previous year: € 501 thousand) in other liabilities.

Liabilities to shareholders amount to € 3,030 thousand (previous year: € 781 thousand).

(12) Other assets

Other assets amount to € 3,186 thousand as of the balance sheet date (previous year: € 7,270 thousand). These include accrued income from generated interest income of € 1,163 thousand, corporation tax receivables (€ 704 thousand) and trade tax (€ 810 thousand) and receivables for subsidized development projects (€ 258 thousand), which do not legally accrue until after the balance sheet date.

(13) Cash and cash equivalents

Cash and cash equivalents include cash-in-hand and bank balances, as well as short-term financial investments at banks deposited via the Group treasury of the Carl Zeiss Group and pledged with Carl Zeiss Meditec AG amounting to € 39,000 thousand (previous year: € 157,000 thousand). There is also another fixed-term deposit of € 110,000 thousand, which is also carried under cash and cash equivalents.

(14) Prepaid expenses

For the most part these consist of prepaid purchase invoices.

The item includes a discount (disagio) of € 53 thousand.

(15) Equity

Subscribed capital

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

Capital reserve

As of 30 September 2011, capital reserves still amounted to € 646,454 thousand.

Other revenue reserves

Within the scope of the first-time application of the provisions of the BilMoG, an amount of € 1,330 thousand arising from deferred taxes and a total of € 52 thousand from the reversal of provisions as part of the valuation adjustment were transferred to this item at the transition date.

Net retained profits

Based on Carl Zeiss Meditec AG's net income for the year of € 36,476 thousand, and taking into consideration the profit carryforward of € 4,683 thousand remaining as of 30 September 2011, after distribution of the dividend of € 44,720 thousand, net retained profits amount to € 41,159 thousand (previous year: € 49,403 thousand). There is a dividend payout restriction of € 248 thousand.

(16) Special reserve for investment subsidies

The special reserve for investment subsidies contains investment grants carried as liabilities in the amount of € 138 thousand.

(17) Provisions

Provisions for pensions and similar obligations

Pension provisions are calculated based on future wage/salary and pension trends in accordance with the projected unit credit method. The calculation of the present values of the pension obligations is based on the average market discount rate for an assumed period of 15 years. The obligations are measured using Dr. Klaus Heubeck's 2005 G mortality tables. The actuarial report for the assessment of pension obligations as of 30 September 2011 was prepared by Tower Watson Deutschland GmbH, Wiesbaden. In the course of the transition to BilMoG the obligations were offset against the attributable plan assets from the CTA. The gross amount of the provision is € 30,939 thousand (previous year: € 5,390 thousand), the fair value at which the provision was offset € 30,794 thousand and the book value as of 30 September 2011 € 30,444 thousand. Due to the recognition of the minimum pension provisions of € 145 thousand in the balance sheet, which results after offsetting, there remains an off-balance-sheet provision of € 9,962 thousand, which is to be accumulated by no later than 31 December 2024.

The item also includes a provision for deferred compensation plans (postponed remuneration) in the amount of € 1,534 thousand (previous year: € 448 thousand), and this is offset against the receivables in the same amount from Gerling Lebensversicherung AG and DBV-Winterthur Lebensversicherung AG.

Other provisions

These provisions were set up in particular for:

- warranties (€ 15,356 thousand, previous year: € 4,679 thousand)
- outstanding invoices (€ 14,587 thousand, previous year € 2,575 thousand)
- other provisions relating to personnel (€ 12,220 thousand, previous year: € 4,381 thousand)
- currency forward contracts (€ 3,639 thousand, previous year: € 886 thousand)
- special payments to employees (€ 2,537 thousand, previous year: € 4,030 thousand)
- litigation risks (€ 2,448 thousand, previous year: € 1,640 thousand)

(18) Liabilities

Liabilities of Carl Zeiss Meditec AG relate to unsecured liabilities due in less than one year amounting to € 46,500 thousand (previous year: € 11,964). The amount of € 51 thousand (previous year: € 12) is due in more than one year.

Trade payables

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

Other liabilities

In addition to a subordinated mezzanine loan (€ 6,000 thousand), other liabilities include import sales tax payable (€ 1,200 thousand, previous year: € 343 thousand), as well as liabilities from withheld wage and church tax (€ 1,104 thousand, previous year: € 331 thousand).

Table 3: Maturity structure of liabilities (in € '000)

	30 September 2011		30 September 2010	
	Total	thereof due within one year	Total	thereof due within one year
Trade payables	19,481	19,481	4,602	4,602
Liabilities to affiliated companies	18,297	18,297	6,318	6,318
Other liabilities including liabilities to other investees and investors	8,722	2,671	1,044	1,032
<i>thereof taxes</i>	1,104	1,104	674	674
<i>thereof social security</i>	114	63	–	–

(19) Deferred income

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

(20) Deferred tax liabilities

Deferred tax liabilities amount to € 28,976 thousand.

(21) Contingent liabilities and other financial commitments**Contingent liabilities**

At the balance sheet date there were limited guarantees with a total value of € 27,788 thousand (previous year: € 11,484 thousand); thereof in favor of affiliated companies € 5,985 thousand (previous year: € 11,484 thousand).

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

Off-balance-sheet transactions/Other financial commitments

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

Rental agreements give rise to the following financial commitments:

Table 4 (in € '000)

	30 September 2011
due 2011/2012	4,031
– thereof to affiliated companies	2,129
due 2012/2013 to 2015/2016	7,594
– thereof to affiliated companies	2,073
due after 2015/2016	5,395
– thereof to affiliated companies	–

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

The following financial commitments exist due to leases:

Table 5 (in € '000)

	30 September 2011
due 2011/2012	1,056
– thereof to affiliated companies	560
due 2012/2013 to 2015/2016	2,507
– thereof to affiliated companies	2,177
due after 2015/2016	1,753
– thereof to affiliated companies	1,753

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

Purchase commitment

The purchase commitment for investments gives rise to financial commitments of € 2,377 thousand (previous year: € 77 thousand).

Disclosures on individual items in the income statement

(22) Sales

Table 6: Sales by region (in € '000)

	2010/2011	2009/2010
Germany	44,014	12,249
Europe, Middle East and Africa	166,103	63,075
Asia/Pacific region	141,396	37,717
Americas	105,035	26,218
Total	456,548	139,259

Table 7: Sales by SBU (in € '000)

	2010/2011	2009/2010
Ophthalmic Systems	155,351	138,535
Surgical Ophthalmology	59,993	724
Microsurgery	241,204	–
Total	456,548	139,259

(23) Cost of materials

Table 8 (in € '000)

	2010/2011	2009/2010
a) Cost of raw materials, consumables and supplies, and of purchased merchandise	231,036	79,056
b) Cost of purchased services	2,370	2,716
Total	233,406	81,772

(24) Personnel expenses

Table 9 (in € '000)

	2010/2011	2009/2010
a) Wages and salaries	62,710	23,906
b) Social security and other pension costs	12,401	5,105
– of which in respect of old-age pensions	3,415	1,837
Total	75,111	29,011

(25) Other operating income

The other operating income of € 25.637 thousand (previous year: € 11,352 thousand) mainly consists of prior-period income from the reversal of provisions (€ 9,990 thousand), income from foreign currency translation (€ 8,986 thousand), on-charging to Group companies (€ 5,966 thousand), and accounting profits on asset disposals (€ 132 thousand).

(26) Other operating expenses

This item includes costs of foreign currency translation amounting to € 9,970 thousand (previous year: € 3,680 thousand).

(27) Financial result

Table 10 (in € '000)

	2010/2011	2009/2010
Income from investments	7,092	20,000
– thereof from affiliated companies	7,092	20,000
Income from investments and long-term loans	6,930	1,921
– thereof from affiliated companies	6,930	1,921
Other interest and similar income	3,040	2,123
– thereof from affiliated companies	1,325	2,123
Depreciation of financial assets and securities held as current assets	-7	–
Other interest and similar expenses	-3,718	-8
– thereof from affiliated companies	-16	-6
– thereof from interest cost	-292	–
– thereof from pension provisions	-2,767	–
Total	13,337	24,036

(28) Extraordinary result

The extraordinary result exclusively reflects the effects of the first-time application of the provisions of the German Act to Modernize the Accounting Law (*Bilanzrechtsmodernisierungsgesetz*, BilMoG) at the date of transition. These comprise the following:

Table 11 (in € '000)

	2010/2011	
Extraordinary income		
Income from the remeasurement of foreign currency receivables and liabilities	306	
Deferred taxes	218	524
Extraordinary expenses		
Adjustment of pension provisions	-809	
Deferred taxes	-289	
Expenses from the valuation adjustment of other provisions	-7	-1,105
Recognition of extraordinary result		-581

In the previous year, the extraordinary result amounted to € 0 thousand.

(29) Taxes on income

This item contains deferred taxes amounting to € 4.552 thousand.

(30) Auditor's fees

Table 12 (in € '000)

	2010/2011	2009/2010
a) Auditing of financial statements (annual financial statements)	166	84
b) Auditing of financial statements (consolidated statements)	84	63
b) Other auditing services	75	9
d) Tax consultancy services	-	-
e) Other services	-	8
Total	325	164

(31) Other disclosures

Disclosures on the existence of an equity interest in the Company

Since September 2003 Carl Zeiss AG has held a direct and indirect majority interest in the Company's voting capital below the threshold of 75 % pursuant to Section 21 (1) German Securities Trading Act (WpHG).

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

Carl Zeiss AG, Oberkochen, Germany informed the Company on 27 October 2006 that the share of the voting rights held by its subsidiary Carl Zeiss Beteiligungs-GmbH, Oberkochen, Germany in Carl Zeiss Meditec AG fell below the threshold of 10 % on 27 October 2006 and amounts to 7.47 % (6,074,256 ordinary shares) from this date. All these voting rights are allocated pursuant to Section 22 (1) Sentence 1 No. 1 WpHG.

The voting rights disclosures from 4 May 2009 relate to a correction of the publications dated 25 May 2007 and 18 December 2007 regarding the allocation of voting rights. The announcement had no effect on the decline in voting rights to below the reporting threshold.

Pursuant to Section 21 (1) WpHG, Legg Mason Global Asset Management, London, United Kingdom informed Carl Zeiss Meditec AG, Jena, Germany, on 27 May 2011, that the share of the voting rights held by Legg Mason, Inc, Baltimore, Maryland, USA in Carl Zeiss Meditec AG rose above the threshold of 3 % on 27 May 2011. The percentage of voting rights amounted to 3.0052 % (corresponding to 2,443,504 voting rights) on this date. These voting rights are allocated to Legg Mason Inc., pursuant to Section 22 (1) sentence 1 No. 6 sentence 2 WpHG.

Pursuant to Section 21 (1) WpHG, Legg Mason Global Asset Management, London, United Kingdom informed Carl Zeiss Meditec AG, Jena, Germany, on 31 May 2011, that the share of the voting rights held by Royce & Associates, LLC, New York, NY, USA in Carl Zeiss Meditec AG rose above the threshold of 3 % on 30 May 2011. The percentage of voting rights amounted to 3.0421 % (corresponding to 2,473,500 voting rights) on this date. These voting rights are allocated to Royce & Associates, LLC, pursuant to Section 22 (1) sentence 1 No. 6 WpHG.

Pursuant to Section 21 (1) WpHG, Legg Mason Global Asset Management, London, United Kingdom informed Carl Zeiss Meditec AG, Jena, Germany, on 24 June 2011, that the share of the voting rights held by The Royce Fund, Wilmington, Delaware, USA in Carl Zeiss Meditec AG rose above the threshold of 3 % on 22 June 2011. The percentage of voting rights amounted to 3.0022 % (corresponding to 2,441,117 voting rights) on this date.

Pursuant to Section 21 (1) and Section 24 WpHG, Massachusetts Mutual Life Insurance Company, 1295 State Street, Springfield, Massachusetts, USA-01111-0001, informed the Company of the following on 7 July 2011:

On 5 July 2011, Oppenheimer Funds Inc., 6803 S. Tuscon Way, Centennial, CO, USA-80112-3924, exceeded the threshold of 3 % of the voting rights in Carl Zeiss Meditec AG, Jena (ISIN DE0005313704, WKN: 5313704). As of 5 July 2011, the share of the voting rights amounted to 2,500,000 shares, or 3.07 %, which are allocated to Oppenheimer Funds Inc. pursuant to Section 22 (1) p. 1 No. 6 WpHG.

On 5 July 2011, Oppenheimer Acquisition Corp., 6803 S. Tuscon Way, Centennial, CO, USA 80112-3924 exceeded the threshold of 3 % of the voting rights in Carl Zeiss Meditec AG, Jena (ISIN DE0005313704, WKN: 5313704). As of 5 July 2011, the share of the voting rights amounted to 2,500,000 shares, or 3.07 %, and are allocated to Oppenheimer Acquisition Corp. pursuant to Section 22 (1) p. 1 No. 6, p. 2 WpHG.

On 5 July 2011, MassMutual Holding LLC, 1295 State Street, USA-01111-0001 Springfield, Massachusetts, exceeded the threshold of 3 % of the voting rights in Carl Zeiss Meditec AG, Jena (ISIN DE0005313704, WKN: 5313704). As of 5 July 2011, the share of the voting rights amounted to 2,500,000 shares, or 3.07 %, and are allocated to MassMutual Holding LLC pursuant to Section 22 (1) p. 1 No. 6, p. 2 WpHG.

On 5 July 2011, Massachusetts Mutual Life Insurance Company, 1295 State Street, Springfield, Massachusetts, USA-01111-0001, exceeded the threshold of 3 % of the voting rights in Carl Zeiss Meditec AG, Jena (ISIN DE0005313704, WKN: 5313704). As of 5 July 2011, the share of the voting rights amounted to 2,500,000 shares, or 3.07 %, and are allocated to Massachusetts Mutual Life Insurance Company pursuant to Section 22 (1) p. 1 No. 6, p. 2 WpHG.

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

(32) Information on shareholdings

Composition and development

Table 13

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

¹ The figures show the values calculated according to the respective national accounting standards.

² Information on shareholdings according to the last available financial statements dated 30 November 2010.

(33) Information on employees**Number of employees**

On average, the Company had a total of 927 employees in financial year 2010/2011 (previous year: 333 employees), plus 14 trainees (previous year: 16 trainees). This number does not include the members of the Management Board of Carl Zeiss Meditec AG.

The following table shows the average annual distribution of employees over the various areas of activity:

Table 14

	Number
Production	324
Sales and Service	251
Administration and Quality Management	125
Research and Development	227
Total	927

As of the balance sheet date 30 September 2011, the number of employees on the payroll stood at 969, plus 14 trainees and three members of the Management Board directly employed by Carl Zeiss Meditec AG.

(34) Information on the Company's executive bodies

Management Board

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

Table 15

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
<p>Dr. Ludwin Monz</p> <p>Chairman</p> <p>Physics graduate, MBA</p> <p>Area of responsibility: SBU "Ophthalmic Systems", "Microsurgery", strategic business development, Group function (Human Resources, Corporate Communications, Quality)</p> <p>Year of first appointment 2007</p>	<ul style="list-style-type: none"> • Chairman of the Board of Directors of Carl Zeiss Meditec, Inc., Dublin, USA • Member of the Supervisory Board of Carl Zeiss Microlmaging GmbH, Jena, Germany (until 29 September 2011) • Member of the Board of Directors of Carl Zeiss Meditec Co. Ltd., Tokyo, Japan 	
<p>Thomas Simmerer</p> <p>Dipl.-Ing. (graduate engineer)</p> <p>Area of responsibility: Sales, Service</p> <p>Member of the Management Board since 1 April 2011</p>	<ul style="list-style-type: none"> • Member 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 Microlmaging GmbH, Jena, Germany (since 10 May 2011 until 9 September 2011) 	
<p>Dr. Christian Müller</p> <p>Dipl.-Kaufmann (MBA)</p> <p>Area of responsibility: "Surgical Ophthalmology" SBU, Group function Finance and Controlling, Investor Relations, IT, Legal Affairs, Taxes</p> <p>Year of first appointment 2009</p>	<ul style="list-style-type: none"> • 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) 	

Table 15

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	<ul style="list-style-type: none"> • 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) • Member of the Board of Directors of Carl Zeiss Meditec Iberia S.A., Tres Cantos, Spain (since 19 July 2011) • Member of the Supervisory Board of Carl Zeiss Microlmaging 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) 	

Remuneration paid to the active members of the Management Board in financial year 2010/2011

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 Company's Management Board amounted to € 374 thousand (previous year: € 283 thousand).

Supervisory Board

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

Table 16

Member of the Supervisory Board	Membership of statutory supervisory boards and similar supervisory bodies at companies of the	Membership of statutory supervisory boards and similar supervisory bodies at other companies
Dr. Michael Kaschke Chairman	<ul style="list-style-type: none"> Chairman of the Supervisory Board of Carl Zeiss Microlmaging GmbH, Jena, Germany Chairman of the Board of Directors of Carl Zeiss Microlmaging Inc., Thornwood, USA (until 30 November 2010) Chairman of the Board of Directors of Carl Zeiss Co., Ltd., Tokyo, Japan 	<ul style="list-style-type: none"> Member of the Supervisory Board of Henkel AG & Co. KGaA, Düsseldorf, Germany
Chairman of the Management Board of Carl Zeiss AG, Oberkochen, Germany	<ul style="list-style-type: none"> Chairman of the Board of Directors of Carl Zeiss Pte. Ltd., Singapore, Singapore Member of the Board of Directors of Carl Zeiss India (Bangalore) Pte. Ltd., Bangalore, India 	<ul style="list-style-type: none"> Member of the Supervisory Board of Siltronic AG, Munich, Germany (until 4 March 2011)
Member of the Supervisory Board since 2002 Suspended mandate pursuant to Section 105 AktG between 22 July 2008 and 21 July 2009. Member of the Supervisory Board since 4 March 2010	<ul style="list-style-type: none"> 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) 	
Dr. Markus Guthoff Deputy Chairman	<ul style="list-style-type: none"> none 	<ul style="list-style-type: none"> none
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		
Thomas Spitzenfeil Member of the Management Board of Carl Zeiss AG, Oberkochen, Germany	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Member of the Supervisory Board of Austria Metall Aktiengesellschaft, Ranshofen, Austria
Member of the Supervisory Board since 12 April 2011	<ul style="list-style-type: none"> 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 	

Table 16

Member of the 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
<p>Dr. Wolfgang Reim</p> <p>Independent MedTech consultant</p> <p>Member of the Supervisory Board since 2007</p>	<ul style="list-style-type: none"> • none 	<ul style="list-style-type: 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, Künsnacht/ Zurich, Switzerland • Member of the Board of Directors of ESAOTE S.p.A., Genova, Italy • Chairman of the Board of Directors of Elekta AB, Stockholm, Sweden (since September 2011)
<p>Dr. Dieter Kurz</p> <p>Chairman of the Management Board of Carl Zeiss AG, Oberkochen, Germany, until 31 December 2010</p> <p>Member of the Supervisory Board from 2006 until 12 April 2011</p>	<ul style="list-style-type: none"> • 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) • Member of the internal Advisory Board of Carl Zeiss GmbH, Vienna, Austria (until 31 December 2010) • Member of 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) 	<ul style="list-style-type: none"> • Member of the Supervisory Board of Ravensburger AG, Ravensburg, Germany • Member of the shareholders' committee of Freudenberg & Co. KG, Weinheim, Germany
<p>Wilhelm Burmeister</p> <p>Group Manager Manufacturing Control</p> <p>Member of the Supervisory Board from 2004 until 11 October 2011</p>	<ul style="list-style-type: none"> • none 	<ul style="list-style-type: none"> • none

Table 16

Member of the 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
<p>Franz-Jörg Stündel</p> <p>Service engineer and member of the Works Council of Carl Zeiss Meditec AG, Jena, Germany</p> <p>Member of the Supervisory Board from 2002 until 11 October 2011</p>	<p>• none</p>	<p>• none</p>
<p>Cornelia Grandy</p> <p>Service engineer and deputy chairwoman of the Works Council of Carl Zeiss Meditec AG, Jena, Germany</p> <p>Member of the Supervisory Board since 11 October 2011</p>	<p>• none</p>	<p>• none</p>
<p>Jörg Heinrich</p> <p>Product Manager and member of the Works Council of Carl Zeiss Meditec AG, Jena, Germany</p> <p>Member of the Supervisory Board since 11 October 2011</p>	<p>• none</p>	<p>• none</p>

Committees of the Supervisory Board

Table 17

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

Remuneration of the active members of the Supervisory Board in financial year 2010/2011

The remuneration of the active members of the Supervisory Board amounted to € 338 thousand for financial year 2010/2011 (previous year: € 317 thousand). The itemized breakdown of the remuneration paid to the Supervisory Board can be found in the management report accompanying the annual financial statements 2010/2011.

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.

(35) German Corporate Governance Code/Declaration pursuant to Section 161 AktG

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

(36) Appropriation of profits for financial year 2010/2011

Financial year 2010/2011 closes with net income for the year of € 36,476,148.18. The Management Board proposes appropriating the net retained profits of € 41,159,553.64 for financial year 2010/2011 as follows:

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

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 264 (2) Sentence 3 HGB and Section 289 (1) Sentence 5 HGB

To the best of our knowledge, and in accordance with the applicable reporting principles, the annual financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of Carl Zeiss Meditec AG, and the management report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal opportunities and risks associated with the expected development of Carl Zeiss Meditec AG.

Jena, 18 November 2011



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 annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of Carl Zeiss Meditec AG, Jena, Germany, for the financial year from 1 October 2010 to 30 September 2011. The accounting and preparation of the annual financial statements and management report in accordance with German commercial provisions are the responsibility of the Management Board of the company. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with 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 annual financial statements in accordance with the principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall presentation of the annual financial statements and 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 findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.”

Jena, 18 November 2011

KPMG Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Strom
Wirtschaftsprüfer

Pülmanns
Wirtschaftsprüfer

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